

For 47 years he has been a Montauk volunteer fireman. He also served as fire police captain. For 29 years he had been the master of ceremony for the St. Patrick Parade in Montauk, as well as serving as past grand marshal.

Many of us are regular listeners of Ed's as he broadcasts high school sports weekends over Radio Eastern Long Island, WLNG. In the entertainment world he appeared in several movies—"Joe vs. Volcano," "Awakenings," and Woody Allen's "Manhattan Murder Mystery"—and a number of commercials including one for Prudential Life and Ray Ban sunglasses. Business Week magazine also ran a feature article on Mr. Ecker.

Eddie Ecker has been a friend and a big influence in my life. He got me started over 20 years ago as an aid to Speaker Duryea. I've learned a lot about politics and government from Eddie. It is a point of high personal privilege to have this opportunity to stand with my colleagues in the 104th Congress in the first in 40 years to have a Republican majority—to recognize the tremendous accomplishments of our own "Mr. Republican." Eddie Ecker, a man whose love for family, for country, and for community serves as a bawon for us all. God bless you, Eddie.

THE FHA MODERNIZATION AND
EFFICIENCY ACT OF 1995

HON. BILL ORTON

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 11, 1995

Mr. ORTON. Mr. Speaker, today I am introducing the FHA Modernization and Efficiency Act of 1995.

The purpose of this legislation is to make a number of changes to the FHA single family mortgage loan program to make it more responsive to market needs, and to provide for more efficient administration within the FHA. The bill contains many of the provisions found in H.R. 4484, a bill I introduced in the 103rd Congress.

Six of the seven provisions in this bill are identical to the provisions the House adopted last year in H.R. 3838, the housing reauthorization bill. Since the Senate failed to act on this legislation, it is incumbent on Congress to take these matters up again.

As the current Congress convenes, there has been some talk of privatizing or eliminating the FHA single family loan program. I believe this would be a mistake. FHA has served as an invaluable source of low downpayment mortgages to enable young families and individuals to enter the housing market. As this Congress increasingly emphasizes policies which promote opportunities, there is hardly a better example of a Federal program which provides opportunities than the FHA Single Family Mortgage Loan Program.

Furthermore, there appears to be no good fiscal or public policy argument for transferring FHA operations to the private sector. The FHA single family Mutual Mortgage Insurance Fund [MMIF] is very healthy. Moreover, since the program is currently running a surplus, we would not cut Government spending by privatizing the program.

However, privatization or elimination would likely result in significantly less competition in

the market for low downpayment mortgage loans. It is likely that a private company would not have either the congressional mandate or incentive to serve the affordable, low downpayment single family market in the same way FHA has historically done, through all market conditions, good and bad. It is hard to see how less competition would be better for the consumer.

However, it is also true that FHA suffers from a problem typical of Government agencies—a failure to adapt quickly to market changes and make internal efficiency improvements. While private companies can make changes in programs at a moment's notice, FHA is subject to programmatic restrictions by Congress that have not been updated for some time.

The FHA Modernization and Efficiency Act is an effort to make these needed changes. I believe that with the passage of the provisions in this bill, FHA can continue to be a fiscally sound, responsive provider of affordable single family loans.

First, let me address the provisions in my bill which make FHA loans more responsive to market conditions. A commonly cited impediment to use of FHA is the extraordinarily complex down payment calculation for FHA mortgages. Under current statute, borrowers, lenders, and realtors are forced to go through a convoluted two-part calculation to determine the maximum amount that can be financed, and the corresponding down payment required by FHA.

Under section 4 of my bill, this complexity would be replaced by a simple one-part formula, based on the size of the loan. For properties with a value up to \$50,000, the loan could not exceed 98.75 percent of appraised value. For properties between \$50,000 and \$125,000, the loan could not exceed 97.65 percent of appraised value. Finally, for loans over \$125,000, the loan could not exceed 97.15 percent of appraised value. In each case, the borrower could also finance mortgage premiums—as under current policy—but could not finance closing costs.

This measure was adopted as an amendment on the House floor last year by voice vote, with bipartisan support. The proposal was painstakingly developed to be as neutral as possible in comparison to current law with respect to the general levels of downpayments required by FHA. To achieve this, we also added a provision for high closing cost States, where we permit loans of up to 97.75 percent of value. This is because current law generally allows higher loan-to-value ratios for transactions with high closing costs. Finally, in a letter dated July 21, 1994, during House consideration of this proposal, the Commissioner of the FHA wrote me a letter in support of this proposal, stating that "We concur with your assessment that the new proposal will simplify the process for calculating the maximum mortgage amount available on single family properties and fully support it."

A second provision on my bill, section 6, makes the FHA program more flexible by eliminating the current prohibition against parental loans used in conjunction with FHA mortgages. Under current FHA policy, parents may assist children with downpayment assistance, but only if they submit a gift letter indicating that the assistance is not to be repaid. While prohibitions against loans for downpayments generally make fiscal sense,

there is no reason to have this policy in the case of a parental loan. There is no practical difference between a parental gift and a parental loan. There would be no added risk to the FHA fund by eliminating this parental loan prohibition.

This change would permit many more families and individuals to enter the housing market. It would also end the common practice whereby many parents are forced to lie about the true nature of financial assistance, stating in the gift letter that no repayment is expected, when in fact there is a private agreement that the loan shall be repaid. This provision was adopted in committee by voice vote and included in H.R. 3838 last year. I believe this change is both family-friendly and non-controversial.

A third important provision in my bill, section 9, would provide for FHA authority to insure 2-step mortgages. This type of mortgage allows the borrower, for example, to have a 30-year term, with a 5-year fixed rate of interest, followed by periodic reset(s) of interest rates according to a formula. This mortgage vehicle has become increasingly popular in recent years among private lenders, since it provides for more flexibility and lower rates for borrowers. In order to keep pace with market innovations, FHA should have the same capability. This provision was also adopted in committee by voice vote and included in H.R. 3838 last year.

A fourth provision in my bill, section 3, is probably the only controversial provision in the entire bill. This is the provision which raises the single family loan floor to 50 percent of the maximum Freddie Mac loan amount. This would permit loans of up to \$101,150 in any place in the country, regardless of the average median home price. This is an important simplification provision for many smaller communities throughout the country, and was included in the bill which passed the House. However, I recognize that a smaller floor increase was adopted into law, in the VA-HUD appropriations bill. I believe that that increase was too small, and propose that we move the same loan floor we passed in the House last year.

In addition to changes needed to modernize the program, there are a number of changes we should make, to make administration of the FHA program more efficient. Perhaps the most significant is section 8 of my bill, which permits direct endorsement lenders to issue their own mortgage certificates. Several years ago, we took the important step of delegating underwriting decisions to qualified lenders, subject to strict FHA criteria as to LTV, appraisals, and other matters. However, the physical issuance of the certificates was still left in the hands of HUD. This is an unnecessary burden on HUD, and has resulted on long, and sometimes costly delays for lenders. The provision in my bill, developed by HUD and included in the housing bill we passed last year, would simply let lenders issue their own certificates. This would not represent any threat to the fund, since lenders would still be subject to the same scrutiny by HUD.

Finally, there are two other efficiency changes that we should make to streamline the FHA program and make it more efficient. Section 5 of my bill would remove an outdated 90 percent loan-to-value prohibition that applies to newly constructed homes that were

not inspected by HUD prior to start of construction. With improvements in local zoning and inspection laws, this special limitation is outdated, and places an unnecessary inspection burden on HUD staff. FHA insurance of new homes continues to fall, in part because of this restriction. Ten years ago, when FHA's total business was roughly one-third of today's volume, its new construction business was approximately 40 percent higher than it is today. I believe that elimination of this unnecessary limitation would make FHA more competitive in this area. Again, this provision was adopted in committee by voice vote and included in H.R. 3838 last year.

Finally, section 7 of my bill would eliminate the need for FHA approval of condominium projects, when any such project has already been approved by a government sponsored enterprise [GSE]. Requiring FHA approval in this case is redundant, and is the type of bureaucratic excess that we are seeking to undo.

In conclusion, as we move to consideration of proposals dealing with FHA and other Federal housing programs, let's make sensible decisions which preserve opportunities for all Americans. My approach is simple: don't eliminate FHA—modernize it. I believe the FHA Modernization and Efficiency Act is the way to do this, and would welcome cosponsors for this important legislation.

SALUTING ROBERT AND ERIC
SCHULTZ

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 11, 1995

Mr. GILMAN. Mr. Speaker, I wish to call to the attention of all of our colleagues a courageous act of bravery on the part of two of my constituents, who serve as an inspiration to all of us.

Robert W. Schultz of New City, NY, and his 24-year old son Eric were vacationing at Saranac Lake in New York's Adirondack Mountains last May when they witnessed the capsizing of a canoe on the lake which was occupied by a father and son.

Both Robert and Eric dove into the freezing waters of the lake to rescue the two unfortunate canoeists. Eric managed to get the son to an island, where he administered first aid in the manner which he learned in the Boy Scouts, and performed other procedures which brought the young man back to consciousness. In the meantime, Bob was able to lead the father to another location on shore, where by utilizing the survival skills he had learned as a Boy Scout, reversed the first stages of hypothermia which had begun to set in, and stabilized the gentleman's condition until help arrived. Both Bob and Eric remained calm and collected throughout this emergency situation, and their actions resulted in saving the lives of both father and son.

Because of their heroism and their expertise, both Robert and Eric are being presented the Boy Scouts of America Lifesaving Award, perhaps the most prestigious honor bestowed by the Boy Scouts. Bob and Eric had both achieved the rank of Eagle Scout, and there is no doubt that the skills they had obtained as a part of their Boy Scout training directly led to the saving of both of these lives.

Mr. Speaker, in today's cynical society, many people question the relevance of the Boy Scouts of America to today's society. Let us point to Bob and Eric Schultz as a shining example of the worthiness of the Boy Scout movement—an organization which warrants the support of all of us. To those cynical naysayers, let us remind them too that the skills, the leadership, and the good citizenship which are the foundation of Scouting benefit our Nation as a whole.

40TH ANNIVERSARY OF FREEDOM
FROM GOVERNMENT COMPETITION
POLICY

HON. JOHN J. DUNCAN, JR.

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 11, 1995

Mr. DUNCAN. Mr. Speaker, January 15, 1995, will mark a historic anniversary in the history of our Nation and one which could not occur at a more appropriate time.

It was on January 15, 1955, that President Dwight Eisenhower issued a policy that:

The Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels.

That policy is still on the books today in Office of Management and Budget Circular A-76. However, this policy has been regularly avoided during the past 40 years. The Congressional Budget Office reported in 1987 that some 1.4 million Federal employees are engaged in occupations that are commercial in nature.

The Grace Commission recommended contracting out and estimated that \$4.6 billion a year could be saved by using private contractors to perform the commercial activities currently accomplished in-house by Federal employees. Even this administration's National Performance Review recommended that A-76 be strengthened and enforced.

The issue of government competition with the private sector has become so pervasive that the most recent White House Conference on Small Business adopted as one of its leading planks:

Government at all levels has failed to protect small business from damaging levels of unfair competition. At the federal, state and local levels, therefore, laws, regulations and policies should . . . prohibit direct, government created competition in which government organizations perform commercial services . . . New laws at all levels, particularly at the federal level, should require strict government reliance on the private sector for performance of commercial-type functions. When cost comparisons are necessary to accomplish conversion to private sector performance, laws must include provision for fair and equal cost comparisons. Funds controlled by a government entity must not be used to establish or conduct a commercial activity on U.S. property.

The issue is again at the top of the agenda of America's small business owners, having been adopted as a plank in several of the State meetings leading to the 1995 White House Conference on Small Business that will convene in Washington, DC, in June.

During the 102d and 103d Congress, I introduced legislation known as the Freedom from

Government Competition Act. This bill would provide a legislative mandate for implementation of the 1955 Eisenhower policy. It would require OMB to conduct an inventory of commercial activities performed by Federal agencies using Government employees and establish a process for contracting those activities to the private sector over a 5-year period.

During the course of my research on this matter, I have become aware of a particularly glaring example of the insidious nature of Government intrusion into an area that rightfully should be performed by the private sector. That is the field of surveying and mapping.

The Federal Government annually spends approximately \$1 billion on surveying and activities, but in fiscal year 1993 only \$69 million or 6.9 percent was contracted to the private sector while there are some 6,000 surveying firms and 250 mapping firms in the United States. You can go into any county seat in Tennessee or any other town in the Nation and you will find a private professional surveyor's firm within a 5-minute walk of the courthouse ready, willing, and able to do this work.

Not only do Federal agencies fail to contract a meaningful amount of their surveying and mapping requirements, but they market their services to other Federal agencies and to State, local, and foreign governments, in direct and unfair competition with the private sector. It just doesn't make sense for the U.S. Government to have this capability when it is available from the private sector. I am convinced the more than 99 percent of the surveying and mapping firms that are indeed small business, as well as the larger firms, can save tax dollars and help us reduce the Federal deficit by working under contract with Federal agencies, and that the surveying and mapping firms in Tennessee and the other States can do as good if not better job of surveying and mapping our land than the Government.

The surveying and mapping community is a perfect example of overzealous Government growth in an activity that can and should be performed by the private sector. The old chain and transit methods of surveying have been replaced by Global Positioning System [GPS] satellite receivers, analytical computer mapping systems, and other technologies. It is frustrating to small business men and women that their markets, both domestic and foreign, are limited by the predatory activities of Federal agencies and that their tax dollars are supporting purchases of this same equipment by these agencies.

While there has been considerable discussion of privatization, an end to State-dominated economies in favor of market oriented economies, individual initiative, and other virtues that led Eastern Europe to discard socialism in favor of capitalism, Washington has not practiced here at home what we are preaching in fledgling democratic nations. When a Government agency competes with private firms it stifles growth in private industry by dominating certain markets; diverts needed personnel, particularly in technical occupations, from private sector employment; thwarts efforts by U.S. firms to export their services; and erodes the tax base by securing work that would otherwise be accomplished by tax paying entities.

Not only have the advantages of privatization and private sector utilization been recognized on the international scene, but these