

U.S. Congresswoman

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Committee on Financial Services
**"Private Sector Cooperation with Mortgage
Modifications"**
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Statement for the Record

Thank you Mr. Chairman for holding this hearing today. I think we can all agree that this hearing could not be more timely.

Experts estimate that 1 in 6 homeowners have been foreclosed upon, are in the foreclosure process, or owe more on their mortgage than their home is worth. It is important that we in Congress do not underestimate this problem. However, it is equally important that we do not rush in haste to enact well-intentioned legislation that has unintended consequences far into the future.

Today the committee is holding a hearing whose impetus arises from a New York Times article published on October 24, 2008. The article detailed in part the reluctance of private entities, who invested in mortgage back securities, are resisting efforts by mortgage servicers to modify the terms of a mortgage.

A little more than a month ago, Congress passed a well-intentioned \$700 billion financial rescue package coupled with \$150 billion of tax incentives and credits. I voted against this legislation as I did not believe Wall Street would use the appropriated funds to help troubled homeowners.

Rather than using the appropriated funds to mitigate the foreclosure crisis, or to assist homeowners in refinancing their mortgages, several banks have already announced that they will hoard the cash for the purpose of mergers and acquisitions.

However, we should also view government intervention into this process with a skeptical eye. For instance, during the great depression the federal government aggressively pressured private companies to restructure loans. The effect of this was to raise interest rates for everyone which dramatically reduced new loans.

Thus, moving forward, I encourage the private sector to pursue efforts to mitigate the foreclosure crisis, and I urge my colleagues to consider the unintended consequences of well-intentioned action.

Mister Chairman, thank you again for holding this hearing and I look forward to hearing from the witnesses before the committee today.