

Speaker's table the bill (H.R. 4919) to amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to make improvements to certain defense and security assistance provisions under those Acts, to authorize the transfer of naval vessels to certain foreign countries, and for other purposes, with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference asked by the Senate.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York? The Chair hears none and, without objection, appoints the following conferees:

Messrs. GILMAN, GOODLING, and GEJDENSON.

There was no objection.

#### FHA DOWNPAYMENT SIMPLIFICATION EXTENSION ACT OF 2000

Mr. LEACH. Mr. Speaker, I move to suspend the rules and pass the bill (5193) to amend the National Housing Act to temporarily extend the applicability of the downpayment simplification provisions for the FHA single family housing mortgage insurance program, as amended.

The Clerk read as follows:

H.R. 5193

*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 "FHA Downpayment Simplification Extension Act of 2000".

#### SEC. 2. EXTENSION OF APPLICABILITY OF DOWNPAYMENT SIMPLIFICATION PROVISIONS.

Subparagraph (A) of section 203(b)(10) of the National Housing Act (12 U.S.C. 1709(b)(10)(A)) is amended by striking "executed for insurance in fiscal years 1998, 1999, and 2000" and inserting "closed on or before October 30, 2000".

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. 5193, the FHA Downpayment Simplification Extension Act of 2000 would extend existing statutory provisions in the National Housing Act that provides for the manner and method of calculating downpayments by new homeowners closing on mortgage loans insured by the Federal Housing Administration.

This simplification is merely a technical change that rewrites and clarifies downpayment requirements that, over time, have been amended in such a manner that are now unclear and difficult to understand. A simplified or streamlined method would provide savings to homebuyers and a calculation

method uniformly understood by the mortgage industry and consumers.

This calculation method would reduce from a three-tiered approach to a two-tiered approach. Its effect would also decrease the amount of downpayments necessary. For example, this streamlined approach will save borrowers of a typical \$150,000 home loan approximately \$1,000 to \$2,000 at closing.

In the 105th Congress this body passed similar legislation. Originally, the legislation was extended through a demonstration project to Hawaii and Alaska. In last year's VA-HUD appropriations act, this body extended the legislation to the rest of the country.

The current legislation will expire September 30. This bill's extension through October 30 accomplishes two goals. First, the extension will allow this committee more time to complete its work and pass the comprehensive housing conference report on H.R. 1776, the American Homeownership and Economic Opportunity Act of 2000. H.R. 1776 overwhelmingly passed the House on April 6 by a 417 to 8 vote and includes permanent authorization to simplify the manner of FHA downpayment calculations.

Secondly, and more important, this extension will eliminate any confusion that now exists in the mortgage finance market for the next few weeks where some borrowers would face uncertain downpayments requirements at closing.

Let me close by stressing that the extension of a technical change to the law reflects sound policy and allows creditworthy families greater homeownership opportunities.

I would also like particularly to express my appreciation for the work of the gentleman from New York (Mr. LAZIO), the gentleman from California (Mr. KUYKENDALL), and the gentleman from New York (Mr. LAFALCE) for their leadership in this area.

Mr. Speaker, I am submitting for the RECORD a letter received in support of this legislation by the National Association of Home Builders.

NATIONAL ASSOCIATION OF HOME BUILDERS,

Washington, DC, September 18, 2000.

DEAR REPRESENTATIVE: On behalf of the 200,000 members of the National Association of Home Builders, I am writing to express our support for H.R. 5193, the "FHA Downpayment Simplification Extension Act," which is scheduled to come before the full House of Representatives tomorrow under suspension of the rules. The bill provides a fifteen-day extension of the Federal Housing Authority's (FHA) downpayment simplification. We very much appreciate your consideration of our views.

NAHB is very supportive of FHA's downpayment simplification process. It has been hugely successful in enabling more low-income households to purchase their first home. Given such successes, we support Congress' action to provide a short-term extension until a more appropriate venue—namely

through the authorization process—may be utilized and further, that at that time, the downpayment simplification be made permanent.

The simplification is a technical change that rewrites and clarifies downpayment requirements, that over time had been amended in such a manner that makes them unclear and difficult to understand. A simplified or streamlined method provides savings to the homebuyer and a calculation method uniformly understood by the mortgage industry and consumers. This calculation method is reduced from a three-tiered approach to a two-tiered approach. Its effect decreases the amount of downpayments necessary where the borrower is otherwise creditworthy.

Finally, as you may be aware, the issue of extending the FHA downpayment simplification is addressed in H.R. 1776, the "American Homeownership and Economic Opportunity Act," which passed in the U.S. House of Representatives on April 6, 2000 by an overwhelming and bipartisan vote of 417 to 8. Considering the strong support of this housing proposal within the House of Representatives, we continue to urge the Senate to consider H.R. 1776 and either bring it to the floor for a vote, or move to a formal conference with S. 1452, the Senate's manufactured housing legislation as soon as possible.

Thank you for the opportunity to express our views on this important housing issue. We appreciate your continued support for the home building industry and look forward to working with you during the remaining days of the 106th Congress, and into the 107th Congress, as we seek to provide safe, affordable housing for all Americans.

Sincerely,

WILLIAM P. KILLMER.

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

Mr. LAFALCE. Mr. Speaker, I yield myself such time as I may consume, and I rise in support of this bill.

Mr. Speaker, I strongly support this 30-day technical extension of the FHA downpayment simplification formula. The bill makes sure that in the event of a VA-HUD appropriations bill not being signed into law by October 1, that FHA borrowers and lenders may continue to use the current simplified downpayment formula in anticipation of a permanent biennial or annual extension of this formula.

This bill is the second development over the last few months which clearly illustrates the folly of the current approach of interim extensions of the FHA downpayment simplification formula. Two years ago, Congress applied this formula nationwide to all 50 States for a period of 2 years ending October 1 of this year. Yet just a few months ago, confusion set into the mortgage markets as many lenders were concerned about the technical language of the 2-year application; whether the effective cutoff date was the day a loan closed or the day that HUD insured it.

□ 1030

We were in the ridiculous situation in which lenders all over the country might have had to revert to the old formula for a month or two, potentially

raising down payment levels, creating confusion, and killing home purchases.

Fortunately, both congressional leaders and HUD concurred that Congress' intent was to refer to the closing date and HUD issued a clarification to that effect, and today's bill explicitly uses this approach.

The second development is today's bill, which highlights the possibility that we will not enact a VA-HUD bill by October 1. This once again raises the very real possibility that an interim extension for down payment simplification could expire unintentionally.

The obvious conclusion is that anything less than a permanent extension of the down payment formula runs the risk that we will be in the same position a year or so from now, facing expiration of the new formula.

Moreover, the approach of a permanent extension was taken in H.R. 1776, the homeownership bill, which passed the House earlier this year. This approach of a permanent extension was taken with overwhelming bipartisan support.

So I think our course should be clear. We should make this formula permanent through whatever legislative vehicle is available in the next few weeks.

Unfortunately, there is a real risk that through inadvertence the down payment simplification formula could lapse for an extended period of time, thereby forcing FHA borrowers and lenders to revert to the old, confusing, anti-consumer formula. This risk was highlighted by an action the other body took last week where a 1-year extension of the down payment formula was put into the VA-HUD bill in subcommittee but then was inexplicably stripped by the majority in full committee.

Thus, the real risk is that, as we simultaneously consider both the fiscal year 2001 VA-HUD appropriations bill and potentially a conference on H.R. 1776, down payment simplification could fall through the cracks, especially in the confusion of the last week or so of this Congress.

That would be a terrible result for the hundreds of thousands of home buyers that use FHA.

Therefore, I ask the chairman of our Committee on Banking and Financial Services that, however these various bills are considered, that we work to ensure that down payment simplification either permanently, as in H.R. 1776, or as an extension, is included in some bill that the President signs into law. And if it is an extension, I hope it will be a long-term extension, although I support the 30-day in today's bill.

Mr. LEACH. Mr. Speaker, will the gentleman yield?

Mr. LAFALCE. I yield to the gentleman from Iowa.

Mr. LEACH. Mr. Speaker, let me say to the gentleman, I concur in every-

thing the gentleman has just said, and it is one of the reasons I am so strongly supportive of getting H.R. 1776 made into public law.

Mr. LAFALCE. Mr. Speaker, reclaiming my time, I thank the Chair for changing this bill from 15 days to 30 days.

Mr. LEACH. Mr. Speaker, if the gentleman will continue to yield, in any regard, I will say to the gentleman that the scenario that he has laid out of possible problems is a credibly unfortunate scenario that could occur, and it is the intent of the Chair to be as vigilant as possible to ensure that it does not occur.

Mr. LAFALCE. Mr. Speaker, I thank the chairman of the committee, and I thank the chairman of the full committee for their comments. I ask all to support this bill.

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.