



JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER
CHAIRMAN



For Immediate Release
April 12, 2007

Contact: Israel Klein
202-224-0368

SCHUMER: ALL STAKEHOLDERS IN SUBPRIME MORTGAGE MESS MUST BE RESPONSIBLE FOR HELPING HOMEOWNERS AND COMMUNITIES HIT HARDEST BY FORECLOSURES

Joint Economic Committee Report on Subprime Mortgage Bolstered by New Realtors Report Showing Falling Home Prices Due to Rising Foreclosures

White House Blamed Homeowners for the Subprime Mortgage Mess When Confronted with Schumer's Call for Immediate Federal Action

Washington, D.C. – **U.S. Senator Charles E. Schumer**, Chairman of the Joint Economic Committee, expanded on statements from a news conference to release a JEC subprime mortgage report, a new National Association of Realtors report and today's Los Angeles Times story where the White House took the opportunity to blame homeowners for signing up for deceptive subprime mortgages. The JEC report, entitled "*Sheltering Neighborhoods from the Subprime Foreclosure Storm*," argued that foreclosure prevention is cost-effective and it was bolstered by yesterday's Realtors' report that indicated that housing prices nationwide are in decline. The JEC report also urged policy makers to act to both prevent future foreclosures and mitigate the negative impact of current home foreclosures. The report revealed scores of seriously affected communities nationwide.

Schumer said, "Much like the infamous Daily News headline, this White House has basically said to homeowners facing foreclosure: Drop dead."

According to the Los Angeles Times this morning, White House spokesman Tony Fratto said "individuals need to make smart decisions in taking on debt, and there has to be some responsibility for making those decisions." He also said that any federal action would be unwelcome and would only encourage risky behavior.

Schumer noted that fast government action to coordinate emergency funds, including federal money, could prevent massive foreclosures around the country. **"One of the best ways to avert a terrible foreclosure storm is for the federal government to coordinate stakeholders to create an emergency set of public and private funds to assist in the refinancing process for**

families in need. **“Taxpayers should not be on the hook for deceptive practices by dubious mortgage brokers, but the federal government has a responsibility to protect those who were taken advantage of and also intervene where the markets have failed,”** Schumer stated.

Schumer continued, **“The report by the National Association of Realtors yesterday echoes the fundamental findings of our report, with increased subprime mortgages being foreclosed and lower home prices, we must act quickly to prevent a potential economic disaster for families, communities, and markets.”**

The JEC report found:

- Subprime foreclosures are expected to increase in 2007 and 2008 as 1.8 million hybrid ARMS—many of which were sold to borrowers who can not afford them—reset in a weakening housing market environment.
- Varying local economies, housing markets and state regulatory regimes mean that some local areas are getting hit by the subprime foreclosure crisis much harder than others and deserve immediate attention.
- It pays to prevent foreclosures in these high-risk cities – every new home foreclosure can cost stakeholders up to \$80,000, when adding up the costs to homeowners , lenders, neighbors, and local governments; while foreclosure prevention costs estimates are about \$3,300 per household.
- Policy responses to the subprime crisis should be designed to address the local foreclosure phenomenon and include both foreclosure prevention strategies and improved mortgage lending regulations.

The full report can be found at www.jec.senate.gov.

The JEC report argued that preventing foreclosures is cost-effective and recommends increasing federal support for local foreclosure prevention programs and strengthening and reforming the FHA.

The JEC report also suggested a number of policy proposals to prevent a reoccurrence of a large number of unsuitable loans originated by inappropriate lending practices, including:

- Better regulation of mortgage origination at the federal level;
- Establishing a federal anti-predatory lending law that bans unfair and deceptive practices;
- Establishing a borrowers’ ability to pay standard; and
- Requiring plain language, bold disclosure practices for all mortgage products.

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.

www.jec.senate.gov

#