

**SENATOR HUTCHISON OPENING STATEMENT**  
**BEFORE THE**  
**SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE**  
**HEARING ON PROBLEMS IN MORTGAGE SERVICING**  
**FROM MODIFICATION TO FORECLOSURE, PART II**  
**DECEMBER 1, 2010**

Thank you Chairman Dodd.

As we continue to investigate allegations of fraud in the foreclosure process, we must remember that these issues are only a part of even greater problems with our nation's broader mortgage finance system. While today we consider mortgage servicing and compliance with foreclosures laws, we must not neglect the need to address and restructure our mortgage finance system that to date has cost taxpayers more than \$150 billion.

In October, Greg Abbott, the Attorney General of Texas, called on 30 mortgage loan servicing companies in our state to halt new home foreclosures, sales of foreclosed homes, and evictions of people living in foreclosed homes. The purpose of this plea was to determine whether or not any mortgage loan company employees had participated in unlawful practices.

The Attorney General's request was not made lightly. In fact, it was made after several national lenders, including Bank of America, JP Morgan Chase, and Ally Financial, halted foreclosures outside of Texas to determine whether their practices were sound. And Attorney General Abbott was not alone. Attorneys general and regulators in all 50 states have joined together to investigate home foreclosures procedures on allegations of fraudulent practices.

As we have all come to learn, the issue at hand is “robo-signing,” a practice used by mortgage loan servicers to expedite foreclosure proceedings. Through this practice, employees signed and swore to thousands of loan documents and affidavits without so much as verifying the information in the document, or, in some cases, without reading the information.

In any economic climate, allegations of foreclosure fraud should never be taken lightly. However, these allegations are magnified in our nation’s ongoing economic downturn. From July 2007 to August 2009, 5.3 million homeowners saw foreclosure proceeds begin, and 2.5 million of these homeowners ended up losing their homes. Over the past year, the rate of foreclosure has only accelerated, and we have seen predictions that the number of foreclosures across the country may reach 12 million before the economy recovers.

In Texas, one in every 738 housing units is a foreclosure property, compared with 1 in every 389 nationally. While Texas has fared better than many other states, and the foreclosure and delinquency rates have respectively slowed across our state in recent months, there is nothing to celebrate. Many of our neighbors in Texas and across the country have already endured a foreclosure, and the threat of delinquency and foreclosure looms for many others.

Addressing allegations of fraud in mortgage servicing is very important. It is my hope that this hearing will be enlightening and I welcome the testimony of these distinguished witnesses.

However, Mr. Chairman, in addressing mortgage servicing, we must not lose sight of the larger elephant in the room: the need to reform our broader residential mortgage finance system. While we need to ensure that mortgage loan servicing companies are adhering to the law in the foreclosure process, we must address what led to the crisis in the first place.

In the wake of this crisis, American taxpayers have poured more than \$150 billion into Fannie Mae and Freddie Mac, the secondary mortgage giants who have traded their government

charter for government control through federal conservatorship. It is estimated that the total cost to taxpayers of this bailout for Fannie Mae and Freddie Mac may reach as high as \$259 billion. When the bailout of Fannie Mae and Freddie Mac is combined with the \$700 billion Troubled Asset Relief Program ultimately used to inject capital into banks weighed down by bad mortgages, and federal stimulus and spending packages aimed at lifting the tattered economy brought down by the mortgage crisis, taxpayers have fronted trillions of dollars. Taxpayers have paid an even greater amount in lost jobs, lost homes, and lost savings.

Despite the significant effects of the mortgage crisis, Congress has done nothing to address the mortgage finance system, except to throw Fannie Mae and Freddie Mac the lifeline of their bailout which we have seen grow to more than \$150 billion and counting. Mr. Chairman, we must not wait any longer to investigate issues that have arisen as a result of the mortgage crisis. We must address the root causes of this crisis: Fannie Mae, Freddie Mac, and the rest of nation's flawed mortgage finance system.