[Roll No. 79]

YEAS—223

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Bilbray
Bilirakis
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady
Bryant
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Christensen
Coble
Coburn
Collins
Combest
Cook
Cooksey
Cox
Crane
Crapo
Cubin
Cunningham
Davis (VA)
Deal
DeLay
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Ensign
Everett
Ewing
Fawell
Foley
Forbes
Fowler
Fox
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gibbons
Gilchrest
Gillmor
Gilman
Goodlatte
Goodling
Goss
Graham
Granger
Greenwood
Gutknecht
Hall (TX)
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Jenkins
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
King (NY)
Kingston
Klug
Knollenberg
Kolbe
LaHood
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Livingston
LoBiondo
Lucas
Manzullo
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Molinari
Moran (KS)
Morella
Myrick
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Oxley
Packard
Pappas
Parker
Paul
Paxon
Pease
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Quinn
Radanovich
Ramstad
Regula
Riggs
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Salmon
Sanford
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Shimkus
Shuster
Skeen
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Stearns
Stump
Sununu
Talent
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)

NAYS—199

Abercrombie
Allen
Andrews
Baesler
Baldacci
Barcia
Barrett (WI)
Becerra
Bentsen
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brown (CA)
Brown (FL)
Brown (OH)
Capps
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Coyne
Cramer
Cummings
Danner
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Dellums
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fazio
Filner
Flake
Foglietta
Ford
Frank (MA)
Frost
Furse
Gejdenson
Gephardt
Gonzalez
Goode
Gordon
Green
Gutierrez
Hall (OH)
Hamilton
Harman
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Hooley
Hoyer
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kind (WI)
Kleczka
Klink
Kucinich
LaFalce
Lampson
Lantos
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Manton
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHale
McIntyre
McKinney
McNulty
Meehan
Meek
Menendez
Millender-McDonald
Miller (CA)
Minge
Mink
Moakley
Mollohan
Moran (VA)
Murtha
Nadler
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Peterson (MN)
Pickett
Pomeroy
Poshard
Price (NC)
Rahall
Rangel
Reyes
Rivers
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schumer
Scott
Serrano
Sherman
Sisisky
Skaggs
Skelton
Slaughter
Smith, Adam
Snyder
Spratt
Stabenow
Stark
Stenholm
Stokes
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson
Thurman
Tierney
Torres
Towns
Traficant
Turner
Velazquez
Vento
Visclosky
Waters
Watt (NC)
Wexler
Weygand
Wise
Woolsey
Wynn
Yates

NOT VOTING—10

Ackerman
Costello
Fattah
Gekas
Istook
Markey
Pelosi
Schiff
Waxman
White

☐ 1256

Mr. COYNE changed his vote from ''yea'' to ''nay.''

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. LATOURETTE). The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5, rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV. Such rollcall votes, if postponed, will be taken after debate has concluded on all motions to suspend the rules.

HOMEOWNERS INSURANCE PROTECTION ACT

Mr. LEACH. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 607) to amend the Truth in Lending Act to require notice of cancellation rights with respect to private mortgage insurance which is required by a creditor as a condition for entering into a residential mortgage transaction, and for other purposes, as amended.

The Clerk read as follows:

H.R. 607

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Homeowners Insurance Protection Act''.

SEC. 2. PROVISIONS RELATING TO PRIVATE MORTGAGE INSURANCE.

(a) IN GENERAL.—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605) is amended—

(1) by redesignating subsections (f), (g), (h), (i), and (j) as subsections (k), (l), (m), (n), and (o), respectively; and

(2) by inserting after subsection (e) the following new subsections:

''(f) DISCLOSURES RELATING TO PRIVATE MORTGAGE INSURANCE.—

''(1) DISCLOSURE AT SETTLEMENT RELATING TO EXISTENCE OF PMI.—With regard to any covered mortgage loan, the lender shall disclose, in writing at or before the settlement of such covered mortgage loan, whether any private mortgage insurance will be required to be obtained or maintained with respect to such mortgage loan, including any lender-paid private mortgage insurance, and the period during which such insurance will be required to be in effect.

''(2) DISCLOSURE AT SETTLEMENT RELATING TO TERMINABILITY OF PMI.—If the lender requires, as a condition for entering into a covered mortgage loan, the borrower to assume an obligation to make separately designated payments toward the premiums for private mortgage insurance with respect to such loan, the lender shall disclose, in writing at or before the settlement of such covered mortgage loan any of the following notices which are applicable with respect to such loan:

''(A) PMI OBLIGATIONS TERMINABLE UPON REQUEST.—In the case of a loan described in paragraph (3), that—

''(i) the borrower's obligation to make separately designated payments toward the premiums for private mortgage insurance may be able to be terminated while the mortgage is outstanding (including a cancellation permitted before the date of automatic termination under subsection (g)); and

''(ii) the borrower will be notified by the servicer not less frequently than annually of an address and a toll-free or collect-call telephone number which the borrower may use to contact the servicer to determine—

''(I) whether the borrower's obligation to make separately designated payments toward the premium for private mortgage insurance may be terminated while the mortgage loan is outstanding (or before the date of automatic termination); and

''(II) if such obligation may be terminated while the loan is outstanding (or before such date), the conditions and procedures for such termination.

''(B) PMI OBLIGATIONS TERMINABLE BY OPERATION OF LAW.—That the borrower's obligation to make separately designated payments toward the premiums for private mortgage insurance will be terminated by operation of law under subsection (g).

''(C) NONTERMINABLE PMI OBLIGATIONS.—In the case of a loan not described in paragraph (3), that the borrower's obligation to pay any amount to be applied to any portion of the premiums for private mortgage insurance will not be terminated at the request of the borrower.

''(3) DISCLOSURE WITH ANNUAL STATEMENTS OR OTHER COMMUNICATIONS.—If—

''(A) private mortgage insurance is required as a condition for entering into a covered mortgage loan; and

''(B) the borrower's obligation to make separately designated payments toward the premiums for such insurance may be terminated at the borrower's request,

the servicer shall, not less frequently than annually, disclose to the borrower a clear and conspicuous statement containing the disclosures set forth in subparagraphs (A) and (B) of paragraph (2), including the address and telephone number referred to in such paragraph, based on the servicer's knowledge at the time such periodic communication is given. Such disclosure shall be included with any annual statement of account, escrow statement, or related annual communications provided to the borrower, while such private mortgage insurance is in effect.

''(4) DISCLOSURES FURNISHED WITHOUT COST TO BORROWER.—No fee or other cost may be imposed on any borrower for preparing and delivering any disclosure to the borrower pursuant to this subsection.

''(g) MANDATORY TERMINATION OF PMI OBLIGATIONS AT 75 PERCENT LOAN-TO-VALUE RATIO.—

''(1) IN GENERAL.—Notwithstanding any provision of a covered mortgage loan, any obligation of the borrower to make separately designated payments toward the premiums for any private mortgage insurance in effect with respect to such loan shall terminate, except as provided in paragraph (3), by operation of law as of the 1st day of the 1st month which begins after the date on which the principal balance outstanding on all residential mortgages on the property securing the loan is equal to or less than 75 percent of the lesser of—

''(A) if the loan was made for purchase of the property, the sales price of the property under such purchase; or

''(B) the appraised value of the property, as determined by the appraisal conducted in connection with the making of the loan.

''(2) DISCLOSURE UPON TERMINATION.—Not later than 45 days after the date of termination pursuant to paragraph (1) of a private mortgage insurance requirement for a covered mortgage loan, the servicer shall notify the borrower under the loan, in writing, that—

''(A) the private mortgage insurance has terminated and the borrower no longer has private mortgage insurance: and

''(B) no further premiums, payments, or other fees shall be due or payable by the borrower in connection with the private mortgage insurance.

''(3) EXCEPTION FOR DELINQUENT BORROWERS.—

''(A) IN GENERAL.—Paragraph (1) shall not apply with respect to any covered mortgage loan on which the payments are not current as of the date that the obligation to make private mortgage insurance premium payments in connection with the loan would otherwise terminate pursuant to paragraph (1).

''(B) EFFECTIVENESS ONCE PAYMENTS ARE CURRENT.—In the case of any covered mortgage loan to which subparagraph (A) applies, paragraph (1) shall apply with respect to such loan as of the 1st day of the 1st month which begins after the date that such payments become current.

''(4) RETURN OF PAYMENTS TOWARD PREMIUMS.—

''(A) RETURN OF PAYMENTS TO BORROWER.—The servicer for a covered mortgage loan shall promptly return to the borrower any payments toward the premiums for any private mortgage insurance for such loan covering any period occurring after the date of automatic termination for such loan under this subsection.

''(B) RETURN OF PAYMENTS TO SERVICER.—The private mortgage insurer for a covered mortgage loan shall promptly return to the servicer any payments received from the servicer toward the premiums for any private mortgage insurance for such loan covering any period occurring after the date of automatic termination for such loan under this subsection.

''(h) LENDERS' CONDITIONS FOR PMI.—

''(1) CONDITIONS FOR TERMINATION OF BORROWER'S OBLIGATION TO PAY PMI.—The conditions for the termination of the borrower's obligation to make separately designated payments toward the premium for private mortgage insurance with respect to a covered mortgage loan, including any changes in such conditions, shall be reasonably related to the purposes for which the requirement for private mortgage insurance was imposed at the time the loan was made.

''(2) BORROWER'S RIGHT TO TERMINATE IN ACCORDANCE WITH CONDITIONS.—In the case of any covered mortgage loan described in subsection (f)(3), the borrower shall have the right under this paragraph to terminate the borrower's obligation to make separately designated payments toward the premiums for such insurance if the conditions and procedures for such termination most recently communicated to the borrower (pursuant to a request by the borrower pursuant to notice under subsection (f)(3) or otherwise) have been met.

''(i) EFFECT ON OTHER AGREEMENTS.—The provisions of subsections (f), (g), and (h) shall supersede any conflicting provision contained in any agreement relating to the servicing of a covered mortgage loan entered into by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or any private investor or noteholder (or any successors thereto). A servicer which cancels private mortgage insurance on a covered mortgage loan in compliance with the provisions of subsection (g) or (h) or in accordance with investor guidelines in existence at the time concerning the cancellation of private mortgage insurance (regardless of whether the cancellation by the servicer was mandated by such subsections or initiated by the borrower) shall not be required to repurchase such mortgage loan from the investor or holder of such mortgage loan solely on the grounds that the private mortgage insurance was canceled in accordance with the provisions of such subsections or investor guidelines, as applicable.

''(j) LIMITATIONS ON LIABILITY.—If the servicer for a covered mortgage loan has complied with the requirements under subsections (f) and (g) to provide disclosures, the servicer shall not be considered to have violated any provision of subsection (f), (g), or (h) and shall not be liable for any such violation—

''(1) due to any failure on the part of the servicer to provide disclosures required under such subsections resulting from the failure of any mortgage insurer, any mortgage holder, or any other party to timely provide accurate information to the servicer necessary to permit the disclosures; or

''(2) due to any failure on the part of any private mortgage insurer, any mortgage holder, or any other party to comply with the provisions of such subsections.

Each private mortgage insurer and each mortgage holder for a covered mortgage loan shall provide accurate and timely information to the servicer for such loan necessary to permit the disclosures required by subsections (f) and (g). In the event of a dispute regarding liability for a violation of subsection (f), (g), or (h), and upon request by the borrower, a servicer shall provide the borrower with information stating the identity of the insurer or mortgage holder.''.

(b) DEFINITIONS.—Subsection (n) of section 6 of the Real Estate Settlement Procedures Act of 1974 (as redesignated by subsection (a)(1)) is amended—

(1) by redesignating paragraphs (1), (2), and (3) as paragraphs (2), (5), and (6), respectively;

(2) by inserting before paragraph (2) (as redesignated by paragraph (1) of this subsection) the following new paragraph:

''(1) COVERED MORTGAGE LOAN.—The term 'covered mortgage loan' means a federally related mortgage loan under which the property securing the loan is used by the borrower as the borrower's principal residence.''; and

(3) by inserting after paragraph (2) (as so redesignated) the following new paragraphs:

''(3) MORTGAGE INSURANCE.—The term 'mortgage insurance' means insurance, including any mortgage guaranty insurance, against the nonpayment of, or default on, a mortgage or loan involved in a residential mortgage transaction, the premiums for which are paid by the borrower.

''(4) PRIVATE MORTGAGE INSURANCE.—The term 'private mortgage insurance' means mortgage insurance other than mortgage insurance made available under the National Housing Act, title 38 of the United States Code, or title V of the National Housing Act of 1949.''.

SEC. 3. SCOPE OF APPLICABILITY.

(a) NOTICE AT OR BEFORE SETTLEMENT.—Paragraphs (1) and (2) of section 6(f) of the Real Estate Settlement Procedures Act of 1974 (as added by section 2(a) of this Act) shall apply only with respect to covered mortgage loans made after the end of the 1-year period beginning on the date of the enactment of this Act.

(b) NOTICE OF PMI OBLIGATION TERMINABILITY.—Paragraphs (3) and (4) of section 6(f) of the Real Estate Settlement Procedures Act of 1974 (as added by section 2(a) of this Act) shall apply beginning upon the end of the 1-year period that begins on the date of the enactment of this Act and with respect to any covered mortgage loan without regard to the date on which such loan was made.

(c) TERMINATION OF PMI OBLIGATION BY OPERATION OF LAW.—Subsections (g) and (h) of section 6 of the Real Estate Settlement Procedures Act of 1974 (as added by section 2(a) of this Act) shall apply only with respect to covered mortgage loans made after the end of the 1-year period beginning on the date of the enactment of this Act.

SEC. 4. CONFORMING AMENDMENTS.

(a) SECTION 6.—Section 6(m) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605) (as redesignated by section 2(a)(1) of this Act) is amended—

(1) by inserting ''(not including subsection (f))'' before ''regarding timing''; and

(2) by adding at the end the following new sentence: ''The preceding sentence shall not apply to any State law or regulation relating to notice or disclosure to a borrower regarding obtaining, maintaining, or terminating private mortgage insurance and such State laws and regulations shall be subject to the provisions of section 18.''.

(b) SECTION 10.—Section 10(b) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2609(b)) is amended by striking ''section 6(i)'' and inserting ''section 6(n)''.

(c) SECTION 12.—Section 12 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2610) is amended by striking ''section 6(i)'' and inserting ''section 6(n)''.

The SPEAKER pro tempore (Mr. GILLMOR). Pursuant to the rule, the gentleman from Iowa [Mr. LEACH] and the gentleman from Texas [Mr. GONZALEZ] each will control 20 minutes.

The Chair recognizes the gentleman from Iowa [Mr. LEACH].

□ 1300

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LEACH asked and was given permission to revise and extend his remarks.)

Mr. LEACH. Mr. Speaker, before the House today is H.R. 607, the Homeowners Insurance Protection Act of 1997, introduced by the distinguished gentleman from Utah [Mr. HANSEN].

Mr. Speaker, before presenting a committee perspective, I yield such time as he may consume to the gentleman from Utah [Mr. HANSEN], who deserves full credit for bringing this legislation to the attention of the House and also the thanks of thousands, perhaps millions, of American homeowners. It is not only fair but 100 percent accurate to say that without his leadership, this bill would not be before the House today.

(Mr. HANSEN asked and was given permission to revise and extend his remarks.)

Mr. HANSEN. Mr. Speaker, I wish to thank the distinguished gentleman from Iowa for yielding me this time and thank him for the great work that he has done on this piece of legislation, the ranking member and many others who have joined in this.

Let me just say to the people of America, what is private mortgage insurance? It is a very necessary tool that the mortgage industry uses. Without that, when that young couple finally gets the opportunity to buy their first house, they are looking forward to it, they can hardly wait to get their keys, they walk in and they sign papers about that deep.

There is probably not one person in America, well, maybe one or two, that really understands what he is even signing, but he gets down to the time and he signs something on private mortgage insurance, and what is it that he just bought? He bought something that does not protect him. It is not a homeowner's, it is not a title insurance. What it does is it protects the person who is lending him the money. Why does he have private mortgage insurance? Because he could not come up with 20 percent down payment.

So literally thousands of these are across America. Are they necessary? Yes. Are they good? Yes. Should we have them? Absolutely. But what happens when he gets it down to the 20 percent? We are finding that very, very few lenders take it off. They think of one way after another to hassle people. ''Oh, the price of your house isn't right'' or ''Maybe you didn't make your payment exactly on time.'' So it goes on and on and on and there are horror stories all over America.

Go anywhere and some people say, ''I've been paying that all the way down to the last.'' So what does that mean? That means some servicers, banks, insurance companies, are literally putting millions of dollars in their back pocket, and people do not realize they are doing it.

All we are asking in this bill is basically when you take out the loan, you have the opportunity to understand, full disclosure, what is PMI. On your annual statement that all of us get at the end of the year, it will say on there what you paid in principal, what you paid in interest, what you paid in taxes, and what you paid in PMI and where it stands and when you can get it off. That is very important.

If they can say ''Happy birthday, Mr. HANSEN,'' they can surely put that on there. It always bothers me when they say it is a big deal when they cannot put it on. They do that constantly.

All we are saying now is there are millions of people that are overinsured. There are millions of dollars, multimillions of dollars going into pockets, that should not be there and those who can afford it the least are those who are paying this. These are the people who cannot come up with the 20 percent. Those of us that sit around here, probably very few of them do it. I have personally experienced this. I cannot believe the hassle one goes through.

So this bill will take care of those things plus one thing I have not mentioned, it has an automatic cancellation at 75 percent. I would urge Members to vote for this. Members are doing a good thing for consumers of America. They are doing something right. I urge Members' support of the bill.

Mr. Speaker, I appreciate the opportunity to bring this important bill to the floor. H.R. 607, the Homeowners Insurance Protection Act, puts this Congress squarely on the side of the hard working American homeowners. First, I would like to thank the chairman and ranking minority member of the Banking Committee for their bipartisan leadership in bringing this important bill to the floor in a timely manner. I would also like to thank their fine staff for all their hard work and assistance, and leadership for their support in bringing this good piece of consumer legislation before the House.

H.R. 607 raises the important issue of what homeowners should know when they obtain a home mortgage, and more importantly, when they can stop paying for insurance they no longer need.

The last decade has seen many positive changes within the mortgage industry. These changes have allowed millions of American families to achieve the American dream and become homeowners. I applaud the industry for making home ownership a reality for millions of families by developing alternative mortgage instruments that help get more families into homes than otherwise could have afforded one.

One widespread, and little understood, instrument in the current mortgage industry is private mortgage insurance [PMI]. Private mortgage insurance enables homeowners to purchase homes with as little as a 3-to-5 percent down payment by insuring the mortgage lender against default. As such, PMI does not insure the borrower and should not be confused with a homeowner's property protection policy. For conventional mortgages, PMI is normally required whenever a borrower does not have a 20 percent down payment. PMI plays an important part of the mortgage industry by making home ownership more accessible. The problem arises when homeowners are not informed of what PMI is and when and how they can stop paying it. Overpayment of PMI is potentially costing hundreds of thousands of homeowners millions of dollars per year.

To get some idea of how widespread this problem may be, consider that in 1996 of the 2.1 million home mortgages that were insured, over 1 million required private mortgage insurance. The remainder were either FHA or VA guaranteed. One industry group estimates that at least 250,000 homeowners are overpaying PMI and other estimates suggest this figure represents the low end. At an average monthly cost of $30–$100 dollars, overpayment of PMI can easily cost homeowners thousands of dollars in unnecessary payments over the life of their loan. Each of these cases has one thing in common—homeowners do not understand what PMI is and are not informed of their right to cancel PMI under certain circumstances.

Consider the following example. Eighteen years ago, a woman and her now-deceased husband purchased a home for $20,700. The couple financed $18,700 and were required by their lender to purchase private mortgage insurance. At no time were they told that they were entitled to cancel the mortgage insurance. The last payment on the loan, made in June, 1996, included a private mortgage insurance payment of $13.99. This widow paid private mortgage insurance premiums for the life of her loan! Her mortgage company continued to charge these premiums every month even though they knew that the PMI was unnecessary, that it could be canceled under their own guidelines and that there was no longer any risk to the lender.

In another case, a secretary in Texas, purchased a home for $26,000 19 years ago. She financed $22,950 and was required by her lender to purchase PMI because she did not have a 20 percent down payment. At no time was she told she could cancel PMI after certain requirements were met. Over 19 years later, she and her husband were still paying PMI. Why? She has paid off over 90 percent of the balance of her mortgage, leaving her debt at less than 10 percent of the value of her property. Her mortgage servicer continues to charge her PMI premiums every month even though it knows that the PMI has been unnecessary for years. In fact, her mortgage servicer has been charging her for PMI, even though the owner of her mortgage no longer requires the insurance.

Even Members of Congress are not immune from this problem. When I first came to the Congress I bought a small condominium in Northern Virginia with less than 20 percent down. As I paid my monthly mortgage to the mortgage servicer, I noticed that I was paying $20 a month for PMI. I called the mortgage servicer to find out what this payment was and what I could do to stop paying it. Just like thousands of other homeowners, that is when the real adventure began.

After a short conversation with my mortgage service representative I was told that I needed to pay $4,000 to arrive at the loan of value [LTV] ration required by the investor. If the LTV ratio was less than 80 percent, I would not be considered a risky investment, and I would no longer need PMI. After paying down to the correct LTV, as required, I realized that my mortgage servicer was still charging me for PMI. I assumed this was an error and called the mortgage servicer again. I was now informed that additional requirements needed to be met. One month I was told to get an appraisal. The next month I had to prove that I had a good payment history. The next month I needed to use their appraiser. Each month it was a new requirement and at no time did my mortgage servicer indicate everything needed to cancel the PMI. After 4 years of wrangling with my mortgage servicer it finally required direct intervention by the mortgage investor to cancel PMI on my behalf. As I soon discovered, mine was not an isolated case.

Now you may not think that $20, or even $100 a month is a lot of money, but when its paid by millions of homeowners we soon start talking about real money. In the business world we call this the law of small sums. As any good businessman can tell you, if you can get a little bit of money from a whole lot of people you really have something.

As a small businessman for most of my life, including a short stint in the mortgage industry, I also learned that if an industry polices itself the Government should not interfere. I firmly believe that the Government should stay out of the private marketplace. However, when an industry does not follow even its own guidelines—I believe it is our responsibility to draw the line. That is why I proposed the Homeowner's Insurance Protection Act (H.R. 607), which requires full disclosure of what PMI is, who it insures, and how it can be canceled. H.R. 607 would also require clear periodic notification to the homeowner of both their right to cancel PMI and any preconditions which must be met.

One issue included in H.R. 607 that does merit careful attention is the question of automatic cancellation. I believe that some form of automatic cancellation is the right thing to do. In some segments of the mortgage industry, for example Navy Federal Credit Union, PMI is automatically canceled when the loan to value ratio [LTV] reaches 80 percent. New mortgage servicing guidelines from Fannie Mae, one of the largest investors in home mortgages, also supports some form of automatic cancellation of PMI. This is both good for the consumer and good business. However, I would not want to see automatic cancellation provisions prevent lenders from insuring themselves against consumers who do not have a good record of payment or against a severely depreciated real estate market. In addition, I do not want to create the unintended consequence of shifting costs to lower risk consumers in the form of higher PMI premiums. I believe the 75 percent LTV automatic cancellation provision for only new loans with a good payment history is a responsible compromise in this regard—and which has broad within the industry.

The bottom line is that thousands of hard working American homeowners overpay PMI each year because they don't know what it is or how to get rid of it. Even worse, with PMI overpayment, it is usually the people who can afford it least that end up paying the most. There is nothing more frustrating than paying for something that is not needed. We would not let an auto mechanic charge customers for work that is not needed or a doctor charge patients for procedures that were not performed. PMI plays an important role in the mortgage industry, but when that role is fulfilled the American homeowner should not keep paying for something that serves no legitimate purpose.

H.R. 607 is a good bill which puts this Congress squarely on the side of the American consumer and I would ask for its swift passage.

THE TRUTH BEHIND PRIVATE MORTGAGE INSURANCE

(By Representative James Hansen)

The last decade has seen many positive changes within the mortgage industry. These changes have allowed millions of American families to achieve the American dream and become homeowners. I applaud the industry for making homeownership a reality for millions of families by developing alternative mortgage instruments that help get more families into homes than otherwise could have afforded them.

One widespread, and little understood, instrument in the current mortgage industry is private mortgage insurance (PMI). Private mortgage insurance enables homeowners to purchase homes with as little as a 3 to 5 percent down by insuring against default.

But PMI does not insure the borrower and should not be confused with a homeowner's property protection policy. For conventional mortgages, PMI is normally required whenever a borrower does not put 20 percent down.

PMI plays an important part in the mortgage industry by making homeownership more accessible. The problem arises when homeowners are not informed of what PMI is and when and how they can stop paying it. Overpayment of PMI is potentially costing hundreds of thousands of homeowners millions of dollars per year.

To get some idea of how widespread this problem may be, consider that in 1996, of the 2.1 million home mortgages that were insured, more than one million required private mortgage insurance. One industry group estimates that at least 250,000 homeowners are overpaying PMI, and other estimates suggest this figure represents the low end. At an average monthly cost of $30 to $100, overpayment of PMI can easily cost homeowners thousands of dollars in unnecessary payments over the life of their loan.

Each of these cases has one thing in common—homeowners do not understand what PMI is and are not informed of their right to cancel PMI under certain circumstances.

Consider the following example: Eighteen years ago, a woman and her now-deceased husband purchased a home for $20,700. The couple financed $18,700 and were required by their lender to purchase private mortgage insurance. At no time were they told that they were entitled to cancel the mortgage insurance. The last payment on the loan, made in June 1996, included a private mortgage insurance payment of $13.99.

This widow paid private mortgage insurance premiums for the life of her loan. Her mortgage company continued to charge these premiums every month even though they knew that the PMI was unnecessary, that it could be canceled under their own guidelines, and that there was no longer any risk to the lender.

Even Members of Congress are not immune from this problem.

When I first came to Congress, I bought a small condominium in Northern Virginia with less than 20 percent down. As I paid my monthly mortgage to the mortgage servicer, I noticed that I was paying $20 a month for PMI. I called the mortgage servicer to find out what this payment was and what I could do to stop paying it.

Just like thousands of other homeowners, that is when the real adventure began.

After a short conversation with my mortgage service representative, I was told that I needed to pay $4,000 to arrive at the loan to value (LTV) ratio required by the investor. If the LTV ratio was less than 80 percent, I would not be considered a risky investment and I would no longer need PMI. After paying down to the correct LTV, as required, I realized that my mortgage servicer was still charging me for PMI. I assumed this was an error and called the mortgage servicer again. I was now informed that additional requirements needed to be met.

One month I was told to get an appraisal. The next month I had to prove that I had a good payment history. The next month I needed to use their appraiser. Each month, it was a new requirement, and at no time did my mortgage servicer indicate everything that I needed in order to cancel the PMI.

After four years of wrangling with my mortgage servicer, it finally required direct intervention by the mortgage investor to cancel PMI on my behalf. As I soon discovered, mine was not an isolated case.

As a small businessman for most of my life, including a short stint in the mortgage industry, I also learned that if an industry polices itself, the government should not interfere. I firmly believe that the government should stay out of the private marketplace. However, when an industry does not follow even its own guidelines, I believe it is our responsibility to draw that line.

That is why I have proposed the Homeowners Insurance Protection Act (H.R. 607), which would require full disclosure of what PMI is, who it insures, and how it can be canceled. H.R. 607 would also require clear periodic notification to the homeowner of both their right to cancel PMI and any preconditions that must be met.

Sen. Alfonse D'Amato (R–NY), chairman of the Senate Banking, Housing, and Urban Affairs Committee, has also introduced similar legislation. Hearings were held in the Senate committee on Feb. 25; the House Banking and Financial Services Committee will be looking into this issue in the near future. This legislation is straight forward and long overdue.

One issue that is not addressed in H.R. 607 but does merit attention is the question of automatic cancelation. I believe some form of automatic cancelation is the right thing to do. In some segments of the mortgage industry, for example, the Navy Federal Credit Union, PMI is automatically canceled when the loan to value ratio reaches 80 percent. New mortgage-servicing guidelines from Fannie Mae, one of the largest investors in mortgages, also support some form of automatic cancelation of PMI.

This is both good for the consumer and good business. However, I would not want to see automatic cancelation provisions prevent lenders from insuring themselves against consumers who do not have a good record of payment or against a severely depreciated real estate market. If we are not careful, we may have the unintended consequence of shifting costs to consumers in the form of higher PMI premiums.

The bottom line is that thousands of hard-working American homeowners overpay PMI each year because they don't know what it is or how to get rid of it. Even worse, with PMI overpayment, it is usually the people who can afford it least that end up paying the most.

There is nothing more frustrating than paying for something that is not needed. We would not let an auto mechanic charge customers for work that is not needed or a doctor charge patients for procedures that were not performed. PMI plays an important role in the mortgage industry, but when that role is fulfilled, the American homeowner should not keep paying for something that serves no legitimate purpose.

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

As has been noted, this legislation provides for automatic cancellation of private mortgage insurance once homeowners' equity reaches 75 percent of the original value of the house, and as long as the homeowner is current in making mortgage payments.

In addition, it extends important new consumer disclosure provisions to this little understood type of insurance which protects the mortgage holder, but is paid by the homeowner.

The bill is thus designed to strike a balance which protects the homeowner and at the same time provides an incentive for lenders to make loans at competitive rates in circumstances where otherwise credibly priced loans would not be available.

This insurance product has been around for a number of years and typically costs affected homeowners between $300 and $900 annually. But until the gentleman from Utah [Mr. HANSEN] raised the issue of whether coverage was necessary after homeowners' equity reached a certain level, it has not been the subject of congressional action. Since coming to the attention of the Committee on House Banking and Financial Services earlier this year, H.R. 607 has been on a fast track.

The committee held a public hearing on March 18 and approved H.R. 607 on a vote of 36 to 1 just 2 days later, on the eve of our departure for the spring recess. Frankly, it had been my original intention to mark up the legislation in committee on the day of the hearing, but we postponed committee consideration at the request of the minority.

Subsequent to the committee's action, I asked the leadership to schedule this bill for a vote by the full House in the first or second week after the recess. Here we are today, on schedule, with a bill that has been brought to the floor, unmodified from the committee product.

In my judgment, the committee has crafted in a bipartisan fashion an approach which deserves the support of this House. Homeowners should not be stuck with paying insurance to protect others on a home that becomes protected by its own collateral value. If insurance fees continue past the point where 25 percent of the value of the loan has been paid, one group of homeowners; that is, those who originally may not be able to make a large down payment, will be prejudiced against in relation to those able to afford a larger down payment. This bill is thus, above anything else, about common sense equity. I urge its adoption.

Mr. Speaker, I reserve the balance of my time.

Mr. GONZALEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, mortgage insurance is and always has been a powerful tool for American home buyers. Of course, what it does is to reduce the risk of making a low down payment, long-term mortgage, by insuring that the lender, or the investor in that mortgage, will be paid in the event the borrower defaults. With mortgage insurance, tens of millions of Americans have been able to afford a home. Without mortgage insurance, buyers would have to come up with a down payment of about 20 percent, and probably would be able to get only a short-term mortgage.

Before the advent of mortgage insurance, only about a third of Americans owned a home. Today more than two-thirds do. As great as mortgage insurance is, the truth is that a vast number of people are paying for insurance they no longer need. To the average buyer, it costs anywhere from $30 to $100 a month. Anyone who has a good payment record and at least 20 percent equity probably does not need mortgage insurance. But the truth is buyers who should not be paying for insurance are paying millions of dollars in premiums. Some buyers who know this, like our colleague, the gentleman from Utah [Mr. HANSEN], have run into brick walls when they have sought to cancel.

This bill does two things. It preserves mortgage insurance as the valuable and vital tool that it is. Second, it guarantees future buyers that their mortgage insurance will be canceled when they have a 25-percent equity stake and allow them to seek cancellation sooner if they qualify. This bill does not affect contracts, but it does set us on the path of correcting real abuses and it will save home buyers many millions of dollars.

This is a good bill. Of course, like everything else, it is not perfect. Some of us would have liked greater reforms. Some of us wanted less. But this is a consensus bill with virtually unanimous support in the Committee on Banking and Financial Services. It deserves Members' support. I urge an ''aye'' vote.

Mr. Speaker, I reserve the balance of my time.

Mr. LEACH. Mr. Speaker, I yield 2½ minutes to the gentleman from North Carolina [Mr. BURR].

Mr. BURR of North Carolina. Mr. Speaker, I thank the chairman of the full committee for yielding me this time.

I rise today, Mr. Speaker, in support of this legislation. Last week I had concerns on this legislation. Today I still have several concerns with this bill. I would like to address those concerns in a colloquy with the gentleman from Iowa, the chairman of the Committee on Banking and Financial Services.

Mr. Speaker, I say to the gentleman from Iowa [Mr. LEACH], the chairman, that I am concerned about the effect the bill will have on pool mortgage insurance, insurance which covers a whole pool of mortgages as opposed to insurance on individual mortgages. If pool insurance was covered, would this not increase home ownership costs?

Mr. LEACH. Mr. Speaker, will the gentleman yield?

Mr. BURR of North Carolina. I yield to the gentleman from Iowa.

Mr. LEACH. Mr. Speaker, I will tell the gentleman, this is an extremely important inquiry. The intent of the legislation is to cover individual private primary mortgage insurance covering individual loans and not insurance for an entire pool of mortgages.

The reason it is important that pool insurance not be covered is that it allows mortgages with PMI to be intermingled in the secondary market with those without, thus providing more flexibility in their securitization and lower cost for the homeowner.

Mr. BURR of North Carolina. It is my understanding that in requiring new disclosure requirements concerning PMI, this bill could add costs to the private sector, especially mortgage servicers and lenders. This is of particular concern to me as well as my colleagues in the North Carolina delegation, because 44 percent of all private mortgage insurance is issued in my State.

Mr. LEACH. This concern is also a valid one, but certain issues should be kept in perspective. Generally, mortgage servicers and lenders already have to make a number of disclosures to homeowners at settlement and during the life of the mortgage under the Truth in Lending Act and the Real Estate Settlement Procedures Act. The intent of the committee in drafting this legislation was to ensure that most of the notices concerning PMI are made in conjunction with the notice requirements of these acts.

In addition, I think it should be noted that the biggest and most reputable mortgage servicers in the country, including one headquartered in my State, are beginning to provide borrowers notices on PMI. Finally, a number of States already require or are considering requiring notices on PMI. For instance, the States of California and New York, which comprise 20 percent of the home mortgage market, require disclosure to borrowers on this kind of insurance. This law would provide a disclosure standard for the entire country, which may make other State legislatures less likely to impose new State standards on this subject.

Mr. COBLE. Mr. Speaker, will the gentleman yield?

Mr. BURR of North Carolina. I yield to the gentleman from North Carolina.

Mr. COBLE. I thank the gentleman for yielding.

Mr. Speaker, I say to the chairman that I would like to extend some of the remarks uttered by the gentleman from North Carolina [Mr. BURR]. I share his concerns, but not at all as to the intent of the bill. You start going

after homeowners and you are opening up a bucket of snakes. I am not against homeowners at all. But I have a concern, Mr. Speaker, and I would be happy to hear from the chairman as to whether or not we may be encouraging and nurturing unnecessary and frivolous litigation.

Mr. LEACH. I would tell the gentleman, this is a very legitimate concern. I too want to benefit the homeowner and not the class-action lawyer. Because of some of the industry practices concerning PMI, such as not providing borrowers sufficient information on how to terminate the insurance or requiring PMI long after it is needed, mortgage servicers and insurers are facing more and more lawsuits. This legislation will clarify what the responsibilities of market participants are concerning PMI. Without this legislation, in States which do not have State PMI laws, it will be the courts who will determine by judicial fiat the legal liability of the mortgage industry participants on an ad hoc basis. This bill provides more certainty to the law concerning a borrower's rights and PMI and thus is intended to make litigation less likely.

Mortgage market players have expressed some concern that the provision of the bill requiring the conditions for terminating PMI be reasonably related to the requirements for private mortgage insurance may precipitate unnecessary litigation. This is not the intent of the committee. It is the expectation of the committee that HUD, which has rule making authority, would put forth commonsense interpretations of this provision designed to preclude unreasonable lawsuits.

Mr. COBLE. I thank the gentleman from North Carolina and the gentleman from Iowa, the chairman.

Mr. BURR of North Carolina. Mr. Speaker, I would like to thank the chairman for his willingness to address the concerns of the gentleman from North Carolina [Mr. COBLE] and my concerns with this legislation. I am hopeful that our colleagues that are involved in the completion of this legislation and the process will continue to refine it and to make it the best bill in the coming weeks that they possibly can.

Mr. LEACH. I thank both the gentlemen from North Carolina for their concerns, which are very thoughtful and constructive. I appreciate that.

□ 1315

Mr. Speaker, I reserve the balance of my time.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. LAFALCE].

(Mr. LAFALCE asked and was given permission to revise and extend his remarks.)

Mr. LAFALCE. Mr. Speaker, after listening to the previous dialog, I must point out that this is a good bill, this is a consumer bill, this is not a bill that we have to bring up by a vote of the Committee on Banking and Financial Services 36 to 1 and then hear apologies for. Not at all.

Mr. Speaker, the fact of the matter is, the gentleman from Utah [Mr. HANSEN] did us a great service when he pointed out that lenders, banks, insurance companies, et cetera, have been ripping the consumer off for years and years to the tune of hundreds of millions of dollars. And then we took his bill, and we asked for a 2-day delay, and we negotiated with the majority to make it not simply a bill which would advise us of the problem, but actually terminate, cancel, these premiums that were no longer warranted, no longer justified, at least with respect to future mortgages.

This is the most significant consumer bill brought up in Congress this year. It is probably going to be the most significant consumer bill brought up in Congress during this session and the next session. We should not be apologetic about it. We should rejoice in it, and we should make sure that this is not amended or refined away by the Senate or in conference with the Senate.

We have a good bill, let us pass it virtually unanimously, and then let us hold onto it in conference.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. KANJORSKI].

Mr. KANJORSKI. Mr. Speaker, I rise to have a colloquy with the gentleman from Iowa, the chairman of the committee. Mr. Speaker, I commend him for bringing this important consumer legislation to the House floor today, and I particularly commend our colleague, the gentleman from Utah [Mr. HANSEN], for introducing it. This bill provides meaningful financial relief of $50 or $100 a month to millions of American families. Best of all, Mr. Speaker, it provides us relief at no cost to the U.S. Treasury.

I also commend the chairman for the genuine bipartisan way this legislation was considered by the committee, which is why it was reported out of the committee 36 to 1. The entire Democratic membership of the House Committee on Banking and Financial Services enthusiastically supported this bipartisan initiative and hopes that the bipartisanship that was demonstrated on this legislation will be a model for subsequent legislation from our committee.

I do have one question for him however. Since the legislation was reported out of committee, it has been brought to my attention that there are mortgage products in the marketplace that may require mortgage insurance of a different type or for a period of time that is not prescribed in statute. I am not aware of all the products, and since the products in the marketplace are evolutionary in nature and we cannot always anticipate what tomorrow may bring in the marketplace, I hope that as the process goes through, the chairman and the members of the conference pay very close attention to this so that in the final end the private mortgage insurance disclosure that we are requiring and the cancellation we are requiring under this act does, in fact, accomplish the best results for the consumer and for the consumer in the marketplace by lower interest rates that will be provided.

Mr. LEACH. Mr. Speaker, will the gentleman yield?

Mr. KANJORSKI. I yield to the gentleman from Iowa.

Mr. LEACH. If I could respond briefly to the gentleman, I share his concerns. I would tell him, though, as we move forward we do want to be very sensitive to possible new products, but we also have to take very great care to insure that poor people do not come under a different standard than others, and if we developed two different standards, we might put complications in the home lending market as well.

So I am open to any of the concerns the gentleman may have, but I am unprepared to make firm commitments.

Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from New Jersey [Mrs. ROUKEMA].

(Mrs. ROUKEMA asked and was given permission to revise and extend her remarks.)

Mrs. ROUKEMA. Mr. Speaker, I do rise in support of this legislation. PMI is a little understood, complicated issue as we have heard through the colloquies that have gone on and the description by the chairman and ranking member, but bottom line, PMI does enable homeowners to purchase homes with as little as 3 to 5 percent down payment and insures the mortgage lender against that default. PMI plays an important part in the mortgage industry by making home ownership more accessible, and we should not lose sight of that.

This is, as my colleague from New York stated, it is a good consumer protection bill. I support it. That, however, does not mean we should close our eyes to the fact that we are taking this up under suspension, that there might not be some issues as outlined in the colloquies that deserve perhaps closer attention. It does not mean we should be voting against this, but we should understand that we must weigh very carefully the costs to the consumer as well as the industry, because if we too adversely affect the industry we might be charging higher fees for everybody in the mortgage market, and I think that is important for us to understand.

Someone earlier did also, and I think it was in the colloquy, referenced the issue that is of concern to me, and that is we do not want to have the unintended consequences of providing an incentive for unnecessary and frivolous litigation. I think we can absolutely protect against that in the confines within the strictures of this bill and gain the important consumer protection and at the same time not play a detrimental role in the mortgage market.

So I am confident that as the bill moves through conference, if there are any unintended consequences that we can examine, we can take care of it at that time. But I stand four square behind the legislation, it is an important consumer protection reform, and we should pass it today without exception.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. VENTO].

(Mr. VENTO asked and was given permission to revise and extend his remarks.)

Mr. VENTO. Mr. Speaker, I rise in support of the legislation and commend my colleague from Utah for persisting in bringing a problem to us, so often as personal experiences are reflected on the House floor, and this one in which he experienced a difficulty is one frankly that affects millions of American homeowners across this Nation. There is so much that happens at closing on a home: the types of insurance, title insurance, property insurance, other types of insurance. I am certain that many homeowners, their eyes sort of glaze over, they sign the documents not realizing that they have had the necessity of having private mortgage insurance which, incidentally, facilitates the purchase of homes just as other types of VA and FHA insurance may facilitate the purchase of homes, with low down payments. But candidly, on a hundred thousand dollar mortgage it can add anywhere from 35 to a hundred dollars extra payment a month. On a home that is $200,000 the consumer can double that cost, and that occurs in many markets.

And so it is important, and I would point out that PMI on an informal basis, these companies working with lenders have tried and do terminate the insurance, but it is sometimes a frustrating and confusing experience. What this legislation does is provide some mandates. It provides some predictability and certainty to cancel that insurance, some rights for that homeowner so that they get disclosure, they get notice, they get to know what is going on at closing and through the years of the mortgage. It also, while not mandating, provides an opportunity to in fact extinguish that insurance at a higher than 75 percent loan-to-value ratio and to go back and deal with those that have that insurance in effect today that is retroactive. But prospectively it will mandate the lapse of that insurance at 75-percent saving, literally saving millions of dollars of payments for insurance that homeowners do not need, and while such insurance is obviously to the benefit of the lender it is an extreme cost when added to the homeowner.

But I would point out that the secondary markets, the insurance companies and others, have had informal policies in place in some instances, but this measure will provide a more efficient and effective way of dealing with private mortgage insurance, treating I think consumers and treating those that provide these services more fairly, making that American dream that much more attainable, and I commend the chairman and the Members and am pleased to have played a small role in working to write and pass this legislation in the Banking Committee.

Mr. Speaker, I rise in support of H.R. 607 as amended by the Banking Committee and ask my colleagues to support the bill. I would like to commend Mr. HANSEN for introducing and pushing this legislation forward.

Throughout the week of March 17, the House Banking Committee worked on a strong bipartisan basis to develop consensus legislation. We ultimately passed H.R. 607 after a lengthy hearing occurred and all the witnesses from private mortgage insurance industry, consumer groups, mortgage bankers, and thrifts, agreed with the substance of the core issues and the improved substitute product. In the March 20 markup, the committee worked its will on the bipartisan substitute and in the end passed out a bill, 36–1.

Our goal was to produce a bill for the suspension calendar which served the needs of millions of American homeowners covered by private mortgage insurance and to expedite the work of the House of Representatives. The Banking Committee worked quickly and well in a manner that bodes well for future work on financial modernization and possibly housing bills. I am pleased that our good work product has been able to jump the hurdle presented last week by industry groups who had effectively squelched our bill.

Consumers spend hundreds of dollars a year extra in mortgage insurance even though they have paid down the mortgage by 20 percent, 25 percent or more to a point where such insurance is not required or necessary. H.R. 607 as reported by committee will provide some equity for those home buyers who make their payments faithfully for years. The reported bill was praised by consumer groups who, in fact, sought more protections and rights for consumers, but had accepted the ''bird-in-hand'', noncontroversial measure as an acceptable action in this 105th Congress.

The bill prospectively—1 year after enactment—provides for the automatic cancellation of private mortgage insurance when borrowers have 25 percent equity, or a 75-percent loan-to-value ration, in their homes—based on the original value of the home. Premiums paid past that date will be refunded.

In a significant addition, the reported bill gives borrowers prospective rights to terminate premiums once they have met industry conditions. The bill also provides for the disclosure of borrowers' rights. Existing loans will get annual statements that their PMI may be cancelable. Future borrowers will be informed of their rights at or before closing along with the annual disclosure.

Mortgage insurance helps provide an opportunity to people to purchase homes when they cannot come up with a 20-percent down payment. On a $100,000 home, that would be a hefty $20,000 plus closing costs. Private mortgage insurance on a $100,000 house ranges from $28 to $76 a month depending on amount of the down payment. That works out to $336 to $912 a year. And of course, in many cities in this Nation, including Washington, DC area, you cannot buy most homes for $100,000, so down payments are tougher to make and premiums also go up proportionately.

In the last 40 years, 17 million homeowners have paid PMI to become homeowners. According to the Mortgage Insurance Companies of America [MICA] more than a million home buyers bought PMI last year alone.

Although we were unsuccessful in committee in trying to ensure cancellation rights to those who have purchased PMI already that is retroactively or automatic cancellation for mortgages which reach the requisite 20 percent equity on their loans, an amendment I offered, we were successful in working in good faith with Chairman LEACH and our counterparts on the Banking Committee to write the initial substitute and a good consensus bill to bring to our colleagues in the House. Importantly while not requiring cancellation this measure ''provides a right to cancel'' working with lenders. The mortgage servicer, PMI companies terminate the insurance at loan amount higher than 75 percent and permit cancellation to apply retroactively as specific conditions are met.

Mr. Speaker, I urge my colleagues to support this very important consumer legislation. This bill will provide hundreds of dollars in relief to home buyers who have paid their way out of PMI. More than phantom tax cut measures, the bill will produce real consumer savings right away. Let's pass this proconsumer legislation now.

Mr. LEACH. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Texas [Mr. PAUL].

(Mr. PAUL asked and was given permission to revise and extend his remarks.)

Mr. PAUL. Mr. Speaker, I hesitate to speak out on this legislation, but having been the only dissenter in the committee I feel compelled to explain my vote.

I am confident this bill will neither destroy Western civilization nor save it. However, it does nothing to help it. What we have here is another problem, another law and another form to fill out, and all along I thought our new mandate was to reduce government rules and regulations. Every time Congress passes a new law to solve some problem, several new unsuspected consequences emerge, requiring even more problem solving regulations. This new piece of regulatory law, I am sure, will do the same. This bill will limit consumer choice, raise costs on consumers and limit availability of consumers to purchase a home.

Just this past weekend, Alan Greenspan explained why consumers are often better served by private market regulations rather than government intervention. He said that, quote: Government regulation can undermine the effectiveness of private market regulation and can itself be ineffective in protecting the public interest.

With this I concur. If Congress were really serious about making it easier for first-time home buyers and others to secure financing, it would do what it could do to lower the cost of capital. Interest rates are high because of the lack of sound monetary and fiscal policies pursued by our government.

What should we do? We should cut taxes. We should cut spending. We

should cut regulations, not add a new regulation. And follow sound monetary policy. This approach would lower the interest rates on mortgages for all homeowners and potential homeowners. This lower interest rate climate could benefit home buyers in the way that greater reliance on the nanny state cannot. The Constitution limits the power of Congress and clearly states that powers not delegated to Congress are reserved to the States or to the people. We should not interfere in the private, voluntary, noncoercive contracts of individuals in a free society. This legislation tramples on States rights. Some States, notably California and New York, already have laws on the books dealing with this issue. Congress should not be involved in this issue.

Perhaps this bill is just a veiled attempt to put all mortgages, public and private, under the control of HUD. Private mortgage insurance has benefited 20 million consumers over the past 40 years. Now Congress wants to do for them what they have done for our public housing tenants. Any new regulatory mandates by Congress would only add to the cost of private mortgage insurance and hurt the very people the proponents of the legislation are trying to help.

I suggest that a no vote is the proper vote on this bill. H.R. 607 will limit consumer choice, it will raise the cost to the consumer, it will push home ownership further from the grasp of poor Americans. If my colleagues want to vote for the consumer and if they want to help all potential home buyers, vote no on H.R. 607.

I hesitate to speak out for this legislation, but having been the lone dissenter in committee, I feel compelled to explain my vote.

I'm confident this bill will neither destroy Western civilization nor save it. However, it does nothing to help it.

What we have here is another problem, another law, and another form to fill out. And all along I thought our new mandate was to reduce government rules and regulations.

Every time Congress passes a new law to solve some problem, several new unsuspected consequences emerge requiring even more problem-solving regulations. This new piece of regulatory law, I'm sure, will do the same.

This bill will limit consumer choice, raise costs on consumers, and limit the ability of consumers to purchase a home.

Just this past weekend, Alan Greenspan explained why consumers are often better served by private market regulation rather than government intervention. He said that ''government regulation can undermine the effectiveness of private market regulation and can itself be ineffective in protecting the public interest.'' With this I concur.

He continued,

The real question is not whether a market should be regulated. Rather, it is whether government intervention strengthens or weakens private regulation, and at what cost. At worst, the introduction of government rules may actually weaken the effectiveness of regulation if government regulation is itself ineffective or, more importantly, undermines incentives for private market regulation. Regulation by government unavoidably involves some element of perverse incentives.

The perversity of this bill is its effect on consumers. It will increase premiums on consumers, limit choices, and make home ownership less affordable.

If Congress were really serious about making it easier for first-time home buyers and others to secure financing, it would do what it could to lower the cost of capital. Interest rates are high because of the lack of sound monetary and fiscal policies pursued by our Government.

What should we do? We should cut taxes, cut spending, cut regulations—not add a new one—and follow sound monetary policies. This approach would lower the interest rates on mortgages for all homeowners and potential homeowners. This lower interest rate climate would benefit the home buyer in a way that greater reliance on the nanny State cannot.

The Constitution limits the power of Congress and clearly states that powers not delegated to Congress are reserved to the States or to the people. We should not interfere in the private, voluntary, noncoercive contracts of individuals in our society.

This legislation tramples on States rights. Some States, notably California and New York, already have laws on the books dealing with this issue. Congress should not be involved in this issue.

It was that wonderful competition of experiments at the State level that brought consumers such benefits as private mortgage insurance, adjustable rate mortgages, and automatic teller machines [ATM's]. Private markets make home ownership more affordable while Washington interference perversely hurts the consumer.

H.R. 607 is harmful and unnecessary. The overwhelming majority of homeowners have no problem canceling their private mortgage insurance, if it is not canceled automatically. In fact, Fannie Mae has studied this concern and is currently setting clear guidelines regarding PMI. These guidelines would quickly become industry standard given the influence they have in the market.

If Congress were so concerned about consumers' alleged overpayment regarding PMI, then we should do something about the mortgages in which we have a vested interest; namely, FHA loans. But this bill exempts FHA homeowners even though it is the FHA mortgages where the Government has some influence.

Perhaps this bill is just a veiled attempt to put all mortgages, public and private, under the control of HUD. Private mortgage insurance has benefited 20 million consumers over the past 40 years. Now Congress wants to do for them what they have done to our public housing tenants.

A dynamic, free market is the best vehicle for prosperity. By overregulating the marketplace, the flexibility to deal with the law of unforseen consequences is lost. Loan to current value is a better indication of the current situation than loan to original value. Forcing mortgage companies to only look at the loan to original value ignores potential changes in that value. In short, it ignores reality.

We cannot ignore the realities of the marketplace. Real values of real estate declined as much as 50 to 60 percent over a 6-month period in the late 1980's. Mortgage decisions should include a combination of factors and individual choices.

Any new regulatory mandates by Congress would only add to the cost of private mortgage insurance and hurt the very people the proponents of the legislation are trying to help. There is a cost to any regulatory burden imposed on the economy. This misguided legislation would increase the cost, and thus limit the availability, of mortgage insurance for everyone. Since very few people would gain from this legislation, it punishes the vast majority for the benefit of the few. We should reject this special interest favoritism and get our own fiscal house in order so all of us can benefit. We should not impose unfunded mandates on those that are helping consumers realize their goal of home ownership.

H.R. 607 will limit consumer choice.

H.R. 607 will raise costs to the consumer, and push home ownership further from the grasp of poor Americans. If you want to vote for the consumer and all potential home buyers, vote ''no'' on H.R. 607.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentlewoman from California [Ms. WATERS].

□ 1330

Ms. WATERS. Mr. Speaker, I rise in support of H.R. 607. This is a rather proud moment in the history of this Congress and certainly of the 105th Congress.

I would like to commend the gentleman from Utah [Mr. HANSEN] for his work on this legislation. I would like to commend the members of the Committee on Banking and Financial Services who joined together from both sides of the aisle to do something real for the consumers.

I am so proud we beat the special interests on this bill. I am proud that the leadership understood finally and brought this bill to the floor.

Simply put, American consumers who had home mortgages that paid less than perhaps 20 percent down on those mortgages had to have private mortgage insurance. They should have been able to opt out and not to have to pay that after they had paid 20 or 25 percent, but the mortgage insurance companies did not tell them, their mortgage holders did not tell them, and so we have people paying for insurance beyond the point that they need to pay for it after they had paid and have about 25-percent equity.

This bill would create automatic disclosure. Those families that are giving up $35 and $40 and $50, $100 a month paying this insurance they do not need can now put this money in their pocket, they can put it in their savings account, they can keep the money.

This is a strong consumer bill. I am proud that I amended it so that I could protect States who have strong disclosure laws. Me, the most unlikely person to talk about States' rights, was joined by all of the Members and said yes, that makes good sense.

This bill is going to pass off the floor because it should. Those people who are not going to support it should be

dealt with by the consumers. This is indeed a proud moment. I am pleased to be a part of it. I would urge an ''aye'' vote. Hooray for the consumers. We have won one for a change.

Mr. LEACH. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Washington [Mr. METCALF].

(Mr. METCALF asked and was given permission to revise and extend his remarks.)

Mr. METCALF. Mr. Speaker, I rise to thank the gentleman from Utah [Mr. HANSEN] for bringing this important issue to our attention, and to thank the gentleman from Iowa [Mr. LEACH] and the gentleman from New York [Mr. LAZIO], the housing subcommittee chairman.

Nothing is more frustrating than paying for something one no longer needs. Clearly, some homeowners have unknowingly paid private mortgage insurance without the knowledge that they could cancel it when it reached a prescribed equity level. This bipartisan bill addresses that issue, protecting consumers by ensuring automatic cancellation of private mortgage insurance at the proper time. It is a fairness issue for homeowners and potential homebuyers.

As chairman of the Republican Housing Opportunity Caucus, I have heard many stories of people who have been overcharged for this particular insurance. We must protect the consumer from unnecessary costs while balancing the needs of the industry in providing this insurance.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York [Mrs. MALONEY].

Mrs. MALONEY of New York. Mr. Speaker, I rise in strong support of this pro-consumer legislation. Owning a home is the centerpiece of the American dream. It is difficult enough for working families to come up with enough money necessary to purchase and maintain a home. When that family is overcharged, it is unfair, it is anticonsumer.

Mr. Speaker, it has come to light that some lenders are allowing homeowners to unknowingly continue to carry private insurance long after it is required. The lender simply looks the other way while the homeowner continues to struggle, making overpayments amounting to as much as $900 per year. They are not asking for the money; they are just taking it.

People who need private mortgage insurance are often low and moderate income families who can ill afford to make these extra payments. Today, members of the Committee on Banking and Financial Services, Democrats and Republicans, are coming together on the floor to say we will not tolerate this rip-off of the American consumer.

The bipartisan agreement before us today requires mandatory, full disclosure of all private mortgage insurance terms and places an automatic termination of PMI payments once a homeowner has paid back 25 percent of the original value of the home.

Mr. Speaker, when anyone attacks the ability of hard-working American families to afford a home, it is not partisan concern, it is an American concern.

I want to thank the bill's sponsor, the gentleman from Utah [Mr. HANSEN], our committee chairman, the gentleman from Iowa [Mr. LEACH], and our ranking committee member, the gentleman from Texas [Mr. GONZALEZ], for working together effectively to help preserve the American dream.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. KENNEDY].

Mr. LEACH. Mr. Speaker, I yield 30 seconds to the gentleman from Massachusetts [Mr. KENNEDY].

The SPEAKER pro tempore (Mr. GILLMOR). The gentleman from Massachusetts [Mr. KENNEDY] is recognized for 2½ minutes.

Mr. KENNEDY of Massachusetts. Mr. Speaker, first of all, let me speak very frankly about the efforts of my good friend, the gentleman from Utah [Mr. HANSEN] to bring this issue to the floor of this House. This is really a tribute to one individual Member's persistence.

While this bill has been knocked off track more times than a dog sled in the Iditarod, the truth is that the gentleman has every time come to its rescue, and I think everyone here on both sides of the aisle recognizes the tremendous work that he has put into essentially bringing back into the pocket of the American taxpayer about $200 million a year in overpayments due to private mortgage insurance overreach once the insurance level has hit the automatic 20 percent.

We ought to keep in mind that private mortgage insurance is in fact a good thing, and it has helped millions of homeowners be able to buy homes in this country that, without that, industry could not in fact borrow funds from the banks and the savings and loans and other lending institutions in order to have the highest homeownership in the world.

However, the truth is that within the wonderful work of this industry, there has been a simple overreach into the back pockets of taxpayers and into the back pockets of mortgage owners who have reached the 20 percent equity provisions that private mortgage insurance is designed to fulfill, and yet the industry continues to charge those individuals despite the fact that they have met all of the requirements of the contract that the insurance policy initially created.

While we have seen Freddie and Fannie and others in the secondary market try to provide for some relief in terms of what has gone on, the truth of the matter is that there are still over 250,000 individual mortgages in this country that have reached the 20 to 25 percent equity levels.

The point is that despite the fact that we have seen 250,000 mortgages paid off at the 20- to 25-percent level, there are still thousands more that are out there that, simply because the equity value in the mortgages have reached that 20- to 25-percent, are still not taken into account.

This is a good consumer bill, this is important legislation, and it is a demonstration of one individual's willingness to take on the system and win.

I thank the gentleman from Iowa [Mr. LEACH], the chairman of the Committee on Banking and Financial Services, and I also thank the former chairman, the gentleman from Texas [Mr. GONZALEZ].

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. BENTSEN].

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I thank my colleague from Texas for yielding me this time.

Let me echo my colleague from Massachusetts. Private mortgage insurance is good. It has helped a lot of Americans who can put down as little as 5 percent, 6, 7, 8, 9, 10 percent, to get into a house. This is one of the reasons why homeownership is so high in this country and has been rising. What it does, and I think Members need to understand what it does, is it covers the first 20 percent of the exposure. It limits the exposure for the investor of the overall mortgage.

Now, what happens is once one has paid down that amount, the investor is already protected because they hold a first lien on the property and it is assumed, it is now universal, that the property is going to cover the additional 80 percent.

So what happens, and the problem that we are dealing with here, is people are paying for something they no longer need, and it may be $30 a month, which adds up to more than $300 a year over a 15-year life of a 30-year mortgage when somebody would have gotten to 75 percent. That is real money to a lot of Americans. So that is what we are trying to deal with.

I think this is a sound bill, as well. It only affects future mortgages, so it does not affect existing contracts, it does not affect existing mortgage pools, which protects investors. It protects the credit structure of traditional mortgage products and again protects investors and does not affect the efficiency of the mortgage market which we enjoy today.

With respect to the mortgage insurance companies that our colleagues from North Carolina were talking about, I do not believe it is going to affect their business, because their primary business is at the front end of the mortgage product and that is where they make the bulk of their money. So I think they will come out of this just fine.

Finally, it protects the intermediaries within the payment structure of mortgages; the mortgage brokers, the servicers, the bankers. I

think the committee has taken great pains to do that.

So this is a very good consumer bill; it is also a very sound bill. That is why it passed 36 to 1 in the committee. I do not think it will have any effect on interest rates, as one of my colleagues suggested, but what I think it will do is put money back into the pockets of consumers, and I think that is good for the American people.

Mr. GONZALEZ. Mr. Speaker, we have no additional requests for time, and I yield back the balance of my time.

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

In conclusion, I would like to thank again the gentleman from Utah [Mr. HANSEN] for his thoughtfulness and dedication to this issue; the gentlewoman from New Jersey [Mrs. ROUKEMA], whose subcommittee had thoughtful jurisdiction; the minority for their substantive participation, particularly the gentleman from Texas [Mr. GONZALEZ], the gentleman from Massachusetts [Mr. KENNEDY], and the gentlewoman from California [Ms. WATERS], who passed a very significant amendment.

In the final measure, this bill is pro-consumer, pro-homeowner, pro States' rights, and above anything else, it underscores decency and fairness under the law.

Finally, I would also like to say that it is symbolic of a Congress able to work together in trying political times for the public interest.

Mr. HILL. Mr. Speaker, I rise today to oppose House Resolution 607 and urge my colleagues to vote no on this legislation so that parts of the bill can be corrected under regular order.

Mr. Speaker, I am very concerned that House Resolution 607 would adversely affect new home buyers in Montana and throughout the country. As the bill is currently written, it will drive new home buyers, with a low downpayment, to pay higher interest rates and higher premiums for their private mortgage insurance. Due to the bill's automatic cancellation trigger of private mortgage insurance at the 75 percent loan to value ratio, the available pool of insurance funds will shift the risk to lenders which in turn will raise interest rates for low downpayment mortgages. In addition, the bill would increase the premiums significantly for new homeowners who would be required to purchase private mortgage insurance below the 75 percent loan to value ratio.

In addition to the automatic trigger provisions, I am also concerned with the bill's section (h) which is so loosely worded that it exposes the mortgage industry and lender to frivolous class action lawsuits that will benefit only a handful of trial lawyers, without commensurate benefit to borrowers. As a result, the increased cost of these lawsuits would be passed on to home buyers in the form of higher costs for mortgages.

Finally, Mr. Speaker, this bill has gone from a simple disclosure bill to one that attempts to micro manage the day-to-day business transactions of the mortgage market. This is done by making the Department of Housing and Urban Development [HUD], a bureaucratic agency that cannot manage its own affairs, responsible for regulating of the mortgage insurance industry.

Mr. Speaker, House Resolution 607 is onerous legislation that aims high but misses the mark. Under suspension it cannot be amended. Therefore, I urge my colleagues to defeat this bill under suspension so that a better bill can be worked out for all home buyers.

Mr. SESSIONS. Mr. Speaker, I rise to commend Chairman LEACH and the Banking Committee for working on this legislation as well as Congressman JIM HANSEN for his hard work in bringing this issue before the House for the American taxpayer. I cosponsored the original bill, House Resolution 607, because I support full and increased consumer disclosure regarding private mortgage insurance.

Private mortgage insurance provides a valuable role in expanding the American dream of homeownership. With PMI, families can buy homes with as little as 3 to 5 percent down rather than the usual 20 percent downpayment required.

I want to work with the committee as this bill moves forward to the Senate to ensure that some of the concerns expressed in the markup are addressed. The role of mortgage insurance should be preserved because consumers benefit by being allowed to put a lower downpayment down on their home. But I understand that it's difficult to craft perfect legislation, and I want to ensure that any technical problems or unintended consequences like frivolous litigation with this bill get worked out as we move to conference.

I also want to ensure that the automatic cancellation standards are set at a reasonable level to protect both the consumer and the mortgage industry from problems such as downturns in the economy such as we had in Texas in the eighties. We all benefit from a fair mortgage insurance system that remains safe and sound and also allows consumers to be fully aware of their rights.

Mr. HOYER. Mr. Speaker, I rise today in enthusiastic support of the bill House Resolution 607, the Homeowner's Insurance Protection Act of 1997.

This bill will ensure that millions of homeowners who pay private mortgage insurance [PMI] will no longer pay needlessly and unknowingly once the benefits of paying PMI expire.

Private Mortgage Insurance [PMI] provides important protection to mortgage lenders against losses in the event a homeowner defaults on a mortgage loan. PMI works to the immense benefit of lenders and borrowers alike. By offsetting the risk to lenders of providing low downpayment loans—less than 20 percent of the purchase value—PMI substantially expands homeownership opportunities across America while preventing economic catastrophe for lenders during downturns in the housing market.

PMI has helped make the dream of homeownership a reality for more than 17 million American families who have been able to purchase a home with downpayments as low as 3 to 5 percent of the value of their home. Recently, however, problems with PMI have come to light.

Thousands of American homeowners, Mr. Speaker, are overpaying their PMI—making payments well after PMI becomes cancellable and after the risk to the lender of making a low downpayment loan has expired. In many cases, these homeowners are unaware that their PMI is cancellable or that they are receiving no benefit from continuing to make PMI payments. In other cases, informed homeowners who have attempted to cancel their PMI have encountered difficulty in doing so.

House Resolution 607 addresses this problem by providing for automatic termination of PMI payments once the loan-to-value ratio reaches 75 percent of the value of the home at the time of purchase and by requiring mortgage lenders to notify homeowners as to whether, when and under what conditions their PMI is cancellable.

House Resolution 607 thus empowers homeowners by requiring lenders to inform them of their PMI cancellation rights and by guaranteeing that homeowners will no longer pay for PMI once they have built up 25 percent equity in their new home.

Homeowner beneficiaries of PMI, by and large, are middle-income Americans who are not in a position to invest hard-earned income in overinsuring against a risk to mortgage lenders. This bill preserves the intended protection of lenders provided by PMI while ensuring that the equally important aim of preserving the American dream of homeownership for families is not defeated.

Mr. Speaker, I want to commend Congressman JIM HANSEN for introducing this important legislation which will provide valuable protection to homeowners in the Fifth Congressional District of Maryland and across this great Nation. I strongly urge my colleagues to join me in supporting passage of this important bill.

Mr. LEACH. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Iowa [Mr. LEACH] that the House suspend the rules and pass the bill, H.R. 607, as amended.

The question was taken.

Mr. LEACH. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I and the Chair's prior announcement, further proceedings on this motion will be postponed.

AMENDING U.S. CODE TO ALLOW REVISION OF VETERANS BENEFITS DECISIONS BASED ON CLEAR AND UNMISTAKABLE ERROR

Mr. STUMP. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1090) to amend title 38, United States Code, to allow revision of veterans benefits decisions based on clear and unmistakable error.

The Clerk read as follows:

H.R. 1090

Be it enacted by the Senate and House of Representatives of the United States of America in congress assembled,

SECTION 1. REVISION OF DECISIONS BASED ON CLEAR AND UNMISTAKABLE ERROR.

(a) ORIGINAL DECISIONS.—(1) Chapter 51 of title 38, United States Code, is amended by inserting after section 5109 the following new section:

"§ 5109A. Revision of decisions on grounds of clear and unmistakable error

''(a) A decision by the Secretary under this chapter is subject to revision on the grounds