



U.S. Senate Committee on Banking, Housing, and Urban Affairs

U.S. SENATOR RICHARD C. SHELBY, AL, RANKING MEMBER

EMBARGOED UNTIL BEGINNING OF HEARING

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OPENING STATEMENT OF SENATOR RICHARD C. SHELBY *“Strengthening our Economy: Foreclosure Prevention and Neighborhood Preservation”* January 31, 2008

“Thank you, Mr. Chairman, for calling today’s hearing on Foreclosure Prevention and Neighborhood Preservation.”

“Mr. Chairman, as you and many others have alluded to, in recent months there has been considerable volatility in our nation’s housing, mortgage, and financial markets. It is critical at this time for our financial regulators to maintain close and extensive oversight of the financial soundness of our banking system. It is also a critical time to find effective solutions for dealing with foreclosures. I encourage the ongoing efforts to mitigate the harm of foreclosures and to help deserving families remain in their homes. These efforts have been ongoing and, at times, successful when met by a willing home owner.”

“I believe, however, that these efforts should be targeted at those most in need and those most able to maintain home ownership. Efforts at foreclosure prevention should not reward speculators or those who freely chose to live beyond their means. Nor should foreclosure prevention reward lenders or investors who willingly took on the risk associated with mortgage lending and investing. Losses in the mortgage market have so far been borne by lenders and investors. With that in mind, we should take every precaution to ensure that these losses are not transferred to the American taxpayer.”

“I have repeatedly stated my opposition to any taxpayer bail-out of lenders or borrowers. It is not the responsibility of the American taxpayer to bail out those who, for whatever reason, have found themselves unable to meet their financial obligations. It is first, and foremost, the responsibility of the borrower and the lender to work toward a mutually agreeable resolution. In the event that is not possible, foreclosure may be an unavoidable, although necessary step in the process.”

“Whether foreclosures have reached an unacceptably high level requiring some sort of federal intervention is something we need to examine very closely. While some have argued that direct federal intervention is needed immediately, others have said that we should allow the market to run its course. Mr. Chairman, I tend to favor the latter,

because I believe that choices have consequences and those consequences, although painful, may serve us far better than attempting to avoid them.”

“These are not circumstances that are wholly new to this Committee, or this nation for that matter. In a letter to President Washington regarding a federal bail out of another kind, then Treasury Secretary Alexander Hamilton said,

‘The general rules of property . . . frequently involve . . . particular hardships and injuries, yet the public order and general happiness require a steady conformity to them. It is perhaps always better that partial evils be submitted to, than that principals should be violated.’”

“Mr. Chairman, there may be a lesson in there for us as we examine the entirety of the American mortgage market over the next several weeks. As we move forward, I hope we can all agree that this is a time for serious thought and not precipitous action. We owe that to the millions of Americans who pay their bills on time, make wise financial decisions, and send their tax dollars to us every year in hopes that we will spend them as wisely as they spend the dollars they are allowed to keep.”

“I want to welcome all of today’s witnesses to the Committee. I believe today’s hearing offers the Committee an important opportunity to hear what has been done to address foreclosures and as importantly, what remains to be done. I would also like to welcome our newest Committee member, Senator Corker.”

“Thank you, Mr. Chairman.”