

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES**

**BROKEN DREAMS IN THE POCONOS:
THE RESPONSE OF THE SECONDARY MARKETS AND
IMPLICATIONS FOR FEDERAL LEGISLATION**

MONDAY, JUNE 14, 2004

Mr. Chairman, I am very pleased that we are meeting today in Northeastern Pennsylvania to examine Monroe County's housing markets. I also want to personally commend you, Mr. Chairman, for bringing our panel to East Stroudsburg University. I hope that you will agree with me that President Dillman and his staff have done an excellent job in preparing for today's hearing. Your decision to leave Washington and come here also demonstrates that Democrats and Republicans can work cooperatively to address pressing public policy problems in a thoughtful and thorough manner.

In recent years, the press has extensively reported about how abusive practices have directly and profoundly affected hundreds, if not thousands, of families in Northeastern Pennsylvania, particularly in Monroe County. During the last decade, far too many homeowners in the Poconos have unfortunately faced foreclosure, run into difficulties with their mortgages, and encountered problems in buying a home.

The *Pocono Record* initially identified in 2001 a disturbing pattern of home foreclosures and mortgage problems. Since then, the allegations of abusive business practices have continued to grow. We have regularly read stories of fraudulent transactions, faulty appraisals, questionable lending practices, and broken dreams. We have also learned that while the foreclosure-to-sales rate was less than one percent nationwide in 2002, it stood at an astonishing 29 percent in Monroe County for the same period.

At the time I first learned of the difficulties in Monroe County's housing markets, I convened a group of experts, including representatives from Fannie Mae and Freddie Mac, to determine the extent of these problems and how we could help the affected homeowners. These examinations ultimately revealed that some of the many problematic loans originated in the Poconos had in fact been sold by the originator and, in some cases, purchased by the two government-sponsored enterprises in the secondary market. I am pleased that both entities took swift action to address these problems and worked to help many families keep their homes.

In addition to executives at Fannie Mae and Freddie Mac, we will hear today from several affected homeowners, local advocates and industry leaders, and national experts who are trying to develop solutions to ensure equitable lending practices for all Americans. I am particularly pleased that we will have a chance later this morning to hear from Ira Goldstein with the Reinvestment Fund, who was hired by the Pennsylvania Department of Banking to conduct an investigation into the problems of the Pocono housing markets.

Secretary William Schenck, selected by Governor Rendell to head the Banking Department, has reinvigorated the Commonwealth's efforts to respond to the reported problems

in Monroe County. Learning more about some of the initial observations in the study commissioned by Secretary Schenck in advance of its formal release will significantly improve the quality of this hearing and help everyone involved to gain a better background understanding of these matters.

Mr. Chairman, as you have previously noted, the reported problems in the Pocono housing markets deserve national attention because they are national in scope. I agree. As we proceed today and in the weeks ahead, it is moreover important that we find solutions to the obstacles faced by honest, hardworking people who want to achieve the American Dream of owning a home.

Hopefully, today's hearing will also further our bipartisan efforts in Washington to develop legislation to increase homebuyer and homeowner protections. As you know, Mr. Chairman, the Financial Services Committee in recent months has begun to examine abuses in mortgage lending and the need to update federal laws to protect homeowners against such practices. As a result of today's hearing, I hope that we will not only learn more about appraisal practices, subprime lending, housing counseling, and mortgage servicing, but also discover what steps we might take to address each of these matters legislatively.

In sum, Mr. Chairman, I again commend you for convening today's hearing. We have before us a diverse group of knowledgeable individuals and national experts who will help us to understand these matters and determine what actions we should take in Washington to develop legislation to abate the problems of abusive lending and improve consumer protection. Without question, the observations of today's witnesses about these matters will help me in forming my opinions on these issues.
