

2-26-09, Bachus Statement on Housing Bailout, Cram-Down Legislation

Throwing Good Taxpayer Money After Bad Will Not Solve Our Economic Problems

• "Bankruptcy cram-down provisions included in this bill will further reward poor decisions made by a small amount of individuals and lenders, while adding uncertainty to the market and increasing mortgage costs for the vast majority of Americans."

February 26, 2009

WASHINGTON - Congressman Spencer Bachus (R-AL), the top Financial Services Committee Republican, submitted this statement to the congressional record during consideration of the Democrat's housing bailout and mortgage cram-down legislation today:

"Mr. Chairman, there are elements in this legislation that I support, such as permanently increasing deposit insurance coverage limits to \$250,000 that will strengthen our banking system and help avoid destabilizing bank runs. The Kanjorski-Castle language, providing a safe harbor for mortgage servicers, is a timely and targeted solution that encourages loan modifications that benefit both homeowners and investors. It is a common-sense approach to help keep American families in their homes.

"And while I do support certain provisions in this bill - and did so in Committee - I oppose the legislation as a whole, and urge my colleagues to do the same.

"Enacted by Congress last July, Hope for Homeowners has been a failure by virtually every metric. And rather than cut taxpayer losses, this legislation aims to fix a fundamentally unfixable program, while abandoning key taxpayer safeguards.

"Initially, proponents claimed this program would provide relief to 400,000 borrowers. They were wildly off mark. In fact, the program has received a mere 400 applications and closed on just 43 new loans.

"If today's legislation was enacted, the Hope for Homeowners program would allow FHA to insure loans with greater risk of default and require a higher per loan taxpayer subsidy. The non-partisan Congressional Budget Office (CBO) projects that even with these changes, the program will help a mere 25,000 borrowers, at best. Far from the 400,000 promised, and far from a success.

"According to CBO research, taxpayers may be responsible for up to \$579 million as a result of potential defaults. This nearly billion dollar figure, coupled with the new projection that Hope for Homeowners will only assist at most 25,000 borrowers, could potentially cost the taxpayer an astounding \$23,000 per loan.

"Throughout the campaign, President Obama almost daily expressed his goal of ending wasteful, underperforming and duplicative government programs. How many times do we have to attempt to change a program that has helped 43 borrowers nationwide? Under President Obama's criteria, HOPE for Homeowners would certainly qualify as a program to be cut.

"And worse, bankruptcy cram-down provisions included in this bill will further reward poor decisions made by a small amount of individuals and lenders, while adding uncertainty to the market and increasing mortgage costs for the vast majority of Americans.

"Congress should be asking: who is this legislation intended to help, and is it fair? Will this bill reward irresponsible behavior and punish those who have played by the rules and lived within their means? And how will this legislation stimulate the economy?

"Times are tough for American families - we all know that. But merely throwing good taxpayer money after bad is not the solution to our economic problems. We must consider the long-term consequences of our actions and how working American families and taxpayers will be affected. This legislation is not the answer. I urge my colleagues to vote no."

NOTE: A recent Rasmussen poll showed that "Seventy-six percent (76%) of Americans are not willing to pay higher taxes to help people who cannot afford to make their mortgage payments."

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