

Castle: Need to Address Current Mortgage Crisis, Initiate Reforms for Future -- November 16, 2007

Washington,
DC - Delaware Congressman Mike Castle, a Senior Member of the House Financial Services Committee, helped the House pass historic bipartisan mortgage reform legislation and anti-predatory lending practices by a vote of 291-197. H.R. 3915, The Mortgage Reform and Anti-Predatory Lending Act of 2007 amends the Truth in Lending Act by reforming consumer mortgage practices by creating a licensing system for residential mortgage loan originators, establishing a minimum standard requiring that borrowers have a reasonable ability to repay a loan, and attaching a limited liability to secondary market securitizers. The legislation will also expand and enhance consumer protections for "high-cost loans," include protections for renters of foreclosed homes, and establish an Office of Housing Counseling through the Department of Housing and Urban Development (HUD).

The fallout from the current problems in the mortgage market has been widespread. The value of homes is declining for many first-time homebuyers who have kept up with their mortgage payments; investors have been watching their portfolios decline; construction workers have had less work and in some cases even lost their jobs, and neighbors have seen homes fall victim to foreclosure. This legislation will offer reforms to provide solutions to avoid like situations in the future.

"While I think it is important to take the necessary steps toward reform, I think we need to more directly address the current problem, which will result in thousands of foreclosures in the next six to nine months. What we need is a plan now to help those thousands of people who have been impacted by this crisis. For this reason, I have introduced a bill which would provide loan servicers and others safe harbor for six months from lawsuits so they could modify existing mortgage loans for at risk homeowners. While H.R. 3915 provides long-term reforms that will help with preventing a similar situation, my bill, H.R. 4178, will address the current issue and provide a means for some consumers to avoid foreclosure on their homes," Castle said.

Financial Services Committee Chairman Barney Frank (D-MA) has scheduled a hearing for Rep. Castle's bill (H.R. 4178) on December 6th. Additionally, Rep. Castle is working closely with the Office of the Comptroller of the Currency, the chairman of the FDIC, and other federal regulator to strengthen this legislation.

Specifically,
Rep. Castle's legislation, H.R. 4178, will:

- Limit the dangers to the safety and soundness of the banking industry; and
- Provide loan servicers and others safe harbor from litigation during the loan modification time.

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