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Comprehensive Homeownership and Mortgage Crisis Vote

The House this week approved a comprehensive response to the American mortgage crisis.

The “American Housing Rescue and Foreclosure Prevention Act” will help families keep their homes and assist the communities hit hardest by the foreclosure crisis. The bipartisan plan was approved by a vote of 241 to 172.

The legislation is vital because the mortgage crisis impacts everyone. Families have already lost their homes and millions more are on the brink of foreclosure. Mass foreclosures would make all property values plummet. This bill will allow homeowners to keep their homes and help get our economy back on track.

The bill includes provisions that will help restore confidence in financial markets and shore up Fannie Mae and Freddie Mac. The bill provides the Department of the Treasury with emergency and temporary financing authority for Fannie Mae and Freddie Mac, which hold or guarantee nearly half of all mortgages in the United States.

The American Housing Rescue and Foreclosure Prevention Act will allow hard-working American families in danger of losing their home to refinance into lower-cost government-insured mortgages they can afford to repay – at no cost to the American taxpayer.

Here are some of the new benefits:

In This Week’s Issue:

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- Combating Record Gas Prices
- Modernizing and Safeguarding Health Records

RENEGOTIATING MORTGAGES Part of the bill is devoted to the creation of a program that may allow some people to cancel their old mortgage loans and replace them with new fixed-rate loans lasting at least 30 years. The amount of the new loans would be no more than 90 percent of what their property is actually worth now.

This program ends on Sept. 30, 2011. While it does not officially take effect until Oct. 1, lenders may be willing to start their negotiations with borrowers now.

BREAK FOR FIRST-TIME BUYERS If you are buying a home for the first time, and it is your primary residence, you are eligible for a federal tax credit of \$7,500 or 10 percent of the purchase price, whichever is smaller. With a tax credit, you subtract the credit amount from the total you would otherwise pay to the Internal Revenue Service.

The tax credit is retroactive to home purchases on April 9, 2008, and expires on July 1, 2009. If you purchase a home from Jan. 1, 2009 to June 30, 2009, you can claim the tax credit on your 2008 tax return.

REVERSE MORTGAGE CHANGES Reverse mortgages allow older Americans, generally 62 and older, to get a lump sum or a monthly check that comes out of their home equity. They do not have to pay the money back until they stop living there permanently or their heirs sell the house.

The problem with these loans, however, is that they often come with high fees. Moreover, some salespeople pressure borrowers who are applying for the loan to purchase annuities, long-term care insurance or other financial products that are not necessarily in the borrower’s best interest.

The bill tries to address both issues. First, it limits origination fees on reverse mortgages at 2 percent of any loan up to \$200,000 and 1 percent beyond that, up to a maximum of \$6,000.

The bill also states explicitly that borrowers cannot be forced to purchase an annuity or other financial or insurance product as a condition of qualifying for a reverse mortgage.

Finally, the bill raises the maximum amount that people can borrow. The largest allowable mortgage available anywhere was just over \$400,000. This would provide a nationwide cap of \$625,500.

A BREAK FOR VETERANS Lenders would have to wait nine months, instead of 90 days, before beginning foreclosure proceedings on homes owned by someone returning from the military. Lenders must also wait a year before raising interest rates on a mortgage held by someone returning from military service.

Combating Record Gas Prices

While a House majority supported legislation to increase supply by temporarily releasing nearly 10 percent of the oil from the federal oil reserve and replacing it later with heavier, cheaper crude oil, there were not enough votes to pass the bill.

The 268 to 157 vote in favor of releasing the oil was not enough to overcome a rule requiring a two-thirds supermajority to approve the measure. With 425 House members voting, 284 votes were needed for approval.

The Strategic Petroleum Reserve (SPR) has been tapped or suspended before by President Bush, President Clinton, and the first President Bush and each time oil has been released the impact on prices has been dramatic and immediate. In 1991, oil prices immediately dropped by 33 percent. The 2000 exchange drove oil prices down by 19 percent. And the release by President Bush in 2005 resulted in a 9 percent drop.

The Strategic Petroleum Reserve is currently more than 97 percent full – the highest level ever – with enough oil to meet our national security needs, and the legislation required that the reserve be kept 90 percent full. America actually has more oil in SPR than it did at the beginning of the Iraq War and more than in 2006 – 706 million barrels today vs. 624 in 2003 vs. 688 million in 2006.

This bill could be an important tool to bringing gas prices down immediately, so it is my hope that a compromise can be made to enact the bill soon.

Bill’s Provisions:

- Requires the Secretary of Energy to sell or exchange at least 70 million barrels (or 10% of current capacity) of light crude from the SPR for heavier, less expensive crude, as recommended by the Government Accountability Office. The sale or exchange must be completed within 6 months, under the bill.
- Requires at least 20 million barrels of this oil be sold or exchanged within the first 60 days -- to ensure that Department of Energy (DOE) releases some light crude as soon as possible, without paving the way for market manipulation by telegraphing the specific timetable to energy speculators.
- Requires the DOE to wait to buy the heavy crude to replace the light for at least six months from enactment and requires it be completed within 5 years.
- Proceeds from the sale would be deposited into the Strategic Petroleum Reserve Account.

Modernizing and Safeguarding Health Records

The House Committee on Energy and Commerce this week approved bipartisan legislation designed to strengthen the quality of health care, reduce medical errors and costs, and further protect the privacy and security of electronic health records.

The “Protecting Records, Optimizing Treatment, and Easing Communication through Healthcare Technology Act of 2008” promotes the nationwide adoption of a Health Information Technology infrastructure and establishes incentives for doctors, hospitals, insurers, and the government to exchange health information electronically across the country.

The bill provides \$560 million in grants and loans to providers, particularly small and rural providers and those serving medically underserved areas, to acquire electronic medical record systems.

The legislation also strengthens the law protecting the security and privacy of an individual’s health information through provisions such as requiring notification when personal health information is breached. The bill also extends federal privacy law to entities that do business with providers.

During the mark-up session on the bill I made the following opening statement:

While this may not be a perfect bill, it will substantially improve the quality of health care, increase efficiency and reduce medical errors. I also believe that the bill does strike the balance between accelerating the adoption of a nationwide system of electronic medical records while protecting patient privacy.

Privacy and security are critically important to Americans, but these issues have been addressed by asking expert government agencies, consumer interest groups and other parties how best to create effective safeguards. The bill also clarifies the definition of a security breach and increases patient privacy protections.

As our country aims at ensuring that every American has access to affordable and high-quality healthcare, we must move beyond the age of paper in order to cut costs by increasing productivity and efficiency. This bill helps to accomplish that goal.

While I strongly support this important bill, I do have a few concerns. I represent a poor and rural district so closing rather than widening the divide in underserved areas is vitally important to me. We must make sure that underserved areas have the financial capability to store and protect records.

I am also concerned about the cost of accounting for disclosures in these underserved areas. We must ensure that these expenses will not cripple efficiency and set our underserved areas back further. This could be best achieved with some cost assistance.

Thank you and I yield back the balance of my time.