

**I am honored to be here representing the United States Real Estate Finance Industry and the Mortgage Bankers Association.**

**After several years of a prospering economy and increasing homeownership rate, the United States has seen a major shift and is experiencing a severe economic contraction. While recent data have shown signs that the pace of the economic decline is slowing, the Mortgage Bankers Association forecasts we will see continued economic decline through the first half of 2010 followed by stabilization and then a modest growth in the 4<sup>th</sup> quarter.**

**Consumer spending rose in the first quarter of 2009, following a steep decline in the last half of 2008 Business capital spending is still heading steeply down and the global economy remains fragile. Hopes for an upturn in economic activity depend on continued**

**healing in credit markets. Progress has been made in that area since financial markets froze late 2008, but credit spreads are still far above normal, and the flow of credit to businesses and consumers is still limited.**

**Home sales appeared to have bottomed, with existing home sales rising in April while new home sales holding steady. Production continues to revive slowly due to large inventory of unsold homes. Housing starts and permits dropped in April. Lower mortgage interest rates and declining home prices have boosted housing affordability. However, long-term Treasury yields have sharply risen recently, posing some risks to mortgage rates. Since their peaks, inventories of unsold homes have declined steeply—by 13 percent for existing homes and nearly 50 percent more than twice that amount for new homes. It is important to note there are foreclosed**

**homes not yet on the market, so there is unlisted inventory in the pipeline.**

**In this environment, economic stabilization policies must focus on restoring confidence so the financial markets can properly function again.**

**On the topic of mortgage performance, Foreclosure actions were initiated on 1.37 percent of first mortgages during the first quarter of 2009, according the MBA's recent National Delinquency Survey. This was a 29 basis point increase over the fourth quarter of 2008 and a 36 basis point increase from one year ago. Both the level of foreclosures started and the size of the quarter over quarter increase are record highs.**

**The seasonally adjusted rate is the highest in the MBA's records going back to 1972 and the unadjusted rate is**

**the highest recorded in the first quarter of any year back to 1972.**

**A key driver of the delinquency and foreclosure rates is unemployment. But we must also factor in what we have been calling the sand states—California, Nevada, Arizona and Florida. In these four states the steep decline in home prices has been an additional driver of foreclosures.**

**It is important to specifically acknowledge the increase in foreclosures and delinquencies among prime fixed-rate mortgage loans. For the first time since the rapid growth of subprime lending, prime fixed-rate loans now represent the largest share of new foreclosures. This clearly points to the impact of the recession and the resulting job losses.**

**Until employment levels stabilize in the US, we will continue to see an increase in delinquencies and foreclosures due to job and income losses.**

**Now, the above points are in no way stated to minimize the fact that hundreds of thousands of loans were made that never should have been made.**

**The industry continues to seek solutions to help keep families in their homes. The recent numbers from the HOPE NOW Alliance, MBA is a co-founder, show that since September 2008, the industry has helped well over 3 million households avoid foreclosure.**

**Throughout this crisis, the United State mortgage industry and the Servicers have worked hard to find solutions. While avoiding foreclosure may not be an**

**option for every family, the US mortgage industry has made every effort to help keep people in their homes.**

**So there is the background. Now let me turn to what is happening from a legislative and regulatory standpoint in my Nation's Capitol,**

**What steps is the US mortgage Industry, led by MBA taking to help solve the current housing problems and prevent future problems?**

**Earlier this year the Mortgage Bankers Association unveiled a ten point action agenda in three areas: to help the consumers; to restore confidence and stability to the market; and to prevent a replay of these problems in the future.**

**Let me highlight one or two initiatives from each category. To help consumers, we support the issuance of tax-free Mortgage Revenue Bonds by state Housing Finance Agencies. The proceeds would be used to refinance mortgages for distressed borrowers.**

**To stabilize the marketplace, we continue to call for FHA modernization and a single strong federal regulator.**

**To help ensure against future abuses, we are strong advocates for the licensing of virtually all originators, including brokers, and the creation of a national database that can easily be accessed by consumers.**

**Borrowers would also have the peace of mind of knowing that whether an agent or an actual lender, these originators would be held accountable to professional standards.**

**And to increase the transparency so necessary for trust in the marketplace, we support simplifying processes and disclosures in a way that predatory lending practices cannot hide in plain sight.**

**That's a part of what the Mortgage Bankers Association is doing on its own. We're working with regulators and legislators to find additional solutions that can help everyone.**

**We were pleased that President Obama recently signed housing legislation – the Helping Families Save Their Homes Act of 2009. Among other things, this legislation will make vital changes to the Hope for Homeowners program for which MBA has long been advocating.**

**Additionally, this law will also implement important servicer liability protections to ensure a more efficient process for assisting troubled borrowers.**

**We are also pleased that just last month the United States Congress defeated legislation that would have given bankruptcy judges the authority to modify, or “cram down” the terms of a primary mortgage.**

**Permitting cram down would have adversely impacted mortgage interest rates and credit availability because lenders would have been faced with a new level of uncertainty. As a result, borrowers would have faced higher down payments, higher costs at closing and higher interest rates. Bankruptcy “cram down” had it passed, would have hurt current efforts to restore confidence and liquidity to the capital markets.**

**On a broader front, MBA is leading the way in restoring liquidity to the secondary mortgage market. We have created a task force – the Council on Ensuring Mortgage Liquidity -to look at the future structure of the secondary market and the role the GSEs should play.**

**The Council's mission was to look beyond the current crisis to what a functioning market should look like for the long term. In March of this year, we released another document, "the Principles for Ensuring Mortgage Liquidity" to help policymakers proceed with the discussion on restructuring FannieMae, Freddie Mac and the secondary market in general. And earlier this month MBA testified before the House Financial Services Committee on the future shape of the GSE's. We are seeking laws and regulations under which the markets function smoothly and confidence is restored. The Mortgage Bankers Association also supports efforts to make the mortgage process simpler, clearer and more transparent. To that end, we support improving the mortgage disclosure forms and regulations so that borrowers have greater clarity about both the costs of closing and the costs of credit. MBA has been very outspoken in our support for RESPA reform.**

**And, MBA is working for sound laws and regulations that fight fraud and prevent irresponsible practices. One area of particular focus is the reverse mortgage. Reverse mortgages represent a logical and reasonable way for seniors to take advantage of the equity in their homes. But reverse mortgages also have a potential for fraud. The Mortgage Bankers Association is working on guidelines for industry best practices that align with US regulations, so that the industry is working hand in hand with regulators in a way that makes good business sense for everyone.**

**The MBA and our industry is in favor of free and open markets. Our focus is to restore confidence in not only the US, but the global markets. The legislative and regulatory initiatives I have outlined will help to do just that. Increased transparency and a more simplified**

**mortgage process will build consumer trust. We are confident this renewed faith will be a cornerstone of future growth for our industry.**

—