



Opening Statement of Chairman Edolphus Towns

House Committee on Oversight and Government Reform

March 25, 2010

“Foreclosure Prevention: Is the Home Affordable Modification Program Preserving Homeownership?”

Good morning and thank you all for being here.

There are some small signs that the nation as a whole is beginning to emerge from the worst economic crisis since the great depression. But it is way too early to declare victory yet. Unemployment is still sky high and the home foreclosure crisis is growing unabated.

For the homeowner who is underwater, the economic crisis certainly isn't over. When you are behind in your mortgage payments, when the bank starts calling every day, when you lie awake at night wondering how you are going to explain to your kids that you have to move – you can start to feel like you really are drowning.

And too many people know what that feels like. Last year, 2.8 million households received a notice of foreclosure. Almost 4 million homeowners are late on their mortgage payments by 90 days or more.

And the problem is predicted to get worse. As many as 2.4 million people could lose their homes by foreclosure by the end of this year.

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 Treasury's effort to carry out that objective. But a year after the creation of HAMP, only 170,000 households have received permanent mortgage modifications.

We continue to hear numerous reports of borrowers who want to participate in HAMP, but just don't know where to begin. If they do begin, they often encounter unresponsive lenders, repeated incidents of lost paperwork, and a variety of other administrative frustrations.

To make matters worse, there is evidence that some vulnerable homeowners, desperate to obtain help, are falling victim to foreclosure rescue scams. Instead of obtaining housing assistance **for free** through a legitimate housing counselor, these homeowners are **being fleeced** by scam artists posing as professionals.

In addition, a new survey by the National Community Reinvestment Coalition provides evidence that minorities, particularly African Americans, may be less likely to receive a mortgage modification under HAMP, and are more likely to be foreclosed on. This is just not acceptable.

Moreover, this problem is compounded by the fact that HAMP still does not have a clear process by which a homeowner can appeal a denial of his or her application.

These problems are reflected in the program's results, as reported by Treasury and the SIGTARP.

The Mortgage Bankers Association says that HAMP and other government programs have made significant strides in stabilizing the

housing financing system and have assisted many people who otherwise would have lost their homes. But clearly we need to do a lot better.

There can be legitimate debate over the numerical goals for the HAMP program. But the central issue we need to understand is why fewer than 200,000 homeowners have obtained so-called “permanent” modifications under the HAMP program and what we can do to increase that number.

We can't afford a lot of time to study the problem; we need to have a sense of urgency. For those homeowners who are already behind in their mortgage payments, the wolf is at the door.

Losing your house is a traumatic event for families and it is a destabilizing event for our society. I think we have an obligation to extend a helping hand to responsible homeowners to help them get over the rough spots. And today I would like to hear ideas as to how we can best make the mortgage modification program work.

On this point, I note that yesterday Bank of America announced that it was instituting a principal forgiveness solution for homeowners who are severely underwater. Bank of America should be congratulated for leading the way with this innovative proposal. This principal forgiveness program should be expanded and other banks should offer a similar approach.

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

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