PRESS RELEASES

Chairman Hensarling Welcomes President Obama to the Sustainable Housing Finance Reform Debate

Washington, Aug 6 -

House Financial Services Committee Chairman Jeb Hensarling (R-TX) issued the following statement on President Obama's speech calling for housing finance reform.

"Our plan, the Protecting American Taxpayers and Homeowners Act, puts private capital at the center of the housing finance system; ends the bailout of Fannie Mae and Freddie Mac; and sustains the 30-year fixed rate mortgage – all goals the President today says he supports. Last month, the committee passed this legislation and I look forward to continued debate this fall.

"It's been nearly five years since the financial crisis, which was caused in large part by Washington policies that incented, mandated and browbeat financial institutions to loan money to people to buy homes they ultimately could not afford. It's been three years since the Dodd-Frank Act failed to do anything about Fannie Mae and Freddie Mac and their record taxpayer-funded bailout. Now it's time for action to create a sustainable housing finance system – sustainable for taxpayers, for homeowners and for our economy."

Additional information on the PATH Act:

Today, President Obama outlined his principles for housing finance reform during a speech in Phoenix, Arizona. Unfortunately, this is the first time the president has spoken at length on housing finance reform in almost three years. Since February 2011, the White House's "White Paper" on housing finance reform has been collecting dust on the shelf. We welcome the president to this debate, but his speech is still just that- a speech.

House Republicans are leading where the president has not. On July 24th, the House Financial Services Committee passed the Protecting American Taxpayers and Homeowners Act - (PATH Act) that accomplishes three main goals:

- ends the largest bailout in history – the nearly $200 billion taxpayer-funded bailout of Fannie Mae and Freddie Mac – and phases out the troubled Government-Sponsored Enterprises within five years;
- increases competition by ending the federal government's domination of the housing finance market that has left taxpayers liable for $5.1 trillion in mortgage guarantees; and
- gives consumers more choices in determining which mortgage product best suits their needs.

PATH Act Protects 30-year Fixed Rate Mortgage:

Some opponents of the bill claimed it would end the 30-year fixed rate mortgage, but phasing out Fannie Mae and Freddie Mac will not end the 30-year fixed rate mortgage since the government-sponsored enterprises are not lenders and such mortgages exist today without a government guarantee.

A July 25th *Washington Post* editorial refuted this claim:

> *"Opponents of the PATH Act argue that the lack of permanent government backing will deprive the market of liquidity*

and consequently end the 30-year fixed-rate mortgage upon which so many consumers have come to rely. One answer to that is that some 30-year fixed loans already exist without government help: These are "jumbo" mortgages too big to fit within Fannie and Freddie's loan limits. Presumably private-sector innovation could create loan products, with 30-year terms or otherwise, appropriate for smaller borrowers as well."

Also, Section 213 of the bill specifically states that the "FHA shall provide, among other mortgage insurance products, for the availability of a 30-year fixed rate mortgage"

President's 2012 Plan Encouraged Homeowners to Leave 30-Year Mortgages: On this front, it should also be remembered that an earlier version of the Obama housing finance reform plan "would encourage people to refinance into a 20-year mortgage instead of the standard 30-year mortgage."

Dodd-Frank Makes It Harder to Afford Homes: Some opponents of the PATH Act also claimed it would raise interest rates. But, in fact, relative to current law, the PATH Act will make homeownership more affordable.

Chief economist Mark Zandi of Moody's Analytics has testified that one single mortgage-related regulation of the Dodd-Frank Act could cause mortgage interest rates to increase 1-4%. Likewise, the American Securitization Forum stated that a Dodd-Frank regulation "could double the interest rate" and the National Association of Homebuilders has warned that proposed Dodd-Frank regulations "could grind the housing finance system to a halt."

CoreLogic, a firm that analyzes markets, reports 52% of the Americans who bought homes in 2010 would not be able to finance a mortgage under requirements in the Dodd-Frank Act.

The non-partisan Congressional Research Service has also stated in a report that Dodd-Frank's mortgage provisions are likely to "reduce access to mortgage credit" and "increase barriers to homeownership for both creditworthy and disadvantaged borrowers."

For more information on the PATH Act, visit the Financial Services Committee's Bottom Line Blog:

PATH Act "Enables FHA to Play Expanded Role in Times of Crisis"

How the U.S. GSE Model Measures Up to the Rest of the World: We're Number... 17?

The PATH Act Sustains the 30-Year Fixed Rate Mortgage

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