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2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
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Opening Statement

Rep. Elijah E. Cummings, Ranking Member
Hearing on "The Foreclosure Crisis"

March 8, 2011

Chairman Issa, thank you for convening today's hearing, and welcome to my hometown of Baltimore. Welcome to Governor O'Malley and Mayor Rawlings-Blake, and thank you for your leadership and your testimony today. Thanks also to the University of Maryland School of Law, my alma mater, for hosting us all here today, and to Associate Dean LaMaster and Ed Fischel for organizing this event.

Mr. Chairman, we are in the grips of a nationwide foreclosure crisis. In 2009, there were about 2.8 million foreclosures across the country. Last year, there were 2.9 million. And this year, there may be more than 3 million.

This week, researchers at Johns Hopkins University prepared a report for the Committee called "The Impact of Foreclosure Waves on the City of Baltimore." I ask that this report be made part of the official hearing record. The report finds that, between 2008 and 2010, there were more than 11,000 foreclosures in the City of Baltimore alone that cost families more than \$1.5 billion.

The foreclosure crisis is a wrecking ball smashing through communities across the nation, and Baltimore is one example of the destruction left behind.

This crisis not only threatens our nation's economic recovery—making it harder to reduce unemployment and spur economic growth—but it also drains state and local budgets that rely on property tax revenues for schools, police, and emergency services. It destroys neighborhoods and devastates families. It is a national crisis with very local consequences.

What is so frustrating is that this crisis is being aggravated by the actions of the mortgage servicing companies that conduct foreclosures. There are no national standards for these companies, and they have engaged in systematic abuses across the country.

In our Committee's first hearing this year, the Special Inspector General for TARP testified that the performance of mortgage servicing companies has been "abysmal." He also said this:

“From the repeated loss of borrower paperwork, to blatant failure to follow program standards, to unnecessary delays that severely harm borrowers while benefiting servicers themselves, stories of servicer negligence and misconduct are legion.”

These companies have signed false affidavits by the tens of thousands, inflated fees, performed illegal actions against military service members and veterans, and aggressively pursued foreclosures when modifications made more sense and were already underway.

This flawed system does not work for homeowners, and it does not work for state and local governments. It does not even work for mortgage investors who want to salvage their investments through loan modifications rather than foreclosures. The Association of Mortgage Investors, which represents private investors, pension funds, universities, and endowments, reports that “investors have suffered material losses as a result of faulty and inefficient and at times improper servicing of mortgage loans.”

It seems that the only ones who support this flawed system are the ones with their hands on the lever of the wrecking ball—the mortgage servicing companies. They are swinging it more recklessly each year, and we can not stem this damage unless we hold them accountable.

Mr. Chairman, our Committee is taking a good first step today by hearing about the state and local impact of the foreclosure crisis. When we return to Washington, I hope we will be able to hear directly from the mortgage servicing companies themselves.

Thank you again for holding this important hearing, and I look forward to the testimony of our witnesses.