



JOINT ECONOMIC COMMITTEE
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SCHUMER: HITS KEEP ON COMING FOR U.S. HOUSING MARKET

*Fed's New Pilot Program to Rein in Subprime Loan Brokers May Not Be Enough;
Tougher Federal Laws Needed to Hold Mortgage Brokers Accountable*

*With New House Permits Way Down, JEC Chair Renews Call to Stem Tide of
Foreclosures With Foreclosure Prevention Funding for Families on Brink of
Losing Their Homes*

Today, the U.S. Department of Commerce announced that June home building permit applications dropped far below expectations to the lowest rate in the last decade, down 7.5 percent to 1.406 million units, just slightly higher than the 1.402 million unit rate in June of 1997. U.S. Senator Charles E. Schumer (D-NY), the chairman of the Joint Economic Committee (JEC), released a report showing that rising subprime mortgage foreclosures could lead to further weakening of the housing market as more supply is dumped onto the market. In response to today's disappointing housing numbers, Sen. Schumer reiterated his support to help existing homeowners by stemming the tide of avoidable subprime foreclosures.

"The hits just keep on coming for the U.S. housing market. Today's data that new house building permits are way down together with repeated reports that foreclosures are way up indicates two things to me. First, the foreclosure storm is brewing and we have not seen the worst of it yet; and second, we have to do something to hold mortgage brokers accountable for bad loans and we must increase resources for foreclosure prevention."

Permits Down and Little New Construction of Single Family Homes:

New construction of privately owned housing rose by 2.3 percent in June to 1.467 million units at an annual rate. Even so, housing starts remain weak, down 19.4 percent over the last 12 months. Moreover, the June rise in total housing units started was concentrated in multi-family housing—new construction of single-family homes fell by 0.2 percent last month.

More ominous was the 7.5 percent plunge in permits to build new homes. That was the largest monthly decline since January 1995. Permits are now 25.2 percent below their level a year ago, reflecting continued pessimism among builders over the near-term outlook for new homebuilding.

Foreclosure Market Crisis and Fed's Pilot Program:

Weakness in the housing market is largely fueled by the avalanche of mortgage foreclosures resulting from the irresponsible underwriting and deceptive lending practices in the subprime mortgage market. Foreclosures continue to rise across the nation as more and more homeowners' loans reset to sharply higher rates. The Mortgage Bankers Association (MBA) reported that first quarter foreclosure inventory rates for subprime loans rose from 4.53 percent to 5.10 percent, or 57 basis points relative to the previous quarter. The Center for Responsible Lending estimates that the 2.2 million households in the subprime market that could fall victim to foreclosure over the next several years could lose as much as \$164 billion, primarily in lost home equity.

To address the crisis, the Federal Reserve announced yesterday its plan to create a pilot program, joining the Board of Governors of the Federal Reserve with the Office of Thrift Supervision, the Federal Trade Commission, and state agencies represented by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to conduct targeted consumer-protection compliance reviews of underwriting standards, oversight, and risk-management practices within non-depository lenders with significant subprime mortgage operations.

"While I welcome the Fed's new pilot program to monitor independent subprime brokers, I don't think consumers will be truly safe from irresponsible and deceptive lending practices until we enact tougher federal laws to prevent this mess from happening again," Schumer said. "Sustainable home ownership is essential to the strength and stability of our nation's economy. As indications of the weakness in housing markets continue to mount, there is an urgent need for better protections for existing and aspiring homeowners"

Schumer Two Proposals:

Sen. Schumer has a two-step plan to address the subprime mortgage crisis. Schumer has fought for \$300 million in proposed federal funds targeted to community foreclosure prevention specialists, and separate legislation to upgrade standards that mortgage brokers and originators must abide by when making new loans to borrowers. The full Senate Appropriations Committee has approved \$100 million for HUD Housing Counseling programs in the Transportation, Housing and Urban Development, and Related Agencies FY08 Appropriations Bill. With these funds, non-profit agencies will be able to provide individual counseling by working one-on-one with borrowers who are in unaffordable subprime loans. This money will help stem the tide of foreclosures that are prolonging the slump in the housing market and dashing the American Dream of homeownership for too many families.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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