

Statement of

The Honorable Patrick Leahy

United States Senator
United States Senate
March 7, 2012

Today we welcome Assistant Attorney General Tom Perez to discuss the Justice Department's efforts to combat discrimination in mortgage lending and foreclosure abuse. This Committee has tried to do its part in connection with the housing crisis, including our consideration of important legislation introduced by Senator Whitehouse after a series of hearings both here and in Rhode Island. Our exploration of the civil rights component of the housing crisis and foreclosure abuse is part of that effort.

The Obama administration has been aggressively responding to the foreclosure crisis. Yesterday, the administration announced a new initiative which could benefit millions of homeowners by reducing their fees and providing an average savings of \$1,000 a year through refinancing. And the administration reiterated its commitment to our men and women in uniform by outlining the steps it is taking to provide relief to those who have been harmed by lending abuses.

Just a few weeks ago, Attorney General Holder, Housing and Urban Development Secretary Donovan, and 49 state attorneys general, announced an historic \$25 billion settlement with the Nation's five largest mortgage servicers. I commend them for their persistence in reaching this landmark settlement to hold the Nation's biggest mortgage servicers accountable. Key actors were Associate Attorney General Tom Perrelli, Vermont Attorney General Bill Sorrell, and Iowa Attorney General Tom Miller, who helped lead the effort to investigate and expose the abuses and misconduct that have hurt so many hardworking Americans. This settlement points in the right direction and will provide relief for homeowners in Vermont and across the country.

I also want to recognize the Civil Rights Division for its role in obtaining compensation, above the \$25 billion settlement amount, to provide relief to our men and women in uniform who have lost their homes to wrongful foreclosures. It is inexcusable that in some cases, under the Servicemembers Civil Relief Act, mortgage servicers failed to meet their responsibilities to our men and women in uniform who risk their lives in the service of our country.

In addition, just a few months ago, the Civil Rights Division fought on behalf of hundreds of thousands of African-Americans and Hispanics victimized by Countrywide Financial Corporation, and reached a landmark \$355 million settlement in compensation for a pattern and practice of discrimination in mortgage lending.

Historically, lending discrimination has manifested itself in redlining, which is the refusal to lend to qualified minority borrowers in certain neighborhoods. The Justice Department has identified a new and disturbing trend in lending discrimination, so-called "reverse redlining." This approach targets minority neighborhoods and borrowers to push subprime and other riskier mortgages to individuals in certain communities who may have been otherwise qualified for safer and more traditional loan products. The recent settlement puts banks and others on notice that our laws will be enforced and that those abuses for profit will not be tolerated.

The unsound practices of our Nation's biggest banks have also crept into the bankruptcy process, where Americans turn as a last resort. Last year, Senators Whitehouse, Blumenthal and I

introduced the Fighting Fraud in Bankruptcy Act to strengthen the Justice Department's efforts to protect American homeowners from creditor misconduct in the bankruptcy process, and to protect our servicemen and servicewomen in accordance with the Servicemembers Civil Relief Act. Struggling homeowners, and in particular our service families, must be treated fairly.

So I welcome Assistant Attorney General Perez back before the Committee today. Before we hear from him, I will recognize our ranking member for his opening statement and then have the pleasure of welcoming back to the Committee Senator Ben Cardin of Maryland. Senator Cardin has been a leader on these matters throughout his service in the Maryland legislature, the House of Representatives and the Senate. He was a hardworking member of this Committee until his recent transfer to the Finance Committee and continues to be active on matters of fairness and civil rights.

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