

STATEMENT OF THE HONORABLE WM LACY CLAY
Before the
Subcommittees on Housing and Community Opportunity and the
Subcommittee on Financial Institutions and Consumer Credit
“Promoting Homeownership by Ensuring Liquidity in the Subprime
Mortgage Market”
June 23, 2004

Good morning Chairmen Ney and Baucus; Ranking Members Waters and Sanders; and distinguished witnesses. I thank the leadership of these subcommittees for scheduling this hearing on this important issue.

There is a very delicate balance that has to be achieved by legislation in the addressing of this issue:

Initially, we have to identify predatory lending and distinguish it from subprime lending. We have to eradicate predatory lending without destroying the subprime lending market. The subprime market is a great asset to all in the housing market when properly engaged by mortgage lenders and brokers.

We have to address the issue of “assignee liability” and put secondary lenders and investors in a fair position with that issue without compromising the ability of consumers/borrowers to be made whole after suffering from misrepresentations by lenders.

We have to craft language that will preserve the role of the state Attorneys General in the enforcement of predatory lending violations. The state Attorneys General must not have their roles preempted by federal legislation or regulation.

We must also be cognizant of the “Standard & Poor’s New Rating Report”. We must be very deliberate in our methods of addressing this issue and take pains to keep the market attractive for national and international investors who help to keep money available for the mortgages.

I look forward to the proceedings of this hearing and am sure that it will yield enormous benefit to the fight against predatory lending.

Mr. Chairman, I ask unanimous consent to insert my statement into the record.