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Thank you, Chairwoman Waters and members of the Subcommittee, for the opportunity to appear before the subcommittee today to discuss revisions to the Home Affordable Modification Program (HAMP).

I come to this committee hearing not with answers, but with a question:

What is the public purpose that is served by this program?

I believe that the sponsors of this program have good intentions. I believe that the civil servants attempting to implement this program are dedicated professionals. But I do not see why the American public should want this sort of program.

I do not want to overstate my concerns. My opposition to mortgage modification programs is mild relative to my opposition to the bailouts of AIG, Citigroup, and other large financial institutions that took place in 2008. The TARP program was an outrage. The HAMP program is merely misguided.

My opinions are not really those of a housing expert. Rather, I speak today as a homeowner, an investor, and a taxpayer. I live in a middle-class development in Silver Spring, Maryland, where house values have declined by roughly 30 percent since the peak of the bubble. The loss in my family's home's value is something that we bear ourselves, because unlike those eligible for mortgage modifications, we do not share the risk of our home with a bank. In dollar terms, American families like mine have lost much more than just about anyone eligible for loan modifications under HAMP.

I am not saying that anyone should feel sorry for me, or that people who face foreclosure deserve no sympathy. Still, we need to keep in perspective the fact that all of us who buy homes are in some sense housing speculators, and yet programs like HAMP benefit only a few.

Yes, every homeowner is a speculator. Like it or not, when the price of our house goes up our wealth rises, and when the price of our house goes down, our wealth declines.

American homeowners whose mortgages are under water are speculators who have lost money on their investments. I am not saying that they should be ashamed. I am not saying that all of them consciously set out to gamble on higher house prices. However, by putting so little money down and taking on debt that they could not afford, they were putting themselves in a position where their ability to remain in their homes depended entirely on the opportunity to refinance, which in turn required continued appreciation of house prices. Whether they meant to or not, they made highly leveraged bets. It is not clear why the rest of us should reward them with new speculative opportunities.

Today's troubled mortgage borrowers are no better and no worse than the many Americans who throughout history have taken risks to try to achieve the American dream. These borrowers are no better and no worse than the '49ers who thronged to California during the Gold Rush. They are no better and no worse than the ordinary people who bought stock on margin in the 1920's. They are no better and no worse than the investors who bought the Dotcom darlings of the 1990's. They are no better and no worse than the rest of us who either bought or held onto our houses in the first half of this decade.

When people speculate in housing or in anything else, some win and some lose. It might be nice to have an economy in which everyone who speculates can win. But not even the United States government has the capacity to arrange it so that every lottery ticket is a winner.

Every year, millions of Americans start their own businesses. Some of these people will get rich. In fact, studies suggest that the largest source of millionaires in America is entrepreneurship. However, by the same token, many business startups fail.

What is the difference between someone who speculates by starting a business and someone who speculates by buying a house? One difference is that entrepreneurs typically put more of their own resources at risk. When people bought houses in the past decade, they often were financed over 95 percent by banks. When you put down less than five percent of the purchase price of the house, you have very little to lose. You are a home borrower as opposed to a home owner. In contrast, entrepreneurs who start new businesses have to invest much more of their own time and money. Their failures are much more costly in terms of personal wealth than the losses of people who purchased homes that failed to appreciate in value. Why should we bail out home borrowers, who lose relatively little, rather than unsuccessful entrepreneurs, who sacrifice so much more?

A mortgage modification enables a housing speculator to make a new bet. If, subsequent to the mortgage modification, the price of the house rises significantly, the housing speculator will make a profit. On the other hand, if the price of the house declines further, the speculator is likely to default, with most of the losses borne by others.

What will be the result of awarding unfortunate mortgage borrowers with new gambles? When mortgages are modified to enable people to stay in their homes, it is inevitable that some house prices will rise and some will fall. The increases in some house prices will create winners. Will those winners be particularly deserving? Meanwhile, other people with mortgage modifications will see the prices of their houses fall, and those borrowers are likely to default, creating new losses for taxpayers and shareholders in financial institutions. Why do we as taxpayers or investors in banks, who do not want to take these new gambles, deserve to bear the losses?

Perhaps one goal of the mortgage modification program is to keep homes off the market that otherwise might be subject to foreclosure and sale. The idea might be to keep home prices higher than they would be if foreclosures were to proceed. This attempt to maintain artificially high prices for houses also will create arbitrary winners and losers.

Suppose that mortgage modifications succeed in temporarily boosting home prices. That is, suppose that in a neighborhood where the price of homes would be $180,000 if foreclosures took place, the mortgage modifications allow prices to be maintained at $200,000. What that means is that people who sell homes now will do better than they would otherwise, while people who buy homes now will do worse. Somebody who buys a house at $200,000 has much less chance of enjoying appreciation than someone who pays $180,000.

Maintaining home prices by preventing foreclosures does not create wealth. Instead it simply takes away wealth from those who at the moment are seeking to buy and gives that wealth to those who are seeking to sell. How do we know that today's sellers are more deserving than today's buyers?

The plain fact is that housing is a speculative investment. It is particularly speculative when borrowers are putting little or no money down to purchase homes. About five years ago, speculation in housing got out of hand. The cure for that is not to give those borrowers new opportunities to gain from future house price appreciation while forcing others to bear the risk. The cure is to return to a natural housing market, with fewer speculators, meaning fewer people buying homes with little or no money down. If people took too much risk as housing speculators before, then the solution is not to give them a new set of dice to roll. The best approach is to get their houses onto the market and move on.