

per vehicle purchased than nonminorities. Predatory auto lending is taking an estimated \$2 billion dollars a year out of African American communities alone.

#### PREDATORY LENDING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Ms. LEE) is recognized for 5 minutes.

Ms. LEE. Mr. Speaker, first let me just thank the gentleman from Maryland (Mr. CUMMINGS) for organizing these 5-minute speeches tonight, and for his leadership in fighting for home ownership and opportunity and against predatory lending practices.

As my colleague Congresswoman JONES just said very eloquently, it is a real shame and disgrace that we once again have to take to the floor to raise the issue of predatory and deceptive lending practices.

As many of us can attest, which you are hearing tonight once again, these practices are out of control and on the rise, and they are leaving many, many people out in the cold and in foreclosure.

The statistics regarding the current subprime lending debacle are staggering. It is estimated that bad loans have forced 1.5 million homeowners into foreclosure this year alone, according to ACORN. In 2006, the number of foreclosures stood at 2.6 million, topping the prior year total of 900,000 people. The problem is only getting worse.

The subprime industry's practice of higher rates, teaser rates, higher fees, prepayment penalties, payday loans, check cashing facilities and other unfavorable and hidden costs combine to create conditions that push homeowners into hopelessness. We must remember that foreclosures not only devastate individuals and families, but they also depress communities and decrease property values.

This does not have to be the case for many subprime customers. The assumption that subprime loans are for people who cannot qualify for a prime loan at a good rate is false. Fannie Mae, and this is really unbelievable, Fannie Mae and Freddie Mac have assessed that one-third to one-half of subprime borrowers could have qualified for better loan rates but were not given that option. They just weren't given that option. The education and the information were simply not provided to these customers, and I wonder why.

Regulators haven't done enough to protect consumers against predatory lending. Because of the Bush administration's lack of regulatory rigor and oversight of the subprime mortgage industry and their tendency to pander to the business industry at the expense of hardworking middle- and low-income Americans, we are in the mess we are in today.

Sadly, many of the victims of predatory lending are the elderly, single parents, and people of color. In fact, com-

munities of color continue to be the target of predatory lenders. I call them loan sharks. They are all over my community, and these unscrupulous financial service schemes prey on the dream of home ownership and the prospect for generational wealth building.

Within the last year, investigations of real estate agents were designated by HUD for testing, they uncovered an 87 percent rate of racial steering and a 20 percent denial rate for African Americans and Latinos.

A Federal Reserve study showed that African American and Latino borrowers are more likely to receive higher cost subprime loans than their white counterparts. However, the likelihood of receiving a higher cost loan to buy a house than a white borrower for African Americans is 3.7 times more likely and for Latinos, 2.3 times more likely.

So we must put an end to this type of lending discrimination and predatory practice. Enough is enough.

Sometimes people ask me what is institutional racism. They do not quite get it. Well, let me tell you, this is a very glaring and unfortunate clear example of institutional racism, and so we must support all of the efforts by Congressman CUMMINGS and other efforts by Congressman MEL WATT, BRAD MILLER, BARNEY FRANK, members of the Financial Services Committee to put forth legislation that provides a floor, not a ceiling, for a policy such as this. We have got to face reality. That means we must take a look at these, and I just call them exotic loans, and they are exotic, and adjustable rate mortgages that soon become unaffordable, as Congresswoman TUBBS JONES said, after a couple of years.

To entice borrowers to take on risks that they may not be aware of is just plain setting them up to fail, and this is just wrong. It is a shame. It is a disgrace.

We need to provide relief, first of all, to victims of these loan sharks and protect the national economy from the consequences of a mortgage industry crisis which I believe is looming. We must act immediately to protect a generation of homeowners. They are counting on us. They deserve an opportunity to achieve the American Dream of homeownership which is quickly turning into a nightmare for many.

For the majority of Americans, like for myself, purchasing a home is the only way, I mean the only way, you can build any type of equity to be able to just send your kids to college or to buy a house or to do some of the things that you want to do, start a small business. So we have got to clamp down and we have got to clamp down hard on these loan sharks.

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The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. JOHNSON) is recognized for 5 minutes.

(Mr. JOHNSON of Georgia addressed the House. His remarks will appear

hereafter in the Extensions of Remarks.)

#### TRIBUTE TO THE LATE RALPH FORD, JR.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. DAVIS) is recognized for 5 minutes.

Mr. DAVIS of Illinois. Mr. Speaker, first of all, I would like to associate myself with the remarks of my former colleagues who have talked about foreclosures and predatory lending.

As a matter of fact, I also want to thank the committee that I established a few weeks ago, made up of about 50 people, including State Representative LuShawn Ford, who has agreed to chair. I come from the community that pretty much led the movement for community reinvestment in this country under the leadership of a woman named Gail Cincotta who was the head of the Organization for a Better Austin, and then Gail came to Washington and went ahead and founded the National Training and Action Committee which still exists to this day.

So I simply want to associate with those comments made by my colleagues.

But, Mr. Speaker, I really also rise with a great level of sadness to pay tribute to a good son, a good husband, a good father, a good citizen and one of Chicago's finest of the men and women in blue, Police Sergeant Ralph Ford, Jr.

It has been my pleasure and that of my wife to know the Ford family for many years. I first knew Ralph's mother, Mrs. Jacqueline Ford, when she was a pioneer community activist serving on the board of the Martin Luther King, Jr. neighborhood health center. She and my wife Vera have attended Carey Tercentenary AME Church together, and I say forever.

I first knew Ralph well when he was a young Chicago police officer. I had begun to run for public office. He was a diligent and enthusiastic volunteer who was not afraid to be associated with our campaign, even though I was running as what we call an Independent against the existing political machine.

The fact that Ralph had attended the University of Arkansas at Pine Bluff added another star to his crown because I had attended the same school when it had another name, Arkansas AM&N College, before it attained university status.

Being the excellent police officer that he was, Ralph made sergeant and outdistanced many of his peers. He was jovial, a great talker, had a great personality and a wonderful sense of humor.

Family meant everything to Ralph. He was totally devoted to his wife and children, and he had a great affinity for other members of his family, and of course, he and his mother Jackie had an absolute long-standing love affair.

Of course, Ralph passed away a few days ago. Mr. Speaker, Sergeant Ralph Ford, Jr., was an absolute credit to his law enforcement profession, the apple of his wife and family's eyes and a joy to humanity. He shall be sorely missed.

#### SUBPRIME LENDING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Ms. WATERS) is recognized for 5 minutes.

Ms. WATERS. Mr. Speaker, I want to thank the gentleman from Maryland (Mr. CUMMINGS) for reserving this time tonight to bring to the attention of the American people our deep concern about subprime lending and the rising foreclosure rate across our Nation.

Last week, we learned that the foreclosure rate jumped 47 percent in March of 2007 from just 1 year ago. Several weeks ago, Freddie Mac, which buys loans from lenders and sets underwriting standards, stopped purchasing 2/28 and 3/27 loans, or loans on which interest rates are fixed for only the first 2 years or 3 years of a 30-year loan.

Freddie Mac, recognizing the increase in number of defaults on these exotic loans because of rising rates and falling real estate prices, cut its losses short and got out of the subprime business.

Within the last month, the Nation's second largest subprime lender, New Century Financial Corporation, suspended making any new subprime loans because of the huge number of defaults on subprime mortgage loans and has since filed for bankruptcy protection. Incidentally, the executives of First Century have asked for an exit package of some \$6.5 million.

Countrywide, the largest subprime lender in the United States, also has problems with its subprime and prime portfolios.

Numerous subprime lenders have been forced into bankruptcy or have been sold to larger lenders.

General Motors Acceptance Corporation is out of the subprime business altogether. The list continues to grow with each passing day.

Defaults on subprime mortgage loans have prompted investors to turn their backs on mortgage-backed securities, making it more difficult for subprime lenders to sell their loans and to raise the cash for new loans. This has created a liquidity trap for many borrowers who want to refinance out of the nontraditional mortgage products. Huge amounts of cash that once sought the high yields tied to mortgage-backed securities creating easy money for borrowers, many of whom had less than stellar credit, or lacked loan documentation, or sought zero down payment products, is no longer available. No one knows for sure what the extent of the exposure is and exactly who is exposed because the way mortgages are packaged into pools and sold to investors makes it difficult to determine who owns the loans and how much money is lost.

One estimate by Lehman Brothers suggests that approximately \$19 billion in losses are parked in loan pools put together in 2005, 2006 and this year, representing 5.5 percent of all mortgages.

The Center for Responsible Lending December 2006 report entitled, "Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners," documents the relationship between subprime lending and foreclosures and suggests that by the end of 2006, 2.2 million households in the subprime market either will have lost their homes to foreclosure or hold subprime mortgages that will fail over the next several years. These foreclosures will cost homeowners as much as \$164 billion, primarily in home equity.

One out of five, or 20 percent, of the subprime mortgages originated during the first 2 years will end in foreclosure. So rather than wealth creation that we expect with homeownership, we will witness wealth evaporation tied to foreclosures.

Federal regulators issued guidance last year acknowledging that subprime loans were a problem. The guidance speaks to loans where the rates can change dramatically after the second or third year of the mortgage, such as from 7 percent to 11.5 percent. That guidance suggests that lenders be required to take into account the borrower's ability to make monthly payments at higher rates and also property taxes and homeowners insurance which are often not escrowed in the subprime loans.

I applaud the guidance, but what we really need is for there to be forbearance on the part of lenders while we get this mess straightened out and before it leads to something catastrophic in the financial markets. It has already spilled over into the home building industry, and the fallout is far from over.

Congress must still balance the interest of assisting home buyers who are low- and moderate-income first-time buyers, while ensuring that they avoid the pitfalls of the subprime market and that they have safe options. Providing assistance to existing subprime borrowers who are in danger of losing their homes is key.

I believe that FHA modernization is part of the solution, and so we will mark up H.R. 1852, the Expanding American Homeownership Act of 2007, a bill that I have introduced, next week in the Committee on Financial Services. Reasonable workout plans represent another mechanism that can assist homeowners from falling into foreclosure.

In effect, the lenders know that they are better off not losing these borrowers to foreclosure since it is very costly to the lenders. It only creates a ripple effect in the communities where the properties are located, creating vacancies, blight, arson and other social ills. In addition, the cycle of predatory lending activity continues with investors purchasing foreclosed property at

depressed prices only to turn around and sell the properties quickly at inflated prices.

I have asked Freddie to take a look at prohibiting the use of its resources to finance this type of mortgage lending.

A big plus is that Freddie Mac just took proactive steps, announcing that it will make \$20 billion available to assist borrowers by the summer with refinancing. Fannie Mae will join this effort. I can not predict what will happen in the subprime lending market, but I do believe that we can stem the tide of foreclosures by working closely with Freddie, Fannie and the lenders. One thing that I do know is that we will have to correct this problem if the markets can not fix it. We can not sit by and watch Americans, many through no fault of their own, lose their homes. Every time there is a victim to foreclosure, the rate of homeownership in America falls and the gap between the rich and the poor worsens. No one wants to reverse the progress that we have made in this country on homeownership, certainly not me.

#### OUT IN THE COLD: OHIOANS HIT HARDEST BY HOME FORECLOSURES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. WILSON) is recognized for 5 minutes.

Mr. WILSON of Ohio. Mr. Speaker, being from Ohio and speaking on this issue is really quite easy because Ohio leads the Nation in predatory lending and in foreclosures, an unfortunate statistic that we are not proud of.

As a new Member of Congress and one that has worked very hard in the Ohio House and the Ohio Senate to pass legislation against predatory lending, I feel it a real calling to be one who speaks up strongly here in the Congress on the same type of issue that people are being taken advantage of in a big way.

So, Mr. Speaker, Ohio's working families are paying the price, and in many cases, they are paying with their homes. In fact, Ohio leads the Nation, as I said, in foreclosures.

In my district, Mr. Speaker, in southeastern Ohio, from the suburbs of Youngstown to the small rural communities along the West Virginia and the Kentucky borders, predatory lenders are targeting honest Ohioans who only want one thing: they want a chance to purchase a home of their own and live the American Dream.

For millions who struggle with bad credit, these subprime and adjustable rate mortgages seem like the perfect opportunity to correct their problems. But in reality, when it sets in, it is the worst solution that they could choose.

Rates begin to skyrocket, late fees pile up, and before long it is too late. Too many families are losing their homes to foreclosure. Too many families are being left out in the cold.

The numbers are alarming. These subprime loans account for 63 percent of Ohio's foreclosures.

Mr. Speaker, this is a problem that has spread far beyond Ohio to our