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Statement of Carolyn Maloney, Chair
Joint Economic Committee Hearing
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As Prepared for Delivery

Good morning. I want to welcome our distinguished panel of witnesses and thank you all for your testimony today.

Today, the Government Accountability Office released a study which I requested that looks at the performance of non-prime loans in every Congressional district in the United States. This is a valuable report, because it captures the national trends and also gives us data so granular that we can see the effects on our constituents.

The default and foreclosure rates for these mortgages in my New York district are relatively low compared to the rest of the country, but rising foreclosures continue to inflict pain in communities throughout the nation.

Borrowers, lenders, governments, and neighbors all pay the price for vacant houses that attract vandalism and increase crime, which destroy communities and burden local governments.

The map behind me is a snapshot of the mortgage crisis inherited by the Obama Administration.

The map highlights an important point – the pain of foreclosure is not being felt evenly across the United States. What we see are pockets of pain more heavily concentrated in certain areas of the country – most notably California, Florida, Illinois, Massachusetts, Nevada, and New Jersey.

Congress and the administration have undertaken numerous efforts to stem the tide of foreclosures.

Key measures include incentives to servicers to modify loans in the administration's Home Affordable Modification Program and an expansion of eligibility to receive a low cost FHA loan in Hope for Homeowners.

Additionally, Congress has allocated money to counselors to help homeowners get the information they need to be able to modify their loans.

Today, Treasury and HUD officials are meeting with mortgage servicers in an effort to speed the pace of modifications, which are not happening quickly enough.

Servicers may be swamped, but families are drowning.

I look forward to our witnesses' insights into how the current policies are working and any proposed changes that will help us keep families in their homes.

The pockets of pain may be due at least in part to differences in house price appreciation or the local economy. But the problems may also stem from different lending practices throughout the country.

Earlier this month, the Joint Economic Committee held a hearing on predatory lending and the targeting of minorities for higher cost loans. In that hearing, we heard testimony that states have had difficulty enforcing anti-predatory lending laws because of federal pre-emption of those laws for nationally chartered banks.

Fortunately, some state attorneys general, including in my home state of New York, took an active role in pursuing abuses at nationally chartered banks.

While our immediate efforts are aimed at turning back the current tide of foreclosures, it is just as important for us to realize how we got in this predicament and prevent it from happening again.

Last week, the Federal Reserve Board of Governors proposed significant changes to Regulation Z of the Truth in Lending Act ratcheting up disclosure requirements and altering compensation to brokers. The improved amendments to disclosure information for consumers will help consumers gauge the true cost of mortgages and compare different products.

Additionally, the Fed recognized that if brokers have a financial incentive to steer borrowers into more expensive products, then improved disclosure may be ineffective. I am hopeful that these proposed changes will change the flawed misalignment of incentives between borrowers and brokers.

We must do all we can to keep families in their homes. I look forward to the testimony of our witnesses to help us do just that.

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