

# **Statement of Senator Daniel K. Akaka**

## *Problems in Mortgage Servicing From Modification to Foreclosure*

### **Hearing**

### **Senate Committee on Banking, Housing, and Urban Affairs**

**November 16, 2010**

Thank you, Mr. Chairman, for holding this timely hearing. Too many homeowners continue to lose their homes to foreclosure. For approximately one in five borrowers, the value of their home is less than what they owe on it. And, high unemployment rates suggest that even more families face difficult financial situations and even more borrowers may be at risk of foreclosure now or in the future. These challenges are not just isolated to the largest housing markets. Hawaii's foreclosure rate in October was the 12<sup>th</sup> highest in the nation.

Homeowners are under a tremendous amount of financial stress right now, which is what makes the recent reports of problems within the mortgage servicing industry all the more troubling. The "robo-signing" issue has shed light on other questionable mortgage servicing practices that my colleagues on this committee and I have been hearing about from homeowners in our states for quite some time. They have reported that servicers are unresponsive, uncooperative, and disingenuous throughout the loan modification and foreclosure processes.

Borrowers should expect mortgage lenders and servicers to put forth a good faith effort to help them keep their homes. Foreclosure should be servicer's last resort, not its preferred outcome. However, servicers' decisions to flaunt their protocols and contractual agreements indicate that this is not the case.

We must do more to help distressed borrowers and preserve homeownership. This begins with ensuring that servicers are properly adhering to modification, refinance, and foreclosure procedures. Borrowers should expect servicers to be accessible and to refrain from obstructing homeowner assistance efforts. Mortgage modifications and refinances must be significant and

meaningful so that homeowners do not find themselves in the same situation several months later. We also have a responsibility to those who have lost their homes – to ensure that they have access to alternative housing opportunities, that they have the knowledge and resources to meet their other debt obligations, and that they are able to rebuild their credit.

Finally, these failures among mortgage service providers once again highlight the need for greater financial literacy. Homeowners are borrowers and consumers – they should be able to understand the terms of their mortgage agreements and the consumer protection resources available to them. They should also have the knowledge and skills to overcome foreclosure and other unforeseen financial obstacles.

Mr. Chairman, I thank you for this opportunity for the committee to examine the prevalence of foreclosures and the actions of mortgage service providers. I also thank the witnesses for appearing today, and I look forward to your testimonies. Thank you, Mr. Chairman.