

NEWS FROM THE DEMOCRATIC LEADERS

Harry Reid and Nancy Pelosi

Tuesday, October 2, 2007

CONTACT: REID: Jim Manley/Rodell Mollineau: 224-2939
PELOSI: Brendan Daly/Nadeam Elshami: 226-7616
DODD: Marvin Fast/Jamie Radice: 224-0346
FRANK: Steve Adamske: 202-225-7141
SCHUMER: Israel Klein (JEC): 224-0368
MALONEY: Meghan O'Shaughnessy: 225-7944

SENATE AND HOUSE DEMOCRATIC LEADERS OFFER PLAN TO STEM TIDE OF HOME FORECLOSURES

Washington, D.C.—Senate Majority Leader Harry Reid, Speaker Nancy Pelosi, Senators Chris Dodd and Charles E. Schumer, and Reps. Barney Frank and Carolyn Maloney today offered a plan to stem the rising tide of home foreclosures created by the subprime mortgage market crisis.

The House and Senate leaders, along with the Chairs of the Senate Banking, House Financial Services and Joint Economic Committees presented a plan that includes increasing federal funding for foreclosure prevention and temporarily raising the portfolio caps on Fannie Mae and Freddie Mac. The leaders also called on the President to appoint a special advisor to oversee and coordinate the federal government's response to the subprime meltdown.

The lawmakers urged the administration to act quickly and decisively to help families around the country that were victimized by unscrupulous lending practices to keep their homes, hold lenders accountable and deploy the resources necessary to prevent the foreclosure crisis from taking a toll on the broader economy.

“If we do not act, subprime lending could end up eliminating more homeowners than it created, and the number of Americans foreclosed out of their homes could exceed the number of Americans from the Gulf Coast forced out of their homes by Hurricane Katrina,” **Reid said.**

“And no state in the nation is hit harder by this meltdown than Nevada, where subprime borrowers make up a quarter of all mortgage loans, and one out of every 65 homes forecloses. This is unacceptable, and Democrats are leading the way to do something about it.”

Said Pelosi: “The subprime crisis is a national economic emergency and it is a very personal tragedy for millions of families. We hope the President will join us and take immediate action that will help prevent additional foreclosures and allow for more American families to keep their homes.”

About 1.7 million households may lose their homes to foreclosure this year and next, according to estimates by Moody's Economy.com, double the number of the previous two years. It is clear that foreclosures have a significant negative impact, not only on borrowers and lenders, but also on neighboring homeowners and the surrounding community because of lower property values, decreased property tax revenues, and higher municipal maintenance costs.

Advocates report that if the trend in foreclosure continues, the surge of subprime lending could eliminate more homeowners than it initially created. The National Consumer Law Center notes that if these foreclosures go unchecked, the coming crisis could eclipse the number of people displaced by Hurricane Katrina.

Lawmakers today agreed to press the administration for additional resources to fund HUD-approved non-profits that are on the ground helping homeowners to stave off foreclosures. These non-profits have been inundated with borrowers, whose loans have reset to higher monthly payments, and need assistance to refinance with the lender that holds their mortgage. This negotiation and counseling process is time consuming and labor intensive. But compared to the costs of a family losing their home to foreclosure, the costs are small.

“This crisis is the equivalent of a slow-motion, 50-state Katrina, taking people's homes one-by-one, devastating their lives, and destroying their communities,” said **Dodd, Chairman of the Senate Banking Committee**. “Too often, we get lost in a sea of numbers and statistics when we talk about this problem. But behind each number, behind each statistic, is a young family, often working multiple jobs, struggling to make ends meet; or an elderly woman living alone, or a widow caring for young children, trying to save their homes. Regrettably, as with Katrina, the Administration's response has been marked by the same denial, delay, timidity, and incompetence. The Administration needs to act decisively to ensure that more homeowners aren't swept away by the rising tide of foreclosures that are engulfing our nation.”

Said Frank, Chairman of the House Financial Services Committee: “What we need is a comprehensive approach—responsible help for people caught in existing mortgages, legislation to make a recurrence of this much less likely, and action on the construction of affordable housing so that low and moderate income people have more housing choices.”

According to a report by the Joint Economic Committee in April, it only costs housing counselors about \$1,500 on average to help a family work with their lender and loan servicer to prevent foreclosure on their home. But the estimated combined cost of each foreclosure on the homeowner, lender, local government and lost property values could be up to \$227,000.

“We're here to ask the Administration to do the right thing; act decisively and quickly to help families protect their main source of wealth and prosperity, and to prevent the subprime mortgage crisis from dragging our economy down with it,” said **Schumer, Chairman of the Joint Economic Committee**. “The bottom line is, the price of inaction is high. Yet the price of action is modest. If this Administration can set aside ideology and join us in these targeted and effective measures, we will go a long way toward saving homes and protecting the foundation of our economy. And if the administration refuses to act soon, this Congress will.

Said Maloney, Chairwoman of the House Financial Services Subcommittee on Financial Institutions: “The subprime mortgage mess threatens to displace more Americans than Hurricane Katrina. The Democratic Congress is working hard to help struggling homeowners stay in their homes, hold lenders accountable, and stem the broader economic impact of the mortgage meltdown. I hope the President will choose to work with us instead of sitting idly by while millions more hardworking Americans lose the dream of home ownership on his watch.”

For \$200 million in federal foreclosure prevention funding, nearly 130,000 families could be helped to avoid foreclosure; that is a little over one-half of the cost of the Administration’s Iraq war spending each day (\$330million).

#