

Opening Statement by Ranking Member Spencer Bachus for the Hearing entitled, "Legislative and Regulatory Options for Minimizing and Mitigating Mortgage Foreclosures"

September 20, 2007

Mr. Chairman, thank you for convening this hearing on legislative and regulatory proposals to address the recent spike in subprime mortgage foreclosures. We are fortunate to have with us this distinguished panel of government officials. So we extend a warm welcome to Chairman Bernanke, Secretary Paulson and Secretary Jackson.

We are here today largely because of problems in a specific and relatively narrow segment of the U.S. mortgage market which quickly spread to other areas of the financial markets. These are serious issues now affecting our entire economy and deserve our careful oversight.

As we proceed with this hearing, I believe we should be keenly aware that the regulators and markets are already addressing mortgage foreclosures.

Market participants and regulators are working to assist homeowners to mitigate the distress resulting from the resetting of adjustable rate mortgages. Lenders and GSE's are offering replacement loans with lengthened terms and other options to lower payments and keep families in their homes. We should take note and legislate where appropriate, but avoid getting in the way of regulators and market forces which are performing their functions with the tools already available to them.

This injunction to act cautiously should not be misunderstood to mean I believe legislative action is inappropriate in all instances. There is general agreement that abuses have occurred in the sub-prime market. In July, several colleagues and I introduced H.R. 3012 to address these abusive practices. Better regulation of mortgage brokers and other originators is clearly required, but we do not need a bail-out or other legislative action that over-reaches and impedes the market's self-correction.

In responding to the market turmoil, we must not lose sight of the essential fact that subprime lending has been very successful in providing housing, especially for low income families. I recently heard it described as having brought "the miracle of global liquidity to low income neighborhoods all over America." Preserving this dream and the liquidity that makes it possible should be a high priority as we work together on this issue.

We should remember that, while there have been defaults and foreclosures, there have been many more families who have seen their dream of owning a home successfully realized. In fact, a study just published shows that, if California, Florida, Nevada and Arizona are excluded, there has been a nationwide drop in the rate of foreclosure filings.

Last month, we saw what happens when investors make decisions based on heightened emotions and minimal facts. Similarly, as we have learned in the five years since Sarbanes-Oxley was enacted, rushing to do the right thing in an unsettled market environment can yield unwanted consequences.

We look forward to your testimony and expert analysis.