

FOR IMMEDIATE RELEASE

Thursday, May 7, 2009

CONTACT: Alexis Marks or Mara Lee
(202) 225-7163

Rep. Doris Matsui Votes to Strengthen Mortgage and Financial Fraud Enforcement and Accountability *Mortgage Reform Bill Includes Matsui Amendment to Review Government Efforts to Crackdown on Foreclosure Scams*

WASHINGTON, D.C. – Today, Congresswoman Doris Matsui (CA-05) voted in favor of H.R. 1728, the Mortgage Reform and Anti-Predatory Lending Act of 2009 that responds to the subprime mortgage crisis by instituting much needed reform to prevent predatory and irresponsible mortgage loan practices.

The bill included an amendment by Rep. Matsui that would require the Government Accountability Office (GAO) to conduct a study of the interagency efforts by the Treasury Department, Department of Housing and Urban Development, Justice Department, and the Federal Trade Commission on their efforts to end and prevent mortgage foreclosure rescue scams and loan modification fraud. The purpose of the report would be to advise Congress on the risks and vulnerabilities of emerging schemes in the loan modification arena and provide recommendations to Congress and government agencies.

The bill will also:

- ensure that mortgage lenders make loans that benefit the consumer and prohibit them from steering borrowers into higher cost loans;
- establish a simple standard for all home loans: institutions must ensure that borrowers can repay the loans they are sold;
- for mortgage refinancing, require that all loans provide a net tangible benefit to the consumer;
- make the secondary mortgage market responsible for complying with these standards when they buy loans and turn them into securities, for the first time ever;
- encourage the market to move back toward making fixed-rate, fully documented loans; and
- protect tenants who rent homes that go into foreclosure.

Rep. Matsui said the following on the House floor today in support of the bill:

“The sub-prime housing crisis is the root cause of the current economic recession. It has led to the collapse of our financial system, increasing unemployment, and a housing and credit crisis. Even more so, it has had a devastating effect on our families, our neighbors, and our

communities.

“My home district of Sacramento ranks among the hardest hit areas in the country. I’ve heard countless stories from my constituents who have been victims of predatory lending and were ‘steered’ into high-cost, bad loans. Now, many of these homeowners are seeking assistance in modifying their loans to more affordable loan terms. Yet, many of these individuals are now being tricked by scam artists posing as so-called ‘foreclosure consultants’.

“As such, I have an amendment that has been included in the Manager’s Amendment. The amendment directs the GAO to conduct a study of current government efforts to combat fraudulent foreclosure rescue and loan modification scams and to educate consumers of these scams.

“I will soon be introducing legislation to direct the FTC to use its authority to initiate a rulemaking process relating to unfair or deceptive practices in foreclosure rescue.

“These harmful activities must end and this bill is a step in the right direction. The bill establishes standards for home loans, while holding lenders and brokers accountable. It also prevents lenders and brokers from steering future homeowners to high-cost, sub-prime loans just to make a quick extra buck. Congress needs to be a partner with the communities in which we serve. We must continue to work together to find a comprehensive strategy that will protect our homeowners.”

This week, Congress also passed tough anti-fraud legislation to protect taxpayers by giving the Justice Department more tools to fight fraud in the use of TARP and recovery funds, and to increase accountability for corporate and mortgage frauds that have contributed to the economic collapse.

In addition, the anti-fraud bill included a provision to establish an outside commission to investigate the causes of the current financial and economic crisis in the United States. This commission is similar to the Pecora Commission that examined the causes of the Stock Market Crash of 1929.

###