

Bachus on passage of subprime reform legislation

November 15, 2007

Today House Financial Services Committee Ranking Member Spencer Bachus cosponsored and voted for bipartisan legislation to combat predatory lending practices. H.R. 3915, The "Mortgage Reform and Anti-Predatory Lending Act of 2007," passed the House by a bipartisan vote.

"Chairman Frank and I worked closely together to reach consensus on subprime lending reform," stated Ranking Member Bachus. "Our efforts resulted in a bill that will achieve two very important goals: implementing reforms that will help protect consumers from predatory lending practices, and preserving working Americans' access to consumer credit."

While the large majority of subprime borrowers continue to make their payments, upwards of 20 percent are now in default or delinquency, or entering foreclosure. "Many believe that faulty mortgage lending practices have precipitated the recent credit crisis, and that the situation will get worse before it gets better," stated Rep. Bachus. "For this reason, I believe a legislative remedy is not only appropriate, but our duty as members of Congress."

As a result of bipartisan negotiations, H.R. 3915 was amended during the Committee markup in order to address concerns raised by Republicans. As a result, the final version of the bill contains a number of important provisions, including:

- Licensing and regulation provisions that will target the abusive practices which brought in this crisis and encourage greater professionalism and accountability within the industry. These provisions are modeled after language included in H.R. 3012, a Republican subprime lending bill introduced by Rep. Bachus and other Committee Republicans in July.

- Provisions to improve the integrity of the appraisal process, and require that subprime mortgages have escrow accounts for taxes and insurance at the time the loan is consummated. These provisions are also similar to proposals included in the Bachus bill.

- A requirement that mortgage originators determine if a borrower has a reasonable ability to repay a loan before extending credit. This common-sense standard will discourage lenders from making bad loans without reducing the availability of mortgages to creditworthy borrowers.

- Safeguards that will help prevent litigation abuse. The amended bill restricts the availability of damages, reduces the duration of statutes of limitations, and expressly prohibits class action lawsuits.

- A proposal originally authored by Rep. Judy Biggert (R-IL), Ranking Member of the Financial Institutions Subcommittee, to improve housing counseling for consumers.

"H.R. 3915 is not a perfect bill - no bill ever is - but it has been improved significantly thanks to a bipartisan process," stated Rep. Bachus. "It reflects input from Republicans, Democrats, industry groups and consumer groups alike."

"When faced with serious issues like this one, Congress has both the privilege and the responsibility of rising above partisanship and acting in the public's interest," stated Rep. Bachus. "With H. R. 3915, I believe we have done just that."