Congressman José E. Serrano

Chairman, House Appropriations Subcommittee on Financial Services and General Government

For Immediate Release: March 5, 2008
Contact: Philip Schmidt, (202) 225-4361

Opening Statement of Chairman José E. Serrano
Hearing on the Department of the Treasury's
Fiscal Year 2009 Budget Request
March 5, 2008

Today, the subcommittee is pleased to welcome Henry Paulson, the Secretary of the Treasury, for his annual appearance before our subcommittee. As we all know, the Secretary of the Treasury occupies an important position in the Federal Government, serving as a policy advisor to the President on a broad range of domestic and international economic issues.

In addition, the Secretary's responsibilities as department head cover a range of important functions: administering the U.S. public debt, issuing federal government payments, collecting the vast majority of the Federal Government's revenue, working to prevent money laundering, and many other important responsibilities. Some examples of the Secretary's recent work include helping to formulate and administer the economic stimulus package, and working to counter the rise in foreclosures associated with subprime mortgages. I look forward to discussing these issues today.

The issue of subprime mortgages, which this subcommittee addressed at a hearing last week, is a huge concern both in my Congressional District and throughout the country. While subprime loans have, in many cases, allowed low-to-moderate income families to experience homeownership for the first time, it is also apparent that in a great many cases, borrowers were not fully informed about the terms of the loans.

All consumers are at risk of being victimized by financial predators; however, it is often our most vulnerable populations who bear the brunt of these crimes. Each year countless working class parents who are struggling to achieve the American dream tragically have their hopes of upward mobility crushed by the practices of dishonest businesses.

While their plight often goes unrecognized, the enduring housing crisis has opened the eyes of many Americans to their struggles, and made us all aware of the devastating effects such exploitation can have on the strength of our economy. Hundreds of thousands of subprime loans have already reset to much higher interest rates, and approximately 2 million more subprime loans will reset over the next 2 years. Foreclosures and late payments rose in January to the highest level on record, and the median price of a single family home fell in 2007 for the first time in at least four decades.

The rise in foreclosures has had an impact not just on families who have lost their homes; whole neighborhoods across the country have seen declines in property values and tax base as a result of being near foreclosed homes. In New York City, as I noted last week, 400,000 homes are experiencing or will experience devaluation as a result of being located near foreclosed homes.

In addition, minority communities have been and will continue to be hardest hit by the foreclosure crisis, since these communities received a disproportionate share of subprime loans. In 2006, 52% of the home loans that went to African-American families and 41% of the home loans that went to Latino families were subprime loans. As I expressed last week, I am deeply concerned that many borrowers in these communities were steered specifically toward subprime loans even though the borrowers in many cases were fully qualified to receive conventional loans.

The Treasury Department has begun to address the issue of foreclosures, most notably in the HOPE NOW initiative. Under this voluntary initiative, participating mortgage loan companies are agreeing to institute 5-year delays in interest rate resets for certain families faced with the prospect of foreclosure.

While I appreciate the efforts that the Secretary and others at the Department have put into this initiative, I still have significant concerns, as I pointed out at last week's hearing. Specifically, I am concerned that: (1) the proposal is still a voluntary initiative, and (2) a great many borrowers who are facing foreclosure are not eligible.

While any progress in preventing foreclosures is to be welcomed, I have concerns about just how many people will be helped, compared to the number of families who will inevitably face the loss of their homes. Indeed, the Secretary himself has stated recently that we have not yet seen the worst of the foreclosure crisis. I hope that we can continue to work together to explore ways to minimize the number of foreclosures.

###

Congressman José E. Serrano has represented the Bronx in Congress since 1990. He is the Chairman of the House Appropriations Subcommittee on Financial Services and General Government, which oversees the budget of the Treasury Department.