

Telephone Town Hall October 2011 : The 'Super Committee' and the Debt.

Learn more about our discussion:

- Download the [full call](#).
- Read several [follow-up questions](#) that we didn't have time to discuss during the call.

Listen to the full call

Followup Question Submitted After The Call

1) What role Fannie Mae and Freddie Mac play in the crisis? I believe they were the central players and granted loans to people who couldn't afford them. The Federal Government created the mess by forcing the banks to loan to irresponsible people.

□

Thank you for asking me about the role that Fannie Mae and Freddie Mac played in the

Written by Mike Honda
Thursday, 14 July 2011 13:49

subprime mortgage crisis. I appreciate hearing your thoughts and welcome the opportunity to respond to your comments.

The Federal National Mortgage Association, also known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, also known as Freddie Mac, are government-sponsored enterprises (GSEs) that deal with the funding of home loans nationwide. These GSEs provide affordable mortgage loans for low- and moderate-income homebuyers, which is important for America's middle class families. With the support Fannie and Freddie receive from the government, these GSEs are able to offer home buyers fixed interest rate mortgages with low down payments and help millions of Americans achieve the dream of buying a home.

Some have sought to pin the blame for the mortgage crisis on Fannie Mae and Freddie Mac, arguing that when it passed the Community Reinvestment Act (CRA), Congress forced banks, backed by these entities, to make mortgage loans to those who could not afford to pay them back. As Sheila Bair, the head of the Federal Deposit Insurance Company, has noted, nowhere in the CRA were banks required to make loans who could not afford to repay them.

In fact, Bair notes, only about a quarter of higher priced first mortgage loans were made by CRA-covered banks during the peak years of subprime mortgage lending (2004-2006). The rest were made by private, independent mortgage companies and large bank affiliates not covered by CRA rules, who were driven by a desire to grow their market share and revenue and devised ever more creative and risky methods to do so.

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The CRA, while not perfect, worked for decades prior to the mortgage crisis because it encourages FDIC-insured banks to lend in low and moderate income in a manner that is “consistent with the safe and sound operation of such institutions.” Such an approach does not allow lending to borrowers under terms they cannot afford to repay. Indeed, the loans that brought about the mortgage crisis were subprime adjustable rate mortgages, which were clearly not consistent with safe and sound banking operations.

I supported the Housing and Economic Recovery Act, which became law in July 2008, which established the Federal Housing Finance Agency, with regulatory authority over Fannie Mae and Freddie Mac. Since then, Fannie Mae and Freddie Mac have taken their own steps to make more cautious investments and minimize losses. They have been working towards streamlining home appraisal and loan delivery data to enhance loan quality and standards. I will continue to push to keep Fannie Mae and Freddie Mac accountable to their shareholders, the government and the people.

1) Julie from Los Gatos

Is there a possibility to pass the public option or have single-payer health care still?

Julie, thank you for your question! Throughout the passage of the reform bill, I worked tirelessly to pass a public option as I believe it is the only way to provide the American people with the information they deserve in order to choose an insurance option that works best for them. At its core, health reform is all about ensuring that American families and businesses have more choices, benefit from more competition, and have greater control over their own health care.

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In February 2010, the House of Representatives passed HR 4626, the Insurance Industry Fair Competition Act of 2010, which restores competition, fairness and choice to the health insurance industry. I will continue advocating on behalf of legislation that supports options for the public.

I was extremely disappointed, therefore, when the health care reform bill passed without a public option. However, it does have ways to maintain the fairness and competitiveness a public option would have.

By 2014, under the new health care reform bill, states will be allowed to set up exchanges, which serve as a marketplace of information available to the public. You can access these exchanges if you are unemployed, work for a small business, or work for a business that does not provide health insurance. In the exchanges, individuals will be able to access information and compare plans, and then buy into whichever plan best suits their needs. Additionally, a provision in the new bill allows that these exchanges can be used by states to establish government run health plans in addition to privately run ones, essentially setting up a public option.

The exchanges will offer a standardized set of information, as the participating plans must present their plans in a comprehensive, easy to understand manner and must use one standard enrollment form.

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As for a single-payer system, in February, I cosponsored HR 676, which would eliminate all employer contributions to private insurance premiums, all individual premiums, co-pays, deductibles, and other out of pocket costs, replacing them with a minimal payroll tax. With a single-payer system, an estimated 95 percent of people would pay less than they do now for healthcare.

If an individual cannot afford health insurance under the new bill, they can apply for government subsidies which will help cover insurance premiums. For plans that cross state lines, states must work out an agreement permitting the plans into the exchanges.

HR 3200, the America's Affordable Health Choices Act is a monumental step toward fixing the broken health care system of our nation. Over the past nine years, I have heard repeated pleas from the Constituents of the 15th District to fix this broken system, protect their families' financial health, and ensure access to high quality healthcare. I will continue to work on healthcare legislation that addresses these needs and the inequalities in our system.

2) Mary from San Jose

Has Rep. Honda thought the marijuana taxation through and what will he vote

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This November, the California electorate will vote on proposition 19 (The Regulate, Control, and Tax Cannabis Act of 2010), which allows people 21 years old or older to possess, cultivate, or transport marijuana for personal use. This proposition also permits local governments to regulate and tax commercial production and sale of marijuana to people 21 years old or older. It prohibits people from possessing marijuana on school grounds, using it in public, smoking while minors are present, or providing it to anyone under 21 years old with strict penalties, including jail sentences and monetary fines for any persons that violate the law. The proposition also maintains current prohibitions against driving while impaired, assuring full enforcement of the law by police authorities.

A study conducted by the RAND corporation shows that should proposition 19 pass, the pre-tax retail price of marijuana will substantially decline, likely by more than 80 percent. The price consumers will pay will depend heavily on taxes and how they are regulated and enforced. While there exists understandable concerns that consumption of marijuana will perhaps increase, it is unclear at this time to what degree California will experience this. With respect to projected tax revenues, projected estimates are in the vicinity of \$1.4 billion annually; funding derived from taxation of marijuana could be used towards other public services, such as in the fields of education and health programs. I understand that there are a variety of opinions on this matter, and I welcome constituents to share their range of views on this proposition.

I have supported other initiatives regarding marijuana use, specifically for medicinal purposes, such as H.R. 2835 (Medical Marijuana Patient Protection Act), which states that physicians should be allowed to prescribe marijuana for medical use in a state that allows the usage of medical marijuana. I support the rights of states to formulate their own laws on marijuana usage and enforcement, and while I am still evaluating the content of this proposition as written, it is in the hands of the California electorate to decide the direction our state will take with regards to this issue in November.

3) Daniel from Milpitas

What is your position on immigration?

From our founding and at our very core, America has always been a nation of immigrants, documented and undocumented, who have made great contributions to our nation. From their labor building the transcontinental railroad and developing our nation's infrastructure, to their entrepreneurship spurring industry in our early American cities, we should all know by now that 'immigrant' is not a dirty word. Looking toward our future with our aging workforce and social security crisis, we need the contributions of immigrants, now more than ever.

Our current immigration system is broken. Because of backlogs and bureaucratic delays, some must wait years, sometimes decades, to reunite with their family members who are eligible to legally immigrate to the United States. Immigrants are often deprived of due process rights that are fundamental to America's notion of liberty.

A punitive, enforcement-only approach to immigration reform is not the solution. Instead, I believe in humane reform that respects the dignity of immigrant communities and recognizes their contributions to American society, while simultaneously securing our borders. We can make America stronger, not only by protecting our borders, but also by upholding our values and principles and honoring the entrepreneurial spirit of the American dream – with freedom and opportunity on our shores. I will continue to work with my colleagues to ensure a just, humane and workable immigration system that keeps America safe and thriving, without fear of being separated from their families.

I have long advocated for comprehensive immigration reform that will address border security, enforcement, future flows of immigrants, cater to the demands of our labor markets and economy, and provides a pathway to legalization as well as visa reforms to keep our families together. I believe it is critical that we protect our borders and stop employers from taking advantage of undocumented workers. I further believe, however, that this can be done in a smart, efficient, and humane way that does not involve racial profiling or hand over critical responsibilities of the federal government to local law enforcement.

Enhancing enforcement surely must be a part of the solution to our broken immigration system. However, the solution must be more complex and holistic. The President has clearly called on Congress to act on comprehensive immigration reform. We must work together and with our neighbors to develop a comprehensive solution.

4) Daniel from San Jose

What are you doing to bring transparency to Fannie Mae and Freddie Mac?

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Although the two housing Government Sponsored Enterprises, or GSEs, Fannie Mae and Freddie Mac did not cause the housing crisis, their risky investments in subprime securities resulted in huge losses and a massive size of debt. I understand your concerns regarding these two companies. However, it is important to remember that the mission of Fannie Mae and Freddie Mac to provide affordable mortgage loans for low- and moderate-income homebuyers still remains an important to American's middle class families

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With the support they receive from the government, these GSEs are able to offer home buyers fixed interest rate mortgages with low down payments and help millions of Americans achieve the dream of buying a home.

I was proud to support the Housing and Economic Recovery Act, which became law in July 2008 and established the Federal Housing Finance Agency with regulatory authority over Fannie Mae and Freddie Mac. Since then, Fannie Mae and Freddie Mac have taken their own steps to make more cautious investments and minimize losses. They have been working towards streamlining home appraisal and loan delivery data to enhance loan quality and standards. I will continue to push Fannie Mae and Freddie Mac to remain accountable to their shareholders, the government and the people.

5) Elias from Campbell

What are we doing with the foreclosure process? Is there a group that can help people who have problems with their mortgage? Will the government work with people and if so, where do people go to do this?

If you have not already done so, get in contact with a HUD-approved housing counselor. They are free of charge, and you can find a local counselor at <http://makinghomeaffordable.com> or by calling 1-888-995-HOPE. A HUD-approved housing counselor will talk to you about your individual situation and help you decide what mortgage options and programs are best for you. Beware of anyone who asks you to pay a fee in exchange for a counseling service. Again, all HUD-approved housing counselors are FREE.

Two programs that the counselor may point you to are HARP and HAMP.

HARP, or the **Home Affordable Refinance Program**, allows homeowners with mortgages owned by Fannie Mae or Freddie Mac to refinance with more favorable terms. This program targets those who are **current on their payments** but have lost equity in their homes due to falling home prices.

HAMP, or the **Home Affordable Modification Program**, targets borrowers who are paying more than 31% of their income toward their mortgage and are **experiencing a financial hardship**, like the loss of a job, a medical emergency, or death in the family. HAMP uses financial incentives to encourage banks to provide mortgage modifications for troubled borrowers in order to reduce their monthly mortgage payments.

Although we've seen more promising numbers recently, foreclosure

filings have dropped more than 40 percent in Santa Clara County since last year, we know that families are still struggling to stay in their homes and weather this recession. While we can't prevent every foreclosure, we must get banks to provide families time to get back on their feet after the worst housing downturn since the Great Depression.

6) Elias from Cupertino and Anita from Santa Clara:

Why have we not suspended the Jones act that prohibits assistance from international supertankers to clean up the oil spill?

Enacted after World War I to ensure that America did not lose its civilian fleet, the Jones Act (formally Section 27 of the Merchant Marine Act of 1920) reserves the carriage of America's waterborne domestic commerce to privately owned United States-flag commercial vessels built and repaired in U.S. shipyards and owned and crewed by U.S. citizens. The Jones Act and related statutes prevent America's domestic economy from being dominated and controlled by foreign shipping interests, which operate in international commerce outside the scope of U.S. laws and regulations, including tax obligations.

In the past, Americans of all political stripes have supported the Jones Act with open arms. In fact, in 1997, a resolution recognizing the critical importance of the Jones Act (H. Con Res. 65) garnered 244 bipartisan co-sponsors.

Recently, many have criticized the law by making baseless accusations that the Jones Act has somehow interfered with the cleanup of the BP oil spill in the Gulf of Mexico.

Nothing could be further from the truth. The fact is there is no evidence the Jones Act has interfered with the cleanup in any way. Administration officials have clearly stated they would be willing to waive the Jones act if needed and that the law has not prevented the response team from accepting aid offers from foreign nations. (Please see the [Los Angeles Times](#) article for more information.)

Maintaining a privately owned merchant fleet and maritime industry is vital to our economic and military security. The domestic maritime industry provides a significant source of employment and helps maintain a cadre of well trained, loyal American citizen merchant mariners ready and able to respond, as always, to our Nation's call in time of war or other emergency. Finally, the Jones Act ensures that ships that operate in domestic waters comply with U.S. laws and regulations, including tax obligations, workforce protections, and environmental conservation regulations.