

are debating today is very similar to legislation I cosponsored earlier this Congress and I applaud President Obama for his leadership on this issue.

Yet, there are some banks that claim this legislation will make homeowners choose bankruptcy over working out their mortgages. These are the same banks that have flatly refused to help work out those mortgages over the last year. These concerns have been directly addressed. To make sure nobody abuses the courts, this legislation will require all homeowners seeking bankruptcy protection to certify that they first attempted to modify their mortgage with the banks.

Every time we try to reform our financial system, we are told by industry and skeptic alike that consumer protections like those in the Homeowner Affordability and Stability Plan might “destabilize” the market. Our government accepted that advice for much of the last decade and it landed us in an economic crisis. The great people of Rhode Island have watched their home equity plummet because of reckless behavior on Wall Street. Frankly, that is the kind of destabilization I am worried about.

It is true that this legislation will make a number of important revisions to the Hope for Homeowners Program. However, the real problem with Hope for Homeowners was that the lending industry never had any interest in participating. Until homeowners have some bargaining power and the lending industry understands that these loans must be reworked, there will be no real progress. Currently, bankruptcy judges can change the terms of loans for automobiles, stores, vacation homes and factories but not primary mortgages. It's time we let them do something much more important: help Americans to keep their houses.

This plan will empower homeowners and give lenders the incentive they need to save millions of mortgages from foreclosure. I look forward to continuing to work with my colleagues in Congress and with President Obama to tackle the housing crisis and restore America's economy.

HELPING FAMILIES SAVE THEIR
HOMES ACT OF 2009

SPEECH OF

HON. BILL POSEY

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, February 26, 2009

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1106) to prevent mortgage foreclosures and enhance mortgage credit availability:

Mr. POSEY. Mr. Chair, H.R. 1106 is a combination of several free-standing bills, all of which touch on financial services and which are intended to address the mortgage situation. While I support some aspects of H.R. 1106, such as updates to the Federal Credit Union Act and a servicer safe harbor for loan modifications, the bill goes far beyond this by expanding the failed Hope for Homeowners program and allowing judicial “cram downs” in bankruptcy cases. “Cram down” will significantly raise the cost of mortgages for all borrowers by enabling bankruptcy judges to rewrite the terms of mortgages. The House Fi-

ancial Services Committee has never held a hearing on the impact of “cram down.” My amendment to the Committee's Oversight Plan, accepted unanimously on February 11, directed the Committee to investigate the potential impacts of “cram down” legislation including its effects on the cost of mortgages, the taxpayers and the secondary market for mortgages.

Despite a dismal performance record, this bill throws more money at the Hope for Homeowners (H4H) program, which I am informed has helped a mere 43 borrowers. The Congressional Budget Office estimates that expanding this program will help no more than 25,000 borrowers at a cost of \$23,000 each. We also know that the changes the bill makes to H4H will weaken important taxpayer safeguards, leaving taxpayers to foot the bill directly for additional defaults.

A significant concern I have with H.R. 1106 is the cram-down provision. The “cram down” provision would allow bankruptcy judges to change the terms of a mortgage loan for a primary residence, overturning a century of bankruptcy code and practice. Proponents of “cram down” are quick to argue that bankruptcy judges should have the authority to help everyone stay in their homes. Anyone with common sense knows that higher risk or greater uncertainty will raise interest rates. Opening the possibility of “cram down” across the board for all primary residences adds uncertainty in the market and it will lead to higher interest rates across the board for all home buyers. Everyone, including responsible buyers, will be forced to foot the bill for speculators and those who make poor purchasing decisions as the costs of those decisions are spread across all borrowers. For more than 100 years primary residences have been exempted from “cram down” bankruptcy proceedings precisely to help keep mortgage interest rates lower and homes more affordable. At a February 11 House Financial Services Committee hearing, I asked the nation's leading lenders what would happen if Congress passed “cram down.” Their response was overwhelmingly clear: allowing bankruptcy judges to “cram down” mortgages would increase the cost of all mortgages and add an incentive for more people to declare bankruptcy.

The adverse effects of this legislation will extend beyond the small percentage of people it is intended to help. The increased risk in the housing market, and increased interest rates, will result in much larger down payments and cost first-time buyers and lower and middle-class families tens of thousands of dollars. The Mortgage Bankers Association predicts that “cram down” would increase interest rates from six percent to eight percent on a 30-year, fixed rate mortgage. For a \$300,000 loan for example, this would cost the borrower nearly \$5000 per year and over \$144,000 for the life of the loan. H.R. 1106 will encourage more homeowners to file bankruptcy as some homeowners, currently on the margin of bankruptcy but still making payments, could take advantage of “cram down” bankruptcy as opposed to seeking a loan modification with their lender. Is encouraging bankruptcies really a solution to our problems? For many filers it would only delay the pain of foreclosure. Just one-third of Chapter 13 filers actually complete the process, which is itself costly and time-consuming. If our goal is to unfreeze credit

and improve the economy, H.R. 1106 is the wrong prescription.

We can do better. We can craft solutions that give troubled home-owners a “time out” and help them catch up on payments without burdening taxpayers, overturning a bedrock provision of our bankruptcy code that has benefited 90 percent of Americans who do not have troubled mortgages. If this bill becomes law, new responsible homeowners will be forced to make higher mortgage payments each and every month for 30 years. That is a significant “tax” on responsible middle class families. Forcing responsible Americans to subsidize bad decisions by others may not meet the technical definition of a tax increase, but I believe whenever you take money out of one person's pocket and give it to someone else it is a tax.

HELPING FAMILIES SAVE THEIR
HOMES ACT OF 2009

SPEECH OF

HON. STENY H. HOYER

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, February 26, 2009

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1106) to prevent mortgage foreclosures and enhance mortgage credit availability:

Mr. HOYER. Mr. Chair, It can be easy to think that a neighbor's home troubles are no concern of ours. If we can still pay our mortgages, it's easy enough to shut our doors on their problems.

But the world doesn't work like that. Our prosperity is bound to theirs, in good times and bad. A single foreclosed home can threaten a neighborhood; a neighborhood of foreclosed homes can help bring down the economy of a city; and a nation full of foreclosures can expect economic turmoil, and frozen credit, and layoffs, and decreasing demand, and more layoffs. That is where we are today: a nation with 14 million families' mortgages underwater, and counting; a nation in which foreclosed homes can drive down the value of their neighbors' property by nearly 10 percent.

That's why this bill is so necessary. The Helping Families Save Their Homes Act puts into law some of the most important provisions of President Obama's homeowner stability plan. It makes it easier for lenders to renegotiate mortgages for families who are underwater, close to foreclosure, or nearing bankruptcy. And for families that are driven into bankruptcy by their home payments, this bill allows bankruptcy judges to modify the terms of their loans—a step that is free for taxpayers and could reduce foreclosures by 20 percent. Today, investors can restructure debt on their vacation homes; real estate speculators can do it for their property; corporations can do it for their private planes; and you can even do it if you own a boat. It is only fair that average Americans have the same right for the homes they live and raise their families in.

I also want to make very clear that this bill is not designed for those who bought bigger houses than they knew they could afford. It is made for those who acted responsibly but need this breathing room because of circumstances they could not control—circumstances like unemployment or the nationwide decline in home values.