SPEECH

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Hillary Clinton's Remarks on Halting the Housing Crisis

Thank you. Thank you. It's great to be back here at Penn and in Philadelphia. I remember giving the commencement address here some years ago and I always had that image of the beauty of this campus and, of course, its extraordinary reputation. And I'm delighted to have a chance to be here with you to talk about an issue that is critical not only to Pennsylvania but to our country.

I want to thank Congresswoman Schwartz, she and I will be together later this afternoon. I'm looking forward to that very much. Mayor Nutter, I have heard the governor say that you could be the second best mayor in Philadelphia history. I know you're aiming for first, so keep it up. You're doing a great job. And Governor Rendell who has been so visionary and strategic in his leadership first to Philadelphia, then of course to Pennsylvania. And what he just said about how he and his administration responded to the first signs of trouble from the mortgage market is just typical of Ed Rendell. He really is someone who is always looking to solve problems and that's why he's been so successful and why I'm so grateful for his support.

I want to take a moment to note yesterday's heartbreaking news that five years after the start of the war there have now been 4,000 U.S. military deaths in Iraq. Tens of thousands of our brave men and women have also suffered serious wounds, both visible and invisible, to their bodies, their minds, and their hearts. As president, I intend to honor their extraordinary service and the sacrifice of them and their families by ending this war and bringing them home as quickly and responsibly as possible.

As the headlines of the past months have made clear, we are experiencing a crisis of confidence in our country. We have a crisis of confidence in our leadership with respect to Iraq and we have a crisis of confidence in our economy. What started out as a subprime mortgage crisis has now become a national credit crisis, rippling out from banks and boardrooms to businesses and living rooms across America. We've had three straight months of private sector job losses. Consumer confidence is down and falling. The dollar has hit record lows and gas prices, record highs. And last week the Federal Reserve took unprecedented measures to rescue Wall Street, the likes of which we haven't seen since the Great Depression. These are not just red flags or warning signs - they are indisputable indicators that our economy is in serious trouble. And now we face an urgent question: how do we keep today's turmoil from spiraling into a long and painful recession? This is no easy task.

The 21st century American economy is more complex and more interconnect with the global economy than ever before. It is shaped each day by billions and billions of individual transactions and interactions on every continent. Subject to crises or even just speculation in one country can move markets in dozens of others with the blink of an eye or a flick of a mouse.

In today's economy, trouble that starts on Wall Street often ends up on Main Street. Sometimes within minutes, sometimes over the course of months or even years. When there's a run on mortgage-backed securities and the bottom falls out for investment banks, the bottom falls out for families who see the value of their homes, their greatest source of wealth, decline. When our credit markets freeze up, that doesn't just cause panic on our trading floors, but in small businesses that can't get the capital they need to survive. And on college campuses like this one, when the student loan for next semester falls through. When we continue to persist in brain dead energy policy as confidence in our currency erodes, that means gas prices so high you feel like it costs more to commute to work than you make when you get there. It means rising food prices that strain household budgets. It means having less left over for savings or ever dipping into savings to make ends meet. It means more challenges for the mayor because property tax revenues drop, businesses don't have the same ability to make that profit that benefits the city. It means more problems for the governor who has to look across a complex state economy trying to figure out how to keep what has been a remarkable string of real budget balances and surpluses. It causes problems for our country.

Ultimately the true currency of today's American economy is confidence. When people lose

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confidence in the economy and our president's ability to manage it, problems become crises and crises lead to more crises. So we need a president who can restore our confidence, a president who is ready to confront complex economic problems with comprehensive solutions, a president who will act at the first signs of trouble, working with experts to identify the problem, with agencies to adapt regulations, with congress to pass necessary legislation, working to prevent crises rather than just reacting too little too late. We need a president who is ready on day one to be Commander-in-Chief of our economy. If you give me the chance, I will be that president. I will start by facing our economic situation as it is, not as we wish it would be.

That means acknowledging that our economic crisis is, at its core, a housing crisis, a crises caused in part by unscrupulous mortgage lenders and brokers and unregulated transactions in mortgage-backed securities, in part by speculators who were buying multiple houses to sell for a quick buck and other buyers who didn't act responsibly. And in part by a president and administration who failed to anticipate and continue to downplay the problems we face. Unlike what happened here in Pennsylvania, when Governor Rendell started seeing problems - and I remember those articles we had in the newspaper, governor, where the housing supply was being, you know, expanded and people were putting zero money down and they were trying to once again get the American dream, they were commuting sometimes two hours to be able to afford that house. Well, those warning signals went unheeded in Washington. But thankfully, not in Harrisburg. And what we have to do now is to look at our housing crisis in greater detail. And I'd like to outline my plans to address it.

2.2 million foreclosure notices went out last year - up 75% from 2006. Communities of color have been especially hard hit. Subprime loans are five times more common in predominantly African American neighborhoods than predominantly white ones. And 41% of loans to Hispanics are subprime compared to only 22% to whites. But this crisis isn't just about the more than 2 million households at risk of losing their homes and, of course, 2.2 million foreclosure notices means many more people than that because obviously you have homes where anywhere from two to ten people live. It's about the tens of millions of families who have lost value in their homes.

When I talk about the home foreclosure crisis, sometimes people, I can tell, look at me a little skeptically because they, I can tell, they're thinking to themselves, I didn't buy one of those mortgages, I don't have an ARM, I'm not at risk. But, in fact, that is just not the case. Home prices dropped almost 9% last quarter. Home prices for everyone. If you have paid off your home, if you have a fixed rate mortgage with a manageable interest rate, you have suffered the steepest decline on record. That means families have lost at least $1.9 trillion in housing wealth so far, nearly two-thirds of the size of the entire United States government budget. And today, nearly 9 million families are struggling with mortgages that are under water. They actually owe more for their mortgages than their homes are worth. So what was once their biggest financial asset is now a financial liability.

The housing crisis is also a crisis for our cities, our towns and our neighborhoods. At least 41 million homes will lose value because of foreclosures in their neighborhoods, including 1.7 million homes right here in Pennsylvania. Abandoned homes and boarded up neighborhoods mean higher crime rates, lower property values, and plummeting tax receipts for cities and towns across America. Now, a year ago in March 2007 I called for immediate action to address abuses in the subprime market, and I laid out detailed concrete proposals for how to do so. I warned this administration that the problems in subprime mortgages would soon spill over into regular mortgages. The response from our president? Well, his Treasury Secretary told Congress that the problem was, quote, "contained." And president himself assured us there would be a, quote, "soft landing for the housing market." The housing crisis then spread from subprime to traditional mortgages. And in August of last year, I warned the administration that the housing mortgage crisis would soon ripple out throughout the entire economy. Again, I called for immediate action and laid out concrete proposals to prevent foreclosures and help states hard hit by this crisis.

I also called for tighter regulation of the housing market, starting with unscrupulous mortgage brokers who were taking advantage of our families. I would require mortgage brokers to disclose right up front that they're paid based on the size of the mortgage they sell, to put buyers on notice. I would work with states to develop strong, meaningful broker licensing standards to screen brokers and govern their conduct and I would require all brokers to register with the federal government so that home buyers can do their own background checks to ensure they're dealing with someone who will deal fairly with them.

I also called for greater regulation of mortgage lenders. I would eliminate the prepayment penalties that lead to such high rates of default. I would require lenders to take into account the borrower's ability to pay property taxes and insurance fees when deciding whether to make a loan in the first place. Too many loan lenders haven't made that part of the calculation and too many families don't know that they need to budget for these expenses. In October, I proposed legislation, the Foreclosure Rescue Fraud Act, that imposed new criminal penalties on lenders who were taking advantage of people, offering foreclosure rescue schemes that lure families in, take their money and do nothing to help them.

I've also proposed that we amend the bankruptcy code to give judges the discretion to write down the value of struggling families' homes. Believe it or not, bankruptcy judges can write down the value of many other things to help families pay off their debt, but not their homes. They can write off the value or write down the value of second homes, which seems kind of ironic to me. Making this amendment to the code will help families in bankruptcy pay off their mortgages and stay in their homes.

Now, the response to all of this from the administration? Well, they continued their wait and don't see approach, largely ignoring the mounting problems. By December of last year the mortgage crisis had become a national credit crisis. So I went to New York City and I told Wall Street they needed to do their part to address this crisis. I put forward an aggressive plan for a 90-day moratorium on all subprime foreclosures and a voluntary five-year freeze on interest rates for all subprime mortgages. The response from this administration? A plan that let banks off the hook and left homeowners to fend for themselves. In the words of one expert, the president's plan was the bank lobby's dream. This administration's top economic priority it seems has been to lavish roughly $400 billion in tax cut on the wealthiest 1% of Americans while families have lost nearly five times that in the value of their homes.

Last week when it became clear Wall Street was on the brink of a financial melt down, the Fed and the administration sprang into action. The Fed extended a $30 billion lifeline to prevent Bear Stearns from imploding and took unprecedented action to provide tens of billions of dollars in credit for other struggling investment banks as well. Homeowners, on the other hand, have received next to no assistance. Well, let's be clear. When families are losing their homes, that's also a financial crisis. When people’s greatest source of wealth is losing its worth, as college costs and health care costs and food and gas prices shoot up, that’s a financial crisis too. When "for sale" signs line streets across our country, when cities and towns are struggling with the costs of foreclosed properties, that is also a financial crisis.

Our families are feeling the anxiety right now. I hear their stories every day, from Florida to Wisconsin, from California and Nevada to Pennsylvania. Last month, a little girl stood up at a town hall I was holding and asked me what I was going to do "about people and children that don’t have any food or houses?" I started to commend her on her concern for those less fortunate, when she interrupted me and said, "I’m losing my home." Her mother is a hair dresser whose customers are tightening their belts. They’re not coming in as often, they’re not having as much done. They had an adjustable rate mortgage they could no longer afford.

We’ve come together today in the city where the American ideals of "Life, liberty and the pursuit of happiness" - of justice and equality - were inscribed into our founding documents. But what does all that mean to a family that’s lost its nest egg and the hopes and dreams that went with it? What does it mean to a little girl who goes to sleep at night worried about losing her home?

Our housing crisis is at heart an American Dream crisis. Your home isn’t just your greatest asset, your greatest source of wealth - it’s your greatest source of security. It’s what anchors you to your neighborhood and community. It’s the center of your family.

For the past seven years, we’ve had a president who stands up for the special interests - for the insurance companies and the mortgage companies and Wall Street. Now it’s time for a president who stands up for American families, a president who will rein in the special interests and rebuild the American middle class.

Over the past week, we’ve seen unprecedented action to maintain confidence in our credit markets and head off a crisis for Wall Street banks. It’s now time for equally aggressive action to help families avoid foreclosure and to keep communities across our country from spiraling into recession.

Today, I am announcing my four part plan to Protect American Homeowners: A plan to help our families keep their homes and help communities hard hit by the housing crisis.

My plan starts with an aggressive new effort to help millions of at-risk families restructure their mortgages and stay in their homes. Of the tens of millions of Americans who have lost value in their homes, 8.8 million are struggling with these mortgages underwater. That is more than 10 percent of all homeowners -- the highest percentage since the Great Depression. If home prices fall another 15 percent, one third of all homeowners will find themselves in the same boat.

The time for action is now - not a month from now, or a year from now - but now. And the reality is that many of our families need more than just basic refinancing. That’s why I support new legislation proposed by my colleagues, Representative Barney Frank and Senator Chris Dodd that would expand the government’s capacity to stand behind mortgages that are reworked on affordable terms.

Currently, families apply to the government, and the government decides on an individual basis whether to work with them to restructure their mortgages. You heard the governor say that maybe there will be 1,000 families that will be helped in Pennsylvania. This is a slow process that helps relatively few families, and it simply isn’t enough to revive our housing market.

The Frank-Dodd legislation would move beyond this incremental approach by setting up an auction system for mortgage companies that hold hundreds of thousands of these mortgages. Through this system, these companies could sell mortgages in bulk to banks and other buyers. The buyers would be willing to purchase these mortgages - and restructure them to make them affordable for families - because they know the government will guarantee them once they are refinanced.

This would be good for families, who can keep their homes. It would be good for mortgage lenders, because it's more profitable than foreclosures. It would be good for our economy, helping to unfreeze our credit markets.

But given the severity of today's housing crisis, simply facilitating this auction process might not be enough to get our economy moving again. That's why I believe the Federal Housing Administration should also stand ready to be a temporary buyer - to purchase, restructure, and resell underwater mortgages.

Just as it has in the past, this kind of temporary measure by the government could give our economy the boost it needs and families the help they certainly need. It would not require a single new federal bureaucracy, it would be designed to be self-financing over time - so it would cost taxpayers nothing in the long run.

It is a sensible way for everyone - lenders, investors, mortgage companies and borrowers - to share responsibility, keep families in their homes, stabilize communities and the economy.

In order to determine whether the approach outlined by Representative Frank and Senator Dodd is sufficient - or whether we need the government to step in as a purchaser - I am calling on President Bush to appoint an emergency working group on foreclosures. That is the second part of my plan.

We simply cannot wait until Congress passes legislation to find the best way to help millions of families.

That's why I'm proposing an Emergency Working Group on Foreclosures. It could be led by a distinguished, non-partisan group of economic leaders like Alan Greenspan, Robert Rubin, Paul Volcker. It's the kind of proactive step that would help re-establish confidence in our economy by showing that the President and the Administration was taking our economic crisis seriously.

I've been calling for several weeks for the President to show some sense of urgency. The group's first order of business would be to determine how the government should implement the solutions proposed in the Frank-Dodd legislation - and whether this legislation goes far enough.

If it's decided additional steps are needed, then we should investigate whether - and how - the Federal Housing Administration or other government entities, or Fannie Mae and Freddie Mac, could buy, restructure and resell underwater mortgages. The group would report back to Congress on a very tight timeline - no more than three weeks.

In the meantime, while the Emergency Working Group is being formed, we should implement the moratorium on foreclosures that I first called for in December. Every unnecessary home foreclosure just worsens the credit crisis and further depresses housing prices. Secretary Paulson and others have finally acknowledged the need for this moratorium in certain cases. I hope we will act to implement it as quickly as possible to implement it.

The third part of my plan is a new housing stimulus package to provide $30 billion directly to states and localities, like Pennsylvania and Philadelphia, hard hit by this crisis.

Right now, concentrated clusters of foreclosures are devastating some communities. A recent study of ten states by the U.S. Conference of Mayors found that the foreclosure crisis will lead to 6.6 billion dollars in lost tax revenues in just those ten states alone.

Just over a month ago, Congress passed, and President Bush signed, a $168 billion stimulus package. But this package did next to nothing to help homeowners and communities struggling with foreclosures. I said at the time, if we did not address the housing crisis, we would not be able to stem the bleeding. Congress is trying to combat a recession caused by the housing crisis without doing anything to address that crisis.

Well, if the Fed can extend $30 billion to help Bear Stearns address their financial crisis, the federal government should provide at least that much emergency assistance to help families and communities address theirs.

That's why I'm calling for the creation of a one-time emergency $30 billion fund that would go directly to cities and states to address the housing crisis.

This money could be used to purchase foreclosed or distressed properties, which cities and states could then resell to low-income families or convert into affordable rental housing.

It could be used to help neighborhoods with high foreclosure rates avoid increased crime and blight by investing in everything from police and fire support to graffiti removal and better lighting.

It could also be used by local agencies to provide counseling and refinancing to help families avoid foreclosure in the first place. Governor Rendell has been leading the way with programs like that here in Pennsylvania. The Pennsylvania Homeowners Emergency Mortgage Assistance Program offers small, low-cost loans to families facing foreclosure. It has saved up to 40,000 homes since it started. And this past October, Governor Rendell launched two additional programs to help homeowners refinance and restructure their mortgages.

And we're seeing results here in Pennsylvania: Since the end of 2006, Pennsylvania's foreclosure rate has decreased 11 percent. I look forward to working with governors like Governor Rendell and with mayors like Mayor Nutter, who is already providing such outstanding leadership here in Philadelphia, to replicate this kind of success across America.

The fourth and final part of my plan involves passing new legislation to clarify legal liability for mortgage companies that act to help more borrowers stay in their homes.

Right now, many mortgage companies are reluctant to help families restructure their mortgages because they're afraid of being sued by the investment banks, the private equity firms and others who actually own the mortgage papers. Because remember, all of these mortgages were bundled up in these huge packages and sold around the world. So you can't just go down to see your mortgage broker or your bank or your other lender to work out a deal because they no longer own the paper. This is the case even though writing down the value of a mortgage is often more profitable than foreclosing - both for mortgage companies and for most of those who own the mortgages.

That's why I will be proposing legislation when Congress returns to provide mortgage companies with protection against the threat of such lawsuits. I know this kind of policy isn't particularly glamorous and it probably won't make headlines. But it will make a critical difference in helping families save their homes and getting our economy back on track.

Now, some may claim that the plan I've outlined today is a "bailout." They'll argue that it's not government's role to help. Well, that is the same kind of tired rhetoric we've been hearing for years now. And I think the American people know better. We've had enough of that old ideology. We're ready for solutions here and now.

And to those who object to our government helping middle class families and low income families devastated by the housing crisis, I say this: We've given Bear Stearns a $30 billion lifeline, we've given their creditors, their lenders their customers and those associated with them the same lifeline. We are now lending billions of dollars a day to help Wall Street banks that aren't regulated, that are not held accountable. How can you tell a family about to lose their home that there's nothing we can do to help them? How can you tell them that if they had failed spectacularly we would've helped them but because they are failing quietly, desperately, we are turning our backs? How can you tell them that there is nothing we can do to rebuild the American Dream?

I have been across our country for years. I know how much a home means to all of us.

I remember like it was yesterday when Bill bought our first home. It was back in 1975, and we were living in Arkansas and teaching at the university there in the law school. We weren't yet married - though not for lack of asking on Bill's part. And one day, we drove by this tiny red brick house with a "For Sale" sign in front. All I said was I thought it was a sweet-looking house and never thought about it again.

Several weeks later, Bill said to me, "Do you remember that house you liked? I had never been inside, I had never been outside looking inside, I had just driven by. I said, "What house that I liked?" He said, "You know, that red brick house on California Drive. Well, I bought it, so now you'd better marry me, because I can't live in it by myself."

It wasn't exactly a mansion. The kitchen needed a lot of work. But I did say yes. And that fall, we were married in the living room of that house, surrounded by our closest friends and family.

That first home meant the world to us. It was where we started our life together, celebrated birthdays, anniversaries and holidays with our friends. And families across America feel the same way; whether it is your first house or your tenth house. It is part of who we are as Americans to look at that home ownership as such an important part of the American Dream.

Today, we face unprecedented economic challenges. But we also have within our reach unprecedented economic opportunities. We've got clean energy opportunities that we are not exploiting. Utilities are changing the way they do business, focusing on efficiency, not just producing energy. Renewables like wind and solar are the most exciting prospects for American manufacturing in decades.

I've even proposed that we establish a "Carbon Reduction Mortgage Association" or a "Connie Mae" - an idea that Vice President Gore first came up with. We'd direct Fannie Mae and Freddie Mac to provide loans to help people build more and retrofit more energy efficient homes. We'd save money over the long run. We'd create millions of "green collar" jobs.

We've got infrastructure opportunities to rebuild our crumbling roads, bridges and highways, like I-95 right here in Philadelphia. Opportunities to revolutionize our public transportation systems; cut down on traffic and pollution. We can do so much that will really build the strong economy we need in the 21st century. But we won't do it by just waiting and watching and losing the opportunity to act. We've got so many great ideas that will give us the tools we need for the 21st century.

Now, turning the economy around won't be easy, but we are gathered in the very city where our founders put to paper the words that have guided our nation - and inspired the world - for more than two-hundred years. Each generation of Americans has faced threats to our ideals. Each generation has met them. We have fought wars, overcome a recession, weathered all kinds of problems, lived through the Great Depression; we've had market crises of all kinds.

Through it all, as President Franklin Roosevelt once said, "We have always held to the hope, the belief, the conviction that there is a better life, a better world, beyond the horizon." But we have to translate that hope into reality. We have to translate that conviction into solutions, and if we do, we will meet the current challenges with confidence and optimism. We will rebuild our economy - stronger, more vibrant, more resilient than ever before. It is a question of leadership. I hope we don't have to wait until the next president is sworn in, but that we will come together and exercise that leadership in both the public and the private sector as soon as possible. That's why I've set forth this plan and hope that the administration will begin to act with the urgency that the crisis before us demands.

Thank you all very much.