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2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5051
FACSIMILE (202) 225-4784
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Opening Statement Of Dennis J. Kucinich, Chairman

At a Joint Hearing of the Domestic Policy Subcommittee Oversight and Government Reform Committee And Housing and Community Opportunity Subcommittee Financial Services Committee

*2154 Rayburn HOB
May 22, 2008
2:00 p.m.*

“Targeting Federal Aid to Neighborhoods Distressed by the Subprime Mortgage Crisis”

Yesterday, the Domestic Policy Subcommittee heard testimony about a largely unrecognized, deeply suffering, and totally blameless victim of the subprime mortgage meltdown and foreclosure crisis: neighborhoods.

While awareness has grown that the default of millions of subprime loans has been a genuine tragedy for individual borrowers and a significant cost to lenders, we have learned that not all foreclosures pose a lethal threat to neighborhoods. Some foreclosed properties find new buyers. And when they do, the property tends to be maintained and the neighborhood preserved. But many foreclosures do not attract new owners. Instead, they become vacant and then are often neglected by the lenders. When this happens, surrounding neighborhoods and local municipalities suffer significant consequences.

Those effects include: falling property values of surrounding houses, loss of equity held by neighbors in those houses, loss of rental units for renters, loss of sales to neighborhood merchants, rise in crime, rise in municipal costs in police and fire (due to

vandalism and arson), increased demolition and building inspection costs, increased legal expenses, increased demand on city social service programs, and a direct loss of property tax revenues.

The costs imposed on neighboring property owners, renters and taxpayers by vacant and abandoned houses stemming from the collapse of millions of subprime mortgages will tally into the many billions of dollars. These significant costs are signs of failure in the market; their long term consequences will be severe in some regions, and without federal intervention, the future for many individuals and neighborhoods is bleak.

This Congress has taken a significant step to help the neighbors deal with the problem they are now facing. Two weeks ago, the House passed HR 5818, the Neighborhood Stabilization Act of 2008. This bill creates a new federal program to address the effects on neighborhoods caused by the foreclosure crisis. The bill authorizes \$15 billion in grants and loans to be spent by localities on a variety of strategies, including vacant property acquisition, building rehabilitation and demolition. Nevertheless, the President has promised a veto. As I said yesterday, I just cannot understand that, and I hope today's and yesterday's hearings might do something to change his mind. For if we can't help the totally innocent -- and the neighbors of vacant properties *are* innocent victims of the foreclosure crisis -- then whom *should* we help?

Today, I am pleased to be joined by Chairwoman Maxine Waters, the primary author of HR 5818. She knows that when Wall Street sneezes, America's neighborhoods get pneumonia, and she has used her position as Chairwoman of the Housing and Community Opportunity Subcommittee to come to the aid of the America's neighborhoods. She has made a significant contribution to the future of our communities in this bill, and I hope that it will soon be enacted into law.

In this joint hearing, we will be receiving testimony from experts on the question of how we can optimize the targeting of federal aid to distressed neighborhoods to deal with the problem of rising rates of vacant and abandoned buildings that are caused by the subprime mortgage meltdown.

This hearing will concern the various kinds of data that could be utilized to target new federal funds, a discussion of the limitations of available data, opinion as to which data are most appropriate and how they may be best used, and thoughts about what an optimal formula might look like.

We have some of the nation's leading analysts to help our committees achieve the purposes of the Neighborhood Stabilization Act. They have all done a lot of work to prepare for this hearing, and for that we are very grateful.