

September 23, 2008

US Senator Christopher Dodd  
448 Russell Building  
Washington D.C., 20510

Congressman Barney Frank  
2252 Rayburn Building  
Washington, DC 20515

Congresswoman Nancy Pelosi  
235 Cannon HOB  
Washington, DC 20515

RE: Treasury Secretary Paulson's \$700 billion Economic Plan

Dear Mr. Dodd, Mr. Frank and Ms. Pelosi:

The bailout plan being rushed through Congress will not solve the economic crisis unless it addresses the root of the problem – defaulting mortgages and home foreclosures. Millions of taxpayers are losing their homes, while the companies who sold them predatory loans are being let off the hook in this proposal. The California Reinvestment Coalition (CRC), which represents more than 250 California community-based organizations, urges Congress to proceed with caution. Do not spend \$700 billion on the wrong people, or put our economic future in the hands of a Treasury Secretary who until now denied the existence and impacts of the subprime meltdown that crushed our communities and Wall Street.

The California Reinvestment Coalition has warned federal regulators and financial institutions about a housing crisis since 2000, when our research revealed the dangers of subprime lending in low-income communities and communities of color. The current dimensions of the housing crisis have grown beyond CRC members' wildest projections, but we strongly believe this hurried and nonspecific economic plan will not resolve the problems of our troubled economy, Wall Street or every day Americans. Instead, neighborhoods will continue to deteriorate as homes go empty and city deficits grind down essential services.

While a conspiracy of greed on Wall Street and in financial institutions caused this economic crisis, today the faltering value of these corporations is an outcome of unpaid mortgages and falling housing prices. Putting an end to spiraling foreclosures is the

solution to this crisis, and there is little if any information on the path to this solution in Treasury Secretary Paulson's plan. In May 2007, 125 organizations – ranging from a small housing counseling agency in Salinas to AARP with its thousands of members – joined the California Reinvestment Coalition in calling on the CEO's of the largest financial institutions to enact a six-month moratorium on foreclosures to give mortgage servicers time to devise long-term, workable solutions for homeowners in distress. Our recommendation still stands. No home owner living in their home, or tenant, should be evicted. Instead they should be given a loan modification that will allow them to stay in their home, keep their neighborhood stable, and bolster city funds for essential services.

California has been particularly hard hit by the mortgage crisis. In the first eight months of this year, almost 28 percent of all foreclosures (546,439) were in California (RealtyTrac). One of every thirty households in the City of Stockton received foreclosure notices this year, and that follows a year when Stockton had the highest number of foreclosures proportionally of any city in the country. Stockton has a budget deficit of \$10 million that the City Council calls a fiscal emergency. The County of Los Angeles has had 24,691 homes become empty, bank-owned facades this year. The City of Los Angeles has a general fund deficit of more than \$400 million. This is the root of the crisis and will not be resolved with attention solely to corporate America.

As tax payers, we are not being provided with sufficient details that justify the federal government spending trillions of our hard earned dollars to bail out greedy companies that engaged in fraudulent practices, while neighborhoods are falling apart, and families continue to suffer under the weight of high mortgage debt from predatory loans. The same federal administration that allowed these excesses is requesting unprecedented authority to resolve it. Congress should not pass a \$700 billion bailout without specifically addressing the impact that abusive lending practices of the last few years have had on local communities.

- ◆ Neighborhoods are suffering as hundreds of thousands of foreclosed and blighted homes invite crime and bring down property values, making neighboring homeowners increasingly vulnerable to their own foreclosure notice.
- ◆ Every day in California, an innocent tenant family is illegally kicked out of a foreclosed home, often after their water and utilities have been shut off. These families must find new housing in an overpriced market where they face increased competition from foreclosed homeowners looking to rent.
- ◆ Small businesses are devastated as they struggle to pay home equity lines that support both their home and business, and as the credit crunch makes it impossible to get loans to pay employees and continue business as usual. Many of these businesses are seeing their revenues drop by more than fifty percent and business districts are beginning to have empty storefronts.
- ◆ Local governments are losing critically needed funds for essential city services as

property taxes go unpaid and developments (and the fees they bring) aren't being built.

In order to ensure that communities are protected from further devastation wrought by the current crisis, Congress must:

- ◆ Impose a six-month moratorium on foreclosures to allow families to remain in their homes while working with housing counseling agencies and their loan servicers to negotiate an affordable workout plan that will keep them in their homes.
- ◆ Reform the Bankruptcy Code to allow judges to modify all home loans. Judges are allowed to modify the loans on second homes, so there is no reason why they should not be able to do this for first-time homeowners.
- ◆ Ensure that long-term, affordable loan modifications are given to borrowers struggling to make their payments, along the lines of what FDIC Chair Sheila Bair is doing with Indymac Bank, FSB. In addition, homeowners should have their principal brought down to an amount that equals the current value of their home (if there is evidence of predatory lending in the making of their loan).
- ◆ Reform our regulatory structure so that financial firms are subject to meaningful oversight that will deter abusive practices that maximize profit but destroy neighborhoods.

CRC members would welcome the opportunity to discuss these issues with you at this historic moment. California communities are under siege in unprecedented ways as a result of predatory financial practices. You have a historic opportunity to begin to save families and neighborhoods from being swallowed whole by the wave of foreclosures. We urge you to keep in mind the communities you serve and not just the Wall Street firms that precipitated this crisis when taking action to solve it.

Sincerely,

Alan Fisher  
Executive Director

cc: Hon. Richard Shelby, U.S. Senate  
Hon. Dianne Feinstein, U.S. Senate  
Hon. Barbara Boxer, U.S. Senate  
Hon. Spencer Bachus, U.S. House of Representatives  
Hon. Maxine Waters, U.S. House of Representatives  
Members of California Congressional Delegation