

The Protecting American Taxpayers & Homeowners Act

America deserves a better housing finance system - one that's designed for:

- ☑ Homeowners and taxpayers – not for Wall Street and the housing industry.
- ☑ Every American who works hard and plays by the rules so that they can have opportunities and make choices to buy a home they can actually afford to keep.
- ☑ Hardworking taxpayers who must never again be asked to bail out banks and corrupt government enterprises like Fannie Mae and Freddie Mac.

America needs a housing policy that is sustainable over time, not one that causes endless boom-bust cycles in real estate that harm our economy.

Regrettably, that is not where we find ourselves today.

- ☹ Today, taxpayers have paid nearly \$200 billion for the bailout of Fannie Mae and Freddie Mac – the biggest bailout in history.
- ☹ Today, taxpayers remain on the hook for \$5.1 trillion in mortgage guarantees. That's roughly one-third of our entire economy.
- ☹ Today, our government supports 90 percent of new mortgage originations. That's unsustainable.
- ☹ Today, Washington elites decide who can qualify for a home mortgage – putting the goal of homeownership out of reach for millions of credit-worthy American families. That's not fair.
- ☹ Today, the unprecedented level of government control and distortion of our housing markets has produced a declining homeownership rate combined with a staggering foreclosure rate.

America can do better. Americans deserve better.

House Republicans have a housing finance plan that's sustainable for homeowners, respectful of hard-working taxpayers, and built to last.

Problems and Solutions

THE PROBLEM:

- ➔ Fannie and Freddie were at the epicenter of the financial crisis. Misguided federal policies pushed financial institutions to lend money to people to buy homes they couldn't afford to keep. The result was an economic cataclysm.
- ➔ Washington cronies were installed in lucrative top jobs at Fannie and Freddie. They fleeced the GSEs, cooked the books, doctored earnings, and bought riskier mortgages to meet their earnings targets and collect hundreds of millions of dollars in bonuses. Taxpayers picked up the tab.
- ➔ The GSEs played a critical role in the dramatic erosion of mortgage underwriting standards that sparked the crisis.
- ➔ More than 70% of subprime and Alt-A mortgages that led to the crisis were backed by the GSEs, FHA and other federal programs.

THE SOLUTION:

- The Protecting American Taxpayers and Homeowners Act will end the taxpayer-funded bailout of Fannie Mae and Freddie Mac and phase them out within five years.**

THE PROBLEM:

- ➔ FHA was created to serve targeted populations (first-time homebuyers and credit-worthy low and moderate income Americans).
- ➔ Mission creep: FHA offers insurance using many of the same practices employed by subprime lenders.
- ➔ Today, FHA can insure loans that are as high as \$729,750 – such a home purchase is far beyond the reach of those truly earning low and moderate incomes.
- ➔ FHA controls more than 56% of the mortgage insurance market. It crowds out private sector competition, leaving homeowners with fewer choices and exposing taxpayers to excessive risk.
- ➔ The FHA is not just broken, it is broke – bailout broke. The President's budget projects FHA will need a taxpayer-funded bailout of its own -- nearly \$1 billion.

THE SOLUTION:

- The Protecting American Taxpayers and Homeowners Act will protect and restore the Federal Housing Administration by clearly defining its mission as serving first-time and low to moderate income borrowers.**

THE PROBLEM:

- ➔ Washington elites running government agencies now have more of a say over who gets a mortgage than your local bank.
- ➔ Economist Mark Zandi of Moody's Analytics said that Dodd-Frank rules could double mortgage interest rates. "As a result of the way the premium capture rule is stated, the mortgage rate impact to borrowers would be significant – on the order of an increase of 1 to 4 percentage points..." (9/20/2011)
- ➔ Under new Dodd-Frank Act rules many current borrowers could find themselves unable to obtain a mortgage. In fact, "only half of today's mortgage originations meet [Dodd-Frank's] QM requirements." (CoreLogic, 2/12/2013)

THE SOLUTION:

- The Protecting American Taxpayers and Homeowners Act will free America's housing markets from government distortion and control by Washington elites by implementing reforms to increase competition, enhance transparency and maximize consumer choice.**

It's Time For Action

- Unless we take bold and decisive action, Americans will never have the sustainable housing finance system they deserve.
- There is no doubt that those defending the status quo rule Washington. But failure to act could prove to be even more costly than the bailout of Fannie and Freddie.
- This is our opportunity to build a housing finance system that's sustainable for home owners, respectful of hard-working taxpayers, and built to last.