

**STATEMENT OF SENATOR GORDON H. SMITH**  
U.S. Senate Special Committee on Aging  
“Foreclosure Aftermath: Preying on Senior Homeowners”  
February 13, 2008

Thank you Mr. Chairman for holding today’s hearing. Unfortunately, it is a topic that is all too timely.

The downturn in the housing market has created significant hardship for working families and elderly people across the country. The decline in home values coupled with rising mortgage payments has proven a formula for financial disaster for many Americans.

In 2007, the number of foreclosures hit an all-time high, with 405,000 homeowners nationwide losing their homes. In my home state of Oregon, the number of foreclosures increased 57 percent between 2005 and 2007.

For con artists seeking prey, the high rate of defaults provides a target rich environment. It is unfortunate that while facing the challenge of foreclosure, homeowners also must be on the lookout for unscrupulous individuals who seek to take financial advantage of them.

While these cons do not exclusively target the elderly, older Americans are often prime targets because they typically have significant equity built up in their homes and are often on fixed incomes.

These scams cannot be tolerated. Our consumer protection laws must be enforced and those perpetrating the crimes must be prosecuted.

Perhaps most importantly, however, I believe we need to do more to educate people who may be facing default or foreclosure on what their options are and how to protect themselves from fraudulent schemes.

An educated consumer is the first line of defense against fraud and abuse. As such, I am pleased to see initiatives such as the HOPE NOW initiative that are proactively reaching out to borrowers.

To help stop the spread of foreclosures, I have introduced legislation with Senator Kerry that would give people who are at risk of default the option to obtain safe, fair mortgages.

Under current law, State and local governments are permitted to issue tax-exempt bonds to finance new mortgage loans to first-time homebuyers. Our bill would temporarily expand the use of the program to include refinancing of existing subprime loans.

The bill that Senator Kerry and I introduced will help people who may face foreclosure to stay in their homes and at the same time provide needed stimulus to the housing industry.

I look forward to hearing our witnesses' testimony. I am pleased this committee is shedding a bright light on this problem.

Thank you Mr. Chairman.