



For Immediate Release
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Contact: Carol Guthrie
202-224-4515

**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding “The Housing Decline: The Extent of the
Problem and Potential Remedies”**

At the beginning of the 1940 film *The Grapes of Wrath*, Ma Joad explained how life had changed. She said: “I never had my house pushed over before. Never had my family stuck out on the road. I never had to lose everything I had in life.”

But that’s the threat hanging over millions of Americans today. They fear that their lives are about to fall over. They fear that they will be stuck out on the road. They fear that they may lose everything that they have in life.

According to the Center for Responsible Lending, two million Americans will go to bed tonight in fear of losing their homes, because their mortgage payments are about to jump.

I’m talking about people like Luke and Jenifer St. Claire. Luke and Jenifer are a hard-working couple raising a family in Missoula, Montana. They have three kids. Number four is on the way.

Luke has been blessed. He works as a union bricklayer. He earns \$23 an hour. That’s twice what they call the “living wage” in Missoula. It ought to be enough to raise a family.

But in two months, Luke and Jennifer’s mortgage will reset. Their monthly payment will jump from \$1,400 to \$1,800 a month. That’s a 29 percent increase.

At the same time, everyday expenses like food, gas, and utilities are also on the rise. Over the last four years, the cost of living in Montana has increased twice as fast as wages.

Good, hard-working people are in danger of being thrown out of their homes. And we need to do everything that we can to prevent that.

Owning one’s home is the foundation of the American Dream. Home ownership builds wealth. Homeowners feel connected to their communities.

But if homeownership is a sure sign of success, what happened this last year?

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Homeownership rates were the highest in our Nation's history. And housing prices were increasing at the highest rate in our Nation's history.

But it turns out that the housing boom was built on a foundation of low interest rates and "exotic" mortgages. Falling housing prices exposed the underlying weakness of the loans themselves. And then the housing market collapsed.

Many homeowners who purchased "exotic" mortgages will see 30 percent increases in payments. Low teaser rates are adjusting upward. Most of these borrowers cannot afford that kind of increase.

The housing market makes up five percent of the American economy. The housing market is worth \$13 trillion. Holders of mortgage-backed assets are looking at losses of \$100 to \$400 billion.

Today, the overall economy is still strong. But housing troubles have spilled over into financial markets. Combined with high oil prices, these disruptions could bring on a recession.

Experts believe that the problem will get worse before it gets better. We need to figure out how to help people to keep their homes.

One step that we can take is to address the unexpected tax consequences triggered by foreclosures and loan modifications.

The tax code treats forgiven debt as taxable income. The tax code does not tax loan proceeds as income, because the borrower pays the loan back. But when the borrower does not pay back the loan, the money looks more like income. So in those cases, the tax code treats it like income.

That's sound tax policy. But when so many homeowners are losing their homes, and face a large tax bill to boot, it's time for us to provide temporary relief.

Home ownership is the number one asset class and the number one wealth builder for Americans. It's the bedrock of the American Dream.

So let me begin this hearing by asking everyone here to work together to achieve the goal of helping Luke and Jenifer St. Claire and the two million people like them to keep their homes.

Let us find ways to keep their house from being pushed over. Let us find ways to keep them from being stuck out on the road. Let us find ways to help them to hold on to what they have in life.

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