

Minority Views on H.R. 787, to make improvements in the Hope for Homeowners Program, and for other purposes.

Last July, Congress passed--over the objections of the majority of House Republicans--legislation creating the Hope for Homeowners program (P.L. 110-289). We were told at the time by its sponsors that this legislation would help hundreds of thousands of struggling borrowers with negative equity obtain more sustainable mortgages guaranteed by the Federal Housing Administration (FHA), thereby turning the tide of foreclosures and stabilizing housing markets. Some six months later, the Hope for Homeowners program has fallen far short of the expectations of its proponents, receiving some 400 applications and closing on a mere 25 loans.

H.R. 787, as now estimated by CBO, would improve the efficacy of the HOPE for Homeowners program by serving 25,000 distressed households but at a cost of \$670 million dollars, or \$27,000 per assisted family. We believe that Congress should eliminate this program because it is ineffective, costly and does not maximize the taxpayer's investment in providing foreclosures mitigation to distressed homeowners. Instead, we believe that Congress should start anew with private and existing public initiatives that have a proven record and will not expose taxpayers to costly remedies while doing little to improve conditions in the housing market.

H.R. 787 attempts to `fix' the Hope for Homeowners program (H4H) and make it a more attractive option for lenders and borrowers. But in doing so, the bill negates key provisions in the original legislation that were designed to protect taxpayers from bearing huge losses when mortgages re-worked under the program default. For example, H.R. 787 strikes the payment of upfront premiums paid to the Federal Housing Administration for providing the government guarantee; increases permissible loan-to-value ratios; and cancels the government's share of profits in the event of long-term home price appreciation. House Republicans believe that before we expose taxpayers to the losses that we know are inevitable from a government-run foreclosure prevention program, we should carefully consider alternatives that do not involve taxpayer subsidies or offend the sense of fair play of those millions of Americans who have met their obligations.

Since its inception, we have raised concerns about the effectiveness of the Hope for Homeowners program, and as predicted this program has been a failure by virtually every metric. Rather than cut taxpayer losses, this legislation aims to fix a fundamentally unfixable program while abandoning key taxpayer safeguards. To further compound the problem, the Majority has indicated that it intends to `marry' H.R. 787 with bankruptcy cram-down legislation recently approved by the House Judiciary Committee. Cram-down proposals, coupled with the Hope for Homeowners program, will place the future of the FHA program in jeopardy and do nothing to resolve our current housing crisis.

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