
House Passes Mortgage Reform Bill With Murphy Buyer Protection Provision

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WASHINGTON, D.C. – Last night, the House of Representatives passed comprehensive mortgage reform and anti-predatory lending legislation that Congressman Chris Murphy (CT-5) played a role in crafting. Specifically, Murphy worked with Financial Services Committee Chairman Frank to include a provision pushed by Murphy to protect consumers from being steered into higher cost loans than they qualify for in Chairman Frank's larger bill.

"Passage of this bill marks a new day for home buyers. Today, we are instituting much needed reform to prevent these bad loans from being made in the first place, and we are restoring the trust in the broker, buyer relationship," said Murphy.

Murphy's provision intends to end payments to mortgage originators who steer consumers into higher cost subprime mortgages. According to the Center for Responsible Lending, 85 to 90 percent of all subprime mortgages included payments that could provide incentives for brokers to steer borrowers into higher cost loans.

According to the Mortgage Bankers Association, 63,000 Connecticut homeowners currently hold subprime loans. More than half of the home loans in Connecticut that are 90 days or more delinquent and in foreclosure are subprime loans; the percentage of subprime loan holders in foreclosure in Connecticut has doubled from the first quarter of 2006 to the first quarter of 2007.

Murphy worked with Chairman Frank and concerned mortgage brokers to make modifications to the measure before it was finalized in Committee last week.

"For subprime borrowers, those people with the least amount of leverage in the mortgage process, we need hard, clear lines. Brokers and mortgage originators shouldn't have an incentive to put borrowers into more expensive loans that the borrower qualifies for. My common sense provision aims to protect people who are making a good faith effort to get into a home that they can afford," said Murphy.

H.R. 3915, the "The Mortgage Reform and Anti-Predatory Lending Act of 2007", will create a licensing system for residential mortgage loan originators, establish a minimum standard requiring that borrowers have a reasonable ability to repay a loan, and will attach a limited liability to secondary market securitizers. The legislation will also expand and enhance consumer protections for "high-cost loans," will include protections for renters of foreclosed homes, and will establish an Office of Housing Counseling through the Department of Housing and Urban Development.

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