

Foreclosure Crisis Demands Congress Take FDR Approach

by Nancy Spannaus

With the U.S. housing foreclosure crisis hitting levels unseen for decades, leaving millions of families vulnerable to losing the roofs over their heads, Congressional leaders pulled together a special hearing on July 25 to discuss the topic. The Joint Economic Committee hearing was called by Sen. Charles E. Schumer (D-N.Y.), with a specific focus on the impact of the subprime mortgage lending crisis on what he called “one of the hardest-hit communities in the nation—Cleveland, Ohio.” Testimony was presented by five witnesses from the Cleveland area, including Hon. James Rokakis, treasurer of Cuyahoga County; Hon. Anthony Brancatelli, Cleveland City Council; Mrs. Audrey Sweet, resident of Maple Heights; Ms. Barbara Anderson, resident of Slavic Village; and Kenneth D. Wade, CEO of NeighborWorks America.

The hearing succeeded in providing a sensuous picture of the disaster which predatory lending practices in the housing sector have created for low-income families and local governments in urban centers. If anything, it understated the disaster that looms nationally. An estimated 1.7 million Americans will lose their homes over the next year when adjustable rate mortgages reset, according to an analysis by Moody’s Economy.com reported in the Aug. 1 *New York Times*.

An Inadequate Response

But the hearings’ failure was in not providing guidelines on how Congress should act to reverse this process, which can only get worse, if its root causes are not addressed.

References were made in the course of the hearing to some of the legislative measures which have been put on the table, in response to the crisis. In nearly all cases, these measures avoid the reality that caused the disaster: the fact that

housing has become an object of insane speculation, without regard for the need to provide decent affordable housing for the nation’s citizenry. It is this reality, the current *housing system*, which has to be changed.

Specifically, as Lyndon LaRouche has emphasized, Congress has to *throw out* all of the deregulation measures which were adopted for the housing sector, from the 1960s forward. After declaring a national economic emergency, Congress has to reorganize the banking system, including declaring a moratorium on foreclosures, in such a way that the huge speculative bubble based on mortgages is effectively wiped off the books, and such speculation is outlawed in the future. Then, as part of an overall banking reorganization, mortgages on owner-occupied homes should be *written down* to a reasonable level. Congress should then authorize a regulated Fannie Mae to act as President Franklin D. Roosevelt’s Home Owners Loan Corporation did, to purchase from the banks and other institutions these rewritten mortgages, while bridge loans, at very low interest rates, are provided to homeowners who need such aid in order to stay in their homes.

More could be said about what specific measures are needed,* but the overall point should be clear: The foreclosure crisis is but a *symptom* of the bankruptcy crisis of the dollar-based world financial system, and cannot be solved independently of dealing with that bankruptcy crisis. Either an FDR-style approach is taken, including wiping out trillions of dollars of unpayable debt, or so-called ameliorative measures will do nothing but pour monies down the drain—into doomed financial institutions.

* See “Put the Toothpaste Back in the Tube: Rebuilding FDR’s Dedicated Lending System for Housing.” *EIR*, July 27, 2007.