

Mr. Speaker, I yield back the balance of my time.

Mr. LEACH. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. LINDER). The question is on the motion offered by the gentleman from Iowa (Mr. LEACH) that the House suspend the rules and pass the bill, H.R. 5193, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

#### GENERAL LEAVE

Mr. LEACH. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and that I may include extraneous material on H.R. 5193.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

#### HOMEOWNERS FINANCING PROTECTION ACT

Mr. LEACH. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3834) to amend the rural housing loan guarantee program under section 502(h) of the Housing Act of 1949 to provide loan guarantees for loans made to refinance existing mortgage loans guaranteed under such section, as amended.

The Clerk read as follows:

H.R. 3834

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

##### SECTION 1. SHORT TITLE.

This Act may be cited as the "Homeowners Financing Protection Act".

##### SEC. 2. GUARANTEES FOR REFINANCING LOANS.

Section 502(h) of the Housing Act of 1949 (42 U.S.C. 1472(h)) is amended by adding at the end the following new paragraph:

"(13) GUARANTEES FOR REFINANCING LOANS.—Upon the request of the borrower, the Secretary shall, to the extent provided in appropriation Acts, guarantee a loan that is made to refinance an existing loan that is made under this section or guaranteed under this subsection, and that the Secretary determines complies with the following requirements:

"(A) INTEREST RATE.—The refinancing loan shall have a rate of interest that is fixed over the term of the loan and does not exceed the interest rate of the loan being refinanced.

"(B) SECURITY.—The refinancing loan shall be secured by the same single-family residence as was the loan being refinanced, which shall be owned by the borrower and occupied by the borrower as the principal residence of the borrower.

"(C) AMOUNT.—The principal obligation under the refinancing loan shall not exceed an amount equal to the sum of the balance of the loan being refinanced and such closing costs as may be authorized by the Secretary, which shall include a discount not exceeding

2 basis points and an origination fee not exceeding such amount as the Secretary shall prescribe.

The provisions of the last sentence of paragraph (1) and paragraphs (2), (5), (6)(A), (7), and (9) shall apply to loans guaranteed under this subsection, and no other provisions of paragraphs (1) through (12) shall apply to such loans."

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Iowa (Mr. LEACH) and the gentleman from New York (Mr. LAFALCE) each will control 20 minutes.

The Chair recognizes the gentleman from Iowa (Mr. LEACH).

Mr. LEACH. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 3834, the Homeowners Financing Protection Act, would allow borrowers under the Rural Housing Service (RHS) single-family program to refinance their mortgages to take advantage of lower interest rates with new RHS-guaranteed loans.

Under the current law, RHS borrowers, under the direct or guarantee program, are precluded from refinancing their existing loan with a new RHS-guarantee loan. This anomaly affects low- and very-low-income families who originally qualified for RHS direct mortgage loans.

While the direct loans were meant to provide temporary credit in some circumstances, borrowers were unable to successfully apply for mortgage credit without a government guarantee even though their financial condition had modestly improved.

H.R. 3834 would remove the statutory prohibition from refinancing direct single-family housing loans using the guaranteed program. According to the General Accounting Office, as of May 31, 2000, approximately 9,100 RHS loans exist with an interest rate of 13 percent or higher; 65,000 loans exist with an interest rate of at least 9½ percent. It is clear that these borrowers would benefit from refinancing using the guaranteed program by lower interest rates and, therefore, lower monthly payments.

At the same time, the Federal Government would maximize its resources by providing a more cost-efficient mechanism to ensure homeownership for those sectors of our community that are unable to obtain private-sector financing and insurance.

In conclusion, I would like to thank my friend and colleague, the gentleman from New York (Mr. LAZIO), who is chairman of the subcommittee, the gentleman from Nebraska (Mr. BEREUTER), the gentleman from New York (Mr. LAFALCE), and particularly the gentleman from New Jersey (Mr. ANDREWS) for their work in this area.

CBO has advised the committee that the bill is budget neutral.

Mr. Speaker, I include for the RECORD the following letter from the Housing Assistance Council:

HOUSING ASSISTANCE COUNCIL,  
Washington, DC, August 18, 2000.

Representative RICK LAZIO,  
Chairman, Subcommittee on Housing and Community Opportunity, U.S. House of Representatives, Washington, DC.

Attn: Joe Ventrone & Clinton Jones

Re: Title V Rural Housing

DEAR CHAIRMAN LAZIO: The Housing Assistance Council (HAC) writes you to support a proposal by Rep. Robert E. Andrews to amend Section 502(g) to permit refinancing of certain Rural Housing Service (RHS) direct loans with guarantees under Section 502(h) in Title V in the Housing Act of 1949. Currently, there is no refinancing authority for the 502 loan guarantees. Rep. Andrews' request is supported by a General Accounting Office report, "Shift to Guaranteed Program Can Benefit Borrowers and Reduce Government Exposure" (GAO/RCED/ALMD-95/63). We are informed that a change could possibly be moved on the suspension calendar.

HAC earlier responded favorably to the GAO report in a letter to Associate Administrator Czerwinski. We believe that the issue is one that should be addressed by Congress and can be done with very little budget impact. The adversely affected families now have higher incomes and can afford payments at current market rates, but are trapped in a situation not foreseen when the legislation was enacted, and which is beyond their control. It is difficult to justify interest payments to the government at rates up to 13 percent when private market rates are so much lower. The affected families had low incomes when RHS helped them attain home ownership. The very program which once helped them now causes them to make excessive mortgage payments.

It is our opinion that mitigating this problem is the right thing for the government to do and that the issue is not partisan in nature. We urge you to include a corrective amendment in legislation you may be developing which includes, or can include, Title V rural housing additions or changes.

Sincerely,

MOISES LOZA,  
Executive Director.

Mr. Speaker, I reserve the balance of my time.

Mr. LAFALCE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 3834, the Homeowners Financing Protection Act, and I pay particular attention and give particular credit to the gentleman from New Jersey (Mr. ANDREWS) for highlighting this difficulty for the Congress and for initiating legislative action on this bill.

The bill gives homeowners with existing Rural Housing Service guaranteed and direct single-family loans the opportunity to refinance such loans under the RHS guaranteed loan program.

Permitting such loans would enable homeowners with high interest-rate mortgage loans, in some cases as high as 13.5 percent, to lower mortgage rates and therefore their monthly mortgage payments by a substantial amount.

This is also good for the Federal Government since reduced mortgage payments reduce the default risk on such loans, thereby reducing the risk of foreclosure and payout by the Federal Government.

The bill is drafted with a number of protections for both the homeowner