



JOINT ECONOMIC COMMITTEE
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CHAIRMAN



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IN THE WAKE OF NEW HOUSING STATISTICS, SCHUMER REPEATS CALL FOR INCREASED FORECLOSURE PREVENTION AND RENEWED FOCUS ON HOUSING MARKET

Sales of Existing Homes Down 0.2% from June and 9.0% from July 2006

*Schumer: More Needs to Be Done to Address Subprime Mortgage Mess and to
Restore Confidence in Housing Market*

Washington, D.C. – Today, U.S. Senator Charles E. Schumer, Chairman of the Joint Economic Committee (JEC) reacted to the National Association of Realtors announcement that existing home sales declined by 0.2 percent in July, leaving the level of sales 9.0 percent below the level 12 months ago.

“The decline of existing home sales is another in a series of daily reminders that more must be done to prevent the subprime mortgage market from further damaging the housing market and broader economy,” Schumer said. **“While preserving liquidity in the financial markets is important, the fundamental problems spurring on this crisis must be addressed. We need to deal with widespread uncertainty in the mortgage market and help to refinance borrowers who were duped into bad loans so we can restore confidence in the housing market and keep credit worthy families in their homes.”**

Sales of existing single-family homes were down 0.4 percent last month, and 9.3 percent over the past year. The median sales price of existing single-family homes was \$228,600 in July, down 1.0 percent from last July. 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.

Market experts estimate that up to 40% of current subprime borrowers could now qualify for prime, fixed rate loans, making the crisis one that could be curtailed by strong efforts to assist borrowers. Not only will such efforts save hundreds of thousands of families from losing their homes, it will also prevent further damage to the already weak housing market and the economy overall.

Acting to prevent 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, stressing the non-profits’ ability to give troubled homeowners the assistance they need to workout a suitable payment plan with the lenders.

Senator Schumer has been at the forefront of Congressional efforts to contain the subprime market crisis and ensure that irresponsible underwriting of this magnitude is not allowed to happen again. In May, Schumer introduced the first major legislation to deal with unscrupulous lending practices this Congress, the Borrowers Protection Act, which would upgrade standards that mortgage brokers must abide by when making new loans to borrowers.

Schumer has also fought for \$300 million in federal resources targeted to community foreclosure prevention specialists to help stem the tide of foreclosures that threaten to cost more families their homes and further weaken the housing market. The full Senate Appropriations Committee has approved \$100 million for HUD Housing Counseling programs in the Transportation, Housing and Urban Development, and Related Agencies FY08 Appropriations Bill. With these funds, non-profit agencies will be able to provide individual counseling by working one-on-one with borrowers who are in unaffordable subprime loans.

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