

Summary of The Fair Mortgage Practices Act (H. R. 3012)

Sponsored by House Financial Services Ranking Member Spencer Bachus, The Fair Mortgage Practices Act:

- Culminates a 16 month process initiated by Committee Republicans to achieve consensus regarding solutions to predatory lending concerns by reaching out to Democrats, the mortgage industry, and consumer groups.
- Offers a measured solution to a worsening problem. Currently there are about 13 million so-called subprime loans outstanding, and nearly 5 percent of them are entering foreclosure according to the Mortgage Bankers Association.
- Curbs sharp practices without yielding unwanted consequences. Our goal is to preserve the benefits that subprime lending has brought to low- and middle-income citizens, while protecting against the abusive practices which constitute a small part of the subprime market.
- Protects borrowers of limited means by restricting prepayment penalties on Hybrid ARMs including 2/28s and 3/27s, cracking down on mortgage fraud, and requiring that subprime mortgages have escrow accounts for taxes and insurance at the time the loan is consummated.
- Promotes sound mortgage underwriting practices by encouraging financial institutions to evaluate a borrower's ability to repay.
- Benefits borrowers and lenders alike by encouraging greater accountability and professionalism within the mortgage industry through new registration and licensing requirements.
- Empowers homebuyers through increased access to better information by improving disclosures for borrowers and improving support for housing counseling.