

Statement of

The Honorable Russ Feingold

United States Senator
Wisconsin
December 5, 2007

Thank you Mr. Chairman for holding this hearing today on a critical issue facing my state of Wisconsin and the rest of the nation. The rising rate of foreclosures and its broader impact on the nation's economy is a serious issue that requires the involvement of all levels of government as well as both private and non-profit organizations.

Subprime lending and rising foreclosure rates are complicated issues to unravel and any response, whether legislative or regulatory, will bring with it a set of consequences, some intended and some unintended. We need to examine a variety of responses to the rising foreclosure rates and their consequences, including providing more housing counseling for borrowers and more effectively regulating lending practices to prevent some of the unscrupulous practices that have occurred. Some of the more egregious lending practices include high rates of predatory lending in minority communities, steering borrowers into subprime mortgage products even if the borrowers qualified for more conventional loans, and not ensuring that borrowers fully understood the terms of subprime loans.

Earlier this year, I was pleased to join a letter led by Senator Kohl asking that the Federal Reserve investigate the fair lending practices of financial institutions in response to troubling data on subprime lending in Wisconsin. The letter noted that "...sixty-one percent of all loans made in 2006 to African Americans were subprime loans. In the City of Milwaukee alone, seventy-two percent of African American borrowers had high cost loans despite the fact that over half of the borrowers may have qualified for more conventional, lower cost loans." As we move forward on legislative responses, we also need to examine ways to promote greater oversight of lending practices to help curb the disparate impact that is being felt in our minority communities throughout the country.

More counseling for borrowers and increased regulation of lenders will help future borrowers, but we also need to examine ways to provide targeted relief to Americans facing foreclosure on their homes now. It is estimated that at least two million Americans may face foreclosure on their homes, which is not only a devastating loss for those individual families, but also will have a significant negative impact on the communities in which these homes are located. I have heard from some advocates in Wisconsin about the concentration of home foreclosures in certain communities and about the damaging impact these foreclosures will have on specific neighborhoods.

Senator Durbin's legislation provides a targeted and constructive solution to homeowners currently facing foreclosure. Advocates estimate that this legislation could help approximately 600,000 homeowners around the country. This bill would permit qualified homeowners who have filed for Chapter 13 bankruptcy to modify the mortgage on their primary residence to make their mortgage payments more affordable. The bill only applies to borrowers who meet an income means test under the legislation, thereby helping to ensure that borrowers who can still make the monthly payments on their mortgages will continue to do so.

I understand the lending community is concerned about the implications of the Durbin legislation and I hope that we can work together in the coming weeks to address those concerns. As I stated, our response needs to be the result of cooperation at all levels of government and with the involvement of the non-profit and for-profit housing organizations. I commend Senator Durbin for promoting a measured response targeted at homeowners facing extreme hardship and I look forward to working with him to move this bill forward.