

**Statement of Senator Jack Reed**  
**Hearing: The State of the Nation's Housing Market**  
**October 20, 2009**

Thank you, Mr. Chairman, for convening this important hearing. We know that the housing market lies at the core of the current economic crisis. If we want to stabilize the economy, we must be sure we also address the root of the problem.

Of utmost importance is the current foreclosure crisis. After the Bush Administration's failure to respond to the burgeoning crisis, the Obama Administration's Making Home Affordable program was a step forward. Seventy eight percent of loan modifications tracked by the second quarter Mortgage Metrics Report led to reduced payments for homeowners, up from 54%.

However, we must do more and move aggressively to ensure that qualified homeowners get access to existing initiatives. I still hear troubling reports from Rhode Islanders of long waits and unnecessary obstacles to obtaining loan modifications. Consumer advocates have also reported examples of homeowners being offered modifications that don't comply with the Home Affordable program and homeowners being denied a modification without clear justification. The process can and should be more transparent.

There are other signs that we must do more. Realty Trac reports that foreclosure actions are still on the rise. Job losses will likely only drive those numbers up—even among well underwritten loans. Indeed, in the second quarter, foreclosures for prime mortgages continued to outpace efforts to help families remain in their homes. With unemployment at an alarming 13% in Rhode Island and rising across the nation, the issue of how we help unemployed homeowners is of growing importance. The Preserving Homes and Communities Act, which I recently offered along with my colleagues Senators Durbin, Merkley, and Whitehouse, includes a plan to help homeowners experiencing a temporary loss of income remain in their homes. This is an issue that needs to be addressed.

In addition to the problems in the commercial real estate market, it is also reported that a wave of option adjustable rate mortgages will reset in the next four years. One estimate puts the number of mortgages in question at one million. Already, 10% of payment option ARMS are in the process of foreclosure, three times the 2.9% rate for all mortgages. We need to ensure we are moving into action to respond and prevent future crises.

Recent reports point to modest signs of improvement in the overall housing market. Nationally, prices in the second quarter showed the first quarterly increase in three years. The Mortgage Bankers Association projects home sales will rise in 2010. However, many of these transactions are foreclosures or short sales. Higher priced homes are moving more slowly, and there's still a significant inventory. And it's unclear how many homes in the foreclosure process will eventually be on the market.

Stabilizing the housing market is the key to economic recovery, and we must continue to use all of the tools at our disposal to ensure that homeowners get the relief that they need. Furthermore, we have to be vigilant in anticipating—and preparing for—the other challenges that await.

I also want to welcome Ron Phipps of Rhode Island who will testify at today's hearings not just about my state's problems but the range of issues facing our housing sector. I know that Ron's testimony will help ensure that this committee hears from the frontlines of the foreclosure crisis.