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Ranking Member Waters' Opening Statement on the Republican "PATH to Nowhere Act"

July 18, 2013

WASHINGTON, D.C. –Congresswoman Maxine Waters, Ranking Member of the House Financial Services Committee, delivered the following opening statement at today's full Committee hearing. The hearing, entitled, "A Legislative Proposal to Protect American Taxpayers and Homeowners by Creating a Sustainable Housing Finance System," examined draft legislation proposed by Republicans to "reform" our nation's housing finance system.

However, the bill, inaptly named the Protecting American Taxpayers and Homeowners or PATH Act, as highlighted by Ranking Member Waters, is nothing more than an extreme experiment with America's housing finance system based on ideological preferences, not evidence. For the millions of Americans who will be negatively impacted by this radical legislation, this bill is truly a "PATH to Nowhere."



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Thank you, Mr. Chairman.

While I'm appreciative that you're holding this hearing today, I'm deeply disappointed in the radical and unworkable Discussion Draft that is before us today, as well as the lack of interest in making this a bipartisan effort.

Mr. Chairman, it did not have to be this way. We have on the table a bipartisan housing finance reform proposal in the Senate. During the last Congress, we saw numerous bipartisan reform proposals here in the House. But this bill you've put forward – with zero input from Democrats – is obviously a non-starter among all the individuals that have a stake in a healthy housing finance system. It is an unrealistic proposal based on the notions of ideological academics, whose ideas have no real audience or weight outside of certain Members on this Committee.

We Democrats here on this Committee have authored principles that guide our consideration of this Discussion Draft, as well as all proposals to reform our markets. To put it plainly, the PATH to Nowhere Act fails all of them. To take them one-by-one:

- The proposal would be bad for America's middle-class, ending the affordable 30-year fixed rate mortgage and making it a product only available to a tiny subset of lower-income FHA borrowers, or to the richest households getting jumbo loans;
- The proposal would be bad for investors, expecting them to accept all the credit risk on U.S. mortgages, but removing key protections in our securities laws and excluding them from the management of this new Utility;
- The proposal would be bad for community banks and credit unions, with the new Utility presenting them with tremendous challenges in accessing the capital markets and severely undercutting FHA. The proposal also leaves them in the dust with a big bank-centric covered bond proposal that requires them to pick up the tab if these bonds bankrupt the Deposit Insurance Fund;
- The proposal would be bad for consumers, repealing the predatory lending provisions in the Wall Street Reform Act, and inviting unscrupulous subprime lenders back into the market;
- The proposal would be bad for renters at a time when vacancy rates are at an all-time low, and American families increasingly need access to rental options. The proposal abolishes the Trust Fund, eliminates the GSEs' role in multi-family housing and makes the FHA multi-family program an administrative nightmare that no lender would want to participate in;
- The proposal would be bad for taxpayers, codifying an implicit guarantee on our housing market, instead of making the guarantee explicit, and paid for by the industry, as other bipartisan proposals suggest. When the Republican experiment in extreme privatization ultimately fails, we will see a future Administration coming to Congress, asking for us to clean up the mess this bill created;
- And finally, your proposal would be a disaster for the American housing market, which drives nearly 20% of our nation's GDP.

Mr. Chairman, I stand ready to work with you if you want to get serious on housing finance reform or regulatory relief for our nation's community banks and credit unions. But to be candid, this proposal is a failure on all counts, and for all stakeholders. And given that this draft bill undercuts both the homeownership and rental markets, I'm not sure where my Republican counterparts expect middle-class American families to live.

I yield back the balance of my time.

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