

Johnson Opening Statement on Mortgage Servicing Hearing

WASHINGTON – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held a hearing to discuss national mortgage servicing standards. It was the eighth in a series of hearings the Committee has been holding related to housing finance reform.

Below is Chairman Johnson's statement as prepared for delivery:

"Good morning. I call this hearing to order.

"Thanks to all of our witnesses for joining us this morning. I would also like to recognize that, for the first time, we have a witness joining us by Skype. Professor Peter Swire is in Oregon, but was kind enough to start his day early for our hearing.

"Today, we will continue the Committee's oversight of problems in the mortgage servicing industry and explore the need for a national mortgage servicing standard.

"The housing recovery appears to have stalled – in part because of widespread uncertainty in mortgage servicing. Borrowers aren't certain that servicers are accurately evaluating them for modifications. Servicers aren't confident that borrowers' documents were submitted properly. And investors are concerned about how all these factors increase litigation risk for servicers. Homes that should move through the foreclosure process are held up because courts and servicers are concerned that paperwork has not been completed properly.

"We need rules of the road so that borrowers, investors and servicers have a clear understanding of the process to follow both when a borrower is current on payments and also in the unfortunate event that a borrower becomes delinquent.

"Since our first servicing hearing in November of last year, the federal banking regulators have found significant problems and issued consent orders to 14 large servicers; the Federal Housing Finance Agency amended its seller-servicer guidance to align Fannie Mae and Freddie Mac's standards for servicing and improve borrower contact; and the Treasury Department's HAMP program began issuing servicer report cards – which did not show promising improvements.

"Even more recently, Reuters and AP released investigative reports detailing ongoing problems in mortgage servicing. I would like to place those reports into the record.

"Given the variety of standards and the continuing problems that I've mentioned, it is important that we explore a national mortgage servicing standard.

"Several members of this Committee have already introduced legislation to create such a standard and mitigate the foreclosure crisis. Senator Reed is a consistent leader on this issue introducing legislation last Congress and again this Congress. I would also like to recognize Senator Merkley and Senator Brown for their legislative efforts.

“Senator Menendez has also helped in the Committee’s oversight of this issue with a productive hearing in the Housing Subcommittee.

“This is an important issue, and the Committee will continue to exercise its oversight responsibility.

“Before I turn to Senator Shelby, I would like to thank him and his staff for working with me and my staff on these housing finance reform hearings. Housing finance reform is a large topic that requires our attention in all aspects and these hearings will help us better understand the areas that need reform.”