



# Community Reinvestment News

The California Reinvestment Coalition

Fall 2008

## An Open Letter to Congress

The California Reinvestment Coalition (CRC) and its members have been working for more than two decades to increase the access of low income people and people of color to fair credit and investments. Our country is now being over-whelmed by a financial disaster created by a culture of greed in the financial services industry and ignored until too late by the federal financial regulators. CRC members are extraordinarily concerned that these same regulatory agencies continue to make decisions that reshape our financial sector without public comment or full oversight.

- Morgan Stanley and Goldman Sachs have become bank holding companies and possible acquirers of major banking companies in a quick “emergency” regulatory process by the Federal Reserve without public comment. In contrast, Lehman Brothers was allowed to go into bankruptcy.

- Washington Mutual was taken over by the FDIC and offered to JP Morgan Chase all in one evening without *any* public comment.

- Wachovia was acquired by Wells Fargo Bank after a bidding war evidently overseen by the FDIC also without public scrutiny.

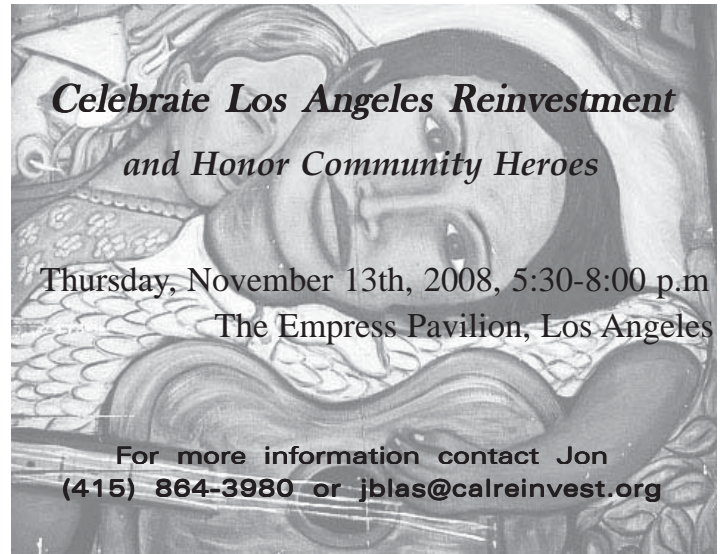
- The U.S. Treasury took over Fannie Mae and Freddie Mac, which has huge potential implications for the mortgage market due to their broad investments in low income tax credits and mortgages, without public scrutiny.

- Bank of America is acquiring Merrill Lynch in an acquisition which is open to public comment but brought together by the Federal Reserve. This acquisition will create a bank whose deposit base is considerably beyond the ten percent cap intended to limit market control.

All of these actions were done under “emergency” guidelines, with little or no regulatory scrutiny by the federal financial regulators. The same regulators that were not doing their job as our financial system and predatory mortgage lending created the current economic crisis. CRC members see this opaque process changing the financial system in a manner that is likely to further decrease the already limited window of financial access for minority- and women-owned businesses, nonprofit affordable housing developers in under-served neighborhoods and consumers. It is ironic that these neighborhoods that were once redlined, and then called emerging markets, are now being called declining markets and seen as too risky.

The California Reinvestment Coalition asks that Congress hold hearings to examine these emergency decisions in the light of day. CRC members are concerned that already under-served neighborhoods will suffer and the Community Reinvestment Act (CRA) will be weakened if this process continues and expands, as might be expected given the continuing economic crisis. CRA – in

*Continued on Pg. 9: See Congressional Hearings*



## Wall Street \$700 billion American People \$0?

The bailout plan rushed through Congress will not solve the economic crisis unless Treasury Secretary Paulson specifically addresses the root of the problem – defaulting mortgages and home foreclosures. Putting an end to spiraling foreclosures is the solution to this crisis, and there is no solution in the plan. 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.

- Reform our regulatory structure so that financial firms are subject to meaningful oversight that will deter abusive practices that maximize profit but destroy neighborhoods.

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“Advancing economic vitality for all California communities”



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## You Will Be Missed

In November CRC will say goodbye to our wonderful Media and Development Coordinator Victoria Leon Guerrero. After three years with CRC Victoria will be returning to her island home of Guam.

Victoria started with CRC as the Office and Marketing Manager. After returning to school to pursue an MFA in creative writing, she transitioned into her current position as our Media and Development Coordinator. Throughout her employment at CRC Victoria has brought passion, imagination, work ethic and a commitment to detail that helped elevate CRC's advocacy efforts to new heights.

CRC will miss Victoria greatly, but we wish her the best of luck as she returns home to pursue a career of education and activism in Guam.

## MEMBER NEWS

- **CHARO's Women's Business Center** will be conducting its "ABC's of Starting Your Own Business" workshop on Nov. 10 and Dec. A Business Plan and Marketing Basics class will be held Nov. 12 and 13<sup>th</sup>. For more information call 323-269-0751

- **Fair Housing of Marin's** HUD-funded audit reveals that home seekers looking for rental housing in Marin who sound African-American are likely to receive less favorable treatment than those who sound Caucasian. Print copies of the full audit report are available from Fair Housing of Marin, 415-457-5025.

- **Fresno County Economic Opportunities Commission** has launched a private loan fund meant to spur community development. The Fresno Community Development Financial Institution will bridge mainstream financial services to economically disadvantaged communities.

- **Housing California's** Creating Community 2008 will be held on Dec. 8-10, 2008 at the Wilshire Grand Hotel in Los Angeles. This year the conference will focus on affordable homes—including homes with services ("supportive homes")—for the mental health and homeless communities. For more information email Danielle Smith, at dsmith@housingca.org

- **Springboard's** Melinda Opperman was awarded the Outstanding Individual Educator Award by the National Foundation for Credit Counseling. The award recognizes the winner's advocacy and contributions to the community, the example they set for their peers in professional and ethical behavior, the creativity, innovation, and resourcefulness used to motivate consumers, and their dedication to professional and personal development. Springboard also had a grand opening for their Shine homeownership center in the Inland Empire on Oct. 8.

# Bank Mergers Should Not Smash Agreements

Bank consolidation has reached a new plateau as Bank of America, JP Morgan Chase and Wells Fargo acquire failing institutions and now represent more than a third of all deposits in the nation. This exceeds the 10% cap set by Congress on the amount of domestic deposits for any one institution. But, it's an EMERGENCY!!!

In September, Washington Mutual became the largest bank to fail in U.S. history. The federal government immediately orchestrated a takeover of WaMu by JP Morgan Chase, which up to that time had no CRA responsibility in California. With the acquisition, Chase now has \$75 billion in deposits in CA, and roughly 700 branches, making California one of Chase's top 2 or 3 markets in the nation. Chase also has one of the largest subprime loan servicing portfolios in the nation with the combination of Chase, Washington Mutual, and the recently acquired Bear Stearns/EMC portfolio.

This month, Wells Fargo beat out Citigroup to acquire a struggling Wachovia. Wells will now have approximately 1200 branches and \$150 billion in deposits in the state. It will also own the large option ARM home loan portfolio that Wachovia bought from World Savings. Unlike with Chase/WaMu, Wells and Wachovia both had a large presence in California, so branch closings are a major concern.

And, Bank of America is applying to buy Merrill Lynch thus increasing its involvement in subprime lending. Merrill Lynch owns First Franklin which was the #5 subprime lender in 2007, two large subprime servicers in Wilshire and HLS,

and a securitizing business that has financed subprime loans deals. Bank of America will have over \$170 billion in deposits in our state, and approximately 1,040 branches.

Bank of America recently settled Countrywide predatory lending lawsuits by several state Attorneys General, including California's Jerry Brown. While a positive settlement, CRC has concerns regarding the lack of clarity on how many borrowers will qualify for assistance; the need for BofA to secure investor approvals; the reliance on the new federal Hope for Homeowners product which reduces principal but limits equity; and the fact that BofA's plans to modify loans do not apparently extend to any Merrill Lynch borrowers.

CRC is concerned that all of these mergers were done in haste with limited public input and regulatory oversight. Of these, only Bank of America was required to submit an application subject to public comment, but with regulators cheerleading for the Bank to take Merrill over, it is hard to believe that the Federal Reserve will scrutinize the merger.

CRC is also concerned that Washington Mutual, Wachovia and Merrill Lynch all negotiated CRA agreements in the last few years. CRC is pushing for high level meetings and urging Chase, Wells Fargo and Bank of America to honor all prior CRA agreements, maintain contribution levels for community development for at least one year, outline specific plans to prevent unnecessary foreclosures, and to negotiate new CRA agreements to benefit and be accountable to local communities.

## The Bush Bailout-We've Been Here Before

We've been here before — in the 1930s Depression, when the entire economy collapsed, and in the 1980s, when the savings-and-loan industry imploded. Both times, citizens demanded that the federal government do something to rescue the economy. In the Depression, President Roosevelt and Congress came up with bold plans to save capitalism and humanize it - the Works Progress Administration, the minimum wage, Social Security, and regulations to protect depositors and to keep banks from irresponsible practices. In the 1980s, President George H. W. Bush and Congress set up a bail-out agency, the Resolution Trust Corporation (RTC), that put the corporate foxes in charge of the financial chicken coop. We served on the RTC advisory committee and watched in horror as the RTC sold off the assets of failed banks to politically-connected developers at fire sale prices.

In response to the current economic crisis, President George W. Bush — whose misguided policies triggered the Wall Street meltdown in the first place — has shown no inclination to be bold or to look out for the needs of ordinary Americans worried about losing their jobs, their homes, their health care, and their retirement savings.

This is the worst economic crisis we've witnessed since the Depression, but most Americans seem paralyzed by confusion and inertia. This is exactly what happened in the 1930s. When the stock market crashed in October 1929, most

Americans were in shock. When they got laid off and couldn't find work, or were evicted from their homes, or couldn't afford to feed their children, they initially blamed themselves, or were simply too dazed to act.

Like the current Wall Street meltdown, the S&L crisis resulted from the federal government's deregulation of the industry. Under pressure from the S&L lobby, Congress removed restrictions on the lending practices of S&Ls, which had been originally created to provide homeownership to families with modest means.

To solve the crisis, Congress created the Resolution Trust Corporation to close or reorganize more than 700 institutions holding assets of nearly \$400 billion by seizing the assets of the nearly bankrupt savings and loans and then reselling them to recoup the taxpayers cost. Wealthy bankers and investors who had benefited from the deregulation that caused the S&L crisis in the first place quickly took advantage of the "fire sale" sponsored by the RTC. Politically-connected investors snap up foreclosed properties at RTC auctions at bargain-basement prices. The S&L cleanup cost American taxpayers an estimated \$124 billion.

The current Wall Street crisis is even worse than the S&L boondoggle. And Bush's corporate welfare plan is similar to his father's S&L bail-out.

*-By John Atlas and Peter Dreier*

# Panther Sightings in Sacramento

The beautiful courtyard of the Firehouse Restaurant in Old Sacramento was filled with the spirit of community reinvestment leaders and advocates on the evening of October 3. More than 100 people gathered to join the California Reinvestment Coalition for its annual celebration of Sacramento Valley Reinvestment.

The food was delicious, the conversations delightful, and the evening air brisk and refreshing. Community advocates, bankers, and small business leaders mingled, laughed, talked about their important work and simply enjoyed the night.

Most memorable, however, was the awards presentation, in which some of the most notable community reinvestment heroes in the State's capitol were honored with CRA Panther Awards. CRC Board Chair Roberto Barragan opened the awards ceremony by commending CRC staff and members in Sacramento for all the hard work they do.



*Panther Awardee Elaine Abelaye and CRC Board member Clarence Williams*

**Elaine Abelaye** of Asian Resources Inc. was presented a CRA Panther Award by CRC Board member Clarence Williams. Elaine has demonstrated true leadership and commitment to the social, community and economic development needs of low income individuals and families in Sacramento. Her leadership has led to the development of the Dare to Dream Entrepreneurship Development and Financial Literacy Education Programs in Hmong and Vietnamese. Elaine has shown true dedication to providing multiple services needed in our community- empowering everyone to become a vital part of a changing, diverse society.

building materials. Ken has also been active in promoting the policies that produce affordable housing and a strong advocate for inclusionary housing. Ken's personal approach makes him great advocate for lower income people in Sacramento.

**Ken Cross** of Sacramento Habitat for Humanity was presented his CRA Panther Award by CRC Board member Paul Ainger. Ken has substantially increased production of ownership housing for very low income households in Sacramento. Habitat runs the ReStore, a building material recycler that sells second-hand and donated



*Panther Award Recipient Ken Cross and CRC Board member Paul Ainger*

**Mike Himes** was given his CRA Panther Award by CRC Executive Director Alan Fisher. Mike demonstrates daily his dedication to helping people and families achieve successful, long-term homeownership. When the foreclosure wave began to pound on the door of the region, Mike led the way to create and promote many different collaborative relationships to assist borrowers. Mike is an outstanding individual and deserves recognition for his many personal and professional contributions of time, talent, and expertise and his caring commitment, good humor and strong principles.



*Alan Fisher and Panther Awardee Mike Himes*

income households. Ron has worked consistently to develop and improve state programs work to serve the neediest Californians. As a community activist, he helped found the Sacramento Housing Alliance and serves on many local nonprofit boards. He has been a strong voice in local efforts to ensure that local governments meet their obligations to adequately serve homeless and lower income households.

**Ron Javor** was presented his CRA Panther Award by Brian Augusta and Rob Wiener. Ron has worked tirelessly for decades within state government and the community to improve access to safe, affordable and accessible housing for lower



*(L-R) Brian Augusta, Panther Awardee Ron Javor and Rob Wiener*

CRC was pleased to honor such incredible community leaders in Sacramento.

# Celebrate Sacramento Valley Reinvestment 2008

## Host Committee

**Diana M. Borroel**  
SAC Hispanic Chamber of Commerce

**Pam Canada**  
Neighborworks Homeownership Center  
Sacramento

**Hon. Roger Dickinson**  
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**Hon. Dave Jones**  
California State Legislature

**Stanley Keasling**  
Rural Community Assistance Corp.

**Barbara Lehman**  
SAC Regional Human Rights/Fair  
Housing Commission

**Ralph Lippman**  
CCEDA

**Hon. Doris Matsui**  
U.S. House of Representatives

**Hon. Kevin McCarty**  
City of Sacramento

**Christine Minnehan**  
Western Center on Law and Poverty

**Debbie Muramoto**  
CA Capital Financial Development  
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**Bill Powers**  
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**Shamus Roller**  
Sacramento Housing Alliance

**Hon. Sandy Sheedy**  
City of Sacramento

**Manuela Silva**  
Community Housing Opportunities  
Corp.

**Hon. Darrell Steinberg**  
California State Senate

**Greg Sparks**  
Mercy Housing California

**John Taylor**  
NCRC

**Claudia Viek**  
CAMEO

**Rob Wiener**  
CA Coalition for Rural Housing Project



Trent Sunahara from  
Congressmember Doris  
Matsui's Office addresses  
the crowd.



CRC Board Member Paul Ainger,  
CRC's Kimberly Jones and RCHC's  
Arnold Sternberg



Board Members Paul Ainger and  
Roberto Barragan pose with CRC  
Executive Director Alan Fisher

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Asian Resources  
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Nehemiah Community Reinvestment Fund  
NeighborWorks Homeownership Center  
Sacramento  
SAC Regional Human Rights/Fair Housing  
Commission

**Turquoise**

CA Community Economic Development  
Association  
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Mark Lovington and Jeanne Monahan  
Mercy Housing  
Rural Community Assistance Corp.  
Sacramento Loaves and Fishes  
Sacramento Mutual Housing Association  
SAFE-BIDCO  
UC Davis Center for Study of Reg Change

# Are Mortgage Modifications Helping?

CRC and consumer groups nationally have been urging loan servicers to modify greater numbers of distressed mortgages to help families stay in their homes. But even when loan modifications are offered, it's not clear that the new loan terms will be affordable and sustainable for the homeowner. While there is little reliable data on how often loan modifications are given, there are even less data on what loan modifications look like.

A new article by Valparaiso Law Professor Alan White sheds some light on this issue by analyzing servicer remittance reports for 26 mortgage loan pools. Loan modifications that have been offered to American homeowners over the past year rarely lower the amount of debt owed, and in many cases increase it. Further, modifications only reduce the monthly payment burden for homeowners half of the time. These were a few of the findings in "Rewriting Contracts, Wholesale: Data on Voluntary Mortgage Modifications From 2007 And 2008 Remittance Reports."

The analysis makes a few key points based on the data:

- Defaults, foreclosures and REO properties increased steadily through June 2008
- Increasing numbers of foreclosed homes means lower home values and lower returns for investors
- There are no signs that the crisis will improve for some time
- Modifications have increased, though they are still outstripped by the even larger number of foreclosures
- Loan modifications are not solving the problem of borrowers who are overwhelmed by their mortgage debt
- Nearly half of all loan modifications do not even provide payment relief for borrowers - seemingly the point of a loan modification - and may instead merely put arrearages on to the back of the loan
- There is no consistency in approaches to loan modifications across the industry.

Professor White suggests that Bush Administration initiatives relying on voluntary loan modifications are not working to solve the problem, and that Bankruptcy Reform, legislated debt reduction or similar solutions are needed. The paper is available at <http://ssrn.com/abstract=1259538>

Homeowners, often victims of predatory lending, need loan modifications that are sustainable for the long term in order to stave off foreclosure and to maintain community stability. We know that the industry has not modified loans in sufficient numbers. This data confirms the experience of many counseling agencies and legal service offices that report that even when loan modifications are offered, they often are not designed for long term success and will likely result in the homeowner needing help again in the future.

## FDIC Puts Money Where Mouth Is

FDIC Chair Sheila Bair has been outspoken about the need for loan servicers to modify home loans for borrowers in trouble in a streamlined fashion in order to benefit borrowers, investors and neighborhoods. With the recent failure and subsequent takeover of Indymac Bank by the FDIC, she and her agency have the opportunity to do just that.

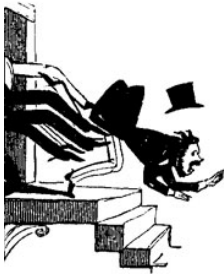
In July, Indymac failed amidst poor performance of its Alt A loans, which were generally made without adequate proof of income and to borrowers with little or no equity in the homes, coupled with a run on bank deposits by customers. The Bank, now under FDIC control and renamed Indymac Federal Bank, FSB, has begun implementing a new program to systematically modify troubled home loans. Indymac Federal will offer loan modifications to thousands of borrowers that will convert adjustable rate loans into fixed rate loans where the rate is capped at the average interest rate on conforming home loans, now around 6%. The resulting monthly burden on the homeowner would be no more than 38% of income, which is considerably more affordable than what many borrowers are experiencing. In order to get down to this level of affordability, Indymac Federal will look to lower interest rates, extend repayment terms to 40 years and even lower the principal amount owed.

In order to qualify, borrowers have to meet certain income guidelines and live in the home. Indymac Federal will first focus on loans that are seriously delinquent or in default, but all borrowers experiencing financial hardship with loans serviced by Indymac are encouraged to contact Indymac Federal to see if they qualify for a loan modification. The Bank will start modifying loans held in Indymac's portfolio, but plans to extend this initiative to the loans it servicers for others.

Indymac Federal has reportedly offered 7,400 loan workouts, and completed 1,200 of them, giving these borrowers an average savings of \$430 per month.

CRC is closely watching the success of the FDIC program, and hopes it can be a model for all loan servicers to more aggressively modify loans and keep borrowers in their homes.

Indymac Federal borrowers who are delinquent or experiencing financial hardship and falling behind on their mortgage can call 1 800 781-7399 for more information.



# Renters Suffer in Foreclosure Crisis

When we talk or hear about foreclosure, we usually think that home owners are the ones being affected. Let us not forget that there are cities like San Francisco where most residents are renters/tenants.

During the last two years in San Francisco, foreclosure cases have significantly increased to more than 390 cases per month, which bring along with them a wave of tenant's rights violations. These violations range from using the police and immigration to intimidate tenants into moving out, to inhumane shut offs of basic utility services like water and electricity, and, at times, even forced, physical eviction.

At St. Peter Housing Committee we have seen these violations done by real estate agents, ex property owners and new property owners. The most common complaint we hear from our immigrant Latino tenant clients is about the suspension of electricity and gas. Even though tenants pay their fair share for utilities to their landlords or master tenants, some landlords fail to make the monthly payment, leaving the tenants to their own luck, and often facing a debt of thousands of dollars owed on the utility account.

There have been real estate agents that have taken advantage of the situations and have demanded rent payments from tenants as if they were the new landlords. If that wasn't enough, these agents also harass tenants at odd night hours,

threatening them and giving them illegal verbal eviction notices.

Presently, not all the banks or new owners send the information of where the rent payments need to be sent or who is responsible for repairs. If a tenant is not informed of who the new owner is or when the change of owner takes place, it makes them vulnerable to their rights to be violated or to fraud.

Sadly, the main reason why tenants' rights are being violated is due to the need for information on tenant rights in cases of foreclosure, and the banks' lack of knowledge about tenants' rights protections in cities like San Francisco.

As we can see tenants are in need of respect and information. Currently we are demanding from different entities to assume their according responsibility and inform tenants. Tenants need to know their rights, have a responsible party (new owner/bank) for utilities to avoid interruption, and most importantly tenants need to know who the new owner is to be able to pay their rent.

As time passes we will be dealing with more tenants that are victimized by new or past landlords and tenant right organizations are not the only ones that are responsible for informing people, we have banks, the city and utilities providers that need to answer to the needs of these tenants. If you want more information on these types of cases and how you can cooperate contact the San Francisco Rent Board (415) 252-4602 or St. Peter Housing Committee (415) 487-9203.

*-Contributed by Maria Jose Lopez, St. Peter's Housing*

## Foreclosure Legislation Fades in the Stretch

During this time of financial anxiety and upheaval, the state Legislature considered numerous bills addressing the growing foreclosure and mortgage crisis.

**SB1137 (Perata):** CRC and allies were pleased to see this bill pass the Legislature and be signed by the Governor. It will encourage more loan workouts between home loan borrowers and loan servicers, give tenants at least 60 days notice to relocate from foreclosed homes, and allow local government to fine banks that are not maintaining foreclosed homes and preventing neighborhood blight.

**AB1830 (Lieu):** This bill would have provided some positive protections, including capping prepayment penalties, banning negative amortizing subprime loans, and holding brokers to a fiduciary duty to serve borrowers and prohibit them from steering borrowers into costlier loans. The bill also had a private right of action with attorneys fees for those who are sold unlawful loans. The bill reflected some of the issues deemed critical by CRC members and allies.

At the same time, the bill did not include many provisions that are critical to preventing a future crisis and protecting working families: a ban on prepayment penalties, a ban on yield spread premiums, a requirement to translate key loan documents if the loan is negotiated in a non-

English language, a ban on steering borrowers into costlier loans that binds lenders as well as brokers, and stronger penalties for wayward brokers. The bill also did not hold Wall Street firms and investors liable for financing illegal loans.

The bill passed the Legislature, but was vetoed by Governor Schwarzenegger. In vetoing AB1830, the Governor appears more concerned about protecting mortgage brokers from being sued for abusive practices, than in protecting California's homeowners and communities from the predation that fueled the current crisis.

**AB1333 (Hancock):** Perhaps the most innocent victims in the current mortgage crisis are tenants who on a daily basis are unlawfully evicted from foreclosed homes, lose their security deposits, and see their water and other utilities shut off, all through no fault of their own. This bill would have required owners of loans and properties in foreclosure to pay for utility services if the tenant is paying the owner to cover such services, and allow utility districts to place a lien on properties where fees are not paid for water and sewage services. Amazingly, Governor Schwarzenegger failed to protect these victims and vetoed the bill.

# State Bar Responds to Foreclosure Crisis

In response to the mortgage foreclosure crisis in California, the State Bar of California has been mobilizing efforts with various organizations, including the California Reinvestment Coalition, to establish a central repository for resources for the public and volunteer opportunities for attorneys. With the support of a grant from the California Bar Foundation and assistance from state bar staff, the Public Interest Clearinghouse is in the process of finalizing a new foreclosure resource website, ForeclosureInfoCA.org for the public and attorneys.

ForeclosureInfoCA.org will offer information and resources for homeowners facing issues along the full spectrum of foreclosure-related matters, as well as information and resources for renters who are facing evictions from foreclosed properties.

The site will also list organizations providing mortgage foreclosure counseling and assistance to consumers and link to [www.probono.net/ca](http://www.probono.net/ca), a website dedicated to supporting pro bono legal services in California. As part of a new volunteer attorney program that is being coordinated by the State Bar, ForeclosureInfoCA.org will list a select group of legal services programs, counseling agencies, local bars and lawyer referral services in four high-priority areas – Inland Empire, Los Angeles, Contra Costa County and the Central Valley –

invited to participate in using volunteer attorneys to address mortgage foreclosure issues on behalf of homeowners and renters. Volunteer attorneys will help with discrete tasks, such as loan workout negotiations, contract reviews and legal services for renters facing eviction.

The State Bar is working closely with the Practising Law Institute (PLI), an approved continuing legal education provider, to develop training modules to educate attorneys on California foreclosure laws, loan modifications, recourse for renters facing eviction and other issues pertaining to the foreclosure crisis. The live training sessions, which are tentatively scheduled for mid-November in the Bay Area, will be free and open to all volunteer attorneys, legal service advocates and mortgage foreclosure counselors, and simultaneous webcasts of the training will be set up. All training modules will be available continuously online and free-of-charge. Information will be posted on ForeclosureInfoCA.org.

For more information, please contact Christi Baker, California Home Ownership Preservation Initiative (CHOPI) Consultant, Chrysalis Consulting Group, at [christi@chryskon.com](mailto:christi@chryskon.com) or (415) 315-9089, or Patricia Lee, Director, Office of Legal Services Access and Fairness Programs, the State Bar of California, at [patricia.lee@calbar.ca.gov](mailto:patricia.lee@calbar.ca.gov) or (415) 538-2240.

## CRC Documents Borrowers View of Foreclosure



Gertrude Guillory was lied to by her mortgage broker and ended up with a loan she could not afford and could not get out of.

JoAnn Dominguez-Guardado fell ill and fell behind on her mortgage payments. Her loan servicer promised not to foreclose, but did so anyways and she lost her home.

Ty and Diane Knowles reached out to their loan servicer as the rate on their Adjustable Rate Mortgage kept resetting higher, and they feared they would not be able to afford it. They were told to stop making their monthly payments in order to qualify for a loan modification. As a result, they went into foreclosure, damaged their credit score and spent countless hours trying to work with their loan servicer, who was unwilling to give them the promised loan modification.

The experiences of these and other struggling California borrowers prompted CRC to make a nine-minute documentary about the foreclosure crisis entitled *Mo' Money, Mo' Money, Mo' Money: How Greedy Corporations Destroy the American Dream*. The documentary features the stories of these borrowers and includes insight from the experts who

have warned about the crisis since the explosion of subprime lending, and the mortgage counselors who work to keep families in their homes.

*Mo' Money* also reveals how this disaster could have been avoided if regulators and government officials had not ignored predatory lending practices. It includes a clip of former Federal Reserve Chairman Alan Greenspan stating that he did not understand the dangers of subprime lending until it was too late. The documentary then goes on to show that not only was he warned by consumer advocates at the beginning of the decade, but also by a Fed governor.

CRC is using *Mo' Money* as an advocacy tool to influence policymakers; educate the public; highlight the need for stronger regulation of the mortgage lending industry; and give voice to the people most affected by foreclosures. We have uploaded the documentary on youtube, where it has been viewed by more than 3,000 people; embedded it on our website and the websites of our members and allies; circulated it widely through email; and hosted a showing in Stockton. We plan to host more showings of the documentary and distribute it to community-based organizations offering mortgage counseling and legal aid to foreclosure victims.

For more information please visit our website, [www.calreinvest.org](http://www.calreinvest.org).



## Fight Against Payday Lending Continues

Over the last quarter, CRC members and allies have made significant progress in laying a foundation for achieving the goals of the Campaign to End Predatory Payday Lending. Through outreach and advocacy activities, we've seen good movement toward the passage of local laws restricting the growth of payday lenders in the cities of Sacramento, Long Beach and San Diego.

On October 7, the Sacramento City Council voted on an emergency ordinance to extend the City's moratorium on check cashing and payday lending stores. The objections of payday industry lobbyists were overshadowed by community support for the extension; advocates from the CRC, Sacramento Housing Alliance, Housing Now and ACORN attended the public hearing and urged the council to adopt the ordinance, a motion that was carried unanimously.

The movement is also gaining momentum in southern California. In Long Beach, city planners are completing the staff report mandated by the six-month moratorium enacted earlier this spring. Staff met with stakeholder groups representing consumer advocates and the industry to get input on their recommendations on permanent policies. The staff report and recommendations will be presented to the Planning Commission and then the City Council in November and December. CRC's working to make sure community members are involved in these proceedings. It's anticipated the Council will adopt an ordinance for more restrictive zoning requirements by the end of 2008.

San Diego advocates are organizing constituents around the campaign; the Mabuhay Alliance and CRC recently partnered to hold a community meeting with leaders and activists to educate people about the danger of payday loans and goals of the campaign. Over 20 people took part in the lively discussion, and many signed-up to participate in on-going campaign work. On a parallel track, community organizations have started visiting City Council members to seek support for a local ordinance. This process will continue beyond the November election, when four new Council members will take office.

In other payday loan news, battles to defend consumer protection laws heat up in Arizona and Ohio this election cycle. Advocates in both states are campaigning to uphold Arizona (No on 200) and Ohio (Yes on Issue 5) state laws that would cap the interest on payday loans at 36% and 28%, respectively. The industry has invested over \$25 million dollars in efforts to overturn laws that would stop them from charging 400% APR on payday loans. Look for election results and analysis in our winter newsletter.

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## Congressional Hearings Needed

*Continued from page 1*

its most basic form – simply creates an affirmative obligation that financial institutions meet all communities' credit needs. In the current secretive Federal Reserve and Treasury Department process, there is no assurance that this is the case and every likelihood that it is not.

CRC members' experience in California is that there is an inverse relationship between the size of a banking institution and its responsiveness to community needs. Mega-banks tend to offer cookie cutter products that are unlikely to respond to the credit or investment needs of under-served neighborhoods. Therefore, access to credit becomes even more difficult for small businesses, potential homeowners and consumers. If the current federal regulators are left unmonitored and follow the pattern of the last few decades, it is possible that this economic crisis will grow to be the greatest loss of assets and wealth ever experienced by communities of color and lower income neighborhoods.

CRC members hope that these hearings can be held immediately after the elections and that they delve deeply into the outcomes of these decisions made behind closed doors that so strongly impact neighborhoods already in economic and financial danger. CRC members would be glad to be of any assistance in defining critical issues and future financial dangers for your hearings.



## Friends of CRC

*CRC would like to thank the following friends for their kind donations:*

**Ruth and Fred Brousseau**  
**Bay Area Development Company**  
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**Woodstock Institute**



**The California Reinvestment Coalition (CRC)** is a statewide membership organization of more than 250 nonprofit groups who work together on federal Community Reinvestment Act (CRA) issues with a focus on affordable housing, community economic development, and financial services for low-income consumers.

Membership in CRC is open to nonprofits, community-based groups and public agencies, with CRC Board approval. CRC members participate in negotiations and monitoring meetings with financial institutions operating in California, and to nominate members to the CRC Board. Annual California Reinvestment Coalition membership dues are: small nonprofit, \$75; large nonprofit (operating budget over \$500,000) or public agency in small city, \$150; and public agency, \$500.

**CRC is proud to welcome our newest members:**

- *Bay Area Legal Aid*
- *Unity Council*
- *Watsonville Law Center*

## Application for Membership

We subscribe to the California Reinvestment Coalition’s efforts to promote investment in California’s low-income communities and communities of color through increased access to affordable financial services, housing credit to facilitate the production and maintenance of low-income housing, credit for low-income individuals, and credit for community economic development. We pledge not to use the CRC platform or name to promote individual projects, grant applications, or other proposals in which our organization or members have a financial interest, but rather to promote improved service of community credit needs. Applications for membership will be considered by the CRC Board monthly.

- I would like to become a member of the CRC and receive the Newsletter (see dues above)
- I would like to subscribe to the Newsletter. (\$20 for individuals or nonprofits; \$100 for corporations)
- I would like to be a Friend of CRC. (a minimum of \$100 but we will appreciate any contribution you can make.)

Name: \_\_\_\_\_

Organization: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_ Email \_\_\_\_\_

Please mail completed form to Alan Fisher, CRC, 474 Valencia Street, Suite 230, San Francisco, CA 94103

### Community Reinvestment News



California Reinvestment Coalition  
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