

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.

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. BERUTER), 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 homeownership. 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 atten-

tion 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 and for the Government. For example, the amount of the refinanced loan cannot be increased except by the cost necessary for the refinancing. This avoids over-leveraging the home. The interest rate on the refinanced loan cannot be higher than the mortgage rate on the existing loan. And the bill limits the Secretary's authority to guarantee refinanced loans to the extent provided in appropriation acts.

Finally, I would note that, with passage of this bill, it is not the intent in the future that this new refinanced loan authority crowd out the issuance of new loan authority. The concern is that, if interest rates were to fall dramatically, homeowners could rush to utilize this new refinance authority, eating into loan authority for new guaranteed loans.

However, this concern can easily be addressed in future appropriations bills through different approaches, including the simple act of providing a sufficient dollar amount of loan authority.

In conclusion, I would again like to commend the very fine work of the gentleman from New Jersey (Mr. ANDREWS), and I urge adoption of this bill.

Mr. Speaker, I yield such time as he may consume to the gentleman from New Jersey (Mr. ANDREWS).

Mr. ANDREWS. Mr. Speaker, I thank my friend for yielding me the time. I rise in strong support of the bill.

Mr. Speaker, one of the hallmarks of this Congress will be the bipartisan cooperation and achievements of the Committee on Banking and Financial Services.

I want to thank the gentleman from Iowa (Chairman LEACH), the gentleman from Nebraska (Mr. BERUTER), the subcommittee chairman, the gentleman from New York (Mr. LAZIO), and the ranking member, the gentleman from New York (Mr. LAFALCE). They have left their mark on this Congress in some significant and bipar-

tisan ways; and it is a pleasure to serve with each of them. I thank them for their cooperation and the cooperation of the staff in bringing this bill to the floor in the spirit in which the committee has proceeded throughout this Congress.

To understand the importance of this bill, we need to understand what it would be like to be a family with an income of \$26,000 or \$27,000 a year living in a modest home in a rural area of the United States struggling to pay the bills, struggling to keep up, and confronting a mortgage payment each month that reflects a mortgage of 11 or 12 percent.

Many people in those circumstances would take advantage of recent changes in financial conditions and refinance their mortgage. They would go out and get a loan and pay off their existing mortgage, and they would replace it with one that requires lower monthly payments.

There are a lot of significant reasons why the citizens that I talk about cannot do that. First of all, they probably have a very low income, as I said; and secondly, they build up very little equity in their home, because the way they build up equity is to either live in a house that is appreciating regularly in value or by making early payments against their mortgage that would pay down the principle more quickly than they would interest.

Neither of those happy developments is happening for many of the people who we are talking about affected by this bill.

Presently, the law does not permit the United States Department of Agriculture to issue a loan guarantee or a direct loan in order to facilitate the refinancing of that mortgage loan. This bill changes that. It says that the United States Department of Agriculture can step in and, subject to its guidelines and to the other conditions set forth by the ranking member, can issue a loan guarantee or, where appropriate, a direct loan.

What does that mean to the family that I talked about at the outset of my remarks? Well, it may mean up to about \$100 a month in lower mortgage payments, \$100 a month more for health care or for education or to meet the other demands of the household. This is a sensible, bipartisan approach to a problem that is affecting a lot of people.

As we heard previously, there are 65,000 borrowers across the country who are paying interest rates in excess of 9½ percent, and there are 9,100 of those borrowers paying interest rates in excess of 13 percent. This is a modest measure that will help those families in a significant way.

I would like to express my appreciation to the staff on both the majority and minority side for their cooperation, to the United States Department

of Agriculture for their steadfast support of this, to Geoff Plague of my office for his outstanding work.

Let me again say to the gentleman from Iowa (Chairman LEACH) and the gentleman from New York (Mr. LAFALCE) and the gentleman from Nebraska (Mr. BEREUTER), and, in his absence, the gentleman from New York (Mr. LAZIO), and also the gentleman from Massachusetts (Mr. FRANK) that I appreciate their cooperation.

I urge the adoption of the bill.

Mr. LEACH. Mr. Speaker, I yield 3 minutes to the gentleman from Nebraska (Mr. BEREUTER), who has spent so much of his time in this Congress on the housing issues.

Mr. BEREUTER. Mr. Speaker, I thank the gentleman from Iowa (Chairman LEACH) for yielding me this time and for his kind remarks.

Mr. Speaker, I rise today to express my strong support for the Homeowners Financing Protection Act which is being considered under suspension of the rules.

First this Member would like to thank the gentleman from Iowa (Mr. LEACH), the distinguished chairman of the House Committee on Banking and Financial Services, and the gentleman from New York (Mr. LAZIO), the distinguished chairman of the House Subcommittee on Housing and Community Opportunity, for their collective role in bringing this legislation to the floor today.

In addition, I would like to thank the gentleman from New York (Mr. LAFALCE), the ranking minority member of the House Committee on Banking and Financial Services, and the gentleman from Massachusetts (Mr. FRANK), the ranking minority member of the House Subcommittee on Housing and Community Opportunity, for their efforts on this measure.

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Furthermore, the gentleman from New Jersey (Mr. ANDREWS) deserves particular attention, commendation and congratulations for introducing this important legislation. It is important to American homeowners of modest or average income. The gentleman from New Jersey has just given us, very specifically, some of the reasons why it is important to the homeowners and how it affects their pocketbook.

Among other important provisions, this legislation amends section 502(h) of the Housing Act of 1949 to allow borrowers of the Rural Housing Service single-family loans to refinance either an existing section 502 direct or guaranteed loan to a new section 502 guaranteed loan, provided the interest rate is at least equal or lower than the current interest rate being refinanced and the same house is used as security.

This Member supports the legislation because it facilitates the use of the RHS section 502 single family loan

guarantee program. In fact, this loan program, which was first authorized with this Member's initiative, with the strong support of now the chairman of the Banking Committee, the distinguished gentleman from Iowa (Mr. LEACH), some years ago and with the support of the distinguished gentleman from New York (Mr. LAFALCE), has been very effective in nonmetropolitan communities by guaranteeing loans made by approved lenders to low-moderate to moderate-income households. The program provides a guarantee for 30-year fixed rate mortgages for the purchase of an existing home or construction of a new home. It has been very good news for the taxpayer. Further the program operates with a minimum of red tape. The examples from my home State of Nebraska, where the program was slow to start, are illustrative of how popular and how important it is for low-moderate and moderate-income Americans.

Mr. Speaker, in closing, for the aforementioned reasons and many others, this Member would encourage support for H.R. 3834 which is being considered today.

Mr. LEACH. Mr. Speaker, I thank the gentleman from Nebraska (Mr. BEREUTER). I would again stress what an extraordinary role he has played in this House on housing matters.

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

Mr. LAFALCE. 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. 3834, 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 on H.R. 3834, the bill just passed.

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

There was no objection.

CHANDLER PUMPING PLANT WATER EXCHANGE FEASIBILITY STUDY

Mr. SIMPSON. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3986) to provide for a study of the engineering feasibility of a water exchange in lieu of electrification of the

Chandler Pumping Plant at Prosser Diversion Dam, Washington, as amended.

The Clerk read as follows:

H.R. 3986

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

SECTION 1. CHANDLER PUMPING PLANT AND POWERPLANT OPERATIONS AT PROSSER DIVERSION DAM, WASHINGTON.

Section 1208 of Public Law 103-434 (108 Stat. 4562) is amended—

(1) in subsection (a)—

(A) in the subsection heading, by inserting "OR WATER EXCHANGE" after "ELECTRIFICATION";

(B) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively, and indenting appropriately;

(C) by striking "In order to" and inserting the following:

"(1) ELECTRIFICATION.—In order to"; and

(D) by adding at the end the following:

"(2) WATER EXCHANGE ALTERNATIVE.—

"(A) IN GENERAL.—As an alternative to the measures authorized under paragraph (1) for electrification, the Secretary is authorized to use not more than \$4,000,000 of sums appropriated under paragraph (1) to study the engineering feasibility of exchanging water from the Columbia River for water historically diverted from the Yakima River.

"(B) REQUIREMENTS.—In carrying out subparagraph (A), the Secretary, in coordination with the Kennewick Irrigation District and in consultation with the Bonneville Power Administration, shall—

"(i) prepare a report that describes project benefits and contains feasibility level designs and cost estimates;

"(ii) secure the critical right-of-way areas for the pipeline alignment;

"(iii) prepare an environmental assessment; and

"(iv) conduct such other studies or investigations as are necessary to develop a water exchange.";

(2) in subsection (b)—

(A) in paragraph (1), by inserting "or water exchange" after "electrification"; and

(B) in the second sentence of paragraph (2)(A), by inserting "or the equivalent of the rate" before the period;

(3) in subsection (d), by striking "electrification," each place it appears and inserting "electrification or water exchange"; and

(4) in subsection (d), by striking "of the two" and inserting "thereof".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Idaho (Mr. SIMPSON) and the gentleman from California (Mr. GEORGE MILLER) each will control 20 minutes.

The Chair recognizes the gentleman from Idaho (Mr. SIMPSON).

GENERAL LEAVE

Mr. SIMPSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 3986.

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

There was no objection.

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

Mr. Speaker, H.R. 3986 authorizes a study of the feasibility of exchanging