

**Opening Remarks of Damon Silvers
Congressional Oversight Panel**

**Field Hearing
Prince Georges County, MD
February 27, 2009**

Good morning, and thank you to our Chair and the Panel staff for putting this very important hearing together. I also would like to particularly acknowledge my Congressman, Chris Van Hollen, for his leadership on this and so many other issues, and for taking the time to be with us today.

This hearing is about the foreclosure crisis. We are rightfully here, just a few miles from Capitol Hill and K Street, to learn about the details of what is happening in our country's neighborhoods, and to make some simple points. The foreclosure epidemic is not a regional phenomenon. It is not under control. And here in Prince Georges County, home to the people who make our nation's capital work, the foreclosure epidemic is running wild, accounting for over a third of all foreclosure events in the entire state of Maryland. The Congressional Oversight Panel is here today because our job is to ensure that the Emergency Economic Stabilization Act of 2008 achieves its purpose of getting the foreclosure epidemic under control. Our next monthly report will focus on foreclosure mitigation. To do our job, we need to understand what has happened here in Prince Georges County, where in the last quarter of 2008 there were over 3,500 foreclosure events, a 30% increase over the 3rd quarter of 2008 and a 45% increase over the same period in 2007.

Mass foreclosures were supposed to be the nightmare of our grandparents' youth, a memory out of black and white newsreels. The fact that a lender can throw a family out of their home is a necessary part of a system of lending—but it is also an act of emotional violence and economic destruction. Foreclosed homes typically yield less than 40 cents on the dollar to lenders, while destabilizing neighborhoods and driving down real estate values. Foreclosure should be the last option after all else has failed. But it is impossible to look at the numbers nationwide – millions of foreclosures, thousands of loan modifications, and not conclude that foreclosure is not just the first option lenders and servicers offer to homeowners in trouble-- it is effectively the only option.

The foreclosure epidemic should teach policymakers something policy elites are always in danger of forgetting. We are one country, and increasingly one world, our fate bound together. The family put on the street here in PG County is not simply a regrettable personal tragedy for that family – it is the beginning of a chain of events that leads to falling property values, collapsed mega banks, trillion dollar government bailouts, frozen credit markets, 401-k meltdowns, political crises in foreign countries, closed factories, lost jobs from here to China and back.

Many people find the financial markets crisis a complete mystery—but really it's very simple—mortgages on terms families can't afford aren't worth face value, banks that hold those mortgages don't have enough real assets to fund their liabilities, and foreclosing on homes makes the problem for both homeowner and bank worse. So in a very real sense, the crisis in our financial system begins here – in the American home and in the suffering of American families, and this hearing is not just about our foreclosure mandate, but our mandate to understand whether the \$700 billion Congress appropriated to address the financial crisis is being used effectively.

Foreclosures and sick banks are two sides of the same coin. We have been on a path of denial – the path that assumes that buying time will itself be a solution. We pretend houses are worth more than they ever will be, that families with stagnant incomes will somehow pay exploitative mortgages, that banks that are underwater are actually healthy. This has been the strategy for too long, and we cannot afford to play let's pretend any longer. Home foreclosures and zombie banks are dragging down our housing markets and our economy. Buying time is making the problem worse, not better. We need to revive both our communities and our banks. That means both banks and mortgages must be restructured.

This hearing finally is so timely because we are at a moment when action is finally on the table. The President has proposed spending real money to help homeowners in trouble, building on the leadership shown in this area by the FDIC. Here in Maryland there are models for action in the efforts of the state government under the leadership of Governor Martin O'Malley to encourage solutions other than foreclosure when homeowners get in trouble. Maryland efforts, like those of other states like New York, have outpaced federal efforts up until now. As President Obama details his mortgage relief plan, I believe Maryland's experience can help guide our efforts at the federal level. So I am very pleased the leaders of the Maryland state initiatives are with us today.

I hope today we will hear more about these solutions, and that testimony will help us answer key questions about addressing the foreclosure crisis—

- 1) What are the obstacles to mortgage restructurings?
- 2) Do we need to encourage principle writedowns, or will interest rate reductions be enough for most homeowners in trouble?
- 3) What carrots and sticks work to encourage loan restructurings?
- 4) Looking at federal, state, and private sector efforts to address foreclosures over the last two years, what if anything has worked?
- 5) How can government communicate effectively with borrowers who are in trouble to help them get help?

I look forward to hearing what our distinguished panels of witnesses have to say on all these issues. Thank you.