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We Must Push a Hesitant Congress to Attack the Foreclosure Crisis

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Finally a stimulus package has been passed although no one's sure if it will work. Only one thing is certain: Washington remains a mess. Not just because Republicans have resisted President Obama's calls for bipartisanship. Democrats, with Nancy Pelosi in the lead, are equally wedded to the status quo. That Obama is sincere seems clear, but so is the fact that few in his own party, let alone the opposition, have the stomach for change that he does.

Proof of this can be found by exploring one aspect of the current crisis, the prospect of record numbers of foreclosures over the next 4 years.

In a nutshell, here are the facts crucial to understanding this problem.

According to the Center for Responsible Lending and other housing industry analysts, the nation faces a catastrophic foreclosure rate that over the next 4 years will result in 8-10 million families losing their homes. The foreclosure pace has already reached 46,00 homes a week, which, if no counter-measures are soon developed, will result in about 2.4 million foreclosures in the next year alone.

Washington's first attempts to mitigate the foreclosure crisis occurred pre-2009. In cooperation with mortgage companies, politicians launched various efforts intended, they said, to save families from disaster. One effort was Democrat Chris Dodd's sponsorship of a Homeownership Preservation Summit with housing industry bigwigs. The summit produced a list of things the attendees planned to do to make the situation better. Another effort was the New Hope Alliance, a private organization that was formed as the result of Treasury Dept. discussions and which was headed by a mortgage executive. Like Dodd's summit, its mission was to alleviate the foreclosure crisis. A similar mission motivated Congress' passage, in July 2008, of a bill entitled "Hope for Homeowners."

All of these efforts failed for one reason: they required nothing of the mortgage industry. All compliance was voluntary. The crisis kept mounting.

Washington's politicians had done it again: sponsored forums, started projects and passed legislation, all of which contained enough loopholes to guarantee that big money was left more or less unscathed. And so, even with some pull-backs on foreclosures as with Fannie Mae and Freddie Mack, from mid-2007 until now the number of foreclosures skyrocketed to one million.

As already stated, the projections for the immediate future are even worse.

The new wave of foreclosures will be driven by 3 factors:

1. The few voluntary moratoriums on foreclosures are beginning to expire. Although there weren't enough such moratoriums to be effective ultimately, the ones

that existed held back the threat of a foreclosure tidal wave somewhat. That's about to end.

2. People with adjustable-rate mortgage s will see their payments rise as companies disallow minimum payments that exclude interest. These raised rates will expand the percentage of people forced into foreclosure.

3. The continuing wave of job losses.

What's needed to solve this problem is a revision of U.S. bankruptcy law that would allow judges to work out new mortgage payment schedules for working people who've filed for Chapter 13 bankruptcy. It's estimated this could save hundreds of thousands of homes yearly from foreclosure during the current crisis.

An additional advantage of amending bankruptcy law in this way is that such a change doesn't dramatically depart from existing law, but merely extends it. Already judges in bankruptcy cases are allowed to reorganize payments on all other major assets owned by working people; the only exception is home mortgages. The reason for this exception is the banking lobby, which over the years has tenaciously wined and dined Washington leaders to make sure the industry's extraordinarily lucrative mortgage market isn't curtailed in any way.

It's worth noting that while working people's home mortgages aren't protected under U.S. bankruptcy laws, corporate and bank mortgages *are* protected.

Interestingly, a version of this fix was included in the original draft of the stimulus package. Unfortunately, it was quickly dropped by Democrats suddenly eager to cooperate with their Republican colleagues on at least something in the package.

There's still hope, though. The bankruptcy fix is now contained in a bill authored by John Conyers (D-MI). The bill is *HR 200: Helping Families Save Their Homes in Bankruptcy Act of 2009*. Its success, however, isn't clear. Whether enough Republicans and Democrats support it to get it through both the House and Senate remains to be seen.

Delaware's own politicians in Washington are good examples of why we need to worry. They have a history of taking strong pro-banking lobby positions.

Look at Joe Biden. During the presidential campaign, he spent a lot of time touting his working-class Scranton roots, but the difference between this picture and how he votes in D.C. is pretty extreme. For years his support of bankruptcy laws that diminish protection for debtors while maximizing lenders' power has been unsurpassed by any other Washington politician. In fact, his obsequiousness to the industry was so unsightly at one point that David Broder, the thoughtful and usually mild-worded political analyst, called it "outrageous."

Senator Carper and Rep. Castle have been no more independent. In Delaware, America's "corporate and banking capital," forging a political path uncontrolled by big money requires a capacity to think outside the box that neither has demonstrated when it comes to the economy.

If people want to start putting pressure on the institutions that actually caused the current economic crisis, there's no better place to start than by supporting the House and Senate versions of Conyers' bill.