

OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI

HOUSE COMMITTEE ON FINANCIAL SERVICES

**HEARING ON H.R. 1728, THE MORTGAGE REFORM AND
ANTI-PREDATORY LENDING ACT**

THURSDAY, APRIL 23, 2009

Mr. Chairman, as we begin today's hearing I want to discuss several issues concerning H.R. 1728, the Mortgage Reform and Anti-Predatory Lending Act, which I helped to write and to introduce. First, I have heard suggestions from some that the skin-in-the-game requirements found in the bill constitute a war on securitization. Such thinking is entirely wrong.

At a hearing in September 2007, I cited the fact that few players had any real skin in the game helped to contribute to the implosion of our financial markets. If people had retained some risk, I believe that they would have made better decisions. Since then, others have joined my thinking. So, the skin-in-the-game provisions in H.R. 1728 are about prudent underwriting, not about ending securitization as some have maintained.

This issue, however, is a difficult one. Like Chairman Frank, I admit that the 5 percent retention requirement now in the bill needs some work. Rather than hearing more complaints about it, we need suggestions to perfect it. I hope that our witnesses will do just that.

Second, I have focused my attention in recent weeks on the bill's considerable mortgage servicing and appraisal provisions, which I wrote and added to the legislation during our debates on the House floor in November 2007. Much has happened in these fields since then, including the adoption of new rules by the Federal Reserve on escrowing, crediting payments, and appraisal independence, as well as the appraisal reform agreements of New York Attorney General Andrew Cuomo with Fannie Mae and Freddie Mac.

In moving forward, we should codify much of their good work, but we must also take bolder steps to provide greater protections for consumers and improve industry responsibility. As such, I am preparing a comprehensive amendment that will, among other things, provide all subprime borrowers with access to a written appraisal; improve independence standards so appraisers can operate as honest referees, free of interference; and enhance confidence in the results produced by automated valuation models. We must also further augment the powers of the Appraisal Subcommittee to monitor and assist State appraiser agencies.

Moreover, we must establish oversight for appraisal management companies. They now touch 64 percent of written appraisals, but they are subject to little supervision. Going forward, we cannot allow anyone to play in the dark corners of our markets. We must ensure that everyone who operates in our financial system is subject to appropriate oversight, whether they are a hedge fund, a credit rating agency, or an appraisal management company.

Before closing, Mr. Chairman, I ask unanimous consent to submit into the record a letter from the Title/Appraiser Vendor Management Association that makes some observations about the regulation of appraisal management companies. I look forward to a vibrant debate not only on that issue, but also on all of the other important matters that we will consider today.
