FORECLOSURES AND THE MORTGAGE MESS:

HOW DO WE SAVE LATINO HOMEOWNERSHIP?

NCLR

The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations (CBOs), NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas—assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax-exempt organization headquartered in Washington, DC. NCLR serves all Hispanic subgroups in all regions of the country and has operations in Atlanta, Chicago, Los Angeles, New York, Phoenix, Sacramento, San Antonio, and San Juan, Puerto Rico.

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Foreclosures and the Mortgage Mess: How Do We Save Latino Homeownership?

Transcript of a Town Hall at the 2008 NCLR Annual Conference
Monday, July 14, 2008

Moderator
Evy Ramos

Panelists
Alan Fisher
Martin Gruenberg
Secretary Rosario Marin
Carol Ornelas

Table of Contents

Foreword

Homeownership has long represented stability. Traditionally, it has been the primary means for low- and moderate-income families to acquire assets, provide for their children's education, and build their own retirement. Unfortunately, the "perfect storm" of an overinflated mortgage market, the mainstreaming of predatory lending practices, and inadequate regulation has severely shaken the foundation of homeownership. Families are losing generations of wealth because their seemingly secure investment has been badly compromised at best, and too often lost entirely.

The mortgage crisis has unmasked weaknesses throughout the nation's entire financial system, and low-income and Latino families are among those most affected. If this is to be a year of recovery, we must make building up the assets of families who have lost, or may lose, their homes a top priority. This is not just a matter of helping those families recover: it's an essential element of any strategy to help all families, and the nation's ailing economy, get back on their feet.

In July 2008, NCLR held a town hall discussion to confront the challenges of a retracting housing market. In this discussion, experts from a variety of perspectives analyze the causes of the problem and ways to salvage household finances, and suggest innovative approaches to weathering the economic fallout. Although the panelists come from diverse perspectives, there appeared to be a strong consensus that any effective response to the housing crisis must include certain essential elements—systemic loan modifications, greater transparency, and increased accountability for financial institutions that accept public support. I'm pleased that at least the initial proposals from the new administration and Congress appear to include these components.

I hope that readers find this discussion helpful as they shape, design, and implement real solutions to the housing foreclosure crisis.

Janet Murguía
President and CEO
NCLR

Acknowledgments

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We thank Evy Ramos, Reporter, Digital Correspondent, *10News* ABC (San Diego), who served as the panel moderator, and we extend a very special thank-you to the panel participants, including:

Alan Fisher, Executive Director, California Reinvestment Coalition

Martin Gruenberg, Vice Chairman, Federal Deposit Insurance Corporation

Rosario Marin, Secretary of State and Consumer Services Agency, State of California

Carol Ornelas, Executive Director, Visionary Home Builders of California

We also thank the Ford Foundation for its support of NCLR's work in wealth-building, as well as Freddie Mac, title sponsor of the event, and Fannie Mae, event cosponsor.

The discussion and conclusions included in this transcript are those of the panel speakers alone and do not necessarily reflect the opinions of the Ford Foundation or the event sponsors.

All panel participants had an opportunity to review the transcript for clarification, but did not materially or substantively alter their comments.

Executive Summary

On July 14, 2008, the National Council of La Raza (NCLR) convened a Town Hall at the 2008 NCLR Annual Conference in San Diego, California titled "Foreclosures and the Mortgage Mess: How Do We Save Latino Homeownership?" Panelists discussed their work in the field of homeownership and foreclosure and specifically discussed:

- How and why high-interest subprime loans continue to disproportionately affect low-income and Latino communities
- Whether homeowners, lenders, or regulators are responsible for the foreclosure fallout
- Policy recommendations on the national and state levels to stop the current bleeding and to prevent recurrence
- Approaches to counseling homeowners on how to avoid risky and predatory loans

There was consensus among the panelists about various aspects of the foreclosure crisis. First, they agreed that there is no magic bullet. From the needs of individual communities to the challenges on a national scale, solutions should not be applied with sweeping strokes. Second, the onus of homeownership should sit on the shoulders of lenders and not just homeowners. Loan securitization plucked lender accountability from the mortgage process. This allowed bad loans to propagate at an alarming rate, with severe and lasting consequences. Third, while low-income and Latino communities are unevenly affected by the current wave of foreclosures, all Americans are impacted by the reckless activity of the mortgage industry. Everyone has a stake in finding ways to repair this utter loss. Finally, all participants agreed that industry practices need an overhaul. Consumers need greater protections against fraudulent loans, and once wealth is established within a community, more effective measures should be taken to secure it.

Opening Remarks

Announcer Voiceover: Now, please give a warm welcome to NCLR Board Treasurer and Executive Director of La Casa de Esperanza, Mr. Anselmo Villarreal.

Mr. Anselmo Villarreal: On behalf of the Board of Directors of the National Council of La Raza, it is my pleasure to welcome you today to this great town hall meeting. As we all know, homeownership is the American Dream, a dream that has clearly become a nightmare. We also know that [many] Latinos and Latinas who obtained a mortgage during 2005 and 2006 are in foreclosure right now. And in 2008, it is expected that about two million homes are going to be in foreclosure.

To address this key issue that affects our Latino community in particular—because it's also no secret that the Latino community has been targeted by predatory lending—the National Council of La Raza has put together a great panel of very talented people who are going to try to identify strategies and solutions to this foreclosure and mortgage mess. So again, it's my pleasure to welcome all of you, and also I want to thank you for taking the time to attend this important workshop because as you also know, housing counseling is a top priority of the National Council of La Raza. So thank you to our panel and thank you for attending this workshop.

Announcer Voiceover: Thank you, Mr. Villarreal. And now, providing a few opening remarks, please welcome Senior Vice President of Corporate Relations and Housing Outreach from Freddie Mac, Mr. Dwight Robinson.

Mr. Dwight Robinson: Good afternoon. It's really a pleasure for me to be here this afternoon to have this opportunity to welcome the discussion of this very important topic. It's also important for us to be here to recognize the fact that Freddie Mac and GSEs [government-sponsored enterprises]—given the issues that have been in the press over the last couple of days—are sound and moving forward to help America with the important mission that we have. We want to thank NCLR for their support, and we want you to know that we'll be moving forward into the future to continue with our mission.

Now, the topic for today's discussion is very [relevant] in the sense that none of us want to end in a circumstance where we have not provided enough Americans with the American Dream…we may have found ourselves in the situation where we have, in fact, [created] the American nightmare. Too many American families—Latino families and others—are suffering because they either unwittingly or, in other circumstances, simply found themselves in a lending or mortgage circumstance that does not allow for them to be successful with the American Dream. At Freddie Mac, we want you to know that we believe that the issue at hand is to help more and more Americans find success with homeownership, and not simply find homeownership a burden for families where they ultimately turn in the keys to their dream. We are interested in continuing over the long term.

It's important for us to note, however, that there are a couple of key pieces that need to be dealt with, and this discussion this afternoon takes us down that road. Certainly, families—Latino families and others—need to understand that there are options that they can engage with and avail themselves to in terms of preventing homeownership from slipping away. We at Freddie Mac are very proud of our financial literacy programs, all of which are not only available prior to purchase but certainly also post-purchase. And we've beefed up that program to focus on helping people to maintain their homeownership and be successful in it. We are proud that we're partnering with NCLR to make certain that this is made available in the Hispanic community and around the country.

But beyond that, we need to focus—as I'm sure that this panel will focus—on the issues that suggest that as we return to more traditional underwriting, to tightening the credit standards, to enhancing the down payment requirement, that we don't end up throwing the baby out with the bathwater—that we don't find ourselves in a situation where we're closing down the available credit to Black and Brown communities, to low-income communities, to underserved communities. It's important that we, both in the long run and as we deal with the crisis, understand that access to credit, access to the American Dream, to achieve homeownership are universal needs.

So we at Freddie Mac applaud NCLR for not only focusing on this issue but bringing together this group of individuals to discuss how to support families as they work their way through this—what may have turned into a nightmare. So let me end by saying thank you for your support of Freddie Mac and that we are certainly pleased and proud to be a partner with NCLR in this effort; we think that this discussion is a critical one. Thank you.

Announcer Voiceover: Thank you, Mr. Robinson. Now, let's welcome our moderator for this afternoon's town hall. She is San Diego's own *10News* ABC anchor, Ms. Evy Ramos.

Ms. Evy Ramos: I'm definitely honored to be here with you today and to discuss such an important topic that's affecting nearly every American. I'd like to see a show of hands if any of you have experienced foreclosure, or a family member, a friend, or even if a house in your neighborhood may have foreclosed. How many of you have experienced that? Okay, a large majority of you.

We can see that this is a big national problem. Experts say that 1.5 million homes began foreclosure in 2007, and they're expecting 2.5 million homes to begin foreclosure this year. These are large numbers. We're talking millions and millions of people. Experts go on to predict that foreclosures will continue in 2009, and [while] we're hopeful, they're saying that not until 2010 will we really start to see any progress in this area.

Clearly, it's an important topic. I'm so glad to be sharing the stage right now with some distinguished guests, and it's my honor to introduce each of them to you. I'll start over here to my far left.

We have Martin Gruenberg, who is the Vice Chairman of the Federal Deposit Insurance Corporation, or the FDIC, Board of Directors. The FDIC is an independent agency created by the Congress that maintains the stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships. Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. Thank you for being here with us.

Next, we have Carol Ornelas. For the past 20 years, she has been the Chief Executive Officer for Visionary Home Builders, formally ACLC—a nonprofit residential development company headquartered in Stockton, California. Carol is a licensed general contractor and an expert in her field. Her strength is in building and creating partnerships with citizens of the community and collaborating with local, city, and state officials and other agencies to provide quality affordable housing for the communities she serves.

Next over here to my far right, we have Mr. Alan Fisher who is Executive Director of the California Reinvestment Coalition [CRC]. CRC is a statewide membership organization of more than 250 nonprofit organizations and public agencies that advocate for the right of low-income communities and communities of color to have fair and equal access to banking and other financial services. CRC's goals are equal access to finance for all Californians and an end to the two-tier lending system that causes lower-income people to pay more for financial access. Thank you, Mr. Fisher.

And last, but not least, we have Secretary Rosario Marin. She's the Secretary of the State and Consumer Services Agency here in California. She oversees the state's civil rights enforcement, consumer protection, improving access to state government, and charged with greening the state. Early in her career, she served in the Huntington Park City Council and later became the 41st Treasurer of the United States. In early 2007, she released her autobiography titled, *Leading Between Two Worlds: Lessons from the First Mexican-Born Treasurer of the United States*, which details her journey and provides insight for all of us working to improve our community. Thank you.

And I think that's why we're all here. We're all here because we want to improve our communities and to improve America, and so let's get right to it. I'm going to give a brief guideline. Each of our panelists will have five minutes to discuss the mortgage crisis from their perspective and what their respective agencies and organizations are doing to try to come up with solutions to this problem.

Then we will have a discussion. I will ask questions and the four panelists will discuss them. And then, lastly, and perhaps most importantly, we're going to open it up for audience questions as well, so all of you will have an opportunity to ask questions of whichever panelist you would like to ask.

So we're going to start with Secretary Marin, and as I mentioned, each of them will have five minutes to discuss.

Panelist Introductory Remarks

Secretary Rosario Marin: Thank you, Evy. I am delighted to be here with all of you. The state of California, as many of you know, is probably the hardest-hit state when it comes to the housing crisis. We have about 25 percent of all of the subprime loans throughout the nation; 25 percent of that is here in California. So clearly we are disproportionately affected when all of these loans are going down the drain. We have been severely impacted by that.

Consequently, when we started seeing—and the governor, to his credit, back in April of last year, he created a task force that I'm part of. And he said, "We need to do something about this." We started doing town hall meetings back in May of last year. And interestingly enough—it gives me the chills—at one point in time we had one in Bakersfield, and it was a Thursday night and it was raining. And guess what happened? Two hundred people showed up, and that foretold, at least to me, that we had a very significant problem way back then. When you have 200 people at night, on a Thursday night, raining, show up, that's a problem.

And so the governor took very significant steps. He met with bankers. He met with loan servicers and said, "We need you to really try to modify some of these loans." He took the lead, and eventually the federal government said, "That makes sense. Why don't we do that too?" We held town hall meetings. We put town halls in a box, and so any assemblymember or senator who wanted to conduct a town hall could. They could bring in the servicers, bankers, and consumers and try to work with the loans.

Then the governor said, "You know what? We have some problems here in California because some of the people that wanted to buy a home, they can't afford the high interest rate. The amount of money that Fannie Mae and Freddie Mac have does not cover us because our home values are much higher." So he asked the federal government, and lo and behold, the federal government said, "Yes, that makes sense, so we're going to increase the loan limit so that you in California can actually be able to buy homes at a cheaper rate." That helped a lot, and I'll explain to you why.

The governor has taken tremendous steps. Just last Monday he signed SB 1137. That did three things that I believe were very crucial. Senator [Don Richard] Perata [D–CA, 9th] … offered that bill. The number one thing that it does is it requires banks or loan servicers, or whoever owns the loan right now, before they go into foreclosure proceedings, it requires them to sit down and talk to the loan holder and see if they can modify that loan.

Why is that important? Because up until now, it's been up to the … [homeowner] to try to get the bank to talk to them and see if they can modify the loan. This changes that completely. It now puts the onus on the banks and/or whoever owns the loan to sit down with the people and say, "Let's see if we can work with you." That's really crucial, and I would hope that many of you from different states would … have that same law passed in your state, because now it's no longer on the individuals. The onus is not on the individuals.

Number two—I think this is important for many of you to know. The renters, up until now, they had only three days to move out of the foreclosed home. This bill gives them 60 days, and I think there's another one, but I can tell you, those are steps that California has taken. We're very, very happy. We're not there yet, but I think these are steps that mitigate the situation where we are.

Ms. Ramos: Thank you, Secretary Marin. Carol, we'll give you the opportunity now to discuss what you've done.

Ms. Carol Ornelas: I'm going to put this into proper context and begin with a little bit of information of where the foreclosure crisis is today. Today, cities throughout the state of California continue to show some of the highest foreclosure activity in the nation. Statistics show that one out of 204 homes [is] in foreclosure. I am from Stockton, California which is in the Central Valley, and the problem is a lot worse there. In Stockton, one in 26 homes is in foreclosure. Let me assure you, everyone knows someone in that predicament.

Last December, our congressman held a foreclosure event. Usually, December is a month of celebration, but outside the event center the scene was far from celebratory as the line wrapped around the building. When I walked into the event, I took a look at the sea of people, and I remember looking over to one of my colleagues from the City of Stockton and saying, "There is a chill in this room. Take a look at the fine example of predatory lending." Ninety-eight percent of the people that were there that day were Latinos, Blacks, Asians, and seniors. By the end of the day, I knew this problem was huge because all the families I had worked with that day did not qualify for their initial loan, and now their payments were going up and their incomes remained the same.

Today, we do not see the light at the end of the tunnel. We know that in July and November, we will be hit with another surge of resets. Keep in mind that these homeowners' homes will not even be in foreclosure or on the auction block for another six months. This problem is not going away soon and has had a domino effect on other aspects of society. Local governments are faced with lack of revenue from property taxes, and yet they still need to operate or many cities will find themselves in line with Vallejo in bankruptcy court.

The blight and vandalism in neighborhoods will only increase. Our property values will even further deteriorate. We must not forget that many investors who have bought homes and rented them to families have lost their investments, and many of these renters have been caught off guard, paid their rent, and the sheriff knocks on the door and tells them they must leave.

Current efforts today, including those within the industry and the government, are not working. My counselors face an uphill battle every time they work with the families struggling to keep their homes. You have read stories about our troops being sent to battle without proper equipment to fight the war. Well, our counselors have also been sent into this battle without the proper equipment.

We were told that banks and mortgage companies would work with us, yet somewhere along the way servicers and loan mitigation officers failed to come through. Wouldn't it be nice to read in the *Wall Street Journal* tomorrow morning that the government and banks are here to help you keep your home? After all, many have paid taxes for years and would like the government to give us a hand in this time of need.

What we need is a local community-based response to this foreclosure crisis because each company struggles in its unique way. We cannot yet quantify the impact that this will have on our Latino community. Today, it's our home and our tax base, but down the road we're talking about people's ability to pay for their kids' education and secure retirement.

Yesterday I worked in the home clinic here at the convention center. I met a family that had a loan they could not afford. They would do just about anything to keep that home. They were upside-down. His wife told me to take a look at his hands. They were blotchy and had bumps. His wife said they were from stress. He worries about how to pay for his home and bills, knowing that his net income is not enough each month to cover his expenses. We talked about the financial health of his family. They had no medical insurance or retirement fund. This is only the beginning for this family; there will be many more problems down the road. If we don't act now, the Latino community will lose a generation of wealth.

Ms. Ramos: Thank you. Marty, I'd like to turn the time over to you. You have five minutes to respond.

Mr. Martin Gruenberg: Thank you, Evy. Let me say at the beginning what a privilege it is for me to be here. As you mentioned in your kind introduction, I worked for many years on the staff of the Senate Banking Committee for Senator [Paul S.] Sarbanes [D–MD], and certainly one of our great allies and advocates for fairness and opportunity for all Americans, particularly in the area of access to credit, is NCLR. We worked very closely with them, and it's a particular privilege for me to have the opportunity to be here today and speak to you.

This is a profound national crisis that we're confronting. In its most fundamental sense it's a moral issue for the hundreds of thousands of homeowners and their families who are being put at risk of losing their home and, for many of them, their most significant financial asset. It's also a crisis for the neighborhoods in which those families live, because when a home goes into foreclosure it's not just the family that's impacted, but every homeowner in that community is impacted in terms of the value of their home.

And at the end of the day this crisis is a national economic crisis, and until we can get some stability to the housing market in the United States, we're going to have great difficulty addressing the broader issues of financial stability that we're confronting today. So this really is a compelling issue to address on many levels.

The fundamental point that the FDIC has tried to make is that, given the scale of this problem, it is essential that we develop large-scale systemic responses. We have to use every tool available, but given the dimensions, it has to be more than a case-by-case response. We really need broad-scale systemic responses. The FDIC initially advocated, and our Chairman Sheila Bair advocated, broad-scale modifications by the servicers, by the private-sector holders of these mortgages, and made a simple proposal. That proposal was that for these subprime mortgages that have these reset points—as you understand, after two or three years, it is initially a low starter interest rate and then these mortgages adjust sharply upward. For homeowners who have been making their payments at the starter rate but can't afford the adjusted rate, simply freeze the rate at the starter rate so that you know the homeowner can continue to make payments. That's going to be in the homeowner's interest and it's going to be in the interest of the holder of that mortgage as well. And in fact, the FDIC had an agreement with Governor Schwarzenegger in which that proposal was put forward in the state of California and it had some positive response.

But it's clear at this point that the scale of the problem is so great that simple voluntary private-sector modifications are probably not going to be sufficient really to make an impact.

There's legislation pending in Congress now that probably is near enactment that would use the Federal Housing Administration to facilitate long-term modifications of these mortgages so that these homeowners can stay in their homes. Very simply, it would require a write-down of the current value of these homes to 85 percent of their current worth so that the homeowner could afford the payments. And if the owner and holder of the mortgage are willing to do that, the mortgage would be restructured with an FHA guarantee and the holder of the mortgage would be taken out.

We hope this is sufficient incentive to get the owners of these mortgages to participate and use the FHA to make possible what we hope will be large scale and very importantly, long-term modifications—so it's not a quick fix—modifications that will allow people to stay in their homes.

There's an additional proposal that the FDIC has put forward. I see my time is almost up, so I can come back to that in the next round. Thank you very much.

Ms. Ramos: We will. Thank you. Alan?

Mr. Alan Fisher: Yes. It's a great honor to be here. We have great sadness at our organization about the size of this crisis. Beginning toward the end of the last decade, we started saying to the regulators and the banks, "There are real dangers here. It's the opposite of homeownership." Yet, very little was done. The Federal Reserve did not step in, and when you all raised your hands—I don't know if you could see each other—but almost every hand was up. When I checked in and got my badge today, the woman told me she wished she could get some reinvestment because she had just lost her house.

But I think the crisis, as we're seeing from how widespread it is, is even bigger than just housing, and I think that we shouldn't be deceived, like sometimes happens in the media, into talking about the greedy investor or the greedy homeowner but that these were real. To me, there was a conspiracy of greed without responsibility: the realtor made money, the broker made money, the lender, the packager, Wall Street. Meanwhile, the Federal Reserve, Alan Greenspan, and others stood by and did nothing. And I think it's a very scary thing—small businesses that relied on equity lines.

There's a prediction that maybe 75 or more banks may go under, not just IndyMac. Neighborhoods are going down; cities are going down. As we talked about, kids are having to transfer out of their schools. There are mental health problems. It's something that all of us need to come together on, and I know NCLR has done good work around this.

But I think the first solution is really not to see it as the problem of the borrower, but to see it as an economic crisis, as Marty is saying, and to really react to it in that way. And to me, the housing boom really hid the greater gap in society between the rich and the poor, and how working people were making less and less, and that there are some major problems that we all need to address and not bury our heads in the sand. From our point of view, from our organization, there may be five critical pieces, and I'll just go through them quickly.

One has been mentioned: the tenant who pays regularly and one day gets a notice he or she has to be out. Now, with SB 1137 that has passed recently in California at least, they have 60 days, but still, they did nothing wrong. No banks are making an effort to keep people in those homes.

The second is counseling and legal services. Much of what occurred was fraudulent, the loans that were done. There's some federal money; it's very bureaucratic, but at least it's beginning to happen.

Servicing, the mortgage servicers, as we've been talking about up here, they're critical. They can make a decision to modify a loan, but they're not doing it. We did a study that just came out a few weeks ago that I think is available somewhere here, where we found that the most common thing in California—out of 42 counseling agencies and 12,000 or 15,000 people counseled—the most common outcome was still foreclosure, despite having someone who might work a day or more trying to fix it for you, and loan modifications were very uncommon. When the loan modifications happened, they were perhaps for one year. That was the most common thing. Now, no one can think that one year is enough to fix the situation of the income or the housing prices.

Another is that there's a lot of repossessed property out there that's going vacant. Slum lords are buying some of it, but a lot of it's just vacant and all the things that happen out of vacant properties and neighborhoods. I was in Stockton. One of Carol's staff took me around, and here were these houses, every other one, for auction, for sale, foreclosure, and in between and across the street were these gorgeous houses. The lawns were perfect, the homes were perfect, people who probably sacrificed tremendously to be in those homes, and the neighborhood gets hurt by this. There needs to be a program for repossessed homes to get to community organizations, so they can keep the neighborhoods alive and keep the neighborhoods in good shape.

And the last is regulation and legislation. Our state legislature has passed one bill, 1137. That's good, but many others—including ones that would make the people who do these loans responsible for what happens—were voted down. Those things need to change.

And just in closing, we need real regulation to be sure this doesn't happen again. We had the savings and loan disaster. Now we have this. If no one is watching, if the market is supposed to fix it, this will happen again. Thank you.

Discussion

Ms. Ramos: Thank you. So first, let's start from the beginning and try to see where this all started, how this whole mortgage crisis began. Now, during the first quarter—and you mentioned some numbers, Carol—but during the first quarter of this year, nationwide, one in every 194 U.S. households received a foreclosure filing. That's a lot of households, one in every 194. So how did we get here? And I'd like it, Marty, if you could kick us off in this discussion on how we arrived at this day.

Mr. Gruenberg: Well, the short answer, particularly if you're talking about the subprime mortgage crisis, was that you had a complete collapse of underwriting standards within the subprime mortgage market that really has ultimately led to the foreclosure crisis that we're seeing today. And underlying that was a remarkable transformation that's taken place really over the last few years in the U.S. housing market.

As recently as 2001, more than 80 percent of home mortgages in the United States were the traditional long-term, fixed rate mortgage. By 2006, only 55 percent of home mortgages in the United States were fixed rate. The other 45 percent were adjustable rate mortgages [ARMs]. Most of those, the so-called nontraditional mortgages, the option ARMs, the interest only, and within that universe, you had the very rapid growth of the subprime mortgages.

In 2001, subprime mortgages accounted for only 5 percent of mortgage originations in the United States. By 2006, they had grown to 20 percent. And not only was there rapid growth, but you had within that subprime market the development of these—and you may have heard of them; some of you know them too well—the so-called 2/28 and 3/27 mortgages. The "2" stands for the first two years of the mortgage; the "28" stands for the next 28 years.

And the way these mortgages worked, the first two years was at a relatively low starter rate— not that low. Actually, most of them were at or near prime, but low enough that people could afford them, but after the first two years, they would adjust sharply upward, 3 or 4 more percent. So you would have a 6 percent or 7 percent loan and then it would go to 10 percent or 11 percent. And these mortgages were being underwritten only on the basis of the borrower's ability to pay the starter rate.

So you had hundreds of thousands of mortgages being given out, not based on the borrower's ability to pay the mortgage. These lenders knew these mortgages would adjust upward, and they knew the borrowers couldn't pay. They assumed that these borrowers could refinance out of the mortgage, and the reason they thought that was they assumed that the home values would continue to appreciate. It was a reasonable expectation because in the post-World War II period, that had always been the experience until last year.

Last year, home values in the United States declined by more than 4.5 percent, really the first time since World War II. This year, home prices are declining even more rapidly. In April, in the top 20 cities, there was a 15 percent decline in home values. Well, that undercut the fundamental assumptions underlying all of this mortgage lending. Folks could not refinance and they could not pay, and they were stuck—hundreds of thousands, millions of homeowners. And as you well know, this lending is heavily concentrated in the Hispanic community, in the African American community, and in the low- and moderate-income communities of our country. So we have a national crisis on our hands, and that is really the story of how it came about.

Ms. Ramos: Thank you. Now, do any of our panelists have comments? You segued into what I'd like to discuss. This has been all over the media; in every paper you pick up, every news program you watch, every radio station you listen to, you hear about the victims—the real victims of this whole collapse.

And Alan, recently, the CRC released a multistate analysis that indicated that concentrations of the high-interest subprime loans have, and will continue to have, a disproportionate effect on the lower-income and Latino communities. Can you tell us a little bit about the study and maybe why that is?

Mr. Fisher: We see that neighborhoods of color and low-income neighborhoods were targeted. There often aren't bank branches in those neighborhoods, people feel uncomfortable with the regular lenders, and there was, I think, nine times as much subprime lending to people of color in Los Angeles.

I think another reason is that there are predators who speak other languages than English in those neighborhoods. They go out in those neighborhoods and talk to folks and convince them that they can get a good loan, and many times the paperwork is in English, even though all of the conversations have happened in Spanish and Tagalog, or whatever. And I think they found a vulnerable population, and I think we all have built into us this American Dream that we'll own a home, and people were led on by that belief.

Ms. Ramos: You have some people that say a home is one of the biggest investments a person will ever make. And a lot of people have questioned how somebody can go into that and not fully understand what they're putting their money into. Carol, I know that you work within the community. How do you respond to those who ask, "Why should we help those that got into something that was way over their heads?"

Ms. Ornelas: What I feel about this whole situation is that the consumers were led onto this train; it was going full speed, and there were absolutely no brakes. You had all these folks pressuring you [to think] that they can make it work. There was a fiduciary responsibility from everyone that they've talked and worked with. The real estate laws are very, very clear when you sell real estate or are a lender. You have a fiduciary responsibility to that client. That client paid every one of those persons dollars to get them into those loans. They all went away with money. The consumer went away with their home, but they received a product that they truly did not understand or could not afford. Where is the breakdown? That breakdown has been there for years and is a result of a lack of understanding from the buyers of what the numbers mean. Realtors and lenders who are motivated by money and greed recognize an ill-informed buyer's situation and thus took advantage and exploited these buyers.

It is ideally assumed that when financing the purchase of a home, most have an idea of what is going on. Unfortunately, this is not the case. You glance at the paperwork to realize that it is complicated and simply beyond the understanding of most. In reality, most prospective buyers arranging financing put their trust in a loan officer and [leave] it to them to arrange everything. The loan officer then presents to the buyer a vague yet ideal scenario of the situation and asks them to sign on the dotted lines.

We see foreclosures happening and families are losing their homes and it is devastating. It is devastating because we see that these families are employed and are no longer able to afford these homes. I don't know many employers who give $10,000 increases [in pay to employees] annually. Most people receive maybe a $1 increase per hour. That pay increase would not meet the needs of the increase of their new payment.

And I know Rosario has talked about future training and literacy of homeownership, but that's the future. We're dealing with today and we need those solutions. I'm glad. I keep waiting for that bill to pass, and every day I read the *Wall Street Journal* to see if we're going to get it. We already know that the President [George W. Bush] is talking about vetoing it. So that solution is not quite in the making.

And we need real solutions, and it really means that each one of you, you know someone or you've been in that predicament. We need to get on the phone, and we need to start calling our local congressmen and putting on the heat and the pressure, as well as the President to sign that bill and put it out in the street. Just as quick as we could say, Freddie Mac and Fannie Mae, we need to do the same thing for our people. We are the strength. We are the backbone of our country—homeownership is too. We do not need a lot of investors coming into our community and turning our single-family housing stock into rental property.

Ms. Ramos: Well, you mentioned briefly—we were talking about the housing bill and that's more on a national level, but what about on the local, state level? What role should the state be playing? Secretary Marin, if we can touch on the work that is currently being done on the state level and what you think is the max a state can do. Do you need help on the national level and from the community level?

Secretary Marin: Yes. Well, thank you, Evy. You know, there is no easy solution. There is not one bill that is going to fix all of the problems. This is a big, big crisis that we have that is touching on a lot of people's lives. And while we are looking at this problem as well, if we had done what we need to do now for the future, if we had done this five years ago, ten years ago, we wouldn't be in the situation that we are today.

So we need to, while we're fixing the problem, while we let the legislatures fix it, I think everybody here can help us go out there and try to educate our community. Financial literacy must happen, should have happened a long time ago. It's not happening. It needs to happen now and it needs to happen in the future.

Let me tell you, when I was the Treasurer of the United States, I went around the country and talked about why we needed to have financial literacy, and I'm sure there are many efforts [in] the states right now and around the nation, but we need people to understand what they're signing. We need to make sure that they understand.

We're making some changes here in the law. Right now there's going to be one sheet of paper that tells people this is how much [their] mortgage payment is right now, and this is how high it could be. It's very important, because if that piece of paper would have been part of that ton of paperwork that families need to sign when they're getting their mortgage, maybe people would not have signed them, but they didn't even know. They didn't even know that their loans were going to be so high, that their payments were going to be so high. So we need to do that.

The other thing with the law, and let me just share this with you because I didn't share the other one—the law that the governor just signed, 1137, it also deals—it makes the loan holder, the bank—it requires them to maintain the property, and I think that will be a welcomed thing especially in the areas so hard hit as Stockton and San Diego. There are some areas that are very, very hard hit. And what happens is that the people leave and the houses just go absolutely —not just vacant. It would be great if they're just vacant, but they are unkempt; drug dealing takes place; gangs take them over. Then, all of a sudden, you have entire neighborhoods absolutely decimated.

So now, this bill holds the loan holder, the person responsible, the bank or the loan servicer, or whoever owns the loan, it makes them responsible and that's really, really a welcome development. I know you like that a lot and so that's important.

What I want from all of you is to help us for the future. There are some things we need to do. There is legislation that is going to pass right now, but in the future we need to take people by the hand and educate them.

But the other thing is our community. My God, it pains me. They won't report that they were the subject of fraud. Why? [*Porque fue el compadre. Fue mi amigo. Fue la hija de la comadre.*] So we're not going to do that like—[*verdad que si?*] Yes? You know that? Right? Because they were our friends. But friends don't do that to friends. I cannot tell you how many times I listened to these horror stories and I said, "You know what? I have somebody here from the Department of Real Estate. Right now, you put that as a complaint and we'll deal with them." "No, no [*señora es que es mi amigo*]." So would you please help me and tell people when somebody did you wrong, file a complaint? Make me busy, okay? I want to be busy that way.

Ms. Ramos: We'll let Carol answer. We want to definitely leave time, though, for audience questions as well. So go ahead, Carol.

Ms. Ornelas: You asked what communities can do. Foreclosures are a big issue, and as we heard today there is no easy answer, but going into the future, especially in the state of California, we have what is called the housing element. That housing element is supposed to be the blueprint for communities as to how they're going to deal with their housing issues.

I can only speak for my community, but from what I have seen in the report, housing that was proposed was not being built for those in our community. I want to make it really clear here today, that this crisis did not only affect low-income people, it affected our moderate-income people also, and the working class of America. All these groups were sucked into this subprime lending.

Those housing elements are so important because we should be building housing affordable to everybody at any income level. That's where it started to crumble in California because we thought we should just build for above moderate-income families and we forgot the working poor; we forgot the working middle class. We totally forgot about them because everybody has failed to implement a strong housing element in the state of California.

There are very few communities that can say they have a document that worked. And guess what? It's because, like many things, it does not have teeth. Somebody on the legislative level needs to say, "We don't like it because it's not going to make people accountable and we shouldn't have to approve it."

Well, to you, and all of you out there, what did this market do to us? We always depend on the market. I think we need to stop looking at the market and stop depending on it so much. We should focus on what is best for our community.

Ms. Ramos: Thank you, Carol. I know, Marty, you had a comment.

Mr. Gruenberg: There is one point I wanted to make in terms of understanding this issue, particularly on this question of responsibility and somehow whether the homeowners are responsible for the circumstances. It's important to understand that for these subprime mortgages, a majority of the subprime mortgages that were made were refinancing of existing home loans.

What that meant was that these were people who were already in their homes with fixed rate mortgages they could afford and they were encouraged to refinance their mortgages. Why did they do that? Well, this is what they were told. They were told, "Look, we can lower your mortgage payment. We can let you pull out some of the equity so that you can fix up your home or the roof or whatever else and it will cost you less money." They didn't tell you that this lower interest rate was only good for two or three years. They didn't tell you that they weren't including the escrow for taxes and insurances.

So it sounded too good to be true and it was too good to be true, but did the people really understand it? No. Were these people speculators? No. These were folks who were living in their homes, wanting to try to address some of their financial needs and were persuaded by people that they could get a better deal. And it wasn't true.

And this was done on a very large scale and we're now trying to cope with the repercussions.

Ms. Ramos: Thank you very much.

Mr. Fisher: Just quickly, I just want to emphasize again what Carol was saying, that the housing element is part of how the city decides about housing, but our legislators at the state level are talking about getting together to do another bill that'll help about this. You should be sure you call them in California and across the country. The Congress people have been futzing around with this thing, making a lot of noise, and not doing anything. It's not really moved forward. It gets weakened all the time. You are the electorate. You should be speaking up and saying to them, "These things need to change. You need to do something." Every day in California—well, every 45 seconds or so in California—someone loses their home. This is happening all across the country.

Ms. Ramos: Thank you very much. We are now going to turn time over to you in the audience for questions. We have, I believe, two mikes going around. So if we can start with the gentleman in the back. He's had his hand—oh, okay, after the lady right here.

Questions from the Audience

Q: Thank you. My name is Aracely Panameño. I'm with the Center for Responsible Lending in Washington, DC and this question is to you, Martin. Unfortunately, you are the only one here representing the regulators, so I'm going to direct my question to you and ask you to speak on behalf of regulators in general and not just the FDIC.

At the Center for Responsible Lending, we certainly do a great deal of research about the performance of the market, and we've talked about refinancing, but 45 percent of Latinos who bought a home in 2006 did so with a subprime loan. More than 60 percent of them actually qualified for prime, and the rest of them qualified for better subprime terms.

You just covered IndyMac and that was a depository institution and the reports have shown that many other depository institutions, as well as other mortgage lending institutions, have engaged in predatory practices. Will you release a report regarding the performance of IndyMac as you move forward, and also what will you do regarding other banking institutions in your supervisory role? Because obviously somebody fell asleep at the helm.

Mr. Gruenberg: Well, in regard to IndyMac, obviously, the priority now is the ongoing operation of the institution and assuring all the depositors and account holders in that institution that they can continue doing business as usual, and that's the priority. But you raised a set of very important issues in terms of the regulation of the mortgage-lending market generally and the subprime mortgage-lending market in particular.

Now, let me just—if I could comment briefly on that. The essential issue here in terms of regulation was the failure of the lenders to underwrite these loans based on the borrower's ability to pay. And so the two dimensions of this issue are, one, going forward, fixing the regulations so this doesn't occur again. And two, what we've been talking about, which is the most urgent and compelling part perhaps, is dealing with the folks who are holding these mortgages and are at risk. But let me talk for a second about the first part.

We need, going forward, to address the regulatory standards. At a minimum, these subprime mortgage loans, they have to be underwritten based on the borrower's ability to pay and on the full index rate for these mortgages that adjust upward. We need to address the practice of not including escrow for taxes and insurance in the underwriting of these loans and the utilization of so-called low-doc or no-documentation loans. These are some of the critical abusive practices that produced this issue.

If I can take a second—I've been told to stop. I will stop if you want me to, but there are actions that could be taken, both further actions by the regulators—the Federal Reserve has broad authority in this area, and today they just actually issued a final regulation that at the minimum, I think, will address these three issues of underwriting based on the borrower's ability to pay, the escrow of taxes and insurance, and the no- or low-documentation lending. So that's very important. And there's also legislation pending in Congress. Whether it's this year or next year, we probably should address this in the statute to be sure it doesn't happen again.

Ms. Ramos: Yes, the gentleman in the back.

Q: Thank you very much for participating today. My name is Mike Aguirre. I'm the City Attorney here in San Diego. Many of us believe that we can't rely on Washington for a solution for a lot of different reasons, and so we are preparing to take action ourselves here in San Diego to stop all foreclosures that were based upon unfair violations of the law under our state law. And my question to you is will you help us provide technical support and information from the FDIC and from many of the others of you to make this a reality? We think that if we can do this here in San Diego, perhaps we can do it elsewhere. And the reason we've lost confidence is people like Senator Sarbanes, who was on notice that the SEC Chairman Chris Cox had been himself involved in prime lending fraud as an attorney, and held no hearings, no background, rubber-stamped his appointment. And had he done his job and regulated, instead of looked the other way, we wouldn't be here today.

So the question is will you help those of us in local government who are prepared to take action, who believe that foreclosure should not be an option as a result of fraudulent, unlawful, and unfair business practices?

Ms. Ornelas: I think that's yours, Marty. (laughter)

Mr. Gruenberg: I'm not quite sure how to respond to that. I have to say, if you're talking about private legal action at the local level, you can bring lawsuits using state or federal unfair and deceptive practices. That's certainly something that's within your power to do.

And I guess an important point to make is that it seems to me—and this was mentioned before—there's no one solution to this issue, and that from my perspective every home is important. So whether it's a community group providing counseling to homeowners to deal with their foreclosure situation, or whether it's an action by local or state officials, or whether it's an action by a legal services attorney bringing a suit against a lender that's been engaged in unfair practices, or whether it's an action at the federal level, either by regulation or congressional response, these are all resources we should try to bring to bear to deal with what I really believe is a compelling issue for millions of Americans.

Ms. Ramos: We have the lady up in front.

Q: Thank you for giving me the opportunity to speak before you, and thank you, all of you. I'm Myrna Reyes and I'm the past president of the Filipino-American Chamber of Commerce. I'm also a certified HUD counselor, and what I'd like for all of you to know is that we're taking actions here in San Diego ourselves.

I have been an escrow officer for 27 years and I'm very passionate about this issue because I've seen a lot of them. So I'm also inviting some of you on July 23rd from eight o'clock to 12:00, there is a meeting with the Law Enforcement Group in San Diego. It pertains to eviction and it will be at 4305—write it down—University Avenue in San Diego. I will be outside and I will take your names later if you want to come with me.

Ms. Ramos: Okay, thank you. We have the gentleman right here in the middle.

Q: Hello. My name is Freddy. I'm from Los Angeles. I thought it was a very important point that our young friend here made about IndyMac. This is the second-largest collapse of a bank in the history of this country. I recently heard a report that Fannie Mae and Freddie Mac are also about to go under, and we might have to have the federal government step it [up]. If that were to happen, that [would] add on $5 trillion to the already existing debt that we have in the country.

My main concern is that everything that's been proposed from Ben Bernanke to Barney Frank, Chris Dodd, and even the presumptive presidential candidates, it still seems somewhat of a short-term solution. I think Marty hit the nail on the head when he said that this was a systemic problem.

Now, throughout the country, you've had city councils and state legislators support a legislation known as the "Homeowners and Bank Protection Act." This was put together by economists and Democrat Lyndon LaRouche. He specifically calls for—to address the systemic crisis—you address it by declaring a moratorium on foreclosures, not for an extended amount of time.

Second, he's calling for a top-down reorganization of the banking system, the way that Franklin Roosevelt had discussed and, frankly, penalizes speculators. It's going to require much more than that—excuse me. I'm sorry. I'm (inaudible).

So my question is what type of actions are the members here on the panel and the members of NCLR willing to take? It's very clear. We were jacked by the speculators and we need action on a federal level, not on a local level. This has to be addressed on a national scale. And at this point, the only alternative seen throughout this country to be most effective is the "Homeowners and Bank Protection Act" by Lyndon LaRouche.

I'm curious as to what stance you guys are ready to take. Are we going to continue talking about just a short-term solution, or are we really going to wage a political fight this year, because, like I said, this is big. We're not talking about a two-month crisis.

Ms. Ramos: Thank you.

Secretary Marin: Well, I think that there is no perfect solution. I think that what you're going to see is a number of different solutions. Some of them might be small, some of them might be big, but there is not one perfect solution. I think that what we're looking for is at both the federal level and the state level. We want a number of options.

It's just like financial services. The subprime loans are one of many services. They obviously were abused, and we need to have a whole bunch of procedures as it is a systemic problem. So we need to have a number of different solutions. Some of them are going to deal with the bankers and the lenders. Some of them are going to deal with the mortgage brokers. Some of them are going to deal with financial literacy. Some of them are going to deal with a number of things. Some of them may deal with the plan, the housing plan, but it's going to take a number of them.

And for anybody that is looking for the one piece of legislation that will be a cure-all, it's probably not very realistic, but I am very hopeful—and I represent a governor who's extremely optimistic. He feels that it took both lenders and borrowers to get us where we are right now, and it's going to take both lenders and borrowers to get us out of it. So I believe we will.

Ms. Ornelas: I'd like to also add I've had this conversation with those in our community. It really is about dialogue. There's not this one brush that we all can use to paint the same picture. We need to take a look at the problem, but we need the lenders at the table and for them to stop saying, "We can't do it." There are laws, but guess what? Laws can be changed and they should not take forever to change. And so to me, to personalize this more in your own community, you need to open up dialogue and get people behind a cause to move this forward.

Today, Freddie Mac was here, right? And I said why can't we keep people inside their homes, letting them pay rent while solutions are happening? (applause) I think it's better than receiving no money at all, or having a vacant house that's being vandalized. And they said, "Well, it can't work." Well, why can't it work? Those are the types of dialogues that need to be happening.

We should be telling Freddie Mac, this is the way we want to do it because it is our community. Those homes are sitting in our community vacant and vandalized and increasing problems for us as a whole.

Ms. Ramos: Thank you. Right over here.

Q: Okay. Hi, thank you for joining us today. I think this is a very important discussion that needs to continue. Everyone had very valid input into what's going on. I think that Mr. Gruenberg hit the nail on the head in terms of looking at FHA as part of the solution. I think that FHA has always historically been the answer to stabilizing the market.

And I think that the points that you've given are very important and crucial to making sure that the real estate market really doesn't bottom out, and if you have a situation where you're doing a moratorium on foreclosures, there is a very big chance that it will bottom out and affect the economy even more negatively.

My question is regarding a regulation of servicing providers. It seems that most of the leg work that's been done already and the accomplishments have been on the side of origination in terms of modernizing the Truth in Lending [Act] and the Real Estate Settlement Procedures Act.

What is really being done to make sure that we have some uniformity on the side of servicing agents? Because I'm on the frontlines dealing with people that are losing their houses. When they're finding themselves in trouble, they're calling the lenders. The lenders are saying, "You might want to think about defaulting on your payment so that we can help you because we can't help you now." And when they do, they're saying, "Well, you've defaulted, so we really can't help you now either."

And so people are finding [themselves] in a place where there's no regulation behind what servicers can do to help them. And the process is being brought about for seven, eight, nine months and to the point where they're in despair. And regulations such as SB 1137 may help, but that's almost at the end, where you're already facing foreclosure and people are outside.

So my question is, what is being done on the side of regulating servicing agents?

Secretary Marin: Yes, I'm going to say something because one of the things that is very, very clear, and there was a lot of confusion because there were a number of different things that both the federal government was doing, and at one point in time it was like, "Well, we're going to try to help the people that are going through foreclosure proceeding. So if in fact you have not gone into foreclosure, don't even call us. Go into foreclosure before we can help you."

Then there was another program that started back in December of last year, where it was like, "No, if you anticipate that you're not going to be able to make your payments and your loan is going to be resetting, come and talk to us right now," and so forth.

I think that there has been some massive confusion out there, where people don't know, when can I go and get help? I can tell you right here, and right now, it is in the best interest of the banks that homes do not foreclose. The market is saturated with foreclosed homes. It is not in their best interest to continue to grow that stock. They lose money.

So they are pretty much—and we've held a lot of workshops, and personally I have attended quite a few of them—they are very willing to sit down and talk with the people so that they don't go into foreclosure proceedings. And now with the law in California, they have to sit down before they actually go into foreclosure proceedings.

There is a lot being done. There is some confusion out there. The most important thing that we can ask people is to go in and talk to their banks. I know some people say it takes too long, it's too much, and so forth. Some people are not seeing the responses, but I can tell you, banks do not want to have more and more foreclosures.

Ms. Ramos: Alan, I know that CRC—you mentioned it briefly—recently did a survey. Can you talk about this as well?

Mr. Fisher: Right, and we actually called for a six-month moratorium about a year and a quarter ago. The institutions didn't listen to us for some reason, but we had a number of meetings and what I heard was what Rosario was saying, and we felt hopeful that maybe there was a solution.

But what we see and hear over and over again is that the servicers, not necessarily the banks, but many of these things are in big investment blocks—10,000 loans. The people who service them are not fixing it, and actually it may be that the people who service them make more money foreclosing than they make on fixing the loan. So I think there are tremendous problems with what we call this regulation or whatever we call this, where they're just going ahead, and meanwhile whole neighborhoods are emptying out.

And I think we really need to do something about that and the service—while there are all these nice things being said here—I don't mean here by Rosario, but by the banks, that they were going to solve this. They have no interest. The reality is that there are foreclosures all the time that the servicers are not responding to. And whatever reason for that may be it's not happening, and maybe they're making more money that way, just like they made more money doing this in the first place.

Ms. Ramos: I guess—what's the suggestion then for those facing foreclosure? If somebody's out there and they call a lender and the lender's not listening to him? They're not helping them. What are they supposed to do at that point?

Mr. Fisher: There are many counselors, like Visionary Home Builders. The HUD website has a listing of HUD-certified counselors. There are others. There's the Hope Now phone line, but I think the other thing is to turn to people like Governor Schwarzenegger and say, "You've talked with these servicers. We're still not seeing what we should see." Or, in your states or the federal government, "Let's solve this for us because we have a $14 billion deficit for next year in the state of California." That's what's happening across the country. If this doesn't get solved, it's more than the banks that are in trouble.

Ms. Ramos: Right. Thank you. We have a question in the back. Where is the microphone? There it is.

Q: Thank you. Hi, my name is Erdena. I'm from Los Angeles. It's a true point that you make about 50 percent of the annual banking assets are mortgage-backed or related to the mortgage industry in some way or another.

Now, my question is, obviously, the banks are going to do what's in the interest of the banks, and I find it ironic that a part of what was made, and part of the points that were made in the presentation earlier, is that the pending legislation on the Hill right now was authored by the banks—Credit Suisse being among the banks that authored the legislation.

So obviously, it's not being done from the standpoint of having the interest of the people and the lower 80 percent in mind. Now my question is, today, yesterday, all the discussions were always leading back to this question of deregulation and speculation. Why don't we just come out full force and say, "Hey, NAFTA, free trade, these economic policies have proved to be inefficient in the past 40 years since we've been practicing them."

Today— just one quick thing—John McCain—I was in a luncheon today. He brought up the fact that he was a staunch supporter of free trade, a staunch supporter of NAFTA and the free markets. And I thought that it was extremely audacious, considering the fact that all these issues, the mortgage issue, the health care issue, the border issues have to do with free trade policies that have been decimating not only the United States but the Third World as well.

So my question is, why aren't we—at this conference and in general—willing to stand up and say, "We talk about it at home. Free trade doesn't work. We know it doesn't work." Let's start to become a producer-oriented economy again. Infrastructure—talk about it. Why aren't you talking about it?

Ms. Ramos: Would anybody like to tackle that question. Was there maybe a more direct question for a specific panelist?

Q: (Off mike)—free trade, people think that there is no alternative. That's not true. It's only been in place since 1971, that's it. All the successes we've had in U.S. history under FDR.

Ms. Ramos: Yes, I understand that, but if you can just have a direct question for one of the panelists, not a general—

Q: (Off mike) How will they have the audacity to speak here and talk about legislation (off mike) authored by the banks and—(off mike).

Mr. Gruenberg: I think—and I understand the point you're making. I think the issue here is trying to find responses that we think might be effective. And I think the proposal being put forward is viewed by many community advocates, as well as others, as a possibly effective response and utilizing FHA to facilitate substantial write-down of principal on the current value of these mortgage loans, so that people can afford to pay them and then utilizing FHA to guarantee the restructured loan, structured in a way that the homeowner can pay it for the long term is a sensible thing to do, whatever the origin of that idea. So I'm not sure we want to get hung up on that, for what it's worth.

I want to come back just to address this—one of the complications. And I want to be sure people understand when they talk about the role of the servicers as opposed to the lenders because I'm not sure if everybody understands.

One of the big changes that's happened in the mortgage market in the United States over the last five years, it used to be when a lender made a loan, made a mortgage, the lender held on to that mortgage, and so when people ran into difficulty they'd go to their lender and try to work it out. And that's what lenders do. It's part of their business and they want to maintain relationships with their customers. So they had a capacity to do a workout so that people can stay in the homes because, as was pointed out, by and large it's in the interest of the lender as well as the homeowner to avoid the foreclosure.

One of the big changes we've had in the mortgage market, and particularly in the subprime market just over the last five years, was this thing that happened, which the lenders started selling off these mortgages to investors, the so-called securitization of these mortgages, where they would sell the mortgages to Wall Street firms, who would then package these mortgages into a—it was called a mortgage-backed security—and sell them off to investors around the country and, frankly, around the world.

And then they would have these financial companies that are called intermediaries or servicers between the investors and the homeowner collecting the payments from the homeowner and passing it along to the investor. And these servicers were not in the lending business and they were not used to dealing with homeowners, with borrowers, and not used to doing workouts when people got into difficulty. And we've got this really difficult problem and the servicers are poorly equipped and it's not clear, as Alan said, that the incentive system is right for these people to deal with.

It's been a big part of the problem. It's not an excuse, but it's one of the difficulties and challenges we faced in trying to address this problem.

Ms. Ramos: All right. Can we have the next question right over here? Sorry, I can't see where you are. Oh, okay, in the front.

Q: Good afternoon. With this experience that we have gone through—and I know that one of the ladies mentioned about the regulations that are taking place—is it possible that we could have stricter educational requirements for the professionals that are working in this field because, at this moment, it is so easy to get a real estate license and make $100,000. And so you get a flood of a lot of people who don't know what they're doing and they're entering into this market just because they have the connections.

My mom, my uncle, whoever—they're all being impacted. So is it possible—is there some way that this—there could be stronger requirements, some way to make sure that we have actual professionals that are in this field, as opposed to amateurs? That would be my question.

Secretary Marin: You want me to try it? I'll try it. I personally do not oversee the Department of Real Estate, but we—as I understand—in California, it's actually not as easy to get a real estate license. There are many, many people that actually flunk the test. So it's not easy. But what I think you're saying has real value.

I think that there needs to be—of course, there are probably mortgage brokers here and real estate agents here. They will disagree with you that it's easy. It's not that easy, but can we do more to ensure that? What we cannot do is legislate integrity. There are some people that have taken advantage, that have taken advantage of the trust that people had put in them. And it's a little bit more difficult to legislate integrity and honesty. We can pull their licenses, if we know that they wronged somebody.

The problem—and I go back to what I said before. There are people that do not want to file complaints. So if we knew for a fact that somebody has actually wronged somebody that defrauded them, that told them one thing and it was something else, they can file complaints. The problem, especially within our community—and I get very, very upset about that—... people will not file complaints. I would—I can tell you, we'll take care of them. You give me the people that should be—that their licenses should be pulled, we'll go through the process. We'll be very happy to pull their licenses.

Conclusion

Ms. Ramos: Thank you. Unfortunately, we don't have time for any other questions. We do, however, have surveys on your seats. If you have any questions, comments, concerns, or just comments about the town hall discussion, we would love for you to fill those out.

We do want to thank our panelists for being here with us today and giving us their time. Hopefully, we can take these solutions and take them to our local, state—and to Washington—and hopefully we can come up with some help for those that are suffering in this massive foreclosure crisis. Thank you very much.

Panelist and Speaker Bios

Alan Fisher

Alan Fisher is Executive Director of the California Reinvestment Coalition (CRC). CRC is a statewide membership organization of more than 250 nonprofit organizations and public agencies that advocates with financial institutions for increased lending, investment, and financial services for low-income and minority communities. CRC's goals are equal access to finance for all Californians and an end to the two-tier lending system that causes lower-income people to pay more for financial access.

CRC has Community Reinvestment Act (CRA) agreements with major California financial institutions, including Bank of America, Wachovia Bank, Comerica Bank, Union Bank of California, Wells Fargo Bank, U.S. Bank, and Washington Mutual Bank. CRC members meet with these institutions regularly for dialogue to expand products and services available to low-income and minority communities that also offer positive opportunities for the institutions. In addition, CRC negotiates with insurance companies and other entities in the consolidating financial sector to increase their investments and services to underserved communities. CRC also works on the issues of payday, subprime mortgage, and tax refund lending.

Mr. Fisher has experience as a labor and community activist, writer, small-business person, management consultant, electronic repairman, researcher, college lecturer, and foundation staffer. He has written or contributed to CRC reports on small business lending, payday lending, affordable housing, mortgage redlining, small business technical assistance, and other community issues. Mr. Fisher is on the Board of Directors of the National Community Reinvestment Coalition, Bernal Heights Housing Corporation, and Centro del Pueblo. He has an MBA from the University of California at Los Angeles and a BA from the University of California at Santa Cruz.

Martin J. Gruenberg

Martin J. Gruenberg was sworn in as Vice Chairman of the FDIC Board of Directors on August 22, 2005. Upon the resignation of Chairman Donald Powell, he served as Acting Chairman from November 15, 2005 to June 26, 2006. On November 2, 2007, Mr. Gruenberg was named Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI).

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D–MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. Mr. Gruenberg advised the senator on issues of domestic and international financial regulation, monetary policy, and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act of 2002. Mr. Gruenberg holds a JD from Case Western Reserve Law School and an AB from Princeton University, Woodrow Wilson School of Public and International Affairs.

Secretary Rosario Marin

Rosario Marin is a trusted advisor to California Governor Arnold Schwarzenegger and an inspiration to many. Early in her career she served on the Huntington Park City Council and was later appointed by President George W. Bush and unanimously confirmed by the United States Senate to be the 41st Treasurer of the United States. In her current role as Secretary of the Sate and Consumer Services Agency, she oversees California's civil rights enforcement, consumer protection, improvement of access to state government, and the "greening" of the state. In 2008, Secretary Marin was honored by the U.S. Citizenship and Immigration Services and received the "Outstanding American by Choice" Award, which recognizes the outstanding achievements of naturalized U.S. citizens.

In early 2007, she released her autobiography titled, *Leading Between Two Worlds: Lessons from the First Mexican-Born Treasurer of the United States*, which details her journey and provides valuable insight for anyone working to improve the Latino community. Secretary Marin is the recipient of four honorary doctorate degrees from the following universities: California State University, Los Angeles; Whittier College; University of St. Francis; and Woodbury College. Today, Secretary Marin is not only a trailblazer, she is a devoted wife, mother, public servant, and tireless mentor.

Carol Ornelas

Carol Ornelas is a licensed general contractor and an expert in the field of affordable housing. For the past 20 years, she has been the Chief Executive Officer for Visionary Home Builders of California (formerly ACLC, Inc.), a nonprofit residential development company headquartered in Stockton, California. Ms. Ornelas has brought in more than $150 million in grants and private dollars to develop quality and affordable housing for families in the San Joaquin Valley. She also serves with distinction as the only female housing developer in the area.

Under Ms. Ornelas's direct leadership, Visionary Home Builders has built or rehabilitated more than 1,000 units of rental housing and more than 350 residential homes for first-time homebuyers. Ms. Ornelas also worked with San Joaquin County to develop the Valle del Sol community of 76 housing units for farmworker families. This community includes child care with an emphasis on early development, social services, and a medical clinic. The project was recently awarded "Best Affordable Housing Project" in its category in the nation by *Affordable Housing Finance* magazine.

Evy Ramos

Evy Ramos is currently the morning anchor for KGTV *10News* and works as a reporter covering issues affecting the Latino community in San Diego. From politics to health care and family, she shares the stories of the culturally diverse Latino community.

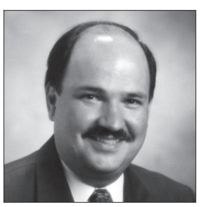
Ms. Ramos graduated from the University of Southern California (USC) with a degree in broadcast journalism and a minor in communication and the entertainment industry. Upon graduating, she worked at *E! True Hollywood Story* in Los Angeles before heading to Fresno where she worked as a reporter/anchor for two years.

Ms. Ramos was born the eldest of seven children in Ciudad Obregon, Sonora, Mexico. When she was three years old, her family moved to Southern California where they currently reside. She graduated from the Thatcher School in Ojai before continuing her studies at USC. While in school, she was involved in the school news program Annenberg TV News, dramatic arts, musical theater, soccer, volleyball, piano, and voice. She is bilingual (English and Spanish).

Dwight P. Robinson

Dwight P. Robinson currently serves as Senior Vice President of Corporate Relations and Housing Outreach of Freddie Mac. In 1998, he was named Vice President of Industry Relations, where he was responsible for coordinating the corporation's relationships with trade associations and other key industry groups. Prior to joining Freddie Mac in 1998, Mr. Robinson was Deputy Secretary of the U.S. Department of Housing and Urban Development (HUD), functioning as Chief Operating Officer and handling the agency's day-to-day operations, coordinating seven HUD operating entities. Before assuming the Deputy Secretary position at HUD, he was President of Ginnie Mae, a wholly owned government association that serves low- to moderate-income homebuyers. As President, Robinson was responsible for all major policy decisions affecting Ginnie Mae's issuers and purchasers worldwide.

Before joining Ginnie Mae in 1993, Mr. Robinson was Director of Freddie Mac's Affordable Housing unit where he was a key figure in establishing corporate affordable housing policies, programs, and mortgage offerings. Prior to his time at Freddie Mac, he was Deputy Executive Director and Chief Loan Underwriter of the Michigan State Housing Development Authority, managing 360 employees and an annual budget of $27 million. He also held several senior management positions with the Authority. Mr. Robinson holds a BS in urban planning and community development from Michigan State University.



Anselmo Villarreal

Anselmo Villarreal is the President and CEO of La Casa de Esperanza, a community-based organization dedicated to serving Waukesha, Wisconsin's low-income and Latino populations since 1966. With 18 years of experience in nonprofit management, his primary responsibility is to provide strategic vision, planning, and direction for the organization under the guidance of the Board of Directors and in line with the organizational mission.

Dedicated to advancing the well-being of Latinos and building stronger communities, Mr. Villarreal is a member of several local and national organizations including the Waukesha Area Chamber of Commerce, Workforce Development Board, Mexican and American Solidarity Foundation, the Federal Home Loan Bank of Chicago Advisory Board, National Rural Housing Action Coalition, Southeastern Wisconsin Regional Planning Commission, NCLR's Board of Directors, and the American Lung Association, among others. Mr. Villarreal is the Wisconsin Representative of the Advisory Council of the Institute of Mexicans Abroad and recently completed his term on the Consumer Advisory Council of the Federal Reserve Board.

He began his career in the federal government of Mexico, the country of his birth and college education. After graduating from the Instituto Tecnologico y de Estudios Superiores de Monterrey in Mexico, he came to the United States to advance his career by earning an MA in economics from the University of Wisconsin, Milwaukee in 1986.

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