

U.S. Congresswoman

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Subcommittee on Financial Institutions Hearing  
**“Subprime and Predatory Lending: New Regulatory Guidance, Current Market  
Conditions, and Effects on Regulated Financial Institutions”**

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Thank you Madam Chairman for holding this hearing today.

The housing market has helped carry our economy for the past decade, and this is in large part because of the increased rates in homeownership. Homeownership rates have increased because lenders have taken chances on borrowers they wouldn't usually consider because of bad or no credit. This is a good thing that Congress should protect.

However, I am as troubled as anyone is over the news reports that the subprime market is in disarray. I do not need to repeat the percentages of late payments and foreclosure rates rampant in the subprime market – we all remember how Wall Street reacted last week. However, I worry that Congress will do what we always do – overcorrect and hurt the very people we're trying to help. We did it with the passage of Sarbanes-Oxley and with many of the bank reporting requirements under the Patriot Act. Congress cannot and should not do it again through badly crafted, over zealous anti-predatory lending legislation.

This is because many, many people have benefited from the specialty products that banks are offering for first time homebuyers or people with risky or no credit. Many people would never have realized the dream of homeownership if they were required to purchase a home with 20% down on a 30-year fixed-rate mortgage. Yes, the traditional mortgage is ideal and is usually the safest, but it's not always plausible. Being able to tailor packages to single mothers, families starting over, or young adults making their first major purchase is essential to middle-class prosperity.

Before we start placing restrictions on what type of products lenders can offer, let's make sure we understand them. And more importantly, let's make sure those purchasing a home using an ARM, interest-only plan, or 100% financing understand what they're getting into as well. If consumers are educated, they will make the best choices for themselves, better choices than Congress could ever make for them.

I am eager to hear what our witnesses have to say today Madam Chairman and again appreciate that you are taking the lead on this issue by holding this hearing.