

TOM WYKA FOR CONGRESS

NEW JERSEY'S 11TH DISTRICT

Wyka for Congress
P.O. Box 350
Lake Hiawatha, NJ 07034

Phone: 973.215.2082
Email: wykaforcongress@yahoo.com
Website: www.tomwyka.com

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Frelinghuysen Opposed Mortgage Reform

Parsippany, September 15--On September 15, investors awoke to the news that two independent Wall Street institutions had fallen. The Associated Press reported that the 158-year-old firm Lehman Brothers filed a Chapter 11 bankruptcy petition because it was burdened by \$60 billion in soured real estate holdings. It also reported that Merrill Lynch & Co. had been bought by Bank of America. Merrill Lynch, the world's largest and most widely recognized brokerage, has been struggling because of tight credit markets and billions of dollars in assets tied to mortgages that have plunged in value. Lehman Brothers and Merrill Lynch are just the latest casualties in the 14-month-old credit crisis.

On September 8, the National Community Reinvestment Coalition (NCRC) said that the government's takeover of Fannie Mae and Freddie Mac was unavoidable as a direct result of the failure of Congress and the Administration to address the ongoing foreclosure crisis. The NCRC said that earlier intervention to stem the foreclosure crisis would have been a more efficient and equitable use of taxpayer dollars. In addition to avoiding the collapse of financial institutions, doing so would have allowed millions of working families to maintain their homes.

So what has our 7-term incumbent Congressman done about this problem? "As the economic slump due to the crisis in the subprime mortgage market deepened, your Congressman responded by voting against the regulations that would keep the problem from happening again," said Tom Wyka, the Democratic challenger in district 11.

In November of 2007, Rep. Frelinghuysen voted against reforming the system of subprime mortgage lending ("No" on Mortgage Reform and Anti-Predatory Lending Act of 2007, [H.R. 3915](#), which passed 291 to 127).

Democratic challenger Tom Wyka says, "The mortgage crisis has led to a general financial crisis that is so bad that the federal government has taken control of Fannie Mae and Freddie Mac. The cost to taxpayers will be in the billions. Yet my opponent voted against the measures necessary to combat abuses in the mortgage lending market, and to provide basic protections to mortgage consumers and investors."

A year earlier, the Center for Responsible Lending reported that the subprime market was experiencing high foreclosure rates, and projected that nearly one out of five (19.4%) subprime loans issued during 2005-2006 would fail. The CRL noted that this is worse than the foreclosure crisis in the "Oil Patch" in the 1980s and estimated that these foreclosures could end up costing homeowners \$164 billion.

"Rodney Frelinghuysen is one of the wealthiest members of Congress. His father, who was a Congressman before him, was also a prominent banker. So it's not surprising that

Frelinghuysen would be sympathetic to the desire of bankers to be free from government restrictions, even though the taxpayers pick up the tab when they fail. Nor is it surprising that he is out of touch with what it means for so many people to lose their homes or their jobs. However, we have learned time and again that loosening the rules on financial institutions leads to meltdown in the financial markets, which ends up causing considerable suffering for ordinary people and cost to the taxpayer. Unfortunately, some of us keep forgetting those lessons, so the cycle keeps repeating. During the S&L crisis of the 1980s and 1990s, people said, 'Why didn't we learn from the Great Depression?' Now people are wondering, 'Why didn't we learn from the S&L crisis? It's well past time to pick up the pieces and tighten the reins again, but our incumbent Congressman isn't willing to do even that!"

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