
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 4.24.2009

April 24, 2009

MESSAGING RESOURCES/POLLING UPDATE

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The Dems' Mortgage Bill Will Create Even Greater Market Uncertainty. At a time when the Treasury Department, the Federal Reserve, and the FDIC have taken unprecedented steps to jumpstart the secondary market and consumer lending, with programs like TALF, Congress should not impose rules that undermine actions intended to spur economic recovery, and could have the effect of limiting consumer access to credit and disrupting the secondary mortgage market. Now is not the time for such extreme, and potentially risky, action.

- The Subprime Market Problems Are Being Addressed. Congress established a national licensing and registration database for all mortgage originators last year, which is currently being implemented. Through a nationwide database of mortgage originators, accessible to federal, state, and local government agencies, as well as the American public, this system will bring greater accountability and professionalism to the industry. If suspicious of one's mortgage professional, a consumer will be able to quickly access their history online.

Last July, the Federal Reserve issued regulations under the Home Ownership Equity Protection Act (HOEPA) to prohibit predatory practices and products, strengthen underwriting standards, and address prepayment penalties and escrowing of taxes and insurance. These robust rules - which Chairman Frank has previously described as "mak[ing] it impossible to get [abusive] subprime loans" - will take effect in just a few months. It is important to let these rules work before we begin to layer on new and untested restrictions of the kind contained in the Democrats' "mortgage reform" bill.

- This Bill Opens The Trial Lawyer, Activist Group Floodgates. While Republicans are focused on ensuring that legislative action does not lead to higher mortgage fees and limited access to credit, Democrats continue to work to reward trial lawyers. In this case, it is through expanding the mortgages eligible for litigation. Further, the bill directs \$140 million in taxpayer dollars to trial lawyers to fund 'legal assistance for foreclosure-related issues.' Taxpayers should not be forced to finance lawsuits and fill the coffers of trial lawyers. And worse, this funding lacks critical safeguards to prevent taxpayers from financing frivolous lawsuits and permits activist groups under federal investigation, like ACORN, to receive assistance.

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No Mention of Fannie, Freddie. It's widely acknowledged that Fannie Mae and Freddie Mac, the two Government Sponsored Enterprises (GSE) mortgage giants, paved the way for the subprime crisis, which, in turn led to the financial and economic downturn that we are facing today. However, this Democrat-written 'mortgage reform' legislation makes no mention of these entities. The Committee has an obligation to understand the ways that Fannie and Freddie

sparked this crisis. Because their former managers relaxed underwriting standards and promoted "affordable housing" in ways that were never truly affordable so that they and their shareholders could profit from an implicit government guarantee of the institutions, taxpayers are now left with what might be the largest federal bailout in history.

- Purchasing a Home is One of the Most Important Investments Most Americans Make, Yet Many Questions Regarding How This Bill Will Effect Homebuyers Remain Unanswered. As written, the Democrats' mortgage legislation may hamper a housing recovery and limit consumer choices by affording liability protections to only 30-year fixed rate mortgages, exposing all other loans, or securitizations, to legal risks that many lenders will seek to avoid by simply not making those loans. This would include Federal Housing Administration (FHA), Veterans Affairs Administration (VA) and Rural Housing Service loans.

This bill appears to require market participants to retain at least a 5 percent economic interest on each "non-qualified" loan that the creditor transfers, sells, or conveys to a third party. While the concept of originators retaining "skin in the game" is one that most support, the mechanics of how this new provision would work are left unspecified. The same Democrat majority that brought America the failed Hope for Homeowners foreclosure mitigation program is now promising to "fix" the securitization market with a similarly untested and ill-defined plan. Before supporting any such plan, Republicans should demand that its sponsors explain in detail how it will work. If not done carefully, this form of risk retention - combined with the other shortsighted provisions - may drive many reputable non-bank lenders out of the business, reducing consumer choices and increasing overall mortgage costs.

Gallup: "Americans' Confidence in Banks Hits New Low ... As the Treasury and banking regulators prepare to provide a description of their banking "stress" tests on Friday and the results on May 4, the percentage of Americans saying they have a "great deal" or "quite a lot" of confidence in U.S. banks has fallen to 18% -- down 14 percentage points from a June 2008 Gallup Poll and 23 points from a June 2007 poll." (4/23/09)

WEEKEND MUST-READS

New York Times: "U.S. to Tell Big Banks the Results of Stress Test ... Wall Street is stressed out about stress tests. After a two-month wait, the nation's 19 largest banks will start learning on Friday how they fared in important federal examinations - and which among them will need another bailout from the government or private investors."

Bloomberg, Op-Ed: "Fannie Mae Creates Housing Mirage With Bum Loans ... Give money away. That was a solution to the housing crisis mortgage giant Fannie Mae hit on last year."

The Wall Street Journal, Editorial: "Political Credit Cards ... If you use credit cards -- and actually read your mail -- you don't need anyone to tell you that card issuers have been raising fees and interest rates while often cutting credit limits too. The political class has also noticed. Yesterday the House Financial Services Committee passed a so-called cardholders bill of rights."

National Review, Editorial: "TARP Trap ... The Troubled Asset Relief Program keeps getting uglier. When former Treasury secretary Henry Paulson switched gears last fall and bought preferred shares in the banks, instead of troubled assets, we encouraged every bank that took the government's money to have an exit strategy. Little did we know that Paulson's successor would try to bar the door."

The Hill: "'Cramdown' bill could hit Senate next week ... Senate Democrats, as early as next week, will take up a controversial bill that would empower bankruptcy judges to modify mortgages."

ON THE HORIZON

Tuesday, April 28: The Full Committee will mark up H.R. 1327, Iran Sanctions Enabling Act, and H.R. 1728, Mortgage Reform and Anti-Predatory Lending Act beginning at 10am in 2128 Rayburn.

NOTE: H.R. 627 - Credit Cardholders' Bill of Rights Act of 2009: "The Rules Committee has announced that it will meet the week of April 27, 2009 for the consideration of H.R. 627, to amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, and for other purposes. ... The Majority has announced an amendment deadline for this bill of 10:30 AM on Tuesday, April 28, 2009." The bill is expected to be considered on the floor on Thursday, April 30.

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Scott Garrett released these statements: Garrett Statement on Mortgage Reform Bill; Rep. Garrett (R-NJ) Applauds Chairman Frank's Decision on Regulatory Reform; and Rep. Garrett (R-NJ) Statement on Credit Card Bill.

Rep. Michele Bachmann discussed TARP on the Glenn Beck show; and released these statements: Bachmann Warns Against Exacerbation of Credit Crunch.

Rep. Chris Lee issued this release: Lee Meets With SEC Head to Discuss Economic Recovery, Market Integrity.

Rep. Tom Price released these statements: Job Losses Reflect Failure of Obama Stimulus; and Baby Steps: How About \$100 Million from Each Department?.

Rep. Patrick McHenry issued this statement: McHenry Statement on Government's Role in Merrill-BofA Deal; and was quoted in this McClatchy article: House panel to target 'predatory' mortgage lending.

Rep. Jeb Hensarling appeared on CNBC's Kudlow and Co., and released this statement: Opening Statement of

Congressman Jeb Hensarling at the Congressional Oversight Panel for TARP.

Rep. Thaddeus McCotter issued this release: [McCotter Statement on GM Worker Layoffs](#); and appeared on Fox Business.

Rep. Spencer Bachus released these statements: [Bachus Statement on the TARP IG Report](#); and [Bachus Statement During Mortgage Reform Hearing](#).

CARTOON OF THE WEEK

(The Washington Examiner's Nate Beeler, 4/22/09)