



Consumer Federation of America

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STATEMENT BY ALLEN FISHBEIN DIRECTOR OF HOUSING AND CREDIT POLICY CONSUMER FEDERATION OF AMERICA

ON THE ENACTMENT OF THE “HOUSING AND ECONOMIC RECOVERY ACT OF 2008” (H.R. 3221)

With some 20,000 homes entering foreclosure each week and no signs that the crisis is abating, an expanded federal lifeline is desperately needed to help financially at-risk families to save their homes. The nationwide tidal wave of foreclosures is engulfing not only individual families, but is also having negative spillover effects on surrounding neighborhoods, causing home property values to drop and resulting in billions of dollars of lost wealth and reduced property tax revenues for localities. Federal action is desperately needed to stem the tide of foreclosures.

Enactment into law of the “Housing and Economic Recovery Act of 2008” includes a number of critical provisions to restore confidence in the U.S. financial system and expands the FHA loan program to help eligible financially struggling homeowners to avert foreclosure. The Consumer Federation of America (CFA)¹ commends the leadership of the Senate Banking and House Financial Services Committee for their tireless efforts to forge the necessary bi-partisan consensus to break the Congressional logjam to pass this legislation.

This housing stimulus legislation, nearly 700 pages in length, represents a constructive step in the right direction to marshal more fully the federal response required to curb this crisis and stabilize housing markets. Of particular note are these provisions:

- Expanded authority for the Federal Housing Administration single family home loan insurance program to enable eligible families to refinance out of abusive loans into mortgages they can afford;
- Temporary U.S. Treasury Department stand-by financial support for the two government sponsored housing enterprises (GSEs) – Fannie Mae and Freddie Mac – to reassure public confidence in the publicly chartered mortgage companies;

¹ The Consumer Federation of America is a national federation of some 300 pro-consumer organizations organized in 1968 to promote the interests of consumers through research, public education and advocacy.

- Establishment of a strong, independent regulator with enhanced oversight authority to ensure that Fannie Mae and Freddie Mac remain safe and sound;
- Enhanced GSE affordable housing mission requirements, including the establishment of an Affordable Housing Trust Fund, funded by Fannie Mae and Freddie Mac, to provide affordable rental housing for very low income families and tighter income targeting for the GSEs' annual housing goals.

The most central provision in this housing stimulus measure for families facing foreclosure is the FHA rescue program. Efforts to encourage voluntary loan modifications to this point have failed to keep up with the increase in foreclosures. The most recent HOPE NOW Alliance report indicates that almost four times as many families lost their home or are in the process of losing their home as compared to those receiving loan modifications. We very much hope that this new program will provide further incentive for the private market to step-up its use of voluntary and sustainable loan modifications to prevent unnecessary foreclosures.

Even with the addition of the FHA rescue measure, it is CFA's view that court-supervised loan modifications, unfortunately not included in this measure, is a much needed complement to industry initiated voluntary efforts. In many cases, court-supervised loan modifications provide the only available option to some of the challenges servicers face, such as when second liens exist.

Finally, we urge that HUD do all that it can to implement this new program as expeditiously as possible, preferably even prior to the mandated October 1, 2008 start date. In the interim, CFA calls upon mortgage servicers to refrain from proceeding to foreclose on the homes of those families likely to qualify once the FHA rescue program is up and running. We also support H.R. 6076, the Home Retention and Economic Stabilization Act, introduced by Rep. Matsui, which provides for a temporary deferment plan to provide over-burdened servicers with a much needed "timeout" to catch up on backlogs.