Ranking Member Bachus Remarks During Financial Services Committee Markup

February 4, 2009

Mr. Chairman, thank you for holding today's mark-up.

Let me state at the outset that there are provisions in today's bills that I support. Permanently increasing deposit insurance coverage limits to $250,000 will strengthen our banking system and help avoid destabilizing bank runs. The Kanjorski-Castle bill providing a safe harbor for mortgage servicers is a timely and targeted solution that encourages loan modifications that benefit both homeowners and investors. While I recognize the constitutional questions it presents, I believe this is a commonsense approach to keeping American families in their homes.

I also supported a provision in the bill that Chairman Frank initially introduced last week - but has regrettably been dropped from the bills we are marking-up today - that would place our nation's community banks on an equal footing with larger institutions in accessing funds under the Troubled Asset Relief Program (TARP). The government's efforts so far under TARP have focused on "too big to fail" institutions. This has placed many of our community banks at a competitive disadvantage because they are often considered ‘too small to save." Addressing this unfairness should be a high priority for this Congress and for the new administration.

While I will be supporting two of the three bills the Committee will consider today, I must oppose H.R. 787, Chairman Frank's bill amending the Hope for Homeowners program. Enacted by Congress last July, Hope for Homeowners has been a failure by virtually every metric. And rather than cut taxpayer losses, Chairman Frank's legislation aims to fix a fundamentally unfixable program, while abandoning key taxpayer safeguards.

Initially, Hope for Homeowners proponents claimed this program would provide relief to 400,000 borrowers. Proponents have been wildly off mark. In fact, the program has received a mere 400 applications and closed on just 25 new loans.

If today's legislation was enacted, the Hope for Homeowners program would allow FHA to insure loans with greater risk of default and require a higher per loan taxpayer subsidy. The non-partisan Congressional Budget Office (CBO) projects that even with these changes, the program will help a mere 25,000 borrowers, at best. Far from the 400,000 promised, and far from a success.

According to CBO research, taxpayers may be responsible for up to $670 million as a result of potential defaults. This nearly billion dollar figure, coupled with the new projection that Hope for Homeowners will only assist at most 25,000 borrowers, could potentially cost the taxpayer an astounding $27,000 per loan.

Throughout the campaign, President Obama almost daily expressed his goal of ending wasteful, underperforming and duplicative government programs. How many times do we have to attempt to change a program that has helped 25 borrowers nationwide? Under President Obama's criteria, HOPE for Homeowners would certainly qualify as a program to be cut.

H.R. 787 would also eliminate upfront premium payments and pave the way for FHA to waive annual premiums entirely.

These tools are critical to protecting taxpayer funds. Such a move would expose American taxpayers to an ever greater amount of risk.

As we move through the mark-up process today, we should keep several big questions in mind when considering amendments: who are these proposals intended to help, and is it fair? Will these proposals reward irresponsible behavior by a small amount of individuals and punish those who have played by the rules and lived within their means? And how, if at all, would the legislation stimulate the economy?

Let me conclude, Mr. Chairman, by saying that if we are truly focused on increasing liquidity, what the markets need most right now is the opportunity to absorb the historic and unprecedented amount of government intervention they have seen over the past several months. Times are tough for American families. But merely throwing good taxpayer money after bad is not the solution to our economic problems. Today, we must consider the long-term consequences of our actions and how working American families and taxpayers will be affected.

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