So I am confident that as the bill moves through conference, if there are any unintended consequences that we can examine, we can take care of it at that time. But I stand four square behind the legislation, it is an important consumer protection reform, and we should pass it today without exception.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. VENTO].

(Mr. VENTO asked and was given permission to revise and extend his remarks.)

Mr. VENTO. Mr. Speaker, I rise in support of the legislation and commend my colleague from Utah for persisting in bringing a problem to us, so often as personal experiences are reflected on the House floor, and this one in which he experienced a difficulty is one frankly that affects millions of American homeowners across this Nation. There is so much that happens at closing on a home: the types of insurance, title insurance, property insurance, other types of insurance. I am certain that many homeowners, their eyes sort of glaze over, they sign the documents not realizing that they have had the necessity of having private mortgage insurance which, incidentally, facilitates the purchase of homes just as other types of VA and FHA insurance may facilitate the purchase of homes, with low down payments. But candidly, on a hundred thousand dollar mortgage it can add anywhere from 35 to a hundred dollars extra payment a month. On a home that is $200,000 the consumer can double that cost, and that occurs in many markets.

And so it is important, and I would point out that PMI on an informal basis, these companies working with lenders have tried and do terminate the insurance, but it is sometimes a frustrating and confusing experience. What this legislation does is provide some mandates. It provides some predictability and certainty to cancel that insurance, some rights for that homeowner so that they get disclosure, they get notice, they get to know what is going on at closing and through the years of the mortgage. It also, while not mandating, provides an opportunity to in fact extinguish that insurance at a higher than 75 percent loan-to-value ratio and to go back and deal with those that have that insurance in effect today that is retroactive. But prospectively it will mandate the lapse of that insurance at 75-percent saving, literally saving millions of dollars of payments for insurance that homeowners do not need, and while such insurance is obviously to the benefit of the lender it is an extreme cost when added to the homeowner.

But I would point out that the secondary markets, the insurance companies and others, have had informal policies in place in some instances, but this measure will provide a more efficient and effective way of dealing with private mortgage insurance, treating I think consumers and treating those that provide these services more fairly, making that American dream that much more attainable, and I commend the chairman and the Members and am pleased to have played a small role in working to write and pass this legislation in the Banking Committee.

Mr. Speaker, I rise in support of H.R. 607 as amended by the Banking Committee and ask my colleagues to support the bill. I would like to commend Mr. HANSEN for introducing and pushing this legislation forward.

Throughout the week of March 17, the House Banking Committee worked on a strong bipartisan basis to develop consensus legislation. We ultimately passed H.R. 607 after a lengthy hearing occurred and all the witnesses from private mortgage insurance industry, consumer groups, mortgage bankers, and thrifts, agreed with the substance of the core issues and the improved substitute product. In the March 20 markup, the committee worked its will on the bipartisan substitute and in the end passed out a bill, 36–1.

Our goal was to produce a bill for the suspension calendar which served the needs of millions of American homeowners covered by private mortgage insurance and to expedite the work of the House of Representatives. The Banking Committee worked quickly and well in a manner that bodes well for future work on financial modernization and possibly housing bills. I am pleased that our good work product has been able to jump the hurdle presented last week by industry groups who had effectively squelched our bill.

Consumers spend hundreds of dollars a year extra in mortgage insurance even though they have paid down the mortgage by 20 percent, 25 percent or more to a point where such insurance is not required or necessary. H.R. 607 as reported by committee will provide some equity for those home buyers who make their payments faithfully for years. The reported bill was praised by consumer groups who, in fact, sought more protections and rights for consumers, but had accepted the "bird-in-hand", noncontroversial measure as an acceptable action in this 105th Congress.

The bill prospectively—1 year after enactment—provides for the automatic cancellation of private mortgage insurance when borrowers have 25 percent equity, or a 75-percent loan-to-value ration, in their homes—based on the original value of the home. Premiums paid past that date will be refunded.

In a significant addition, the reported bill gives borrowers prospective rights to terminate premiums once they have met industry conditions. The bill also provides for the disclosure of borrowers' rights. Existing loans will get annual statements that their PMI may be cancelable. Future borrowers will be informed of their rights at or before closing along with the annual disclosure.

Mortgage insurance helps provide an opportunity to people to purchase homes when they cannot come up with a 20-percent down payment. On a $100,000 home, that would be a hefty $20,000 plus closing costs. Private mortgage insurance on a $100,000 house ranges from $28 to $76 a month depending on amount of the down payment. That works out to $336 to $912 a year. And of course, in many cities in this Nation, including Washington, DC area, you cannot buy most homes for $100,000, so down payments are tougher to make and premiums also go up proportionately.

In the last 40 years, 17 million homeowners have paid PMI to become homeowners. According to the Mortgage Insurance Companies of America [MICA] more than a million home buyers bought PMI last year alone.

Although we were unsuccessful in committee in trying to ensure cancellation rights to those who have purchased PMI already that is retroactively or automatic cancellation for mortgages which reach the requisite 20 percent equity on their loans, an amendment I offered, we were successful in working in good faith with Chairman LEACH and our counterparts on the Banking Committee to write the initial substitute and a good consensus bill to bring to our colleagues in the House. Importantly while not requiring cancellation this measure "provides a right to cancel" working with lenders. The mortgage servicer, PMI companies terminate the insurance at loan amount higher than 75 percent and permit cancellation to apply retroactively as specific conditions are met.

Mr. Speaker, I urge my colleagues to support this very important consumer legislation. This bill will provide hundreds of dollars in relief to home buyers who have paid their way out of PMI. More than phantom tax cut measures, the bill will produce real consumer savings right away. Let's pass this proconsumer legislation now.

Mr. LEACH. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from Texas [Mr. PAUL].

(Mr. PAUL asked and was given permission to revise and extend his remarks.)

Mr. PAUL. Mr. Speaker, I hesitate to speak out on this legislation, but having been the only dissenter in the committee I feel compelled to explain my vote.

I am confident this bill will neither destroy Western civilization nor save it. However, it does nothing to help it. What we have here is another problem, another law and another form to fill out, and all along I thought our new mandate was to reduce government rules and regulations. Every time Congress passes a new law to solve some problem, several new unsuspected consequences emerge, requiring even more problem solving regulations. This new piece of regulatory law, I am sure, will do the same. This bill will limit consumer choice, raise costs on consumers and limit availability of consumers to purchase a home.

Just this past weekend, Alan Greenspan explained why consumers are often better served by private market regulations rather than government intervention. He said that, quote: Government regulation can undermine the effectiveness of private market regulation and can itself be ineffective in protecting the public interest.

With this I concur. If Congress were really serious about making it easier for first-time home buyers and others to secure financing, it would do what it could do to lower the cost of capital. Interest rates are high because of the lack of sound monetary and fiscal policies pursued by our government.

What should we do? We should cut taxes. We should cut spending. We should cut regulations, not add a new regulation. And follow sound monetary policy. This approach would lower the interest rates on mortgages for all homeowners and potential homeowners. This lower interest rate climate could benefit home buyers in the way that greater reliance on the nanny state cannot. The Constitution limits the power of Congress and clearly states that powers not delegated to Congress are reserved to the States or to the people. We should not interfere in the private, voluntary, noncoercive contracts of individuals in a free society. This legislation tramples on States rights. Some States, notably California and New York, already have laws on the books dealing with this issue. Congress should not be involved in this issue.

Perhaps this bill is just a veiled attempt to put all mortgages, public and private, under the control of HUD. Private mortgage insurance has benefited 20 million consumers over the past 40 years. Now Congress wants to do for them what they have done for our public housing tenants. Any new regulatory mandates by Congress would only add to the cost of private mortgage insurance and hurt the very people the proponents of the legislation are trying to help.

I suggest that a no vote is the proper vote on this bill. H.R. 607 will limit consumer choice, it will raise the cost to the consumer, it will push home ownership further from the grasp of poor Americans. If my colleagues want to vote for the consumer and if they want to help all potential home buyers, vote no on H.R. 607.

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Just this past weekend, Alan Greenspan explained why consumers are often better served by private market regulation rather than government intervention. He said that "government regulation can undermine the effectiveness of private market regulation and can itself be ineffective in protecting the public interest." With this I concur.

He continued,

> The real question is not whether a market should be regulated. Rather, it is whether government intervention strengthens or weakens private regulation, and at what cost. At worst, the introduction of government rules may actually weaken the effectiveness of regulation if government regulation is itself ineffective or, more importantly, undermines incentives for private market regulation. Regulation by government unavoidably involves some element of perverse incentives.

The perversity of this bill is its effect on consumers. It will increase premiums on consumers, limit choices, and make home ownership less affordable.

If Congress were really serious about making it easier for first-time home buyers and others to secure financing, it would do what it could to lower the cost of capital. Interest rates are high because of the lack of sound monetary and fiscal policies pursued by our Government.

What should we do? We should cut taxes, cut spending, cut regulations—not add a new one—and follow sound monetary policies. This approach would lower the interest rates on mortgages for all homeowners and potential homeowners. This lower interest rate climate would benefit the home buyer in a way that greater reliance on the nanny State cannot.

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This legislation tramples on States rights. Some States, notably California and New York, already have laws on the books dealing with this issue. Congress should not be involved in this issue.

It was that wonderful competition of experiments at the State level that brought consumers such benefits as private mortgage insurance, adjustable rate mortgages, and automatic teller machines [ATM's]. Private markets make home ownership more affordable while Washington interference perversely hurts the consumer.

H.R. 607 is harmful and unnecessary. The overwhelming majority of homeowners have no problem canceling their private mortgage insurance, if it is not canceled automatically. In fact, Fannie Mae has studied this concern and is currently setting clear guidelines regarding PMI. These guidelines would quickly become industry standard given the influence they have in the market.

If Congress were so concerned about consumers' alleged overpayment regarding PMI, then we should do something about the mortgages in which we have a vested interest; namely, FHA loans. But this bill exempts FHA homeowners even though it is the FHA mortgages where the Government has some influence.

Perhaps this bill is just a veiled attempt to put all mortgages, public and private, under the control of HUD. Private mortgage insurance has benefited 20 million consumers over the past 40 years. Now Congress wants to do for them what they have done to our public housing tenants.

A dynamic, free market is the best vehicle for prosperity. By overregulating the marketplace, the flexibility to deal with the law of unforseen consequences is lost. Loan to current value is a better indication of the current situation than loan to original value. Forcing mortgage companies to only look at the loan to original value ignores potential changes in that value. In short, it ignores reality.

We cannot ignore the realities of the marketplace. Real values of real estate declined as much as 50 to 60 percent over a 6-month period in the late 1980's. Mortgage decisions should include a combination of factors and individual choices.

Any new regulatory mandates by Congress would only add to the cost of private mortgage insurance and hurt the very people the proponents of the legislation are trying to help. There is a cost to any regulatory burden imposed on the economy. This misguided legislation would increase the cost, and thus limit the availability, of mortgage insurance for everyone. Since very few people would gain from this legislation, it punishes the vast majority for the benefit of the few. We should reject this special interest favoritism and get our own fiscal house in order so all of us can benefit. We should not impose unfunded mandates on those that are helping consumers realize their goal of home ownership.

H.R. 607 will limit consumer choice.

H.R. 607 will raise costs to the consumer, and push home ownership further from the grasp of poor Americans. If you want to vote for the consumer and all potential home buyers, vote "no" on H.R. 607.

Mr. GONZALEZ. Mr. Speaker, I yield 2 minutes to the gentlewoman from California [Ms. WATERS].

□ 1330

Ms. WATERS. Mr. Speaker, I rise in support of H.R. 607. This is a rather proud moment in the history of this Congress and certainly of the 105th Congress.

I would like to commend the gentleman from Utah [Mr. HANSEN] for his work on this legislation. I would like to commend the members of the Committee on Banking and Financial Services who joined together from both sides of the aisle to do something real for the consumers.

I am so proud we beat the special interests on this bill. I am proud that the leadership understood finally and brought this bill to the floor.

Simply put, American consumers who had home mortgages that paid less than perhaps 20 percent down on those mortgages had to have private mortgage insurance. They should have been able to opt out and not to have to pay that after they had paid 20 or 25 percent, but the mortgage insurance companies did not tell them, their mortgage holders did not tell them, and so we have people paying for insurance beyond the point that they need to pay for it after they had paid and have about 25-percent equity.

This bill would create automatic disclosure. Those families that are giving up $35 and $40 and $50, $100 a month paying this insurance they do not need can now put this money in their pocket, they can put it in their savings account, they can keep the money.

This is a strong consumer bill. I am proud that I amended it so that I could protect States who have strong disclosure laws. Me, the most unlikely person to talk about States' rights, was joined by all of the Members and said yes, that makes good sense.

This bill is going to pass off the floor because it should. Those people who are not going to support it should be