

**Statement of Carolyn Maloney
Joint Economic Committee Hearing
March 6, 2009**

The gut-wrenching job losses in today's report highlight the misery and dislocation that American families have been enduring since the start of this recession more than a year ago. Nearly 4 and a half million Americans have lost their jobs over the past 14 months – more than half of them in the last 4 months as losses have topped 600,000 jobs a month. The unemployment rate now stands at 8.1 percent – the highest level in a quarter of a century.

I am particularly troubled by groups who are being particularly hard-hit in this recession – women heads of households, whose unemployment rate is 10.3 percent; African Americans, whose unemployment rate is 13.4 percent; and Latinos, whose unemployment rate is 10.9 percent.

This recession is on a path to be the worst since the Great Depression. The job losses have been widespread throughout the economy as employers have cut jobs at an even faster pace over the last several months. Congress worked closely with President Obama to swiftly pass the American Recovery and Reinvestment Act last month in order to stem job losses and put people back to work as quickly as possible.

Our recovery package will create or save at least 3.5 million jobs across a variety of sectors over the next several years, which will soften the downturn and foster a solid economic recovery that benefits all Americans. The payments to states, unemployment benefit increases, and middle-class tax relief are set to take effect shortly, and I am hopeful that the employment figures will reflect this soon. The stimulus will need time to kick in, but the magnitude of the job losses we've seen indicate that additional measures may be needed.

Rising unemployment adds urgency for the Senate to act on the Helping Families Save Their Homes bill that just passed in the House of Representatives yesterday. More than 2 million homes have gone into foreclosure, and millions of other homeowners find themselves owing more to the bank than their homes are worth. Not surprisingly, most of the states with the highest foreclosure rates also have unemployment rates much higher than the national average -- California, Florida, Nevada, Arizona, and Ohio.

Our bill would eliminate an anomaly in the current bankruptcy code, which prevents a court from lowering the principal on a homeowner's primary residence despite the court's ability to lower the principal on a second home. Given trends in the labor market, that anomaly is giving greater force to the foreclosure wave.

When homeowners with negative equity lose their jobs, the result is too often foreclosure and financial disaster. These homeowners cannot meet their mortgage payments, they cannot sell their homes for enough money to cover their mortgage, and they cannot reduce their debt to a manageable level through bankruptcy. As a result they lose their homes to foreclosure, their credit rating is destroyed, and they have a continuing burden of debt.

In this way rising unemployment is aggravating an already serious crisis in the housing market. As more people lose their homes to foreclosure, the stock of unsold houses increases, putting more downward pressure on house prices. This leads to more homeowners owing more than their house is worth, which leads to still more foreclosures.

Some unemployed workers are simply trapped by falling home prices. Homeowners who have lost their jobs are less mobile when they owe more than their house is worth – taking a job in another area of the country would entail coming up with money to pay off their mortgage or taking a serious hit to their credit rating by going through bankruptcy. And without this change in the bankruptcy code, negative home equity will be an albatross that follows them forever.

Without modifications to the bankruptcy code, lenders don't have the incentive to negotiate with borrowers, even though lenders may be better off by taking a haircut on the principal owed rather than enduring foreclosure costs.

President Obama and the Democrats have embarked on a bold, common sense plan to turn this economy around by enacting a recovery plan, rescuing the financial system and addressing the housing problems that are at the root of the financial crisis.

Today's unemployment numbers underscore the need to continue our focus on working to solve these complex and intertwined problems.

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