

December 8, 2009
Statement by the Honorable Kenny Marchant
Committee on Financial Services
Hearing on “The Private Sector and Government Response to the
Mortgage Foreclosure Crisis”

Thank you Mr. Chairman for holding this hearing. I’m looking forward to getting some clarification on a few issues. First, my impression of these programs from talking to my constituents is that they aren’t working. The Treasury continues to trumpet the number of ‘trial modifications’, but the truth is very few of the modifications are sticking. At each stage of the modification process, the amount of loans advancing to the next level drops off dramatically. Especially disturbing is the amount of re-defaults in the loans that receive these trial modifications—between 30 and 45 percent.

There are several very good reasons for this.

First, if a borrower doesn’t have a job, he or she will obviously never be able to pay for their mortgage. A little more focus on creating **private sector** jobs and a little less brow beating and saddling small businesses with mandates would go a long way. People are not defaulting because they took out option ARMs anymore, it’s because the economy is in a nosedive and this Administration is doing nothing to stop it.

In addition, these programs are cumbersome and confusing to all parties--- borrowers, servicers, lenders, etc---and they seem to reward the wrong behavior, such as borrowers purposefully falling behind on their mortgages so they qualify. To me this is simply a symptom of the government inserting itself into the situation. Unfortunately the housing sector is basically being run by the government at the moment. The vast majority of mortgages in this country are in some way, shape or form, being backed by Uncle Sam. Until we reverse this trend, and get our economy going again, we are going to keep running into these problems.

I'm looking forward to the testimony of the witnesses.