OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI

COMMITTEE ON FINANCIAL SERVICES

HEARING ON PRIVATE SECTOR COOPERATION WITH MORTGAGE MODIFICATIONS: ENSURING THAT INVESTORS, SERVICERS, AND LENDERS PROVIDE REAL HELP FOR TROUBLED HOMEOWNERS

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Good morning. Mr. Chairman, while the theory behind mortgage loan modifications remains sound, the practice has fallen short of the expectations that many of us have. Keeping Americans in their homes should be a priority. Unfortunately, this view does not appear to be shared by all. Today, we will hear from several parties in the private sector to better understand the ever-widening gap between what ought to happen and what is happening. We will also discuss some of the proactive steps taken to date to address this important issue.

This issue is not a partisan one. Back in March, Mr. Castle and I introduced the Emergency Mortgage Loan Modification Act of 2008, H.R. 5579. The bill aimed to clarify the responsibilities of and provide a safe harbor from legal liability for mortgage servicers who help troubled borrowers remain in their homes by engaging in loan modifications and workouts according to specific criteria. While pieces of that legislation did become law through the enactment of the larger housing package, the safe harbor provision fell by the wayside.

At the hearing we held on H.R. 5579, Mr. Castle stated, "I believe Congress can take specific steps to ensure loan servicers work with home owners to keep mortgages solvent where ever practical." I shared that sentiment then, and I believe it today.

Congress last spoke to this issue when passing the Emergency Economic Stabilization Act, which provided guidance and authority for the Treasury Department to increase the number of loan modifications. Despite our actions, certain industry players – and, in fairness, the current Administration and government housing agencies – simply have not pursued modifications with the urgency our nation's financial crisis demands. This reality must change quickly.

As homeowners continue to find themselves under water, we must all work to keep them afloat. More and more foreclosures have led to ever declining home values, and spiking foreclosure rates have also decimated some communities. Pointing fingers about which borrowers irresponsibly took out loans they could not afford and which lenders recklessly doled out money to unqualified borrowers do absolutely nothing to solve the problem.

Instead of placing blame, we must work together toward a solution. In this regard, I am pleased that entities like Bank of America and JPMorgan Chase have stepped forward with their own initiatives for expediting mortgage modifications. Other lenders and services can learn from these actions and model their own mortgage modification programs on these efforts.

In sum, our witnesses will help us all understand why loan modifications have not already increased and what can be done to ensure that a greater number of loan modifications occur in the days ahead. I look forward to their testimony and thank them for being here.
