



JOINT ECONOMIC COMMITTEE
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MOMENTUM BUILDS FOR SCHUMER'S CALL FOR ADDITIONAL FEDERAL FUNDS TO AVERT SUBPRIME FORECLOSURE CRISIS

*In Separate Speeches, Fed Chair Bernanke and Housing Secretary Jackson
Give Support for Counseling as a Way Out of Subprime Foreclosure Crisis*

*Schumer Called for \$300 Million in Increased Federal Funding for HUD to
Distribute to Community Groups to Bolster Counseling for Families to Avert
Home Foreclosures*

Washington, DC: Today the Chairman of the Federal Reserve Board, Ben Bernanke, endorsed the basis of a proposal made by U.S. Senator Charles E. Schumer (D-NY), the chairman of the Senate Housing Subcommittee and chairman of the Joint Economic Committee (JEC), to increase federal funds for community non-profits engaged in helping families in unsuitable subprime loans avoid losing their home to foreclosure. Yesterday, Housing and Urban Development (HUD) Secretary Alfonso Jackson made similarly supportive statements at a speech at the National Press Club.

Sen. Schumer said, “It is good news for homeowners and the economy that the momentum is building to boost federal funds for community groups that specialize in foreclosure prevention. In the last 24 hours, Chairman Bernanke and Secretary Jackson have given support to a proposal I made weeks ago to avert the subprime foreclosure crisis. This policy will help hundreds of thousands of families save their homes, and save billions in spillover costs from a surge in foreclosures. This seems like a cost-effective investment to me, and one that will help restore confidence in our shaky housing market. And to ensure that we don't get into this mess again, I urge Chairman Bernanke and Secretary Jackson to join me in sealing the cracks in our regulatory system to prevent future widespread lending abuses.”

Chairman Bernanke gave his remarks via satellite on housing and subprime lending this morning to the International Monetary Conference in Capetown, South Africa. He

endorsed housing counseling as an effective tool for current and future homeowners.. And yesterday, Housing and Urban Development Secretary Alfonso Jackson in a speech to the National Press Club similarly endorsed non-profit counseling programs and additional federal funding for foreclosure prevention counseling to help stem the tide of foreclosures in the subprime housing market.

To enable community non-profits to successfully accommodate increasing caseloads, Schumer and others are proposing that Congress appropriate \$300 million to provide to assist HUD-certified nonprofit organizations, with proven track records, in foreclosure prevention and intervention. Additional funding will allow non-profits to increase training and capacity to focus on default and foreclosure prevention counseling, to outreach to homeowners for early intervention, to improve the communications between homeowners and servicers/lenders, and to negotiate modified loan agreements or refinances. The fund will be administered by HUD.

Bernanke's relevant remarks are below:

*"Whatever their effects on the broader economy, the problems in the subprime sector are causing real distress for many homeowners. To help mitigate the situation, the Federal Reserve and other federal supervisory agencies are encouraging the banks and thrift institutions that we supervise to work with borrowers who may be having trouble meeting their mortgage obligations, including identifying and contacting borrowers before they enter delinquency or foreclosure. Federal Reserve Banks around the country are cooperating with community and industry groups that work with borrowers and affected communities. **We also continue to work with organizations that provide counseling about mortgage products to current and potential homeowners. Studies suggest that counseling can be effective in helping borrowers make better financial decisions.***

"In addition, we at the Federal Reserve, other regulators, and the Congress are evaluating what actions may be needed to prevent a recurrence of these problems. In deciding, we must walk a fine line: We have an obligation to prevent fraud and abusive lending; at the same time, we must tread carefully so as not to suppress responsible lending or eliminate refinancing opportunities for subprime borrowers."

Jackson's relevant remarks from yesterday are below:

"... We also learned that while most people facing foreclosure are afraid of their banks, they are much more open to talking to a local non-profit counseling agency about their problems

"That's why housing counseling and financial education are so important. This Administration has increased the budget for counseling over 200 percent, with the President requesting another increase, to \$50 million, in the coming fiscal year."

After a Joint Economic Committee report "*Sheltering Neighborhoods from the Subprime Foreclosure Storm*," which found that a rise in subprime delinquencies in the early

months of 2007 indicate more foreclosure trouble to come, Schumer made a proposal for \$300 million in new federal funds to be directed to community non-profit groups via the Department of Housing and Urban Development to boost refinancing programs to help homeowners prevent foreclosures.

Over the next two years, nearly 2 million homeowners with adjustable-rate mortgages will experience payment shocks as their loans reset in a weakening housing market, a harbinger of more foreclosures to come. Acting to prevent these foreclosures is not only important from the perspective of protecting entire communities, but it also makes good economic sense. Foreclosures can cost up to \$80,000 for all stakeholders—homeowners, neighbors, cities and local governments, lenders, and loan servicers. Meanwhile, estimates suggest that foreclosure prevention counseling can cost as little as \$1,000 per household. To be successful, these programs require one-on-one counseling with the homeowner and negotiations with a variety of stakeholders – making them very resource-intensive. The rising wave of subprime foreclosures has caused existing programs to become overwhelmed by requests for assistance, and they are struggling to give homeowners in trouble the assistance they require in order to successfully workout a suitable payment plan with the lenders.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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