

## Floor Statement by Ranking Member Spencer Bachus Regarding the Senate amendments to H.R. 3221, American Housing Rescue and Foreclosure Prevention Act of 2008

May 7, 2007

Mr. Speaker, I rise in strong opposition to this Democrat omnibus housing bill, which comes to the floor today under a rule that allows for no Republican amendments or input.

Let me acknowledge at the outset that Chairman Frank has included in the Financial Services Committee portion of this package several measures that have previously passed the House and that I support. For example, legislation to modernize the Federal Housing Administration (FHA) is long overdue, and will, if enacted, do more to address the problems in the housing market than anything else in this bill.

But despite the inclusion of this and several other constructive provisions, I must oppose the overall package because it creates a new \$300 billion government subsidy that I believe is fundamentally unfair and will likely do more harm than good.

Mr. Speaker, I am not here to minimize the seriousness of the financial distress that that many of our citizens are experiencing as a result of the bursting of the housing bubble that we have seen over the past two years. An economist at Moody's Economy.com (independent of Moody's) says 8.8 million are underwater, and Barclays has estimated that half of 2006/2007 subprime loans are in or close to a negative equity position.

The vast majority of Americans who find themselves behind in their mortgage payments as a result of ill-advised financial decisions or misjudgments are good and decent people. The good news is that many of these over-extended homeowners are already receiving assistance under private sector initiatives like the HOPE NOW alliance, which since July 2007 has provided workouts to nearly 1.4 million homeowners seeking to stay in their homes, and the Bush Administration's FHA Secure program, which has helped almost 180,000 families refinance their mortgages.

Before we create a massive new government program and put billions of taxpayer dollars at risk, we need to think long and hard about whether our actions are fair to the many millions of Americans who planned carefully and made sacrifices to meet their financial obligations. There are currently 51 million homeowner families and 34 million renter families making their payments on-time every month. There are an additional 25 million families who have paid their mortgages in full, or who never had a mortgage. Asking these 110 million hard working families to pick up the cost of a bailout of the lenders and securitizers who helped create the housing crisis offends many Americans' sense of fair play, and for good reason.

Lenders and securitizers wanted no part of government regulation or interference when housing prices were soaring and they were making extraordinary profits. Now that the loans they eagerly made are going bad, this bill offers a mechanism to offload their problem loans onto the American taxpayers. That's unfair and wrong.

Proponents of the legislation point to the "haircut" that investors must take in order to participate in the program to argue that nobody is being bailed out. In fact, the "haircut" makes it certain that the plan will function as a bail-out. Because

participation in the plan is voluntary, no investor will part with a mortgage if they think it has a reasonable chance of performing. The incentives are designed to ensure that the taxpayer loses: investors will place the mortgages they think are worth less than the "haircut" into the program, to be refinanced with an FHA-guaranteed loan. Given the substantial risk that these loans represent, no lender would refinance them without an FHA guarantee. The result is that taxpayers who acted responsibly during the run-up in housing prices are left to bear the costs of cleaning up after irresponsible lenders, investors, and speculators.

For all of these reasons, I must oppose this housing package, and again express my disappointment that Republicans have been denied any opportunity to address the bill's many deficiencies through the amendment process.