

**OPENING STATEMENT OF  
CHAIRMAN PAUL E. KANJORSKI**

**SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES**

**SUBCOMMITTEE HEARING ON  
H.R. 5579, THE EMERGENCY MORTGAGE LOAN  
MODIFICATION ACT OF 2008**

**APRIL 15, 2008**

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Good afternoon. We meet today to examine H.R. 5579, the Emergency Mortgage Loan Modification Act of 2008. I have worked closely with Congressman Castle on revising his initial proposal and introducing this new bill.

Nearly 6 percent of all loans on single-family properties outstanding in the fourth quarter of 2007 were delinquent, which is the highest total delinquency rate in 20 years. Moreover, slightly more than 2 percent of homes are already in the process of foreclosure. That is the highest level ever. These numbers, coupled with the general anxiety and unease brought on by the housing crisis and the ongoing credit crunch, underscore the importance of this hearing and the need for our bipartisan legislation.

Many in Washington and throughout the country are preoccupied with playing the blame game and performing post-mortems as to what caused the subprime fiasco. I believe that such exercises must wait for another day. We can try to figure out how it all went wrong some other time. The immediate problems faced by many borrowers demand our attention. The search for innovative solutions in an increasingly complex financial world should be a priority. This afternoon's hearing represents part of that search.

One of the main obstacles that we face in attempting to decrease the number of mortgage foreclosures is the reluctance of servicers to modify loans and conduct workouts because they fear investor lawsuits. The legislation under consideration today will provide servicers a safe harbor from legal challenges, if the servicers meet certain conditions. A safe harbor should embolden servicers to ramp up loan modifications. Without the fear of litigation, servicer efforts toward loss mitigation should also greatly increase.

Some contend that adoption of this legislation will result in the abrogation of existing contracts. In drafting this new legislation, however, we addressed these concerns and sought to create a bill that honors the terms of existing contracts. Those parties who remain opposed to loan modifications on these grounds should remember that rigid principles sometimes must yield to urgent situations that demand immediate action. This situation is one such instance.

For every mortgage that does not fail but rather is saved by the servicer through loss mitigation, the value of the underlying loan pool should increase. After all, mortgages in foreclosure amount to much less than a modified loan. But more importantly, these modifications by the private sector will keep more families in their homes. To me, these benefits considerably outweigh the costs.

Some may, however, continue to question certain provisions of this bill in good faith and on fair grounds. My mind is by no means closed on these matters. If a better way exists to

address this issue or to write this legislation, I want to hear it. This hearing provides us with a forum for a thoughtful exchange of ideas and, I hope, a productive series of questions and answers.

In closing, I look forward to hearing the thoughts of our witnesses on these matters. I also want to thank each of them for appearing. Their views will assist us as we navigate our way through this complicated situation. We must act where we can to lessen the severity of this crisis. Moreover, we should do so in a way that both respects the efficiency of the capital markets, but which is not afraid to find solutions to redress its excesses. I yield back the remainder of my time.

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