Mr. LATTA. I thank the gentleman. I will be brief. Time is short for this country. We have folks out there that need jobs—and they need them today. We have been in a tough recession.

Back in 1982, when we were coming out of that recession folks were confident that those factories were going to open back up; that those doors would be open and those jobs would be there. Today, a lot of those jobs are gone. We're in a tough economic environment. We're in a tough global environment—the competition is tough.

If we want to make sure that we can compete in this country and we can make sure that we have those jobs in this country to compete against the rest of the world, we have to make sure that we have the costs down. If we go through this cap-and-tax, it's going to be a bad day for America.

I just want to thank the gentleman for hosting this tonight. We're going to be talking about this not only here in Congress, but across our districts in the coming days.

Mr. AKIN. Reclaiming my time, I am just so delighted with our guests here on the floor. You know, the common sense in me can't resist showing this little chart. How much does a human activity affect greenhouse gases? Well, if this block represents greenhouse gases right here, then CO_2 is those yellow boxes. That's the amount of greenhouse gas that's heating the world by CO_2. The rest of this is other things that are heating the world. Then, this is the amount that's caused by people. So this seems to be an awful big tax for such a little tiny box.

I want to once again thank my good friends, Congresswoman BACHMANN from Minnesota and Congressman LATTA from Ohio and Congressman BISHOP from Utah for joining us. I hope that this has been as informative and interesting for everybody else as much as it was for me.

FORECLOSURE CRISIS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from North Carolina (Mr. MILLER) is recognized for 60 minutes as the designee of the majority leader.

Mr. MILLER of North Carolina. Tonight, I would like to devote this hour to the foreclosure crisis that the Nation faces—and will continue to face for some time; the financial crisis; the recession that we now have that is the worst recession since the Great Depression, precipitated by the foreclosure crisis and by the financial crisis. I want to talk about how we got where we are and what we need to do now to make sure it never happens again.

According to the financial industry, what happened was this freakish combination of macroeconomic forces that no one could have predicted. It was a perfect storm. But with a little help from the government, from the taxpayers, and a little bit of patience, we will muddle through this and we will be back to where we were just a couple of years ago; not to worry.

Columnist Paul Krugman earlier this week quoted a prominent Wall Street lawyer who was under consideration to be the Deputy Treasury Secretary, Rodgin Cohen, as saying that the Wall Street that will emerge from this will not be terribly different from the Wall Street of the recent past, and said, ''I am far from convinced that there was something inherently wrong with the system.''

Mr. Speaker, a Wall Street or a financial system that is not different from the one in the recent past that just gets us back to where we were a couple of years ago is not much of a deal for the American middle class. I don't claim that I knew that the financial crisis would happen the way it did. But I knew that the mortgages that have proven so toxic for the financial system and for the financial industry were toxic for borrowers, were toxic for homeowners. And I thought that was reason enough to do something about it.

I began working on the issue almost as soon as I was elected or entered Congress in 2003. In 2004, I introduced legislation, along with Congressman WATT, to prohibit many of the practices that led us to where we are now. And we saw—I know well what kinds of mortgages have led us to the foreclosure crisis.

Subprime mortgages went from 8 percent of all mortgages in 2003 to 28 percent in the heyday of subprime lending—the 2004 to 2006 period. More than half of the people who got subprime loans qualified for prime loans. Many others should never have gotten any loan of any kind.

There were extravagant upfront charges, costs, and fees. Ninety percent of loans had an adjustable rate, with a quick adjustment after just 2 or 3 years. The typical adjustment—the teaser rate, the initial rate was frequently above prime. It was no deal in the first place.

Then, when the adjustment set in, regardless of what interest rates were, the monthly payments would go up by 30 to 50 percent. Seventy percent of the loans had a prepayment penalty that made it almost impossible for borrowers to get out without losing a big chunk of the equity in their home.

The loans were designed to be unsustainable. They had the effect of trapping borrowers in a cycle of repeated refinancing. Every time they refinanced, having to pay points and fees and closing costs to get into the new loan and a prepayment penalty to get out of the last loan.

All that time, the industry defended all those terms, all those practices as necessary to provide credit to homeowners who would not qualify for prime loans. The terms, they said, might appear predatory to the uninformed, Members of Congress like me, the consumer groups, but they were really innovations that would make credit available to people who otherwise could not have gotten it.

Repeatedly they said this legislation, while well-intended, will just hurt the very people it's trying to help. I admit that I resented being patronized at the time. But now, looking at what really happened, I am furious at the dishonesty of it all.

□ 1930

Mr. Speaker, this is what really happened. This is a chart of the percentage of corporate profits in America that the financial services industry got. And it peaked during the period, the heyday of subprime lending, at more than 40 percent of all corporate profits. The terms of mortgages that appeared predatory really were predatory. The lenders did not have to include those terms in their loans.

Now, obviously, something went wrong. And I want to talk about that in a bit. But I first want to recognize my colleague. This is the majority party's hour. But in the spirit of bipartisanship, or post-partisanship, I am happy to recognize MIKE TURNER, my colleague from Ohio. Mr. TURNER has many fine qualities. His political party is not one of them. But he represents a district, Dayton, Ohio, that has been particularly hard-hit by the foreclosure crisis.

And I want to recognize Mr. TURNER to talk about what he has seen happen in Dayton.

Mr. TURNER. Well, I want to thank BRAD MILLER for his leadership on this issue. This is a very important issue that affects our whole country. And we all took a pause as we saw our financial institutions shaken nationally. And as the bailouts were proposed that came here to this floor to be voted upon, across the country, Americans wondered, How did we get here? How did this happen?

Now I voted against every bailout that came here to this floor. And I voted against it because not only did I believe that they were not structured appropriately, that there was money that was going to be wasted, but more importantly, not one of them included a change in the laws that would prohibit the type of practices that got us here to begin with. The toxic assets that people talk about are these mortgage-backed securities that were traded and sold upstream. They were the securities that were based upon practices of mortgage lending that had a negative impact on our families and a negative impact on our communities.

And today I wanted to offer my support for the recently passed bill, H.R. 1728, Mr. MILLER's bill, the Mortgage Reform and Anti-Predatory Lending Act of 2009. This bill directly addresses the root causes of the current financial and economic crisis in the United States as well as how it has led to some home abandonment and high foreclosure rates throughout the country.

Mr. Speaker, the United States is experiencing a steady increase in foreclosures and mortgage lending problems that have impacted homeowners, families, communities, the United States economy and global economies. In 2006, there were an estimated 1.3 million foreclosures in the United States. This number has increased by 79 percent in 2007, bringing the estimated number of foreclosures nationwide to 2.2 million. In 2008, an estimated 3.2 million foreclosures were reported nationwide. Estimates suggest that this trend is likely to continue with millions more of Americans potentially losing their homes to foreclosure in the next 4 years and with foreclosures not abating until perhaps 2011.

Recently, an analysis by the Associated Press reported that Ohio has three of the most vacant neighborhoods in the United States where home foreclosure and abandonment have devastated neighborhoods with parts of northwest Dayton, Ohio, in my district, with more than 40 percent of the area being vacant. This statistic makes northwest Dayton the ninth emptiest neighborhood in the Nation. If you look at the 2008 foreclosure rates in my district, there have been 4,091 foreclosures in Montgomery County, the primary county of my district. There were 1,558 foreclosures in Warren County, 287 foreclosures in Clinton County, and 351 in Highland County.

These statistics become even more real when I open the pages of my local newspaper. When I was home over the past couple of weeks, I looked at the newspaper, and I actually compared the number of pages that actually contained news to the number of foreclosures. The Dayton Daily News the other day showed up on my doorstep. It had 14 pages of news nationally and worldwide and 14 pages of foreclosures. Those are foreclosures that affect families, communities and neighborhoods, the families that live there, the children that live there, and the neighbors that live next to the homes, and the neighborhoods that begin to decline upon foreclosure and abandonment.

According to a study commissioned by Jim McCarthy, the head of the Miami Valley Fair Housing Center in my district, the mortgage foreclosures associated with lenders who are identified as subprime lenders increased at an annual rate of 43 percent from 1994 to 2000. This number is more than double the annual 18 percent rate increase associated with lenders who are not identified as subprime lenders. The study also showed that foreclosure filings in Montgomery County, Ohio, nearly doubled from 1994 to 2000 and that subprime lenders were responsible for a disproportionately high share of that increase. In Montgomery County, the number of predatory lending complaints since 2001 have risen to 5,326.

Home foreclosures resulting from predatory lending take a toll on American cities. Properties which are foreclosed often sit vacant for long periods of time and not only become an eyesore but become a threat to public health and to safety. Boarded-up neighborhoods, falling property values, and increased crime all lead to an eroded local tax base and impair a city's ability to provide important services to urban families.

Additionally, when I served as mayor of the city of Dayton and faced this issue and how it impacts homeowners, my community continued to wonder how the financial markets would be able to sustain the losses associated the mortgage foreclosures. Beyond the individual impact resulting from predatory lending, these practices were resulting in the loss of capital in the market that cumulatively, one would expect that it would have an impact.

Now, I want to show you some of the boards that I have beside me. These are the home foreclosure numbers for Montgomery County for the years starting in 1997 to 2008. Since I have been in Congress here for 6½ years, in a county that has a population of slightly more than 500,000, there have been about 27,000 foreclosures in the community. The number of families that are impacted, the number of houses in the neighborhood is just really astounding.

I wanted to show you a representative map of a neighborhood that would show you what that would look like from the early period, before this period here starting from 2004 on where we have the higher numbers, as the foreclosure crisis began in the community. This is one Dayton neighborhood in northeast Dayton. You can see probably on the camera just a few of the streets and the make-up of the area. But for every dot you see on this map, that represents a foreclosure. This is just the period from 1997 to 2003. We haven't even imposed upon this map what occurred from 2003 forward.

If you imagine, that means that just about everybody living in the neighborhood lives next to a house that went through foreclosure. And what is unfortunate is that a lot of those houses then go on to abandonment. When a house is foreclosed, a family might walk away. And many times families are left in the neighborhood living next to houses like these that become boarded up, sources for criminal activity, lowering the property values and trapping everyone. If these houses were subject to predatory lending and their neighbors were not, the neighbors still are impacted by predatory lending by having these types of occurrences in their neighborhood and next to them.

Well, today, Mr. Speaker, the impact of all of this is clear. It does impact our financial institutions. And it does impact the very fabric of our financial institutions for our community and our country. These are the toxic assets that everyone speaks about. When they talk about toxic assets and mortgage-backed securities, they talk about the real-life foreclosures that have occurred. And predatory lending practices have contributed a disproportionate amount to those impacts.

I believe that homeownership is a privilege that everyone should enjoy. But we must not allow for the dream of homeownership to be shattered because of questionable and less-than-honest mortgage lending practices that can steal individuals' futures. That is why I'm pleased to commend my colleague, BRAD MILLER, on his leadership on this issue and work on securing the passage of H.R. 1728 in this body.

BRAD, we appreciate it. The families who have been impacted appreciate it. This is an important step of changing the rules so that we don't continue the practice of creating toxic assets.

Mr. MILLER of North Carolina. Thank you, Mr. TURNER. If you will stay a moment, I have a question or two. I know that your start in politics was in local politics, that you were the mayor of Dayton. And my observation of people who work in local politics is they can't just spout talking points. They really have got to solve problems. They don't have much choice in the matter. And I'm pleased that after more than 6 years in Congress, that hasn't worn off completely. You do still have some sense of the practical to you which I appreciate.

I said a moment ago that I would come back to what went wrong. Obviously, for more than 40 percent of all corporate profits, they are now on taxpayer life support. And what went wrong was that their economic models, their business models, assumed that property values would continue to appreciate and home values would continue to appreciate. In 2004, home values across the country appreciated by 11 percent, and they assumed—looking back, obviously foolishly—they assumed that property values would continue to go up. And what happened when property values simply stalled was they had a business model that only worked if property values continued to go up. They might go up quickly or slowly, but they would continue to go up, and they couldn't possibly, couldn't possibly go down. But when they stalled, people could not get out of their mortgage.

More and more people were underwater in their mortgage. They owed more money on their house than their house was worth. They could not get out of their mortgage. They couldn't sell their house because they couldn't pay the mortgage. And property values and foreclosure were just inextricably linked. Nationwide property values have now gone down, according to some economists, by about 30 percent from their peak in 2006, I think it was.

And for most middle class families, the equity they have in their home is the bulk of their net worth. It is their life savings. And they are seeing that disappear. Even the people that have mortgages they can pay, who aren't in subprime mortgages, when their property values collapse, their home value collapses, they see their life savings evaporate with the collapse in home values.

As you pointed out, foreclosed homes sit vacant, stigmatizing neighborhoods and killing the property values in those neighborhoods. And in many markets around the country that have been hardest hit by subprime lending and by the foreclosure crisis, half or more of the homes on the market are foreclosures. And those houses are priced to sell.

In Dayton, what has been the effect of this on home values? Well, what has been the effect of the foreclosure crisis on home values in Dayton?

Mr. TURNER. Well it has definitely gone down. And BRAD, you make some excellent points. Now our community in Dayton, Ohio, and the surrounding counties, Warren, Clinton and Highland, that are in my district, we are not an area of the country which saw these large spikes in property values. We had very modest property appreciation. What happened most of the time, I believe, and the Montgomery County Fair Housing Center has statistics where this has been proven out, is that through predatory lending practices and what I believe are also fraudulent lending practices, the loan-to-value ratio got out of kilter. They would lend people more money than their house was worth. Structurally, you cannot maintain that. You are going to have a foreclosure if someone leverages their entire equity.

I will give you an example. Someone might have a house that is worth $70,000. A lender comes to them and says, well, your house is really worth $100,000. I will give you $10,000 cash out of your equity. And then they will charge them $15,000 in fees that are rolled up and capitalized into the loan, so the family now has a $100,000 loan on a house that was worth $75,000. They got $10,000 to send their kid to college or pay medical bills. But they are now sideways because the house really isn't worth $100,000.

So if you have then an economic event where they have difficulty in making that mortgage payment, it is different from economic downturns we have had before. When we have had economic downturns before, people still had equity in their home. They might be able to sell their home or they might be able to try to make the payments on the lower value. But once you have a loan on a house that is greater than its value, and people do not have the money to cut the check for the difference, they are going to walk away. And they are structurally going to have to leave that home behind. The bank is going to foreclose and take it. You're going to have this abandonment.

And what you just said, BRAD, what is really important, is the people who live next to that house, who didn't have a predatory loan, who didn't take a loan out greater than their value, now see their property values drop because the house next door to them is now abandoned.

We have seen stagnation in property values and growth in the Dayton area, some declines. People who live next to a home that has been in foreclosure see their property values decline. So it is something that doesn't just impact the family. These numbers you see here of people who have had their home where they have lost it in foreclosure are multiplied by the number of people who live next to those homes. And in some neighborhoods because there are so many that this has happened, the whole neighborhood sees the decline.

Mr. MILLER of North Carolina. You mentioned in your remarks the number of people, the 2.5 million families who have already lost their homes to foreclosure because of the subprime crisis, and you said the estimates are that many more will. The estimate that I have seen, the economists at Credit Suisse, was at 8.1 to 10.2 million families. More families will lose their homes by the end of 2012, in the next 4 years. And if that happens, if we can't do something to stop that, it is hard to imagine that anything else we do to fix the economy is going to work. That is going to be catastrophic for those families. Those families will fall out of the middle class and into poverty and probably will never climb back out. But it is going to be catastrophic for the whole economy.

One further question, though. I have talked about the relationship between home values, the collapse of home values and foreclosures; but a family that has seen their home collapse in value is not going to be in any hurry to go buy a new car or to buy anything they don't have to have. What has been the effect of the economy in Dayton generally? What has been the effect on the car dealerships and the retailers? Are you seeing an effect on the economy, the retail economy, in Dayton as a whole?

□ 1945

Mr. TURNER. Absolutely. In Ohio, we have had significant job loss, and that goes to part of the economic crisis that people are seeing.

But when you have people's home values drop, just as you said, they have less wealth. And when they have less wealth, they are less secure, so they are less secure in proceeding with other purchases.

But an issue that also impacts them is when the value of your house goes down because someone else has gone into foreclosure, the value is not there and you are also stuck, unable to sell your home. There are people now, who because of the number of foreclosures that have occurred in the neighborhood, were holding onto their house, and that has a suppressing impact on the economy also. If the value was still there, they might sell their home and move on.

BRAD, I commend you again for your bill. Throughout the country, people know we have a foreclosure crisis. They know there is a foreclosure crisis which goes straight to the issue of toxic assets, which goes straight to the financial stability of our financial institutions. This bill, unlike the bailouts that were passed, goes straight to the issue of trying to stop these practices so that we don't continue to crank out toxic assets. That will provide stability in the market where people will have some confidence that these loans that are being given have some standards behind them and that families are not put at risk.

Mr. MILLER of North Carolina. I did vote in October for the TARP, the bailout, and it was certainly a bitter pill for me, having been one of the sternest critics of the industry for the whole time I have been in Congress. I did it because I thought there were exigent circumstances that I thought the country was facing, but I said at the time that we have to reform the industry. We cannot just get back to where we were. We have to address the kinds of practices that led us to where we are.

Mr. TURNER. Exactly to what you said, one other thing that I want to talk about is the issue of how people feel about this.

There are people who live next to abandoned homes that went into foreclosure, who have made their payments and have seen their property values drop, and they know that lenders took advantage of the families in their neighborhoods, and those lenders are part of where the tax dollars are going for these bailouts. They want to know when are these lenders, when are they going to be held accountable and stopped from these types of activities. That is what your bill does. It goes to saying we are not going to allow the lenders to continue these practices. Elements of your bill will have a huge impact on neighborhoods and families. Thank you for advancing it.

Mr. MILLER of North Carolina. There has been a lot of hand-wringing by the political establishment, by the political pundits, the populism—they use the word ''populism'' as if it is completely synonymous with the word ''demagoguery,'' which it is not—the populist rage at what has happened in the financial sector and the AIG bonuses.

To me, I think many Americans know the kinds of practices that have gone on. It is not just mortgages. Certainly it includes mortgages, but it is also credit card practices. Just 2 weeks ago we had legislation that we have now passed that would fundamentally reform credit card practices. Many, many Americans have had very distasteful and very expensive experiences with credit card companies that left them furious at that industry, the same industry.

Overdraft fees. Overdraft fees. They don't really affect the middle middle to upper middle class. It is more people who really are struggling. When they get to the end of the month and there is more month than there is paycheck, they might go beyond the amount of money in the bank. The lending industry has actually designed what they call fee-harvesting software that batches the transactions, the checks, the ATM visits, the debit card purchases, that batches them in a way that maximizes the overdraft fee. And an overdraft fee is typically $35.

If someone gets to the end of the month and has $100 in their bank account and they go to the ATM and get $20, they buy something on their debit card for $20, go back to the ATM and get another $20 and make a $15 purchase with their debit card, and then another $25, and then write a $105 check, the software runs the $105 purchase through first, and charges a $35 overdraft fee on that and then a $35 fee on the $20, the $20, the $20, the $15 and the $20. Americans are furious.

And then they see the very industry that they think cheated them on their mortgage, cheated them on their credit card, cheated them with overdraft fees, they see their tax money going to help save that industry from their own bad judgment. I think it is righteous anger, and I think we need to, as you have said, we need to reform the practices that led us to where we are.

Mr. ELLISON has returned.

Mr. TURNER. Before you turn to Mr. ELLISON, I do want to commend you for this bill. It is very important. You are taking action that goes right to the heart of the crisis. I am pleased to support it, as this House was, and we certainly look forward to it proceeding. Thank you for highlighting it today.

Mr. MILLER of North Carolina. In these hours, it is typically the case that Members are filled with praise for one another, and I wonder sometimes when I hear a Member say, I thank the gentleman for his leadership, I wonder sometimes whether he is actually thanking for him for his leadership or is just stalling to think of what to say next.

We are joined by Mr. ELLISON, who has joined the Financial Services Committee. He is now in his second term, and he has been a great friend and ally on that committee and a great advocate for consumers.

Mr. ELLISON. Let me say, I do thank the gentleman, but I do it in all sincerity. Congressman MILLER, you and Congressman FRANK and Congressman WATT and Congresswoman WATERS and Congressman GUTIERREZ and Congresswoman MALONEY have really been offering the kind of leadership on the Financial Services Committee that any freshman or sophomore Member could only dream of. Any freshman or sophomore Member joining our committee could easily wonder where do I fit in and all this stuff, but you all have carved away so that those of us who have a compassion for consumer justice and for an America where we have shared prosperity, not just for some of us but where all of us have an opportunity to do well and take care of our families, you all have cut a wide berth for us, and so I thank you for that.

Let me say about the foreclosure crisis, in many ways I come here somewhat embarrassed because we could have had a bill like this years ago. It is not as if you and Congressman WATT didn't think of it. It is not as if the Miller-Watt bill wasn't on your mind back in the 109th Congress and 108th Congress. It was there, but it took this propitious moment to get as close as we are. And yet, we still don't have a signed bill. We have a bill that has passed through the House, and we have great hopes for it getting through the Senate, and we have even greater hopes to get it on the President's desk for signature. But the moment that the American people are waiting for, which is to end predatory mortgage lending, that moment has yet to come. And we have seen foreclosures that have rivaled the Great Depression. That is very disturbing to me.

I want the American people to look at this chart that we have here tonight. The number of new foreclosures increased dramatically between 2005 and 2008. That is precipitous growth in foreclosures. As foreclosures were going up, we also see human beings attached to each one of those foreclosures. Congressman, you know what I am talking about. The stories can be told.

Let me tell a story. I was knocking on doors one day and I saw a gentleman hobble to the front door to answer the door to talk to me. This particular gentleman lived on the south side of Minneapolis. I heard a voice come from deep within the house say, Be careful, Honey, and it clearly was his partner. And he hobbled up to the front door anyway on a cane.

I said, How are you doing?

He said, Fine.

I said, I'm running for Congress. I want to go there and I am going to work on consumer justice. I am real concerned about credit cards and real concerned about predatory lending.

He said, I hope you are, because let me tell you, I was on my roof trying to fix it. It is because I didn't have the money to fix it to hire a guy who really knew what he was doing. My wife told me not to do it, but I did it anyway. As usual, she is right. I fell. I hurt my back, which I hurt years before, and we didn't really have the money. It cost us $1,800 for an emergency vehicle to come get me. They got me there. I had a big bill. I didn't know what hurt more, the back or the bill. I didn't have the money, so I put it on a credit card. I ended up getting another credit card, and I started juggling these cards. And then when the mortgage payments came and I wasn't working, I just couldn't keep up.

Well, a few years ago we bought this house and we had a huge balloon payment after 3 years. We thought we would be able to do it because when we talked to the guy, he said, You know what? The value of your house is going up and you will be able to do a refinance and you won't have any problem.

That man told me, Look, I have big credit card debt and medical debt, and I am starting to get notices that they are going to foreclosure if I don't make some payments to the bank. Unfortunately, time went by, November came, I ended up being a Congressman, and this man ended up being in foreclosure.

The sad fact is the people who are in foreclosure, there are a lot of ingredients to this very sad cake; but one is hard times and economic difficulty, and two, bad loan products. The combination of the two makes for foreclosures.

As we open up tonight, Congressman MILLER, I am grateful to you and Congressman FRANK, Congressman WATT, Congresswoman WATERS, Congresswoman MALONEY, and all of the people who have been leading the charge on this issue.

I want to keep it in mind that we are not talking about just statistics. We can tick off, in 2008, there were 2,417,000 foreclosures, but there was a life and a family connected to each one of those.

As we do this Special Order tonight, we need to keep that in mind.

Mr. MILLER of North Carolina. Thank you, Mr. ELLISON.

I want to address a couple of other points. One that is frequently cited, argued, that the people who signed those mortgages should have known better.

Here is the reality. Economists call it asymmetry of information. In other words, one of the parties to a transaction knew what was in the documents because they wrote the documents. They had their lawyers write them. It was little print. It was legalese. There was a lot of it.

And most Americans who may feel smug that they didn't sign a subprime loan have probably gotten burned on a credit card, and they know what credit card contracts are like. And they know that the bank wrote the credit card contract and they didn't have any say in what was in that contract, and they know that it was complicated and it was designed to trap them and had little trip wires and whatever else.

But the same was true of mortgages. The Federal Trade Commission actually quizzed both prime and subprime borrowers, people who got good mortgages and people who got the toxic mortgages right after closing, right after they signed the documents, and it was an open book test with their documents in front of them. They quizzed them on what the terms of their mortgages were, and almost nobody knew what they were signing.

A half could not identify the total amount of the loan. A third could not identify what the interest rate was. That was with the documents in front of them. Two-thirds did not know there was a prepayment penalty if they had one, and 90 percent did not know the total up-front cost. Up-front cost is where predation lives.

□ 2000

That was what predatory lending was all about.

And in addition to that, most borrowers, particularly subprime borrowers—70 percent of the subprime borrowers got a mortgage broker. They thought mortgage brokers presented themselves as a mortgage professional. Now they tell Congress that they should be regulated like a used car salesman—which is actually unfair to used car salesmen because there are some consumer protections in selling a used car. But they said they should simply be a salesman. It should be buyer beware; that there should be no particular protections. They shouldn't be treated like a lawyer or someone else who has a fiduciary duty—I think a point that you made in committee.

Brokers were being paid not just by the borrower, but by the lender. And the worse the loan was for them, the more the lender paid the broker. Now, most Americans, when they hear that, just think that's crooked.

Mr. ELLISON. Will the gentleman yield? Was there an obligation to disclose that I'm getting paid more money for selling you this loan, and it's costing you more but it's making me more? Was that part of the disclosure requirement?

Mr. MILLER of North Carolina. Yes. It was one of the documents, it was one of many documents that the borrowers signed. And guess who handed them that document and explained to them what they were signing? The broker. And if the borrower asked, what is this I'm signing? What the broker would say is, well, this just means that the lender is paying part of my fee, saving you money.

So, yes, there was a disclosure. Was it an effective disclosure, was it a disclosure that really told consumers what was going on? No, it was not.

Mr. ELLISON. If the gentleman would yield one more time. So what you're saying is it was telling you without telling you anything; is that right?

I yield back.

Mr. MILLER of North Carolina. Yes. It was a nondisclosure disclosure.

This is actually a rate sheet. This is from a lender that is now long out of business, but this is how mortgage rates were set. Across the top it shows the loan to value, what percentage—it might be 95 percent—and a credit score, how well a consumer or borrower paid their bills, what they had earned for themselves. Their reputation also factored in. The industry used to call that ''character'' as one of their considerations in lending.

And so on this sheet, a 95 percent loan, a loan where the borrower only had 5 percent and the borrower had a credit score between 640 and 659 would pay 7.55 percent interest. But over here, there is the payment that the lender made to the broker called the yield spread premium. And it says, if the borrower signed a mortgage that was a half a point higher interest rate than they qualified for based upon their loan to value and their credit score, the interest rate that they earned by how well they paid their bills, the lender would pay the broker 1 percent of the loan. That was called a yield spread premium.

Now, I think most Americans hearing this can't believe that this was ever legal. It's still legal. The bill we passed last week would prohibit this, would end it. But this means that even those borrowers who are trying as hard as they could, knowing that they were entering into a complicated and important transaction to buy a home or to borrow money against their home, who would try to get a professional voice, someone to be on their side, someone who would understand it and would lead the borrower through it and find the best loan for the borrower, their trust is being betrayed. Now, if our bill passes, we will have finally ended this. But those who feel smug and say, well, they should have known better, the odds were so stacked against them, they never had a chance.

Mr. ELLISON. Would the gentleman yield? May I ask the gentleman a personal question?

Mr. MILLER of North Carolina. Yes.

Mr. ELLISON. How many homes have you ever purchased in your life?

Mr. MILLER of North Carolina. Let's see. I think three or four—four.

Mr. ELLISON. Could you count them all on one hand?

Mr. MILLER of North Carolina. I could on one hand, yes.

Mr. ELLISON. How many mortgage transactions does a mortgage broker do in a given week?

Mr. MILLER of North Carolina. Quite possibly 10 or 15; I mean, a successful broker.

Mr. ELLISON. If the gentleman would yield back. So they do more transactions in a week than you have done in a lifetime?

Mr. MILLER of North Carolina. And that's what they told the borrowers. This is my business——

Mr. ELLISON. Is that what you call an information asymmetry?

Mr. MILLER of North Carolina. Yes. There was an information asymmetry, which worked very badly for the borrower, for anyone who is on the short end of that information deficit, that information gap.

Mr. ELLISON. So if the gentleman would yield back. The bottom line is, you are a lawyer, you are a Member of Congress, you have served in the North Carolina State Legislature, you're a man, clearly, of ability and all these things—I'm not just praising you gratuitously, I'm just identifying the facts—and here you walk into a transaction to buy a home, and quite literally you are at a disadvantage because the person on the other end of the transaction has done more transactions in a week than you have in a lifetime.

Now, imagine a person who is a first-time homebuyer, a person who has not finished law school and college and maybe even high school, a person who maybe works hard every day, and the idea of buying a home for them is a dream come true, maybe nobody in their family has ever owned the place where they lived. And so they're juiced up, they're excited, and they really don't understand the documents that they're signing.

The fact is, I think that this legislation that you have helped shepherd through Congress is a long time coming. And we need people to really register their support for a piece of legislation like this. I just want to ask you a question, Congressman, because I think it's an important one.

Now, someone might make the case that, okay, Congressman, you're talking about predatory lending a lot. What about predatory borrowing; isn't it true that some of these people bought loans that they knew they could not afford? Well, what are your views on that, given the fact that people were in fact steered to more expensive loans, that mortgage brokers—some of them, not all, some of them—did get paid to get you to pay a higher cost loan, that there were these things like information asymmetries; what does the reality of predatory borrowing really mean? I yield back.

Mr. MILLER of North Carolina. Some of our colleagues make that argument frequently. It is an explanation for the crisis that the lending industry loves. They welcome that explanation.

Here is the reality: As long as home prices were appreciating, they didn't have to pay attention to whether borrowers could really pay it back or not because the house would appreciate in value. The borrower, if they couldn't pay back the loan, they certainly weren't going to allow it to be foreclosed, they would sell it.

I asked those very questions of a spokesman for the industry at a hearing just last year to Robert Story, who was vice chairman of the Mortgage Bankers Association. I asked if the cost of foreclosure is actually recoverable by the lender out of the proceeds of the foreclosure sale. So if there is equity in the home, the lender recovers the cost; is that correct? He said, okay, as long as there is equity in the home, it really isn't an economic problem for the lender, that's right. He said, that's correct, but most people who have equity in their homes don't go into foreclosure because they can sell their home because they have equity in their home and they can reduce the price. As long as home prices continued to appreciate, there was no way they were going to lose money even if a borrower couldn't pay back the mortgage.

And I asked that at some point, too, when we had the questions in committee again and again about predatory borrowing, people who are committing fraud. I asked Sheila Bair, the Chair of the Federal Deposit Insurance Company, I asked on April 9, 2007, If lenders were really getting half of all loans, subprime loans, without full income verification, do any of you—I was speaking to a panel of witnesses—really think that no one buying those loans really had a clue that there was a problem? And Sheila Bair said, I don't think they looked. It's amazing to me; investors who are holding the ultimate risk in the loans, and I don't think they looked. I don't think the rating agencies looked. It's one of the breakdowns of the system that we have. Market discipline was not there, nobody was looking.

But I asked the panel after she said that, I said, Does anyone here think that the masters of the universe on Wall Street who bought those loans were really being played for chumps by middle class families who were borrowing from them? And John Dugan, the Comptroller of the Currency, said, I think there was a belief that income was no longer predictive of people paying the loans back, and you could rely on the history of house prices going up. And so they ignored it. And I think that proved to be a very dangerous decline in underwriting standards.

Well, no kidding. And we've had story after story about how lax the underwriting standards were, about how little they did really to make sure that the borrowers could pay the loans back because it didn't matter.

The New York Times ran an article on WaMu, Washington Mutual, one of the leading subprime lenders. And they quoted an appraiser who worked with WaMu who said, If you were alive, they would give you a loan. Actually, I think if you were dead, they would still give you a loan.

There were memos to the originators of loans from WaMu saying, A thin file is a good file. Don't ask too many questions. There was an article in the press in just the last week or two about a similar memo that JPMorgan Chase sent out to everyone who was originating mortgages, Don't ask questions. If you don't want to know the answer, if it might disqualify someone for the loan, just don't ask. They weren't worried about people paying the loans back. Now, that was catastrophic for the borrower because the borrower was going to lose the equity in their home if they had to sell their home. And once you've gotten yourself into the middle class by buying a home, and God forbid you lose it to foreclosure, but even if you had to sell it because you can't pay the mortgage, you really are falling out of the middle class.

Some have argued that we haven't done anything about borrower fraud. We don't have to do anything about borrower fraud. There is already the law of fraud that if the lender was really duped by the borrower, they could sue the borrower, but they would have to show that they actually reasonably relied upon what the borrower told them. They weren't relying on what the borrower told them; they were asking to be lied to. And in most cases, the broker filled it out and just gave it to the borrower to sign.

Mr. ELLISON. Would the gentleman yield? Is there a commonly referred to name for the kind of loans you are referring to?

Mr. MILLER of North Carolina. Liar loans, yes. Sometimes they're called ''Alt A,'' that was Alternative A, that was the polite name, but they were also called liar loans.

I do want to talk about where we go from here. The bill that the House has passed does reach a lot of the practices that have led us to where we are. It does limit the upfront cost, which is where the predators really made their living was by soaking borrowers at the front end, as Mr. TURNER talked about, what they made came out of the equity in the borrower's home. It was lost in the loan documents, but it was in the lending industry's pocket by that point.

It requires disclosures that are actually understandable. It requires standard forms that are actually developed by the banking regulators. They are designed to be understood, not disclosures designed by the industry that are designed not to be understood. It prohibits this compensation system that rewards brokers for betraying the trust of borrowers.

It requires that the lending industry not make loans to people who don't have a reasonable ability to pay it back. It requires brokers to present borrowers with a set of options that are reasonably suitable to the borrower's needs. If we had that bill in effect 5 years ago, we would not have the crisis we have now.

Now, there has been a lot more contributing to the crisis now than just subprime loans or even alternative loans, option arms, and all the rest, the exotic products—exotic mortgages is what Alan Greenspan called them. It has gone well beyond that now. But this is what precipitated it, this is what got it started. This was the match that started the newspapers, that started the kindling that started the hard wood. This is what started the fire of mortgage lending.

□ 2015

But we have to go beyond this.

Again, let me go back to this chart of the financial industry profits as a share of U.S. business profits. It peaked during the subprime heyday at more than 40 percent of all profits. This is when the lending industry is saying, you know, we have to do these things to make credit available to people. If you rein in what we're doing, we just won't be able to make credit available to people, and you are going to hurt the very people you are trying to help. No. They were making a killing.

This is gone now. This is in addition. This is after all the vulgar compensation that we've heard about. In addition to CEO compensation up and down the line, the financial industry pays very well. Compensation in the financial industry was almost twice of what Americans generally got. But this money is now gone. In the words of the country music song, ''It's in the bank in someone else's name.'' And now we're dealing with the fallout after this.

But look at what it was back in the fifties and the sixties when our economy was doing pretty well. We had a manufacturing base. The middle class was doing well. Their lives were improving. Their economic conditions were improving. They were making just ordinary profits of, you know, 10 to 15 percent, not more than 40 percent.

The financial industry wants to go from where we are, which is that they're on taxpayer life support. But they want to go back to this. This is not what we need to go back to.

Mr. ELLISON, I know that you also support the legislation that Mr. DELAHUNT and I have introduced. I actually lost a coin flip. It's Delahunt/Miller instead of Miller/Delahunt. But in addition to what we've done to get at mortgage lending practices and credit card practices to create a regulator whose only job is to look at financial products, consumer financial products and look at those up front to see if they're fair to the consumer and prohibit those that aren't.

In addition to Mr. ELLISON, there are several prominent supporters of this proposal. Joseph Stiglitz, a professor of economics at Columbia who's won the Nobel Prize.

Mr. ELLISON. Elizabeth Warren.

Mr. MILLER of North Carolina. Elizabeth Warren. Robert Shiller who is a professor of economics at Yale, widely published, well regarded, seen as a likely future winner of the Nobel Prize. He probably has an economics status that the golfing world has, the best golfer never to have won a major, and I hope that that status or that reputation for Professor Shiller does not have the same career consequences as that reputation in golf has.

But Elizabeth Warren, as you point out, a professor of law at Harvard, is probably the best known and most vocal advocate for it. And she compares it to a toaster. That a manufacturer of a toaster—you know, a consumer doesn't know what's on the insides of a toaster. And if a toaster manufacturer is just trying to make the most money that they can—she made these arguments just earlier this week on the Charlie Rose show—take out the insulation from the toaster, and the toaster has maybe a one in five chance of catching fire. It's more profitable for the manufacturer of the toaster. They would make more money, though the Consumer Product Safety Commission is at least supposed to keep them from doing that kind of thing. Why is there not a regulator who looks in the same way at financial products? That is Elizabeth Warren's analogy, and that probably rings true with a lot of people.

But in my late and unlamented law career, I did some insurance regulatory work, and I can't tell you how different insurance is from lending. Insurance has been regulated because there have been abuses in the past. Before an insurer can offer a policy, the insurance commissions in the various States approve the policy form. What are you insuring against? Do you have little tricks in there that you aren't really insuring people against what they think they're getting? What is the likelihood that there is really going to be a loss? And is the premium right? Is the premium right? Is it not too high so it gouges consumers? And is it not too low so that insurance companies might make a quick profit but not have the money to pay claims when claims come due? And that happened in the past. That's why we have that regulation, and that's what's happened now.

The financial industry has made a huge profit, huge profit. More than 40 percent of all corporate profits by these consumer lending practices. But now that the consumers can't pay their credit card bills and can't pay their mortgages, they're stuck.

The American people are not deadbeats. They're stuck. They are working hard. And if anything goes wrong in their life, if they lose their job or someone in the family gets sick or if they go through a divorce, they really don't have much room to play. And they've got to be able to borrow money.

But the industry made a killing, and now they're getting bailed out. I don't want to go through a cycle of making a killing and getting bailed out, making a killing and getting bailed out.

Let's have a set of regulations in place that provides the American people the kinds of financial services, the kinds of financial products that really meet their needs and doesn't produce this kind of profit, that really produces the kind of profits we had back in the manufacturing days, back when the lives of ordinary Americans and the middle class was improved.

Mr. ELLISON. Well, let me say, I'm proud to be on that bill with you. I think that Elizabeth Warren, Professor Stiglitz and Professor Shiller are all brilliant for coming up with the idea. The fact is, if you look at many of these mortgages, they were not safe at any speed, to borrow a phrase from Ralph Nader.

The fact is, if the only way that this mortgage, quote-unquote, works is if you can refinance it in 3 or 2 years, then that is a mortgage that doesn't work. It's designed to end up in foreclosure but for a very shaky assumption.

If the gentleman would allow me to mention in our waning time, I would also like to say this about the bill we just passed through the House. And that is that many of the properties that have ended up in foreclosure are not homeowner-occupied. In other words, they're multifamily dwellings. They're investor-owned. And in many States across our country, you can be a tenant who has paid every, every rental payment on time, never missed one. And yet if your landlord didn't use that money you gave him to pay that mortgage on that building, you could find yourself kicked out without any notice at all.

Some States have regulations, many don't. This bill gives people 90 days from the date of foreclosure in order to stay and make new plans for their lives.

I think this is a critically important piece of legislation, very important provision in the bill, and I'm glad it is a part of it.

I know you're going to have to wrap up pretty soon, Congressman MILLER, so I just want to yield back to you now.

Mr. MILLER of North Carolina. Thank you, Mr. ELLISON, for participating.

We have covered a great many topics that I wanted to cover. There are many more that we have not. The arguments that the Community Reinvestment Act of 1977 caused our financial crisis in 2008.

Mr. ELLISON. Ridiculous.

Mr. MILLER of North Carolina. Actually, the Federal Reserve Board's statistics show that 6 percent of subprime loans were by lenders who were subject to the Community Reinvestment Act—not all lenders were, or just those with federally insured deposits—and were in the neighborhoods where the Community Reinvestment Act encourages savings. And all the evidence says that that 6 percent perform better than others.

So it is not that that is exaggerated. It is completely untrue. There is no truth to that argument at all.

If we had longer, we could talk about the role of Freddie and Fannie. Certainly they are blameworthy. They acted badly, but they did not lead the financial industry into this crisis, as has frequently been charged.

What led the industry into this crisis was the pursuit of profits and not an honest living but a killing. Not an honest living by providing services to people who needed it, credit to people who needed it on reasonable terms but a killing by cheating people. And we can't go back to that.

What we need to do now is not just climb out of where we are but try to restore what we had before. We need to reform the industry and the consumer lending practices.

Mr. Speaker, I don't think I have much time to yield back, but I do yield back the balance of my time.

ECONOMICS AND ENERGY

The SPEAKER pro tempore (Mr. KRATOVIL). Under the Speaker's announced policy of January 6, 2009, the gentleman from Iowa (Mr. KING) is recognized for 60 minutes.

Mr. KING of Iowa. Thank you, Mr. Speaker.

I am honored to be recognized to address you here on the floor of the House of Representatives in this Nation's most deliberative body of debate, at least it used to be, and I hope it is once again, Mr. Speaker.

Having listened to my colleagues here and identified, I think, the centerpiece of this debate that's taking place in this country, I wanted to address, Mr. Speaker, this evening the idea of where we stand with the broad economic view that is what's taking place in the United States of America today, and then I'd like to take us back to where we are with the overall cap-and-trade, cap-and-tax, greenhouse gas, global warming, climate change debate that's going on. The language seems to be drifting and moving a little bit, Mr. Speaker, on this. And I will go to the climate change component of this.

But first, Mr. Speaker, I want to address this situation on where we are from a broad economic perspective so that there is a backdrop in order to think about how we go forward with policy and what is the right policy for the United States of America within the context of the world and the globe.

We are the global economic leader. We are a large percentage of the world's economy. We have been leading this world's economy because we have, are, or were a free market economy. And the foundations for American exceptionalism should be clear to everyone on each side of the aisle.

Of course that foundation is rooted back in the philosophy that is the foundation for our Constitution, which is the Declaration of Independence. It's rooted in the natural law and the natural rights that come from God and that our founders all unanimously recognized. And as they took those principles and laid them out in the Declaration of Independence and then later on, about 13 years later, were able to get that language into the Constitution and get the Constitution ratified and give birth to a nation, what made us such a great nation? Why didn't we wallow back into the problems that so many other nations have had? What distinguishes the United States of America from the other countries in the world?

Now there have been powerful economies in the world. There have been powerful cultures and societies. The Founding Fathers studied a lot of those. They looked at the Greeks and the Romans, for example. They didn't have the opportunity to take a look at the former Soviet Union, but they would have taken a lesson from the former Soviet Union. It seems as though many Members in this Congress have missed that little history lesson, even though they lived it as contemporaries.

But these foundations of American exceptionalism, many of them in the Bill of Rights, the right to freedom of speech, religion, expression, assembly, a right to keep and bear arms, a right to property that was diminished, I think to some degree, by the Kelo decision in the Supreme Court about 3 years ago when they struck three