

**OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI**  
**BEFORE THE FINANCIAL SERVICES COMMITTEE**  
**HEARING ON ACCELERATING LOAN MODIFICATIONS,**  
**IMPROVING FORECLOSURE PREVENTION, AND**  
**ENHANCING ENFORCEMENT**  
**THURSDAY, DECEMBER 6, 2007**

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Mr. Chairman, I commend you for convening this hearing on loss mitigation. I share your concerns about the need to advance workable solutions to help borrowers who might lose their homes as a result of deceptive lending. We must also protect the stability of our financial institutions, protect against systemic risk, and maintain the strength of the U.S. economy.

Predatory lending is a complex problem that requires a comprehensive national solution. I have long believed that a solution must consist of five main parts:

- Reforming underwriting standards;
- Establishing registry systems for originators;
- Bettering housing counseling;
- Improving mortgage servicing; and
- Enhancing appraisal independence.

As a result of the amendment that I offered on the floor last month on escrow, appraisal, and mortgage servicing reforms, the House-passed lending reform package addresses each of these issues.

However, I am now convinced that a comprehensive solution requires a sixth part because of the market uncertainty. We need to address the issue of homeownership preservation. As a result, I and the other leaders on the Capital Markets and Financial Institutions subcommittees sent a letter this week to the corporate executives in discussions with the Treasury Department about a private solution to this problem.

While I look forward to the Treasury Secretary's announcement on these matters later today, we will likely need to move a bill on these matters, and I am putting together such legislation. I have identified three principles that can help to guide our decisions for this task.

First, we should refrain from using government resources to bail out those lenders who made bad loans or relied on faulty underwriting standards. We should also limit the use of government resources to subsidize those homeowners who actively participated in schemes to purchase homes beyond their means or who are here illegally.

Second, we should to the maximum extent possible apply market-based approaches that rely on minimal government involvement to address these problems. While the Treasury Department is making progress on this point with its plan, we need to do more. For example, my approved mortgage servicing proposal already mandates swifter response times by mortgage servicers to consumer inquiries. If enacted, this change ought to help ensure that homeowners will receive expedited assistance in the months ahead.

Third, we should identify those initiatives that have worked to address similar problems in the past and apply them around the country. Pennsylvania has recently pioneered efforts to

provide help to homeowners in danger of losing their homes with its Refinance to an Affordable Loan (REAL) program and its Homeowners' Equity Recovery Opportunity (HERO) loan program. We might consider how to implement these initiatives in the national arena.

In conclusion, Mr. Chairman, identifying and putting in place policies to decrease foreclosures, preserve homeownership opportunities, and protect our economy is a complicated set of tasks. We need to approach this situation with an open mind and have flexibility to consider and advance the most pragmatic and practical policy solutions that can obtain bipartisan support. I am committed to achieving this consensus.

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