

# THE HOMES CHUCK SCHUMER DIDN'T SAVE

DDay and Zach Carter both reported yesterday on the NY Fed's conclusion that the 2005 Bankruptcy Bill had pushed an extra 200,000 people into foreclosure. Here's Zach:

Economists at the New York Federal Reserve have concluded that a controversial 2005 law backed by banks and credit card companies pushed more than 200,000 people into foreclosure and exacerbated the subprime mortgage crisis.

[snip]

In a paper released Tuesday, New York Fed researchers Donald P. Morgan, Benjamin Iverson and Matthew Botsch determined that the law sparked about 116,000 additional subprime mortgage foreclosures a year after going into effect. What's more, they note, these foreclosures pushed home prices down, which may have lead to additional foreclosures. When the value of a home drops below what a borrower owes on the mortgage, it becomes nearly impossible to get out of the loan by selling the house or refinancing, making foreclosure more likely if they become unable to afford the monthly payment.

"By making it harder for borrowers to avoid paying credit card debt, [the 2005 bankruptcy law] made it more difficult for them to pay their mortgages, so foreclosure rates rose," the economists wrote.

Which I guess means it's time again to recall what Chuck Schumer responded to me on January 28, 2008, when I pointed out that the bankruptcy bill was going to exacerbate the financial

crisis that was about to hit. Schumer, Byron Dorgan, and Sherrod Brown all agreed the law was a problem. (Schumer and Dorgan voted against the bill, though Debbie Stabenow, pictured in my post, voted for it.) But, Schumer said, we couldn't just fix the obvious problems with it in 2008 because (you guessed it) we needed a bigger majority.

Senator Schumer explained that he didn't want to pick around the edges, he wanted to make a real fix, and we're not going to be able to do that until we get a bigger majority.

That was, of course, in 2008. That November, the Democrats would win solid majorities in both houses, as big a majority as you're ever going to get. Yet the Democrats never found time to get around to fixing the Bankruptcy bill.