My name is Jim Rokakis and I am the County Treasurer for Cuyahoga County, Ohio, a county of over 1.3 million people that includes Cleveland and 59 suburban communities. I have held that position for 10 years and served as a member of Cleveland city council for 19 years before that.

First I would like to thank the committee for allowing me to speak on the topic of predatory lending and the damage it has done to communities all over America, but particularly to communities in Ohio. The damage has been enormous, but sadly the news of the past few months convinces me that the worst is yet to come.

For at least the past seven years urban leaders in cities like Cleveland, Dayton, Toledo, Cincinnati, and other older, more mature cities throughout America have been decrying the explosion in foreclosure filings in their communities. They have complained of abandonment, of property flipping and of a lending industry that was behaving so irresponsibly that we were convinced that someday that a segment of that industry—the sub prime sector—would implode. We complained of no document loans and of Adjustable Rate Mortgages that would reset at a rate that would be well beyond the means of the borrower. We complained of borrowers known as NINJA's-No Income-No Job-No Assets—who were buying properties, often multiple properties, often with no down payments. We complained of fraud on an unprecedented scale that involved buyers, sellers, brokers, bankers and appraisers.

Mr. Chairman and members of the community these tactics have devastated Cleveland and its' neighborhoods. The most obvious example Mr. Chairman is the neighborhood in Cleveland known as Slavic Village where you once served as its councilman, where 900 homes have been abandoned in just the past several years.

We pleaded for help at the State level Mr. Chairman but were no match for the lobbying team assembled by the mortgage brokers, the mortgage bankers and financial services industry that has come to view securitization and the use of collateralized debt obligations as a fool proof way to finance mortgages in this country, not just for people with good credit, but for people with bad credit—or no credit at all.

You have heard this before but it bears worth repeating: The American dream of home ownership has become for the hundreds of thousands of Americans who have been foreclosed, or who are being foreclosed or will be foreclosed—for those Americans it has become a nightmare. For older, struggling American Cities, this promise of the American dream has become a nightmare, burdening these communities with vacant properties and maintenance costs these cities cannot afford. For the millions of Americans who live next to one of these properties or on a street with a vacant home or many vacant homes, who have witnessed a precipitous decline in the value of their most valuable asset—their home—this foreclosure disaster has become a nightmare for them too.

Last March we began a foreclosure prevention program in our County that asked our residents who were facing foreclosure to call a 211 hotline where operators referred them to foreclosure counseling specialists. I am proud to say we have saved approximately 600 homeowners from foreclosure during that period, but am sobered by the fact that for every mortgage we save that twenty more are filed with our Clerk of Courts. We have gone from 3500 private mortgage foreclosures in 1995 to 7500 in 2000 to over 13,000 in 2006, with no end in sight. These increases coincide perfectly with the growth of the sub prime lending industry.

What are we asking this Congress to do? Don't fall for the argument that some on Wall Street are starting to voice—that this is a market problem that the market will correct, and that the market is already doing that by tightening credit standards. Mr. Chairman I have read various reports that estimate that anywhere from 1.4 to 2.4 million mortgages will go into default and that the losses suffered as a result of these defaults will run into the hundred of billions. On a daily basis we read reports of mortgage banks that are filing bankruptcy or are facing bankruptcy. Does anybody really believe that this is all caused by a little hiccup in the market, one that we should trust them to correct?

There are two areas where congress can be of great help: Certain loan products must be abolished and loan officers must be held to a fiduciary duty. No document loans have no place in the home mortgage industry. These loans which are unapologetically referred to as liar's loans among brokers are an invitation to fraud, and should be outlawed. If your borrower can't prove-beyond doubt—what their income is, why are you lending them money in the first place?

As far as loan officers are concerned Mr. Chairman, the loan officer knows with a considerable degree of certainty whether the borrower he is working with will be able to repay that loan, yet they reject the notion that they should be required to have the borrower's best financial interest driving their decision making. This is the most important financial decision that these borrowers will ever make and it is critical that these mortgage brokers be held to the highest fiduciary standards. There has been talk in this congress of a suitability standard-does the borrower have the income to make a monthly loan payment? Not only next month's payment but the payment when the loan rate resets? Selling somebody a loan they don't need or can't afford should cost mortgage brokers their license.

When the industry testifies before this panel, please ask yourself one question: Why are we here to address what has become a national crisis? They will blame this foreclosure disaster on a slow economy, on rising unemployment, on a few rogue brokers and bankers who have misbehaved, and they will tell you that we have enough laws and regulations—but that we need to do a better job of enforcing the ones we have. Ask them if lax, or non-existent underwriting standards haven't played a role in this disaster or if high fees and bonuses totaling billions of dollars to brokers who are rewarded to write mortgages with higher interest rates and excessive fees haven't contributed to this foreclosure tsunami.

Mr. Chairman, you will never be able to put a dollar amount on the heartbreak, the pain and distress caused to these families—never. Please reject the argument that if Congress reins in the abuses of the sub prime industry that it will dry up all credit for the millions of Americans with less than perfect credit. There is unquestionably a place for sub prime lending in this country. Sub prime loans can provide opportunity to people to own a home who might not otherwise have that chance. But, Mr. Chairman, to say that you must accept the abusive practices as part of this solution—well, that is just plain wrong, but I think you already know that.

Thank you for this opportunity.