

many, one. I am reminded that when events like this occur, the many show up and become one. They risk their own lives to save others. This is a tremendous act of selflessness and I applaud the heroes fighting to save our fellow Oregonians.

I thank our Federal responders, and I urge a disaster declaration as soon as possible. In the Northwest, we have natural disasters ranging from earthquakes to volcanoes. And there are storms that barrel in off the Pacific which can do an unbelievable amount of damage. They cause landslides, tear the roofs off our homes, and swell our rivers to record-breaking levels. Near the town of Tillamook, a river rose literally 20.5 feet within just a few hours, sweeping away livestock, homes, and tragically, unsuspecting residents. But the response from all types of government and nongovernment organizations, including the Red Cross, has been magnificent.

Many church communities are coming to the rescue. Communications have been lost. Amateur radio operators have filled the airwaves, connecting rescuers to those in need of rescue. We thank them and pledge that—as united Oregon Senators—we will do whatever we can for the sake of our State. We thank the Federal Government for their swift response and again urge an immediate disaster declaration to strengthen our ability to heal the psychological and physical wound left by this storm. We will begin to repair the damage that has afflicted so many counties in Oregon.

I assure the people of our State that we in the Federal Government will do our part. We will stay on this job until it is done and until Oregon has fully recovered.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Jersey is recognized.

MEASURE PLACED ON THE CALENDAR—S. 2416

Mr. MENENDEZ. Mr. President, I understand that S. 2416 is at the desk and due for a second reading.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (S. 2416) to amend the Internal Revenue Code of 1986 to repeal the alternative minimum tax on individuals and replace it with an alternative tax individuals may choose.

Mr. MENENDEZ. Mr. President, I object to any further proceedings with respect to the bill.

The PRESIDING OFFICER. Objection is heard. The legislation will be placed on the calendar.

The Senator from New Jersey is recognized.

MORTGAGE CRISIS

Mr. MENENDEZ. Mr. President, today I rise on behalf of more than

130,000 New Jersey homeowners who have a subprime mortgage. I rise on behalf of the 7 million American homeowners with a subprime mortgage, and I rise on behalf of the more than 2 million Americans who are or may be facing foreclosure in the coming year. This is a national crisis and certainly the time to respond is now.

Families across this country are having their homes ripped from their grasp, and there is no end in sight. Some have been saying that the storm is over and others have been sitting silently as the black clouds roll by, but the reality is this storm is going to get worse. More families are going to be facing foreclosure, more homes are going to be lost, and more damage is going to be done to our economy unless we act. There is no point in letting an invisible hand guide this destruction. If we have any sense of human compassion, we will help these families.

Many families are in trouble because they got a deal they didn't understand, a loan they couldn't afford, and now their adjustable rate mortgages are resetting. But these families are only the beginning. The storm is only going to get worse. Many of the adjustable rate mortgages that were made in 2006 will explode with higher interest rates sometime in 2008. Another type of adjustable rate mortgages, known as payment option, is set to explode after that.

Already, foreclosure rates have doubled and tripled in many areas. Hundreds of thousands of families are already losing their homes. Over the next year, absent strong action, the wave will build into a mortgage tsunami.

Not only will families lose their homes, often the largest asset they have, but the ripple effects will devastate neighborhoods and the broader economy.

If we do not act now to help those families, the effects will be catastrophic. We can see the storm coming. We know the damage it will cause. So we had better reinforce our levies. In Congress, we should be working to help hundreds of thousands of homeowners modify their mortgages to avoid foreclosure. We should be working to pass a bill that will help homeowners modify their loan, for example, in a bankruptcy proceeding. We must pass, over Republican objections that we have had, legislation to modernize the Federal Housing Administration.

But this is the beginning. Banks and lenders, without the prodding of Congress, should be reaching out to help those troubled homeowners renegotiate their loan terms. This is not a suggestion, this is an expectation. President Bush is announcing today his plan to address this crisis. He has reached an agreement with major mortgage firms to freeze interest rates for 5 years for financially troubled homeowners.

While I applaud the President for taking a step in the right direction, the plan simply does not seem to go far enough. It seems to operate under the

assumption we only have to do what is minimally necessary. Depending on the details of this plan, on how they determine who is eligible, many homeowners may be left out in the cold. A strictly narrow approach will keep relief out of reach for many who need it.

I am concerned about the family next in line when they close the door on eligibility. I am concerned about the millions of Americans who cannot pay their bills, and I am concerned President Bush's plan will only help a fraction of the families at risk.

Hard-working families are at a crisis in America, and in a time of crisis they expect strong and bold leadership to help them through. We need to provide that leadership. Congress, the administration, and the industry all have key roles to play to help those families.

But what about the families who have yet to sign that stack of papers to get their future mortgage loan? What about when my son or daughter or yours buys their first home? What about the homeowner who needs to refinance out of an unsustainable mortgage? In order to protect those families, we need to make sure we stop predatory lending before it starts.

As a member of the Senate Banking Committee, I have repeatedly said that in order to prevent the mortgage crisis from happening again, we need to find the root of the problem and fix it. That requires all parties—all parties—to step to the plate and admit where they went wrong.

A "not me" attitude will simply not work. Everybody who was responsible must be held accountable. I am proud to be working with Chairman DODD on a bill that will hold all parties accountable.

Now, when I considered what I hoped to see in a final bill, I looked at all of those responsible parties, from the regulators, to the lenders, to the brokers and beyond. But one particular piece concerned me; that is, the secondary market. In order to understand what I am talking about, I think it might help to step back for a moment and walk through the life of a subprime loan.

A consumer decides to seek a loan to purchase a home or refinance an existing mortgage or, more likely, a broker or lender approaches a consumer about a new loan. As soon as the loan settles, the broker gets a commission from both the consumer and the lender.

Now, here is where the secondary market comes in. Within 90 days after that consumer signs those settlement papers, the lender sells the loan to that secondary market, essentially selling the loan to Wall Street. That lender then washes its hands of the loan, but keeps the fees, regardless of what happens later on.

Once in the secondary market, the loan is bundled with thousands of other loans into what we call a mortgage-backed security. This bundle of loans then passes through one or more corporate entities on its way to the trust where it will reside.