News and Record, December 26, 2007

Miller offers best way out of mortgage mess

See http://warrenreports.tpmcafe.com/ to read an online discussion Rep. Brad Miller had about his legislation.

Policy-makers rode to the rescue of the troubled housing market this month. U.S. Treasury Secretary Henry Paulson announced a plan to provide relief to some subprime mortgage holders. That was followed by a Federal Reserve Board initiative to crack down on lending practices. But both plans fall short of congressional legislation introduced months ago by N.C. Rep. Brad Miller.

In November, the House of Representatives passed a bill to curtail predatory lending that Miller, as well as Reps. Mel Watt and Barney Frank, had sponsored. It would require lenders to provide documentation that applicants can afford the loans they get. It also prohibits prepayment penalties and bans paying bonuses to mortgage brokers for steering people to higher-interest loans when they qualify for ones at lower rates. The bill was modeled after North Carolina law, which is one reason why the subprime crisis hasn't hit this state as hard as others.

The Fed plan also deals with shady lending practices, but in a less restrictive way. It allows some prepayment penalties to remain and it would still allow brokers to steer consumers toward higher-interest loans so long as full loan information was disclosed.

Miller's bill passed 291-127 in the House. But a bankruptcy bill that he is sponsoring with Rep. Linda Sanchez is not as likely to garner such broad support. Indeed, it already was softened so the House Judiciary Committee would pass it. It would let bankruptcy-court judges adjust home mortgages to help stem foreclosures similar to the way they can adjust farm mortgages. Set to expire seven years after enacted, it would apply to subprime mortgages made between 2000 and 2007. The mortgage-lending industry opposes the bill, preferring Paulson's bankruptcy protection proposals, which are more narrowly drawn. The industry argues that Miller's legislation is anti-consumer because it could lead to higher interest rates.

Consumers' best interests, though, are served by laws that would stop predatory lending and would provide a way for people to continue to make house payments. Foreclosed, vacant houses don't benefit anybody: They drag down neighboring house prices and lead to more crime-ridden neighborhoods. You only have to read about what's happening in Cleveland to see that. Miller's bills provide the best way to avoid that disturbing scenario playing out across the nation.