



United States Senate
Committee on Banking, Housing, and Urban Affairs

Christopher J. Dodd (D-CT), Chairman

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**Opening Statement of Chairman Christopher J. Dodd
HUD Secretary Shaun Donovan to Discuss the Administration's
"Homeowner Affordability and Stability Plan"**

Remarks as Prepared:

Good morning. I want to welcome back Secretary of Housing and Urban Development, Shaun Donovan, before the Banking Committee. It's good to see you again.

Today, the Committee meets to discuss the Administration's "Homeowner Affordability and Stability Plan" outlined two weeks ago to address the root cause of our economic crisis – the foreclosure crisis. This plan represents, in my view, a sharp change in direction from the previous Administration's approach.

It draws upon funds expressly authorized by this Committee to prevent foreclosures in the Troubled Asset Relief Program which was created as part of the Emergency Economic Stabilization Act passed in October.

And it couldn't come at a more critical moment. At the end of the day today, another 10,000 families will have received a foreclosure notice. In my home state of Connecticut, we could see nearly 60,000 foreclosures in the next four years alone. In all, as many as 8 million families could lose their homes.

Over the course of some 80 hearings and meetings, the Banking Committee has asked a simple question:

How in the world could this have been allowed to happen?

Certainly, as this Committee has uncovered, the problem's origins lie in the scourge of unchecked, abusive predatory lending practices.

A little over two years ago, on February 7, 2007, this Committee heard from Delores King, who owned her home in Chicago for 36 years and was in danger of losing it due to an exotic mortgage she was duped into signing by a telemarketing mortgage broker.

That day we also heard from North Carolina native Amy Womble, whose broker intentionally misrepresented her income in order to secure a home loan she could not afford. A mother with two children, she wanted to pay off the debts left by her husband after his untimely death. She was trying to act responsibly, and she ended up facing foreclosure.

Last year, I met Donna Pearce – a grandmother from Bridgeport, Connecticut where there are 5,000 families with subprime mortgages in danger of foreclosure. Donna was offered assurances by her lender that she would be able to refinance in six months, but he failed to mention the thousands of dollars in penalties that refinancing would cost.

Mr. Secretary, I defy anyone to suggest that these cases were somehow the exception. The vast majority of people losing their homes today are decent people – grandparents on fixed incomes, working families who lost a job or faced a health care crisis, many of whom were taken advantage of.

To suggest, as one commentator has, that this problem was created by “deadbeats with the extra bathroom” is not only insulting to the families suffering right now – it effectively lets unscrupulous brokers, lenders, credit rating agencies and investment banks off the hook.

It ignores the toll these foreclosures are taking on home values – an 18% drop at last count. And it makes our task—getting credit flowing again to families and businesses—that much more difficult.

As one mortgage lender told this committee, this crisis was the consequence of mortgage malpractice. We don’t blame the patient when a doctor fails to tell them they might not survive the surgery – why should we blame homeowners?

And so, Mr. Secretary, I appreciate the speed with which the Administration has acted to address this issue.

This plan has three crucial elements:

First, it offers 4 to 5 million homeowners who are current on their loans the opportunity to refinance into lower rates. This feature will open up the mortgage market to homeowners who have been locked out and unable to take advantage of the new, lower mortgage rates currently available because their home values have dropped. This provision is aimed squarely at working and middle-class families.

Second, the plan finally creates a program to modify the loans of troubled borrowers. This will help 3 to 4 million families keep their homes, and finally start to put a bottom on the housing market.

Finally, the plan calls for bankruptcy reform, allowing bankruptcy judges to lower mortgages on first homes, subject to carefully crafted repayment plans. Clearly, the industry and the previous Administration were late in acknowledging the problem and timid in their response. With this plan, issued only a few weeks after taking office, the contrast could not be sharper.

Over and over, as we have begun to grapple with the mountain of problems facing our country, from skyrocketing health care costs to energy, you have heard Members on both side of the aisle say the same thing:

“We need to fix housing first.”

I couldn't agree more. And that is not just me talking. That is also the Republican leader from Kentucky, Senator McConnell. That is our colleagues Senators Kyl, Enzi, Ensign, and Coburn. My colleague from Florida has expressed similar sentiments. It was the mantra of both John McCain and Barack Obama during the presidential campaign last year.

“Fix housing first” is as bipartisan a notion as any I can think of in Congress over the last decade.

And with the Administration's plan, I'm confident we *will* fix housing first.

Again, I congratulate the Secretary for his role in developing this plan, and look forward to his testimony.