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*State Rep. Harold James testifies before a committee of the Pennsylvania House of Representatives on Nov. 29, on behalf of state resolution HR 418, calling for the U.S. Congress to enact the Homeowners and Bank Protection Act.*

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## Testimony by Rep. Harold James

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*Pennsylvania State Rep. Harold James delivered the following remarks to the Nov. 29 public hearing of the State House Intergovernmental Affairs Committee on H.R. 418, in Harrisburg, the state capital.*

Mr. Chairman and members of the Committee, it is time for the Commonwealth of Pennsylvania and our Congressional delegation to take national leadership, in the Spirit of 1776.

Pennsylvania should offer the nation a bipartisan solution to the home foreclosure and banking crisis now upon us, a crisis which threatens to set off an economic collapse worse than the Great Depression of the 1930s.

We are witnessing the collapse of a financial bubble of tens of trillions of dollars of mortgages, mortgage-backed securities, and financial derivatives, all based on home prices that were artificially inflated by Federal Reserve policies over the past several years. We are looking at hundreds of thousands of job cuts in financial services, construction, home improvement, and other related sectors. The collapse of consumer spending caused by layoffs and declining home values, as economic growth falls to zero and below, would wipe out 3 million jobs, according to the Washington-based Economic Policy Institute. The tax revenues of state and local governments would collapse accordingly.

This situation could become worse than the Great Depression, since the current economic collapse is combined with huge price increases for food, energy, and other commodities. The U.S. dollar is falling to record low levels, partly because the Federal Reserve is trying to bail out the big banks and mortgage lenders, by injecting hundreds of billions of dollars into the banking system, backed by almost worthless securities. This threatens to collapse the world monetary system.

The Homeowners and Bank Protection Act called for in H.R. 418, is intended to stop the bailout of speculators, hedge funds, and inflated financial securities, while at the same time keeping the doors open of the state and Federal chartered banks, especially our local community banks, as real estate values are reduced to reasonable levels. We need a “firewall” of Federal protection for these banks, as suggested by economist Lyndon LaRouche, to prevent a panic “run on the banks,” like we saw in England in September, when depositors lined up for four days to withdraw their savings out of Northern Rock Bank, or on Aug. 16, 2007, when panicked depositors flooded the offices of Countrywide Bank in the Los Angeles area. The banking crisis will get much worse, as indicated by the billions of dollars of losses already reported by banking giants like Merrill Lynch and Citicorp, the multi-billion-dollar losses of mortgage giants Fannie Mae and Freddie Mac, and the shocking projection by Goldman Sachs of \$400 billion of losses to the banking system from subprime exposure alone.

We need a second “firewall” to protect homeowners and renters from being evicted by the millions as a result of this emergency crisis. In 1934, the U.S. Supreme Court upheld the constitutionality of a moratorium on foreclosures, as enacted at that time by the state of Minnesota and many other states and municipalities, after the inauguration of Franklin Roosevelt. The policy of a foreclosure moratorium in times of economic emergency, has a long history of bipartisan support in Pennsylvania, especially since 1983, when a severe economic recession led to foreclosure moratoria in Allegheny, Philadelphia, and other counties, and the adoption of the Foreclosure Prevention Act 91 by the state legislature. A national morato-

rium is needed today, because the crisis of home foreclosures is too big to handle on a state-by-state, or case-by-case basis.

We need to freeze the foreclosure process, also because of the widespread fraudulent practices that have come to light. In Pennsylvania, the Poconos area is notorious for what Congressman Paul Kanjorski has called “abusive and deceptive mortgage lending practices.” Just ten days ago, a mortgage broker in the City of Erie pleaded guilty to felony charges, and now faces a maximum 25-year prison sentence. The fraud also extends far beyond the subprime sector. A class action suit by over 800 mostly middle class homeowners in Lancaster, Berks, and other central Pennsylvania counties, charges 24 major banks and mortgage lenders with complicity in a massive fraudulent scheme, including Wells Fargo Home Mortgage, Chase Home Mortgage, Citicorp Home Mortgage, Countrywide, SunTrust, Sovereign Bank, Wachovia Mortgage Corporation, and Washington Mutual Home Loans.

Mr. Chairman, the Pennsylvania Congressional delegation has an overwhelming mandate for action in this crisis. Municipalities all over this Commonwealth have expressed their support for H.R. 418, and agree with me and the 40 bipartisan co-sponsors of this resolution, that Congress should take emergency action and introduce the Homeowners and Bank Protection Act. Resolutions of support for H.R. 418 have been adopted by the City or Borough Councils of New Castle, Johnstown, Erie, Ellwood City, Monessen, West Mifflin, Berwick, Canonsburg, and Sunbury. The Pittsburgh City Council unanimously passed a resolution of support for H.R. 418 two days ago, which reports that out of 38,333 fore-

closures in Pennsylvania in 2006, 12,204 of them occurred in the Pittsburgh area.

Local elected officials have expressed personal support as well, such as Council members from the cities of Washington and Lancaster. I also have a letter of support endorsed by three members of the City Council of Bethlehem, including the Council president. Many other Councils that could not consider a resolution in time for this hearing for procedural reasons, have support resolutions in the works. The city clerk of Scranton wrote to me on behalf their Council: “It is with great pleasure that Scranton City Council offers their full support for House Bill 418. It is their hope that our Legislators will support this and take emergency action to protect homeowners and banks by enacting a Homeowners and Banks Protection Act.”

I am also very happy to announce, that the Philadelphia City Council just passed a resolution of support for H.R. 418 and the Homeowners and Bank Protection Act this morning. The resolution was introduced by City Council members W. Wilson Goode, Jr. and Donna Reed Miller, and was adopted unanimously.

The Newark, New Jersey City Council passed a resolution supporting similar legislation two days ago, which means that the largest city in New Jersey is committed to organizing support from that state’s Congressional delegation. Resolutions similar to H.R. 418 are already pending in other states, like Illinois and Michigan, and have been adopted in other cities, like Gary, Indiana; Jackson, Mississippi; and Pomona, California. If Pennsylvania takes the lead in Congress, I believe that the rest of the nation is ready to follow.

## Philadelphia City Council President Backs HR 418

*Near the close of the hearing, Representative James announced his receipt of the following letter of support from Philadelphia City Council President Anna C. Verna, and entered it into the record.*

Dear Representative James:

I write to voice my strong support for your bi-partisan resolution, HR 418, which I understand is under consideration today. This calls on the United States Congress to take emergency action to protect homeowners and banks currently threatened by the foreclosure crisis.

The mortgage crisis in America, this Commonwealth, and the City of Philadelphia is rapidly accelerating. Many mortgages were provided to unsuspecting borrowers that

they could not afford to pay over the long haul. Mortgage lenders made millions of dollars from these predatory loans. Some of the lenders have since gone out of business from the level of delinquencies in the mortgages they made, leaving borrowers with no recourse.

The effects of foreclosing on thousands of homes in Philadelphia will be devastating to the unsuspecting borrowers who will lose their homes. It will further seriously impede the City’s efforts to rebuild its neighborhoods. Foreclosures will create thousands of vacant structures, blighting neighborhoods across the city, creating homeless families, and inflicting serious damage on our real estate market.

This is a national crisis, but we at the local level are bearing the brunt of the problem. I fully support HR 418. The federal government should do its part to protect the hardworking homeowners in Philadelphia, and elsewhere, from the results of being provided loans they can no longer pay. Thank you for your consideration.

Sincerely,  
Anna C. Verna