Opening Statement of Elizabeth Warren,
Chair, Congressional Oversight Panel

Field Hearing
Prince George's County, Maryland
February 27, 2009

Good morning. I am Elizabeth Warren, the Chair of the Congressional Oversight Panel. This Panel was created last fall as part of the Emergency Economic Stabilization Act, to oversee the Troubled Asset Relief Program, the program created to help stabilize our economy. As part of our mandate, we are required to assess the "effectiveness of foreclosure mitigation efforts and the effectiveness of the program from the standpoint of minimizing long-term costs to the taxpayers and maximizing the benefits for the taxpayers." We are here today in Prince George's County, Maryland to gain a better understanding of the foreclosure crisis and to learn from your experiences here in Maryland.

This is the Panel's second field hearing on the mortgage and foreclosure crises. Last December, the Panel held a field hearing in Clark County, Nevada, an area that, like Prince George's County, has been hit particularly hard by declining home values and an epidemic of foreclosures. Since the Nevada hearing, leadership has changed in Washington and last week President Obama outlined the Homeowner Affordability and Stabilization Plan, which is designed to help homeowners at risk of foreclosure get mortgage loan refinancings and modifications.

The Panel will issue a report in early March that focuses squarely on the mortgage crisis. In particular, we will examine barriers to loan modifications and refinancings, and we hope to highlight the key characteristics of successful programs. In anticipation of that report, we have come to Prince George's County to hear from those closest to the foreclosure crisis—citizens struggling to stave off foreclosure and dedicated government and non-profit workers who have gathered first-hand knowledge of the many facets of this crisis—to learn what type of state and federal foreclosure mitigation initiatives will be most effective.

We chose to hold this hearing in Prince George's County because it is the foreclosure capital of the state and because, as you will hear today, both the state and the county have been notably creative and active in searching for means to combat the foreclosure crisis. Despite the fact that inflation-adjusted state income levels have remained relatively stable, housing prices soared 123.9 percent from 2000 to October 2007. Of course, like all bubbles, this bubble had to burst, and it did. In 2008, Maryland reported 32,338 foreclosure filings, an increase of 71 percent from 2007 and 945 percent increase from 2006. With over 3 percent of its housing units reporting at least one foreclosure filing during 2008, Prince George's County posted the state's top foreclosure rate. And the crisis is only accelerating. The total number of foreclosure events rose 30 percent from the third quarter of 2008 and 45.6 percent from the fourth quarter of 2007, much higher than for Maryland as a whole.

But we are also here because the State of Maryland has aggressively confronted this crisis with ambitious state legislation and dedicated outreach efforts. In addition to passing laws creating a duty of care for mortgage servicers, amending legislation to prevent foreclosure rescue scams, and lengthening the foreclosure process, the State of Maryland has conducted more than 300 foreclosure-related outreach events, launched three programs providing state assistance to incentivize modifications and provide zero-interest loans to those facing foreclosure, and launched an advertising campaign aimed at reaching homeowners before foreclosure becomes inevitable. Also stepping into the breach have been local non-profits, especially providers of housing counseling and legal services. They have vigorously fought mortgage fraud and helped to get homeowners the loan modifications and refinancings that they need to stay in their homes.

Despite the dogged efforts of states and localities and the ability of local players to respond to local needs, it is clear that they cannot combat this crisis without more federal assistance. The federal government's response to the mounting foreclosure crisis thus far has been insufficient and has left states with inadequate tools. States lack both the legal authority to regulate mortgage lending adequately and the economic resources to fund broad, incentive-based modification and refinancing programs. Many homeowners facing foreclosure need and deserve our help. As we will see in the stories we hear today, more than half the people who ended up with exotic and adjustable rate mortgages could have qualified for ordinary, 30-year fixed mortgages, but were sold high-cost mortgages that they could pay for only afford for a short time.

As we wait to see the details of the federal plans, we are here to learn from you and to take what we learn back to our federal lawmakers. While federal government initiatives have focused on shoring up the banks and financial institutions—we are here to hear what is happening in our communities, especially from those who are suffering from foreclosures and lost jobs.

We all need to hear your stories so that they we can evaluate new ideas and legislation with the best information available – information about the effects of the crisis on Americans like you. We appreciate your coming here in person, and, we encourage others share your stories at cop.senate.gov.