

Opening Statement

Congressman Paul E. Gillmor (R-OH)

Committee on Financial Services

Hearing entitled: "Possible Responses to Rising Mortgage Foreclosures"

I would like to thank Chairman Frank and Ranking Member Bachus for calling this hearing today. The problem of foreclosures is one which I am acutely aware of in my district in Northwest Ohio. Even before the significant loosening of credit standards began affecting the subprime market across the country, Ohio ranked high in foreclosures. As the rest of the country experienced an expanding economy, Ohio's job market and that of Michigan and the rest of the Midwest, was slow to realize the gains and too many people suffered financial difficulties making it more difficult to pay their mortgages.

In the subprime market in Ohio and elsewhere, there is no doubt that the past several years have seen a general loosening of underwriting standards. America has one of the highest rates of homeownership in the world. That is good and we should continue to encourage homeownership.

However, you are not doing anyone a favor by putting them in a home with the type of mortgage that when interest rates go up, or they have an economic reverse, they are thrown out of their home.

When considering how best to move forward, Congress may wish to separate out the causes of foreclosure. The vast majority of homeowners in the subprime market are able to handle the complex hybrid mortgage options available, but even the most educated, well-intentioned homebuyer could have difficulties with making their payments should their job situation change around the same time as their rate.

It is also important to note that there are differences between subprime and predatory lending. They are separate animals and require separate solutions.

I would hope that as the Congress continues its investigation into the circumstances which have led us to today's subprime market crisis, it spend considerable energy considering current disclosure requirements. Much of the problem with today's mortgage market, prime and non-prime, is that the average prospective homebuyer is snowed-in with paper, much of which is difficult to understand or redundant. This is not breaking news. The federal government and the states have shared blame for the complexity of the home buying process and both must work to reform the system. Any legislation that comes before this Committee should focus on reforming RESPA and improving disclosure.

With that, I look forward to hearing from our three distinguished panels. I am particularly pleased to see the Ohio Housing Finance Agency here. Through their partnership with over 150 lenders across the state, the OHFA has shown a willingness to look for innovative solutions to the foreclosure problems in my home state.

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