

Opening Statement by Ranking Member Spencer Bachus, Hearing Entitled, "Oversight of the Department of Housing and Urban Development"

March 11, 2008

Thank you, Mr. Chairman, for convening this oversight hearing on the Department of Housing and Urban Development.

Let me begin by welcoming Secretary Jackson back to the Committee. Mr. Secretary, I look forward to hearing your assessment of the state of America's housing markets and the role that HUD, and particularly the Federal Housing Administration (FHA), can play in helping to stabilize those markets during the current downturn. You have been a forceful advocate for legislation to modernize the FHA, and I know that you share my view that it is long past time for this Congress to get a bill to the President's desk that will allow FHA to assist more Americans seeking to buy a home or refinance an existing mortgage.

In recent years, the housing market has fueled this nation's economy as Americans bought and refinanced homes in record numbers. Now, nearly 70 percent of American families own their own homes. But recently, we have seen a growing inventory of unsold properties that has resulted in falling home prices. A sharp rise in the number of foreclosures has caused investors to reassess the risk inherent in the housing market, which in turn has constricted the availability of mortgage credit. Many Americans are struggling to make their mortgage payments, and a growing number of homeowners find themselves in a negative equity position, with the size of their mortgages exceeding the current value of their homes.

These are difficult times, and it is not surprising that some are beginning to look to the Federal government for solutions to the serious problems that exist in the housing sector. As I have previously stated, I believe it is important that before we authorize any broad new government intervention in the mortgage market, we make sure that we are not creating new moral hazards that we will pay for dearly later, and, above all, that we are being fair.

There are millions of homeowners who carefully budgeted and planned to pay for their homes, and we should think very carefully before we ask them to subsidize those who weren't so careful or are now having second thoughts about financial decisions that were made when everyone believed housing prices would climb forever. Whatever action we take should not penalize those homeowners who are making sacrifices to honor their obligations and keep their families in their homes, or those who are renting while they try to accumulate the savings needed to achieve homeownership. It doesn't seem fair to shift the risk and responsibility that investors, lenders and borrowers willingly and eagerly assumed when home prices were on their way up to the great majority of taxpayers who were not party to these mortgage transactions now that prices are going down.

Mr. Secretary, we would welcome your views on what effect a multi-billion dollar Federal program to assume troubled mortgages could be expected to have on FHA's safety and soundness. We also hope that you will update the Committee on your efforts to reform the housing programs under HUD's jurisdiction to make them more efficient and cost-effective, and particularly on your recent initiative to reform and simplify implementation of the Real Estate Settlement Procedures Act (RESPA). We have obviously been down the RESPA reform road in this Committee before, and I am anxious to hear from you today how this latest proposal differs from previous efforts.

Mr. Secretary, we thank you again for being here and look forward to your testimony. Mr. Chairman, I yield back the balance of my time.