



HOUSE COMMITTEE ON
OVERSIGHT & GOVERNMENT REFORM

CHAIRMAN EDOLPHUS TOWNS

OPENING STATEMENT

“Foreclosure Prevention Part II: Are Loan Servicers Honoring their Commitment to Preserve Home Ownership?”

June 24, 2010

Good morning and thank you all for coming.

It took massive Federal intervention, using billions of taxpayer dollars, to save the banks from the edge of complete disaster. The banks and the financial system are now stabilizing, and, in fact, the major banks are even beginning to make money again. Unfortunately, the same cannot be said for millions of people who are unemployed or who are in danger of losing their homes.

The threat of foreclosure is still at an all time high. More than 3.1 million Americans are delinquent on their mortgages by 60 days or more. A letter from the bank or a phone call from the mortgage company is still

keeping many homeowners awake at night agonizing over the potential loss of their home. For these people, the economic crisis is far from over.

As I have said before, to its great credit the Obama Administration recognized early on that an important part of the nation's economic recovery is keeping as many people as possible in their homes. This makes sense from both an economic standpoint and a public policy standpoint.

The Home Affordable Modification Program – known as “HAMP” – is a central piece of the Treasury Department's effort to carry out that objective. HAMP had a troubled start, but it appears that some significant improvements have recently been made.

More than 1.2 million homeowners have now started a HAMP trial modification, and 346,000 have obtained a permanent modification. The median savings to these homeowners is a little over \$500 per month. Moreover, the number of permanent modifications has more than doubled in the past three months.

But there are still major problems with the HAMP program.

The chief complaint is the slow pace at which servicers are permanently modifying troubled mortgages. There is still considerable concern over confusing and conflicting communication from loan servicers to borrowers. And while more permanent modifications are being made, fewer delinquent borrowers appear to be qualifying for HAMP.

Perhaps most important, many of the borrowers who obtain a trial modification, drop out of the program later. In fact, it appears that a majority of the mortgage modifications obtained under HAMP may not be successful.

A separate and deeply troubling issue is raised by a new study by the Center for Responsible Lending, which found that minority communities continue to experience significantly higher foreclosure rates than whites, regardless of their income levels.

This confirms similar findings reported by the National Community Reinvestment Coalition in the Committee's last hearing on HAMP. Today, I would like to hear from the banks exactly how this disparity can be addressed.

Clearly we need to do a lot better.

But this is not just about HAMP. I think the mortgage banking industry has got to recognize that HAMP cannot be the only solution to the foreclosure crisis.

Some of the banks appearing today have begun to save homes from foreclosure with principal reductions, second lien modifications, and other help for the unemployed. These sound like good first steps, but I want to hear more. And I want to see broad participation throughout the mortgage loan industry.

Foreclosure is a losing proposition for everyone involved. The homeowner loses a house, the bank loses a big chunk of its investment, and the community loses a family with a stake in its future.

What I'm asking the banks to do is to help us find an effective way to stop these foreclosures.

I want to thank our witnesses for appearing today, and I look forward to their testimony.

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