

Legislative Highlights

Minimizing and Mitigating Mortgage Foreclosures, and More

Congress and the Bush administration are considering options aimed at helping homeowners avoid foreclosure during the current mortgage crisis. The President announced a plan on Aug. 31 to expand FHA programs to troubled homeowners whose adjustable rate mortgages are resetting at higher rates. The House Financial Services Committee held a hearing on Sept. 20 to consider additional legislative and regulatory options. Committee Chairman Barney Frank (D-Mass.) is also moving legislation to give each of the federal banking regulators the authority to write rules against unfair and deceptive financial practices under the FTC Act.

In the Senate, Banking Committee Chairman Chris Dodd (D-Conn.) introduced the "Homeownership Preser-

vation and Protection Act" to reform mortgage lending practices that have created problems in the subprime market. The bill would end prepayment penalties, balloon payments for high-cost loans, yield-spread premiums, mortgage servicer abuses, "steering" to more costly loans and unfair pressure put on appraisers.

Sen. Richard Durbin (D-Ill.) has drafted and plans to introduce "Helping Families Save Their Homes" to allow lienstripping of home mortgages in chapter 13. The controversial bill would apply to all current loans secured by a primary residence, not just subprime loans, and would permit a repayment period of up to 30 years from the filing date, irrespective of the remaining term of the loan. Thus, a 30-year mortgage with 15 years remaining on its term could

become a 45-year mortgage in bankruptcy. The bill would also permit the bankruptcy court to reset the interest rate at a considerably lower rate, if deemed a "reasonable premium for risk," and permit the final payoff using refinancing or sale proceeds. Thus payments during the chapter 13 repayment period could be minimal, with the court approving a balloon payment at the end based on a hypothetical sale. Finally, among other features, the bill would include language rejected during Senate debate of BAPCPA that would bar any secured lender claims for violations of the Truth in Lending Act or state law. The bill will be referred to the Senate Judiciary Committee.

The House Subcommittee on Financial Institutions and Consumer

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Credit held an oversight field hearing during the August recess on “Credit Cards and Older Americans.” There is some empirical research suggesting that the amount of credit card debt carried by older Americans has increased and that this population is more likely to be hit with penalty and default fees. The

research concludes that older Americans are more vulnerable to credit card problems than are middle-aged consumers.

The House Judiciary Committee plans an oversight hearing on Oct. 2 on the U.S. Trustee program, titled “Watchdog or Attack Dog?” EOUST Director

Clifford J. White will testify. In July, the House Appropriations Committee slashed \$34.2 million from last year’s UST budget and provided \$42.9 million less than this year’s request. The Senate had approved full funding, so any difference will have to be worked out in conference committee. ■