

OPENING REMARKS OF THE HONORABLE RUBÉN HINOJOSA
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“LIDUIDITY IN THE SUBPRIME MARKETS”
JUNE 23, 2004

Chairmen Ney and Bachus and Ranking Members Waters and Sanders, today we discuss a very important issue, one that has a direct impact on my Hispanic constituents in the 15th district of Texas. Subprime lending is very common in my district. Unfortunately, most, if not all, of predatory loans are subprime loans. This will likely be discussed further during today’s hearing.

Mr. Chairman, as we celebrate National Homeownership Month this June, all of us can take pride in the fact that America has the best housing finance system in the world – a system that provides consumers access to international capital markets, bringing investment dollars in from around the world to finance homes for Americans.

In recent years, America’s robust housing market – which has buoyed economic recovery and fueled consumer confidence and consumption – has achieved new records in sales, housing starts and mortgage originations.

And yet this system that works so well for so many, doesn’t work for everyone. The powerless are all too often forgotten in the halls of Congress.

While the national homeownership rate is above 68 percent – and nearly 76 percent for white, non-Hispanic families – only 50 percent of minority families own their homes. Only 22 percent of Spanish-language dominant Hispanic households know that it is not necessary to have a perfect credit rating to qualify for a mortgage – compared to 73 percent for the general population.

And only 39 percent of Spanish-language dominant households know that it is not necessary to have stayed in the same job for at least five years to get a mortgage – nearly 30 percent behind the general population.

We need to close these gaps, because in America today, homeownership means much more than shelter. It leads to community cohesion and community pride, and it tends to result in a reduction in crime in communities.

A study by the Consumer Federation of America revealed that while home equity represents 42 percent of net worth for homeowners in general, it is 63 percent for Hispanic Americans and 80 percent for low-income families.

Many residents in rural communities, such as those in my Congressional district, face tough obstacles: a lack of local mortgage lenders; poor credit quality; a lack of funds for downpayment and closing costs; and a shortage of home builders and developers. So we

are increasing our commitment to rural housing – both in Texas and throughout the country.

A large percentage of my constituents have poor credit histories, no credit histories or are, unfortunately, not very financially astute, which is why I have been promoting financial literacy throughout my district in collaboration with the FDIC and its Money Smart Program as well as with Freddie Mac and its CreditSmart Espanol program.

We are also attempting to improve housing conditions and affordability through the Congressional Rural Housing Caucus, of which I am the Chairman. The Caucus has already had its first staff level meeting with the Rural Housing Service of the United States Department of Agriculture, and the Caucus will be holding its second meeting, this time on a Member level, July 13th with Fannie Mae. The meeting will be open only to Caucus Members and/or their staff.

I encourage all of my colleagues to join this Caucus. Rest assured that predatory lending will be discussed at one, if not several, of the Caucus meetings.

I realize that today we are addressing liquidity in the subprime market as well as whether or not to promote federal preemption of state laws, some of which seem to have benefitted minorities.

I will be curious to learn how federal preemption of state laws on subprime mortgage loans will improve and augment minority homeownership. I am particularly interested in Mr. DeMong's findings since they seem to cite only one HUD study as evidence that federal preemption of state laws is the route to take.

Furthermore, none of the testimony I reviewed provided an adequate guide to, or definition of, "predatory lending." Consequently, we seem to be back to square one.

With that Mr. Chairman, I yield back the remainder of my time.