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NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Reinvestment WORKS

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Community Leaders Hail NCRC National Conference a Success

More than 500 people joined NCRC at our national conference: "Creating the Vision for a Fair Economy: Investing in People and Communities." Community leaders, lawmakers, regulators, civil rights leaders, bankers, the media, housing groups, faith-based organizations, business development organizations and representatives from the "environmental justice" community — green builders, trainers, workforce developers, and others — came together over four event filled days on Capitol Hill. Referred to by members of NCRC's Board and members who wrote to us in appreciation after the event as "the best NCRC conference ever," we are proud, grateful and excited about next year.

The conference began with a new feature this year — the Members Welcome Orientation. The orientation took place in the Thornton Room, located high on the 10th floor of the Hyatt Regency, and provided a spectacular view of the U.S. Capitol. Members had a chance to network over lunch, meet NCRC staff and receive an orientation to the events that would take place over the next several days.

That afternoon, as attendees began to arrive in larger numbers, NCRC's Training Academy workshops began. The workshops, on topics such as asset building strategies, CRA, foreclosure counseling, HMDA, HOEPA and others, were standing room only and chairs continued to be added to each training room throughout the afternoon in order to accommodate the unprecedented attendance.

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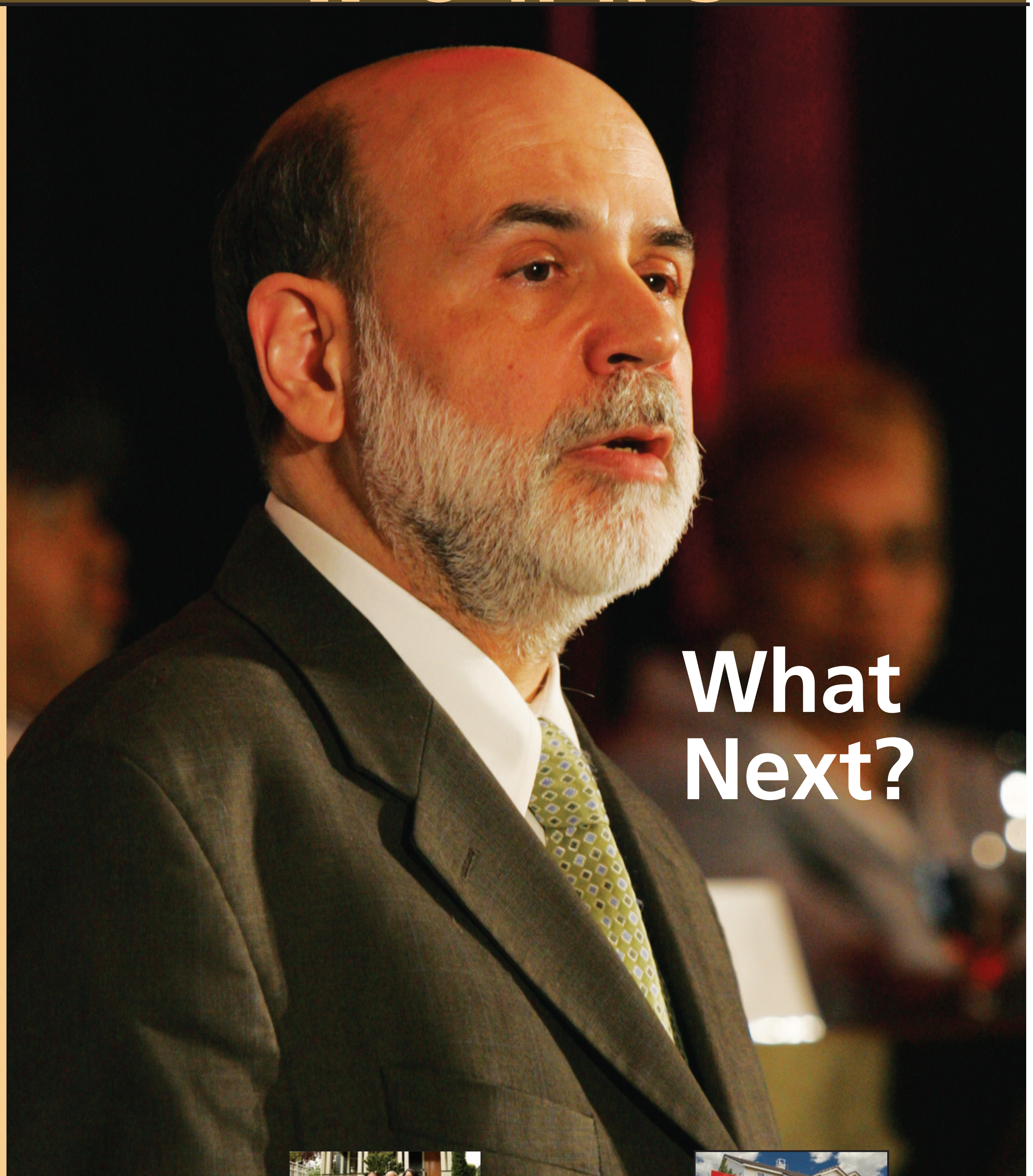

What Next?

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DCMBEC Delivers Results for Area Businesses

NCRC's award-winning Washington, D.C.-based Minority Business Enterprise Center (DCMBEC) is committed to building long-term growth and ensuring economic sustainability of minority business enterprises in the National Capital Region. In addition, DCMBEC provides business access to value-added consulting services, capital and financing resources and contracts with government and private entities.

As a grant recipient of the Minority Business Development Agency (MBDA) of the Department of Commerce, NCRC was selected to operate this program as a result of its extensive work in economic development. By operating DCMBEC, NCRC is able to promote opportunities in the minority business community. The U.S. Department of Commerce Minority Business Development Agency recently ranked DCMBEC the top out of eight centers of its kind in the region and the program is currently considered the leading national model agency of its kind.

Among their recent success stories:

Strickland Construction Services, Inc. — a Maryland-based, Native American owned, SBA 8(a) certified general construction firm with initial revenues of $3 million and a workforce of 40, became a client of DCMBEC in 2005. Through direct financing consulting assistance from DCMBEC, Strickland was able to obtain $33.5 million in contracts and more than $5 million in bonding for various projects. In addition, they were named the 2006 MBDA New York Regional-Construction Firm of the Year.

Vyalex — a veteran-owned, small 8(a) company providing IT management solutions to its clients, which include the United States Navy, Vyalex became a client of DCMBEC in 2005. Originally reporting revenues of $700K and a workforce of 5 full-time employees, Vyalex was able to secure several contracts that enabled the company to reach revenues exceeding $5 million and have a full-time staff of 28 people. MBDA named Vyalex's president one of the 2007 Maryland Top 100 Business Persons of The Year and the 2007 Black Engineer of The Year.

Whaste Technology, Inc. (WTI) is advancing innovative technological processes and services that provide long-term solutions for converting liquid and solid organic waste to renewable energy products, including but not limited to organic fertilizers, and electrical energy. Through the assistance of the DCMBEC, WTI was able to successfully obtain a 144A (privately-funded) bond in the sum of $450M — the 7-year note is fully backed by WTI equity. DCMBEC is in the process of assisting WTI with liquidating these bonds to acquire the funds to purchase real estate for an energy plant. ■

NATIONAL HOUSING INSTITUTE

NHI

The National Housing Institute (NHI), founded in 1975, is an independent nonprofit organization dedicated to fostering decent, affordable housing and a vibrant community for everyone. In its magazine, *Shelterforce*, Web site www.nhi.org, blog www.rooflines.org, and research, NHI focuses attention and encourages action on progressive, high-impact housing and community-development policies and practices through the lens of such subjects as social and economic equity, racism, poverty, health, the environment, education, and sustainability.

www.nhi.org · www.shelterforce.org · www.rooflines.org

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Announcing the Save the Block Party! Initiative

How NCRC and its Members are Making a Difference in America's Communities

NCRC wants to make a difference in the communities across the country that are hard hit by foreclosures. Through a strategic partnership with Citi, the inaugural Save the Block Party! events are slated to kick-off in Fairfax County, Virginia and Prince George's County, Maryland September 13th and 20th. This new model is designed to generate excitement and energy from prospective and existing homeowners and attract participation from households that need immediate foreclosure prevention assistance. The family-oriented, day-long festival will feature prescreened appointment times where homeowners will receive direct intervention and counseling services, as well as loan prequalification through the HOPE Now Alliance, NCRC's National Homeownership Sustainability Fund, and other partners. In addition, food, music, games and other family activities are planned at each site.

NCRC will bring both public and private sector partners together to provide high-impact, on-site homeownership sustainability solutions to the people in these Washington DC metropolitan area counties. All NCRC members in these areas are eligible to receive discounted exhibit space, advertising and are encouraged to share their expertise with other community leaders and residents seeking assistance. NCRC members are also encouraged to become strategic partners and contribute to the day's overall programming. If you would like to learn more about the Save the Block Party! initiative please email Patrice Davenport at pdavenport@ncrc.org for more information. ■

NCRC Relaunches National Neighbors, Inc.

National Neighbors, Inc., the oldest national fair housing organization in the United States, has successfully re-emerged under the leadership of John Taylor and the National Community Reinvestment Coalition's Board of Directors.

On March 30, 1969, just shy of a year after the passage of the Fair Housing Act of 1968, community leaders from twelve integrated communities across the country met in Minnesota to form a national organization that would work to promote multiracial and multiethnic neighborhoods.

Until the late 1990s, National Neighbors, Inc. served as a resource to U.S. Government agencies, as well as private fair housing organizations and local government agencies, by promoting racial and cultural equality, influencing public policy and developing national models that supported community development through the Fair Housing, Fair Lending and Civil Rights laws.

Today, National Neighbors, Inc. provides technical assistance to NCRC's members in urban, suburban, and rural communities to promote economic mobility and ensure fair housing for working families throughout the nation.

Through an increased multi-cultural dialogue, National Neighbors, Inc. was able to successfully influence public policy that supported healthy, sustainable communities through the realization of our nation's civil laws.

Today, National Neighbors, Inc. provides technical assistance to NCRC's members in urban, suburban, and rural communities to promote economic mobility and ensure fair housing for working families throughout the nation. In addition, it provides private enforcement, education and outreach, fair housing planning, comprehensive voluntary compliance services, testing, and building partnerships among communities, real estate providers, financial institutions, and other key market players.

National Neighbors achieves its goals through workshops, conferences, investigations of civil rights complaints, systematic "testing", education and outreach, fair housing planning, and "best practice" compliance initiatives. ■

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Federal Reserve's Proposed Regulation No Substitute for Comprehensive Anti-Predatory Lending Legislation

The Federal Reserve Board has proposed changes to Regulation Z that implements the Homeownership and Equity Protection Act (HOEPA). Under HOEPA, the Federal Reserve Board has the authority to prohibit acts and practices deemed to be unfair and deceptive. While certain provisions of the proposal are helpful, it also contains exceptions that reduce its effectiveness. As such it is not a substitute for comprehensive anti-predatory legislation and the charge remains before Congress to pass a comprehensive law.

The proposed rule applies certain protections to a broad set of high-cost loans, while prohibiting unfair and deceptive appraisal, servicing and advertising practices on all loans. The Federal Reserve's proposed rule would apply to all lending institutions – banks and independent mortgage companies alike. The 90-day public comment period on the proposal ended on April 8th, 2008.

The Federal Reserve proposed applying consumer protections to high-cost loans defined as loans with Annual Percentage Rates (APR) three percentage points above Treasury rates of comparable maturities. By their estimate, this threshold would cover the vast majority of subprime loans and also some ALT A or "near prime" loans. NCRC and its member organizations maintain that coverage should include subprime loans and non-traditional prime loans with adjustable rates and/or monthly payments that cover only the interest and/or even less than the interest payments. The lending industry responded by saying that the risky practices are generally confined to subprime loans, not the "near" prime category. According to the lending industry, the Federal Reserve therefore should confine its proposed coverage to subprime loans. Given the extent of the foreclosure crisis, NCRC is urging the Federal Reserve to at least stick with its proposed coverage, if not expanding the universe of loans that would be covered.

The proposed additional consumer protections for high-cost loans include the following:

Ability to Repay: The Federal Reserve establishes an ability-to-repay standard for high-cost loans, but the enforcement mechanisms it proposes are unclear. Appropriately, the ability to repay analysis must consider a fully-amortizing payment that includes property taxes and homeowners' insurance. The proposed rule also allows creditors to assure that borrowers can repay the loan for just seven years instead of the life of the loan. However, vulnerable borrowers (first-time homebuyers, low- and moderate-income borrowers, minorities, and the elderly) often hold onto their loans considerably longer than the seven years. Therefore a repayment analysis that stops at seven years is unlikely to protect these borrowers. In addition, the proposed rule requires lenders to verify borrower income, but then includes a broad exception to that requirement.

Another shortcoming in the proposed ability-to-pay proposal is that the Federal Reserve establishes a pattern and practice standard that makes enforcing repayment requirements difficult. This standard would require a public agency or borrower to prove that a lender has engaged in a regular practice of making loans beyond borrower payment abilities. If a lender has made a few loans, or even a significant number of loans that are unaffordable, the proposed rule does not provide protection for borrowers should plaintiffs be unable to prove that the lender has engaged in a pattern or practice of making unaffordable loans. The industry trade association has supported the Federal Reserve's proposed pattern and practice standard, and made suggestions to further shield the industry from liability.

Escrows: Escrows would be required on high-cost loans, but lenders can offer an opt-out for borrowers twelve months after loan origination in the Federal Reserve's proposal. Borrowers in the subprime and near-prime markets are often not familiar with the complexities of the loan process. They can be easily convinced to opt-out of an escrow requirement when escrowing is still in their best interest, in order to ensure their continued ability to repay the loan.

Prepayment Penalties: The Federal Reserve proposed banning prepayment penalties after five years. This time period is seen as too long, particularly since significant segments of the industry have voluntarily adhered to a three year limit. Requiring prepayment penalties to cease 60 days before an interest rate reset in the case of Adjustable Rate Mortgages (ARM) loans is a positive move, but borrowers need 90 days or more in order to shop and arrange for refinance loans if they need to refinance in order to avoid a higher rate.

Protections for All Loans

The Federal Reserve proposed other protections that would be applied to all close-ended loans. These include:

Disclosures for Yield Spread Premiums (YSPs): YSPs can be unfair in that they do not significantly lower loan fees and closing costs, but are opportunities for lenders to take advantage of consumers – through a YSP and then again with usurious fees. The Federal Reserve proposes disclosures in the form of a written agreement between a borrower and broker that describes the total amount of compensation the broker receives. In light of the Federal Reserve's own warnings about the limited effectiveness of disclosure, the Federal Reserve should have banned YSPs on subprime loans, or at least limited the extent to which APRs can be raised by YSPs on subprime loans and other loans.

Appraisers: The Federal Reserve proposes to prohibit a lender or broker from influencing an appraiser into misrepresenting the value of a home. Appraisal fraud has significantly contributed to the foreclosure crisis, as borrowers have difficulty affording mortgage payments for homes with inflated values. The Federal Reserve proposal is helpful, but does not go as far as Senator Dodd's anti-predatory lending bill, which requires a new loan for the true value of the home in cases when the appraised value is 10 percent higher than the real value of the home, as determined through a retrospective appraisal.

Servicing: The Federal Reserve proposal would require that servicers promptly credit borrower payments. This addresses the unfair and deceptive practice of not recording borrower payments, making it appear as though a borrower is in default. In addition, the proposal prohibits "pyramiding" late fees or continuing to charge late fees, when a borrower made a full payment for the current month but was behind on a previous month's payment. While this proposal is helpful, it is incomplete. Senator Dodd's anti-predatory bill, by contrast, would require servicers and lenders to engage in reasonable efforts to avoid foreclosures, such as modifying or refinancing a loan.

Prohibitions on Deceptive Advertisements: The Federal Reserve proposal would prohibit various deceptive advertisements for close-ended and open-ended loans. For example, the proposal would make it illegal to create an impression that a broker has a fiduciary relationship with the borrower when the broker does not. These proposals are helpful, but are no substitute for prohibitions of inherently unfair and deceptive loan products and practices.

For any questions about the HOEPA proposal, please contact NCRC at (202) 628-8866. ■

While the Federal Reserve broadened protections for most high-cost loans, it neglected to apply protections to non-traditional prime loans such as option ARMs, despite the fact that they issued guidance on non-traditional loans with the other federal banking agencies. In other cases, the Federal Reserve has adopted difficult enforcement mechanisms, such as the pattern and practice standard for the repayment analysis standard. NCRC urges the Federal Reserve to strengthen and implement its proposal, while also requesting that Congress enact a comprehensive anti-predatory bill since the protections in the Federal Reserve's rule are likely to remain incomplete.

Community Leaders Hail NCRC National Conference a Success

Foreclosure Crisis Tops Agenda

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The first day of the conference wrapped up with a rousing welcome from NCRC CEO John Taylor during the Congressional Policy and Regulatory Briefing for members. John, plus Board member Hubert Van Tol and NCRC Executive Vice President David Berenbaum, Vice President of Research and Policy Josh Silver and Vice President of Legislative and Regulatory Affairs Sylvia Lake provided members with an overview of current anti-predatory lending, bankruptcy and other key legislation to prepare members for their Hill visits the next morning. John set the tone for the conference and motivated members with his impassioned speech and framed the scope of the current economic crisis affecting communities.

The next day, attendees took a short walk up to Capitol Hill to visit with their legislators. A full morning of meetings was capped off by the Congressional luncheon in the Caucus Room of the Russell Senate Office Building, where visiting Congressman and former Presidential hopeful Dennis Kucinich (D-OH), Congressmen Keith Ellison (D-MN), Gregory Meeks (D-NY), and Brad Miller (D-NC) addressed NCRC's members and promised their support.

After lunch, members returned from the Hill and kicked off the afternoon with an all-member plenary titled "Investing in People and Communities." This session celebrated the success NCRC members have had in advancing housing and economic opportunity in their communities and held up successful models for others to consider. Moderated by NCRC Board Vice-Chair Dean Lovelace, panelists from among NCRC's membership described successful organizing, fair housing enforcement, small, minority and women-owned business development, real estate development and community based finance models that they have used. After the plenary, each of the five panelists joined individual workshop panels to explore the models described during the plenary.

A second round of workshops explored coalition building, creating basic banking and financial services, grantwriting and fundraising, messaging, advanced use of CRA, and affordable housing opportunities in a down market. The day closed with an exhibitors reception and then a personal appearance by Emmy Award winning filmmaker and radio personality Danny Schecter, who presented a screening of his film "In Debt We Trust," a study of the relationship between Congress and the credit complex and how it is having a devastating impact on the country's financial health.

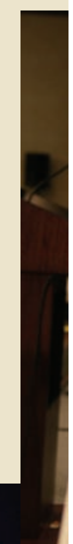
Friday began a full day of exploring the foreclosure crisis, titled "Foreclosing on the American Dream: Recreating Sustainable Homeownership." The morning began with an address by FDIC Chair Sheila Bair, who spoke about the foreclosure crisis, current programs to stem the crisis and what more needs to be done. She reiterated that consumer protection and sound banking are two sides of the same coin and that there can be no successful economic system or financial system without these components. Bair commented, "If people are still losing their homes because their rates have been reset higher, then I want to know about it."

Bair confided that she would have preferred a conversion of adjustable mortgages to a 30-year fixed mortgage, but the best she was able to get accepted by the Bush administration was a 5-year freeze on rates. She also indicated that more aggressive intervention from the government is going to be necessary and described the NCRC's Homeowner Emergency Loan Program, or HELP Now, proposal to purchase the troubled home mortgages at deep discounts and then insure new fixed-rate 30-year affordable mortgages to homeowners currently facing difficulties paying their mortgages as "thoughtful" and one with some very creative ideas reflected in it.

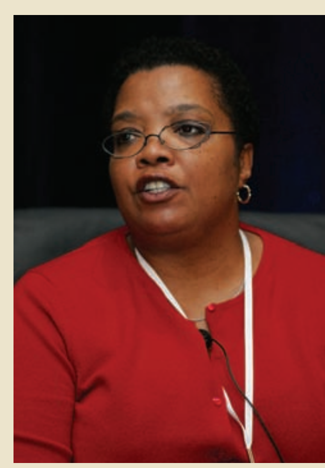
After Chairman Bair's address, the conference moved into the first of two plenary sessions of the day. Leading off the first plenary, NCRC Chief Operating Officer Jim Carr took the audience through an explanation of NCRC's HELP Now plan. Fellow panelist and Moody's Economy.com Chief Economist Mark Zandi commended HELP Now, saying that it met the three criteria he had set out for a good solution — the homeowner should be able to stay in the home; the private mortgage market should be allowed to operate; and there should be no perception of

a "bailout" as homeowners would ultimately be required to pay for their homes. Zandi stated that he expected that if not the NCRC proposal, then something very similar to it would ultimately be adopted. Alys Cohen, from the National Consumer Law Center, and Kathleen Engel, Professor of Law at Cleveland Marshall College of Law, rounded out the panel. Professor Engel summed up the genesis of the subprime mortgage crisis by saying, "A rolling loan gathers no loss." As entities in the mortgage market — from loan originators, brokers, security packagers, banks, to secondary market buyers and investors — quickly passed on their loans to the next entity, each entity gathered profits along the way. Since loans were quickly passed on to the next entity, each entity did not find it worthwhile to conduct due diligence on the loans. She pointed to the close nexus between credit rating agencies and investment banks as also contributing to the present financial crisis. According to Engel, the wave of deregulation that started during the Reagan adminstration also created the situation of a basically unregulated subprime lending sector. She said that the federal government remained passive as the crisis was brewing, while some state and local governments did raise the alarm about the situation and passed their own anti-predatory lending laws. Engel also added that in addition to the damage to the financial sector, there are also very high social costs of the foreclosure crisis in the form of rising school dropout rates, drug use and teen pregnancies in communities devastated by foreclosures.

In the second plenary session, Greg Stanton, Founder and Co-Director of Wall Street Without Walls, provided a detailed picture of NCRC's HELP Now proposal. Under HELP Now, the government would buy the troubled loans in auction at deep discounts, reducing the value of the mortgages. If the new reduced mortgage is still greater than the market value of the home, the government will hold a "soft-second" loan on that difference, maintaining a lien worth that value on the property. The government would get back the value of the lien when the property is sold or refinanced, making for a solution that is sustainable in the long term and that tackles the problem at a large-scale.



Shawn Bailey, also of Wall Street Without Walls, provided the investor's perspective on the Help Now plan. According to Bailey, its best feature is that it does not violate existing contracts. When contracts are violated, it sends a negative signal to the market, which can bring the entire industry to a standstill. He said that the NCRC plan does not violate bondholders rights and it will help bring housing prices down to more normal levels. In his words, "It is the most sensible program I have seen."



Bruce Marks, of Neighborhood Assistance Corporation of America (NACA), expressed the view that it was not investors who were the main problem, but the mortgage servicers– who were responsible for creating the housing crisis. According to him, they are the ones to pursue in finding any solution to the problem. NCRC Board member

Irvin Henderson emphasized the importance of a grass roots approach and using local options. He stressed that counseling, dissemination, sharing of information and collaboration are the keys to solving the problem.

It was reiterated throughout the day that a multi-part solution is required. HELP Now tackles the problem very substantially at the national level and should be supplemented with grass roots level assistance to tackle unique local issues.

Help Now offers a real solution, but it is dampened by President Bush's warning that he will veto any such proposal that "uses taxpayer money."

As the NCRC conference was in session, the news of the day broke — venerable Wall Street firm Bear Stearns had received an emergency loan to avoid a sudden shock to the economy. President Bush commended the Federal Reserve for its interventions in the economy, but warned against any "massive" intervention in the mortgage crisis.

Noting the President's comments, NCRC's John Taylor commented on the lack of response by federal institutions to problems of consumers in contrast with their efficiency in responding to problems of Wall Street.

"The leading single cause of the economy's growing instability is the growing home foreclosure crisis.

It's hard to understand the repeated announcements of tens of billions of dollars to stabilize the economy, but that continue to ignore the major problem that besets it," said John Taylor. "A focus exclusively on priming the banks with added liquidity is a lopsided strategy that is costly and ineffective."

Pumping liquidity into the system will not achieve the desired effect of bolstering the housing market and the economy without concurrent efforts to stabilize housing values and prevent a wave of additional foreclosures. Federal institutions do the taxpayers no favors by accepting high-risk mortgage related securities as collateral. In doing so, they accept an inordinate amount of risk, given the instability of the housing market. Stabilizing the housing market requires a comprehensive approach to stabilizing housing assets and stemming the tide of foreclosures, as well as enhancing market liquidity.

The conference's highlight was the interactive session that began with Federal Reserve Chair Ben Bernanke's address. The Chair had been "busy" earlier,

as he told the crowd, his day beginning with a pre-dawn emergency session on the Bear Sterns situation.

Chairman Bernanke focused on the rules proposed by the Federal Reserve Board under its HOEPA authority in December 2007. These rules are aimed at fixing the home mortgage markets and at preventing future or continuing unfair and deceptive practices in mortgage lending. The new rules ban unfair or deceptive practices and apply to the entire mortgage industry — not just to institutions directly regulated by the Board.

Included among the rules are:

- A prohibition on lenders from engaging in a pattern or practice of making higher-priced loans that borrowers cannot reasonably expect to repay from income or assets other than the house. Lenders will be required to verify information on income and assets that they rely on in making credit approval decisions for higher-priced loans.
- An escrow account for real estate taxes and hazard insurance will be required for higher-priced loans. Escrowing is now a standard practice for prime loans and the Fed proposes to make it standard in the high-cost loans segment of the market as well.
- A ban on prepayment penalties in situations where the borrower may be especially vulnerable. When such penalties are permitted, they would have to expire at least 60 days before a scheduled increase in the loan payment.
- A ban on specific advertising practices deemed as unfair or deceptive.

The Chair also emphasized the need to avoid

preventable foreclosures. For families who cannot sustain homeownership, he pointed out that alternative living arrangements need to be identified. In this context, he emphasized the need to maintain an adequate supply of affordable rental housing. He suggested that because vacant homes impose heavy costs on neighborhoods, it is important to keep homes occupied. He also pointed out that there are efforts underway to make vacant homes ready for occupation, and some of these efforts will help preserve the supply of affordable housing.

Unfortunately, the approach that Bernanke took in his remarks at the conference is preventive rather than ameliorative of the current housing crisis. There was little to offer homeowners already in default or foreclosure, or those facing negative equity in their homes because home prices have fallen.

He did not reiterate his advice to lenders to reduce the principal of their mortgage amount. Earlier in March, to the surprise of many, he offered this advice before an audience of community bankers in Florida. The reiteration of such a proposal might have been welcomed by participants at the conference.

Immediately following the Chairman's speech, the interactive session began. Moderated by John Taylor, the panel featured NCRC Board members Gail Burks and Hubert Van Tol, plus guests Tom Nelson, Chief Operating

Officer of AARP, George Miller, Executive Director of the American Securitization Forum, Steve O'Connor, Senior Vice President of Government Affairs at the Mortgage Banker's Association; Ellen Seidman, Director of Financial Services at the New America Foundation; and George McCarthy, Program Officer at the Ford Foundation. The panel discussed the points of the Chairman's speech and their own perspectives on the foreclosure crisis.

After the interactive session and the traditional game of NCRC Jeopardy, NCRC held its annual Award Dinner hosted by Rev. Jesse Jackson. Each year, NCRC encourages members to nominate individuals and organizations they feel represent excellence and leadership in their communities. Award recipients are selected based on their leadership, economic or social impact. (Read the list of this year's award winners on page 10 of this issue).

The final day of NCRC's conference was devoted to a single-focus plenary titled "The Nexus Between Environmental and Economic Justice." This topic had

MEMBER HILL DAY

◀ President and CEO of NCRC John Taylor briefs members for a coordinated Hill visit focusing on anti-predatory lending legislation, Community Reinvestment Act modernization and the HELP Now program to promote Wall Street-accountability and enhanced loan modification.

▶ On the Hill the next morning, Hubert Van Tol of Rural Opportunities, Inc. in New York shares NCRC's legislative matrix with Senator Casey's staffer as she takes careful notes.

◀ Altogether, over one hundred individuals and thirteen delegations committed and took action during NCRC's Hill visit day, targeting Congress to adopt legislation promoting fair lending and regulatory reform to prevent future foreclosure crises. Here some members prepare for their visits at the legislative briefing.

▲ After legislators shared their views on the foreclosure crisis and NCRC's platform, members lined up to report back the details of their legislative visits.

◀ NCRC members prepare to visit their legislator. Each brought forth stories from their own communities about how poor oversight of the financial sector had hurt people in their states. They left the briefing session ready to get firm commitments from their Representatives and Senators to address the foreclosure tsunami and enact legislation to prevent future abusive practices.

▲ NCRC member Solomon Wheeler shakes hands after another in-depth meeting.

▲ After a morning on the Hill and dozens of visits between NCRC members and legislators, NCRC members, including the New Jersey Citizen Action group, gather to hear members of Congress speak about community reinvestment, fair lending and the need for a comprehensive response to the foreclosure crisis.

▲ Members of the Minnesota Community Reinvestment Coalition gathered with Representative Keith Ellison, who pledged support for anti-predatory lending measures and assistance for American consumers.

◀ The delegation from Pennsylvania reports on the successes and commitments still needed from their legislators. NCRC members that participated in Hill visits vow to continue the relationship with their legislators back in their district offices until appropriate legislation passes both houses of Congress.

been a workshop at the 2007 conference and was evaluated by attendees as the most popular and highly rated of the conference and was among the best attended. Last year's workshop turned into this year's plenary, and evaluations again place it amongst the highest rated sessions.

This year's plenary brought together representatives from across the "green" community — developers, community organizers, policy experts, and others — to discuss the challenges facing communities. These included brownfields development, environmental impact and health in low-income and communities of color, as well as opportunities to bring good paying environmental cleanup and redevelopment jobs into neighborhoods with high unemployment. Once again, the room was full and the energy level was high. As NCRC moves forward planning its 2009 conference, we will be looking to have a greater presence of environmental topics.

This year's conference was highly successful — among our best on multiple counts. It could not have happened without the dedication of NCRC's staff, Board and members. Thanks to all for making it happen. ■

— Excerpted from NCRC's blog, www.ncrc.org/wordpress by Nandinee K. Kutty.

NCRC 2008 National Achievement Awards

Each year, NCRC encourages its members to nominate individuals and organizations they feel represent excellence and leadership in community development. All award recipients are selected for their leadership, economic or social impact in their local communities, success in raising awareness of community reinvestment, and the enduring quality of their achievements. This year's recipients were selected from a very competitive pool and represent the very best work being done today in communities across the country. The 2008 recipients were celebrated at the annual awards dinner on Friday, March 15, hosted by special guest the Rev. Jesse Jackson.

The Henry B. Gonzalez Award

This award is given to the most outstanding government official, agency or for profit firm that forges the most effective partnerships with community non-profits to protect and advance the rights and economic conditions of disadvantaged consumers. The late Congressman Gonzalez (D-TX) represented his constituency long and well on Capitol Hill, where his leadership for the rights of all Americans to greater fairness in our financial systems became legendary. This year's Henry B. Gonzalez Award was presented to James Rokakis, Treasurer, Cuyahoga County, Ohio. Rokakis spent more than 19 years on Cleveland City Council and as the current County Treasurer, he's used the Office to speak out on issues and as a bully pulpit for change and action on predatory lending, foreclosure, subprime lending, and advancing community partnerships.

The National Community Reinvestment Award

This award is given to the individual who through their career has exemplified the ideals and values of community reinvestment through the promotion of fair lending, equal access to credit and capital. The award is given this year in recognition of 40 years since the passage of the Fair Housing Act. This year's National Community Reinvestment Award was presented to William Tisdale, President and CEO, Metropolitan Milwaukee Fair Housing Council. William "Bill" Tisdale has been the president and CEO of Metropolitan Milwaukee Fair Housing Council since 1981, and in that time has led significant organizational growth and achieved national recognition for the work being done by the Council. Bill's dedication to communities through his work on numerous boards and local, state and national organizations is widely-known.

The Senator William H. Proxmire Award

This award is given in honor of Senator Proxmire, who served as the Chairman of the Committee on Banking, Housing and Urban Affairs from 1975 until 1981 and again from 1987 to 1989, and was instrumental in the passage of the Community Reinvestment Act. It is given to the individual whose life's work exemplifies the spirit of Senator Proxmire's contribution through dedication, leadership and effective action on behalf of communities. This year's William H. Proxmire Award was presented in memory of Gale Cincotta, Former Chair, National People's Action. Gale Cincotta, who passed away in 2001, was a community leader and organizer from Chicago, who, among other achievements, helped lead the national efforts to establish the Community Reinvestment Act (CRA). Accepting the award for Gale was Inez Killingsworth, a long-standing community leader from Cleveland and current co-Chair of National People's Action, who knew Gale well and worked alongside her over the last 30 years.

The James A. Leach Award

This award is given to the non-profit organization that demonstrates the most outstanding results through their work on behalf of rural communities and people. As Chairman of the House Banking Committee, Congressman Leach (R-IA) set a standard for bipartisan leadership, and his ability to persuade and compromise with colleagues in both houses contributed significantly to progressive legislation during his chairmanship. This year's James A. Leach Award was presented to the Executive Director of the Windham Housing Trust of Brattleboro, Vermont, Connie Snow. Windham's work has served as a model in Vermont in demonstrating a commitment to rural community and economic development through the production of affordable housing. They have taken on the revitalization of neighborhoods and rural village centers with great success, including historic buildings in small towns and villages, and have saved and revitalized historic neighborhoods in Vermont's cities.

NCRC congratulates all of the 2008 National Achievement Award winners!

The James Rouse Award

This award is given to the non-profit organization that demonstrates the most outstanding results through their work in urban community development. Named for the creator of New York's South Street Seaport, Boston's Quincy Market and other projects, this award reflects the long devotion if its namesake to the cause of urban revitalization. This year's James Rouse Award was presented to the Executive Director of the Miami Valley Fair Housing Center of Dayton, Ohio, James McCarthy. Miami Valley Fair Housing is a leader in providing foreclosure counseling and through their Predatory Lending Solutions Project has provided assistance to thousands of consumers. Accepting the award on James' behalf was Melissa Greenlee, Predatory Lending Solutions staff attorney of Miami Valley Fair Housing Center.

The Color of Money Award

This award is given to the best documentary, reporting or information campaign that contributes to public knowledge and awareness of the need for fairness and access in the U.S. financial system. This year's Color of Money Award was a tie. It was presented jointly to Gretchen Morgenson, Assistant Business Editor, New York Times, and Kitty Pilgrim, Correspondent, CNN Money. Both Gretchen's and Kitty's work has successfully brought the foreclosure and subprime crises into the mainstream media dialogue. Their responsible and continuous coverage of the reasons why we are in this crisis, how it happened, how it was enabled, who is affected, and what can be done, reflects the very best of the journalistic tradition.

NCRC Receives Multiple 2008 Fair Housing Initiatives Program (FHIP) Awards

On January 30, 2008, the Department of Housing and Urban Development (HUD) honored NCRC with the presentation of a new grant award in a special ceremony at NCRC's Training Academy. NCRC has a long-standing relationship with the Office of Fair Housing and Equal Opportunity (FHEO), and as a recipient of numerous HUD FHIP grants over the years, NCRC has always been a proactive collaborator and a leading partner with HUD. With HUD's assistance as seed money, NCRC has been able to enhance and reinvest in its private enforcement campaign over the years and has filed dozens of complaints under the Fair Housing Act.

In September 2007, HUD announced that NCRC had been awarded grant funding for both the Private Enforcement Initiatives (PEI) and the Education and Outreach Initiatives (EOI) programs. These funds amounted to $199,848 for the PEI grant and $100,000 for the EOI grant. NCRC is also a key subcontractor for the EOI National Media Campaign through Impact Strategies, LLC.

In recognition of this partnership, Kim Kendrick, Assistant Secretary for Fair Housing and Equal Opportunity, presented NCRC with checks for the grant funds.

Through the EOI grant, NCRC will collaborate with our member organizations to conduct a dozen fair housing trainings in the mid-Atlantic region. These will include train-the-trainer and consumer-centric sessions about fair housing rights and violation warning signs.

Under the PEI grant, NCRC will complete 100 matched-pair tests of lenders in Atlanta, the District of Columbia, Baltimore, Philadelphia, Chicago, Detroit, Los Angeles, El Paso, New York City, and St. Louis. NCRC will tap into the resources and networks of its members in these metropolitan areas. For more information about the programs, or to get information about subcontracting opportunities, please contact Michael D. Mitchell, Director of NCRC's National Neighbors program, at (202) 628-8866.

With the restoration of the National Neighbors initiative as a department of NCRC, we anticipate that our fair housing activities will continue to thrive and innovate to further fair housing for all. ■

Small Business Update: Community*Express* Lending Restricted

A little-noticed statute affecting pilot programs of the U.S. Small Business Administration (SBA) is having a negative impact on small business lending under Community*Express*, the loan and technical assistance program created by NCRC in collaboration with SBA. Congress passed a law in 1996 that limits any SBA pilot program to ten percent of the loan volume of all 7(a) lending. The 7(a) program is the largest and most popular segment of SBA-guaranteed loans.

Currently, Community*Express* loans comprise twelve percent of 7(a) loans. This proportionate volume is attributed to both the success of the program, but also to the marked decline in other SBA lending, especially lines of credit for business working capital. The present economic uncertainty and lenders' tightening of credit affects small businesses as well as homeowners. Entrepreneurs frequently use home equity lines of credit, or business loans secured by their homes, to finance business growth. In the current climate, those assets may not be sufficient or available at all. Since Community*Express* can be used by lenders to create more flexible underwriting criteria, entrepreneurs may be turning to this program, rather than more stringent loan products, for needed financing.

To avoid exceeding the ten percent threshold at the end of this fiscal year (September 30), SBA has notified the top five Community*Express* lenders that they must adhere to strict caps through this second half of the fiscal year.

One of those leading lenders is U.S. Bank, a long-time member of NCRC's Banker/Community Collaborative Council and an increasingly active Community*Express* (CX) lender. The SBA has handed U.S. Bank a limit of 90 new CX loans for the balance of the year, which will effectively reduce the bank's FY2008 loans by 24% compared with FY2007.

This constraint has come at a particularly awkward time for the bank, having just announced the addition of a special team of lenders to build its Community*Express* volume. Deryl Schuster, a former SBA Regional Administrator, District Director and highly experienced commercial lender, has joined the U.S. Bank team, along with four other skilled business bankers. Because the bank sees the value of Community*Express* in reaching underserved entrepreneurs with feasible loan products, Schuster's team has been charged with expanding the program in the bank's 24-state footprint.

U.S. Bank's Lisa Glover, Senior Vice President and Director, Community Affairs, expresses appreciation for this unique NCRC/SBA program: "We view Community*Express* as an effective financing tool for small businesses. The higher SBA guarantee and technical assistance component allow us to provide financing to small businesses who otherwise would not qualify for credit."

In order to maximize its resources under SBA's cap, U.S. Bank has set a new minimum loan amount of $25,000 on Community*Express* loans for the balance of this fiscal year — in marked contrast to several other top lenders whose Community*Express* loans focus exclusively on amounts under $25,000. This fiscal year, U.S. Bank's average loan size has run about $66,000, which helps meet the needs of eligible businesses needing greater capital.

U.S. Bank is a Community*Express* lender that recognizes the inherent benefit of its Technical Assistance (TA) providers. As Lisa Glover stated, "We consider our relationship with each Technical Assistance Provider to be a valuable partnership. We rely on these key organizations to provide business counseling and education to our borrowers. In many cases, our partnership includes joint educational and outreach efforts in the communities that we both serve." The bank has sponsored training sessions for TA providers and has convened joint meetings of its local lenders with TA providers.

The bank has 50 TA partners, about half of which are nonprofit, community-based organizations and many of these are NCRC members. The other half are entities supported by SBA. U.S. Bank compensates its TA providers, not just for referring borrowers that successfully close a loan, but also for pre- and post-loan counseling and management guidance. The bank regularly communicates with its providers through a quarterly newsletter specifically focused on Community*Express* and the critical TA that is part of it, as well as through community development managers on the local level.

From the program's inception in June 1999 through the end of March 2008, SBA approved 33,811 Community*Express* loans worth $923,853,000. Even with the imposed cap, CommunityExpress financing through the life of the program may well exceed $1 billion by the end of this fiscal year. ■

NovaStar Standing Decision

On April 21, 2008, the law firm Relman & Dane announced that they had successfully defeated NovaStar's motion to dismiss NCRC's fair housing case against them. NCRC's case challenges NovaStar's underwriting guidelines, which prohibit lending on row homes in Baltimore, homes used for adult foster care, and homes located on Native American reservations.

NCRC originally challenged NovaStar in March 2006 through HUD's administrative process, but was unable to come to a conciliation agreement. In May 2007, NCRC filed against NovaStar in the United States District Court for the District of Columbia. NCRC cited the company's underwriting guidelines, which disparately impact African Americans, Hispanics, persons with disabilities, and Native Americans as being unlawful under the Fair Housing Act. NovaStar immediately filed a motion to dismiss the case, claiming that 42 U.S.C. § 3604 did not apply to lending transactions. Relman & Dane filed a motion countering NovaStar's argument. As they explain, "While a separate section applies on its face to lending, the application of § 3604 to lending transactions is particularly important for two reasons.

First, it reinforces the principle — established by many courts — that the broad purpose and language of § 3604 permits the Fair Housing Act to reach a myriad of housing-related activities that are not specifically mentioned by other provisions of the Act. Second, the application of § 3604 to lending provides further justification for applying the Act to homeowner's insurance and other matters that are needed to obtain mortgage financing.

Judge Royce C. Lambert of the United States District Court for the District of Columbia found that section 3604 does indeed apply to lending transactions. As Relman & Dane explain, "The opinion explicitly reaffirms both the broad purpose and language of the Fair Housing Act, and explicitly rejects the narrow interpretation afforded the Act by the Supreme Court of Connecticut and the Fourth Circuit."

Until last year, NovaStar was one of the leading national subprime mortgage lenders, but it has since ceased making loans. Nevertheless, this decision is an important development in NCRC's ongoing efforts against discriminatory lending practices. ■

2008 HUD Policy Conference

The National Neighbors team headed to Atlanta, GA for the 2008 National Fair Housing Policy Conference (April 8–11). The week got underway with a wreath laying ceremony at the King Center where Assistant Secretary of Fair Housing and Equal Opportunity, Kim Kendrick, laid two wreaths at the tombs of Dr. Martin Luther King Jr. and Coretta Scott King. Secretary Kendrick spoke later that evening to commemorate the 40th anniversary of the Fair Housing Act and commence the conference.

In attendance were policy makers, industry and housing professionals, advocates, and others, totaling more than 1,000 attendees. Daily break out sessions focused on a number of central topics from "The Effectiveness of Testing" to "The New Wave of Public Housing" to "Gentrification." Sessions were filled with engaging panelists and participants who all seemed to be keenly concerned with the downward spiral of the American economy and the escalating foreclosure crisis.

National Neighbors was pleased to have the opportunity to see and speak with so many NCRC members such as Long Island Fair Housing Services, Miami Valley Fair Housing, and Border Fair Housing, to name a few.

After attending the conference the team held a lender and sales training for testers with a local sub-contractor. ■

CIN: The Community Investment Network
Daily Updates Keep Readers On Top of the News — Thousands of Stories Scanned All Day Long...
On the Web: www.communityinvestmentnetwork.org

Every morning before the sun rises on the East Coast and the first commuters begin their journey, the CIN research and editorial team is wide awake at their computer screens using high-tech tools to scan thousands of newspapers, wire service, magazine, and web site news and commentary articles for CIN readers.

More than 3,500 individual pieces of content are scanned, from which the CIN staff will select and post between 100 and 200 new items daily. The content selected keeps the CIN refreshed and informative, particularly on key issues of great interest to NCRC members and CIN growing base of users. "Feeds" bring information from dozens of direct links to government regulators and other reliable sources. A growing volume of "original" material comes in each day, much of this from community-based organizations, advocates and financial services providers.

In an era when time is of utmost importance, and every minute counts, the information and resources provided by the CIN can save readers a considerable amount of time each day — and keep them fully informed on the key issues that affect their organizations and their constituents!

The response from readers has been positive and encouraging. On a typical weekday, CIN now welcomes more than 2,000 registered visitors back and overall records close to 10,000 'hits' during each 24-hour period — that's an annualized rate of about 7 million hits! The CIN readers monitor news, commentary and opinion, important perspectives and the latest research results on a range of issues of importance to them — and the organizations they lead.

CIN Spotlights Breaking News

The dramatic increase in CIN readership over the past year can be attributed to the fact that the CIN keeps its material fresh, factual, comprehensive and up-to-date. Too often when we visit a web site we find a mix of stale news and other content. Not so at the CIN — the CIN editors strive to present various points-of-view on an issue, and perspectives that better inform the reader to deal with critical issues, such as the current crisis in subprime mortgage lending.

CIN Coverage Blankets the Subprime Mortgage Crisis

With its impact on the economy and emphasis in the news, the CIN devotes an entire sub-section to the coverage of the critical issues involved. What does the crisis really mean for the leaders of community-based organizations, for fair lending advocates, for affordable housing developers. . . for the average homeowner, the small business owner, the corporate CEO? And is the crisis spreading beyond those with non-prime credit? Given the volatility in our economy today, these are questions that need to be researched and discussed thoroughly – and resolutions offered to resolve the crisis that now engulfs both Wall Street and Main Street.

As reported in CIN, the dimensions of the subprime credit crisis are still being defined. Housing values have been falling precipitously across the country; home foreclosures are mounting. Literally millions of consumers-borrowers may be in trouble before this very real crisis ends. In the CIN, our readers find breaking news, important commentary and opinion, research, and details of mortgage rescue/consumer rescue programs and proposals offered — including details of NCRC's important initiative, "HELP Now"

One important aspect of the CIN to point out and emphasize: Very often important developments are "one-day" stories for media. . . and sometimes are not reported at all. In the CIN, much of the content is available 24/7 to readers to help them keep track of important developments. (Lexis-licensed material must come down in 90 days.)

The CIN Alert — and Registered User feature

Each week the editors send Registered Users an "Alert" that helps to keep readers informed on (1) issues, (2) important content posted in the CIN, (3) new tools and features added to the CIN, such as the NY Federal Reserve Bank's interactive map to keep up on subprime conditions, (4) emerging trends, such as reverse mortgages, now gaining in popularity as the baby boom generation "ages."

To take full advantage of this unique, free web resource, please become a registered user — it's free. You'll receive news alerts, newsletters and other information relating to prime CIN topics and issues. Go to www.communityinvestmentnetwork.org, and register now at the top of the page.

(NCRC member organization leaders: Is the CIN on your information distribution list? Send your content to: info@communityinvestmentnetwork.org) ■

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Join today!

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.

NCRC conducts a leading national foreclosure counseling program, provides fair housing investigation and compliance, research, training, technical assistance and small, minority and women owned business development services.

For more information **www.ncrc.org**

727 15th Street NW Suite 900 • Washington, DC 20005 | Phone: 202.628.8866

Gifts In Kind and Home Depot Stores Partner with NCRC Members to Help the Community

Is your agency facing funding cuts while the demand for your service is growing? Has the housing crunch placed many of your low-income families in a difficult financial situation? Are the low-income homes in your community slowly deteriorating due to the lack of funding for upkeep?

You are not alone...this scenario is playing out in many towns and cities across the country, challenging housing and community development executives and putting their important programs at risk.

The Home Depot and Gifts In Kind International are now offering a solution for housing agencies in the United States. You and your agency can now partner with your local Home Depot store and build an on-going relationship that will provide you with quality building materials to carry out your mission. These materials are donated to your agency, allowing your staff to leverage your funding. This partnership allows Home Depot store associates to lend their expertise in the building trade to help you with your project. This new program will be launched in more than 2,000 Home Depot store communities this year!

The Home Depot's Framing Hope Product Donation Program, managed by Gifts In Kind International, invites local housing and community development agencies to partner with Home Depot stores across America. It has been Home Depot's guiding principle to "Do the Right Thing" for their communities. The Framing Hope program is the first major organized effort to deliver this promise.

To date, more than 600 community agencies have already signed up and are benefiting from this wonderful relationship. We want our NCRC members to make use of this opportunity also.

Program Benefits:

- One-on-one relationship in most cases (except mega stores where two charities may share) with your local Home Depot store
- Product donations provided as frequently as a weekly pickup at the store (allowing you to stretch your budget)
- A relationship that will lead to Home Depot store associates volunteering to help with your program

Requirements:

- Willingness to cultivate a relationship with the store and participate in the program for at least one year
- Ability to pick up donations weekly with a sturdy truck
- Use the donation according to Tax Law (you cannot sell or auction the donated products)
- Register and be vetted by Gifts In Kind International (an annual registration fee is required)
- Support Gifts In Kind International's management of the program with an annual administration fee

To sign up for this program, please download the application at www.ncrc.org/homedepot.pdf. Available store locations are limited and on a first-come, first-served basis. ■

Take Advantage of this Exceptional Offer for NCRC Members to Participate with Gifts In Kind International and the Home Depot Framing Hope program...a $41,500 in-kind product donation value!

NCRC members who join the Gifts In Kind program at a special 30% discount off the annual administrative fee, will receive a $250 coupon redeemable toward Home Depot Framing Hope shipping and handling fees. This national product donation program is open to nonprofits located in communities with local Home Depot stores (see application and list of cities with participating stores to establish eligibility at www.ncrc.org/homedepot.pdf). Simply provide your Gifts In Kind ID number (same as NCRC Member ID) on the application to receive your $250 coupon. New NCRC members will need to email membership@ncrc.org to obtain their Member ID.

NCRC Weighs In on the Legislative and Regulatory Responses to the Foreclosure Crisis

By James H. Carr and Kate Davidoff

A staggering number of American homeowners are experiencing foreclosures, with millions more vulnerable to losing their homes. In 2007, roughly 1.3 million homes fell into foreclosure while more than 2 million more families are expected to lose their homes over the next year to 18 months. In the first quarter of 2008 alone, foreclosure filings were up more than 100 percent relative to the same period one year ago, and up nearly 25 percent relative to the last quarter of 2007. Fully 650,000 homes were subject to foreclosure action including default notices, auction sale notices and bank repossessions, during the first three months of 2008. If the number of foreclosure filings for the first quarter were simply repeated for the next three quarters, with no additional increases, roughly 2.6 million homes would have at least one foreclosure action placed against them this year alone. Interestingly, a sizable share of current foreclosure filings is not being triggered by increases in mortgage loan payments as a result of rate resets. Rather, many loans are failing at their initial rate.

Moreover, the HOPE Now coalition estimates its activities have assisted more than one million borrowers. Yet, most of the loan adjustments reported to date are of a relatively short duration, generally less than a year. As a result, tens of thousands of additional homeowners may find themselves facing foreclosure when their temporary loan adjustments expire. Falling home prices are fueling additional foreclosures – particularly for those who purchased homes as investment properties or with little or no equity. With home prices down in many markets as much as 15 percent or more, over 10% of Americans now owe more on their mortgage than their home is worth, according to Moody's Economy.com economist Mark Zandi.

Resets on another wave of loans, pay option arm mortgages, will begin to peak next year and continue into 2010 and 2011. Pay option arms allow borrowers to make minimum payments – effectively treating a home like a credit card. Minimum payments are not sufficient to amortize the loan. During the minimum payment grace period, outstanding balances continue to increase – compounding the damaging impacts of falling home prices. On average, pay option arms are held by borrowers with higher incomes and credit scores than borrowers with subprime loans. The payment shock, nevertheless, on pay option arms can be more dramatic than on the infamous subprime 2/28s and 3/27 "exploding mortgages" that are assumed to be the primary drivers of the current foreclosure crisis. The majority of pay option arms are already underwater, upside down, and in deep trouble.

Collapse of the Subprime Market

Studies and reports on subprime loans have revealed problems in almost every aspect of the subprime lending process. Inappropriate loan products, inadequate underwriting, bloated appraisals, abusive prepayment penalties, excessive broker fees, steering borrowers to high cost products and servicing abuses have been widely reported. The funding of subprime loans has also played a major role in the crisis.Major rating agencies that rated securities as investment grade products but that were backed by loans that might aptly be described as subprime mortgage junk bonds, fueled the funding pipeline that enabled the exponential growth of the subprime market.

In early March 2008, the Federal Reserve approved $230 billion in short term emergency loans to banks, including a $30 billion loan directed to prop up the investment bank Bear Stearns. Although injecting liquidity into the financial system is helpful to improve the credit markets, it does not address the underlying problem of massive home foreclosures throughout the country. The liquidity challenge faced by Bear Stearns was due to an asset quality problem – in the form of failing subprime loans. And to this day, no substantial federal action has been taken to arrest falling asset values in the form of millions of homes heading to foreclosure.

Additionally, the Federal Reserve Bank has expanded its by-weekly Term Auction Facility lending. Not only is the amount of short term lending growing for troubled banks – but the collateral that can be pledged in return for low-cost funds has been expanded. This means that banks are increasingly able to trade risky assets for cash and potential losses will be forwarded to taxpayers.

Current Efforts to Mitigate Foreclosures

It is now well-known and widely accepted that current voluntary efforts to limit the foreclosure crisis are inadequate, insufficient and incapable of solving the problem. The reasons for a lack of success vary – but an often-cited reason is that servicers do not have – or do not feel they have – the flexibility to significantly alter loans held in securitized pools. At the same time, many experts point out that the financial incentives for the servicers make going to foreclosure on a loan more lucrative for them. Most loan modifications do not significantly change the loan terms – and they do not create long-term affordability. Repayment plans simply shift any unmet payments a few months into the future – or they tack unmet payments onto the loan balance. Loan modifications generally freeze interest rates for some short period of time.At some point in the future, the unwinding of temporary loan modifications will converge with rising resetting loan interest rates to fuel yet another round of foreclosures.

In August 2007, President Bush announced FHASecure to offer defaulted borrowers who were up to date on mortgage payments until a rate reset, a chance to refinance into a FHA loan. As of May 2008, only about 3, 000 of the more than 100,000 FHASecure borrowers who refinanced into a new FHA loan were actually delinquent. In March 2008, President Bush announced plans to expand the FHASecure program to relax some of the eligibility requirements of borrowers. The White House estimates this move is expected to help about 100,000 borrowers refinance into loans guaranteed by the FHA. While significant, it is but a small dent in the expected 2 million families projected to lose their homes.

Dramatic interest rate reductions offer further temporary relief for potentially hundreds of thousands of consumers with resetting mortgages. Nearly all subprime loan rate resets are dependent on the London Interbank Offer Rate (LIBOR) which is down a significant 2.65 percentage points from a year ago. This rate decline has positively impacted hundreds of thousands of mortgages that were scheduled to have reset over the past six months – essentially nullifying scheduled payment shock. During a speech to the Consumer Bankers Association, Federal Reserve Governor Randall Kroszner noted, that on average, in each quarter from November 2007 until the end of 2008, more than 400,000 subprime mortgages are scheduled to undergo their first interest rate reset. This translates to about 1.6 million more borrowers whose interest rates are scheduled to reset in 2008, and will continue to reset every six months thereafter. Similar to the expiration of temporary loan modifications, households that benefited from the low interest rate environment may find themselves vulnerable to foreclosure when interest rates are adjusted upwards.

The Office of the Comptroller of the Currency recently announced it plans to collect data on loan modifications. This is a welcomed announcement, as it will provide a better understanding of the extent to which the foreclosure crisis is simply being shifted temporarily into the future. In the meantime, available data is not promising. According to the Mortgage Bankers Association, fully 40 percent of subprime adjustable rate mortgages (ARMs) that went into foreclosure in the third quarter of 2007 were loans that had previously experienced a loan modification or repayment plan .

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NCRC Weighs In on the Legislative and Regulatory Responses to the Foreclosure Crisis

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Legislative and Regulatory Action

In response to the nationwide economic downturn caused by the housing and credit crisis, Congress and the Administration have proposed a variety of efforts to stem anti-predatory lending and address the current foreclosure crisis. No federal law has yet been passed, however, to help borrowers with problem loans or to prevent future unfair, deceptive or predatory lending behavior.

Foreclosure Prevention

In May 2008, the House of Representatives passed The American Housing Rescue and Foreclosure Prevention Act (HR 3221). This comprehensive bill combines measures to modernize the FHA, reform government sponsored enterprises and directly aid homeowners through a broad refinancing effort. The bill addresses the magnitude of the foreclosure problem by facilitating a large-scale refinancing of problematic loans into FHA-guaranteed loans. Financial institutions holding the borrower's loan must voluntarily agree to accept a substantial reduction in their investment, as well as waive any prepayment penalties. It is unclear how many investors would be willing to participate and if the FHA alone has the resources and infrastructure to address the massive numbers of loans in need of modification and refinance. While $300 billion would be made available for the government to guarantee the refinancing, the Congressional Budget Office estimates it would cost about $2.7 billion with about 500,000 homeowners likely to benefit from the program. Although almost 40 Republicans supported the Democratically sponsored bill, the administration has publicly announced its plans to veto the bill arguing it will bail out speculators and others.

Also in May, the Senate Banking Committee passed the Federal Housing Finance Regulatory Reform Act of 2008, complimenting the House bill. Major provisions of the bill include GSE reform, and up to $300 billion for the FHA to guarantee new loans. As currently written, a borrower refinancing into a FHA loan must share any net proceeds with the federal government upon a sale of the borrower's property or a refinance into another loan for the life of the loan. Contributions from borrowers are necessary in supporting the FHA program, and are appropriate for a period of some years. This is not commensurate with the cost of the program and acts as an additional tax on the homeowner. Enacting this provision could create an incentive for borrowers to sell in the short-term and places an unfair burden on borrowers who choose not to leave their home or are unable to refinance or sell. Additionally, the bill encourages the establishment of a bulk refinance mechanism only if it is considered feasible. Without a bulk refinancing mechanism, the new FHA program will rely upon borrowers refinancing loans on an individual basis. The individual approach presents challenges to reach the scale and speed needed to adequately respond to this crisis.

On April 10th, 2008, the Senate passed the Foreclosure Prevention Act of 2008 (S 2636). Despite its promising name, few of its provisions deal with preventing foreclosures. The largest costs of the bill are tax breaks to bail out homebuilders whose earnings are down as a result of the housing recession, renewable energy tax credits, and funding to help purchase homes already in foreclosure. In fact, the Congressional Budget Office estimates of the $26.3 billion expected cost of the bill, less than $2 billion is directed toward foreclosure prevention.

Supportive Foreclosure Legislation

The Neighborhood Stabilization Act of 2008 (HR 5818) directs $15 billion to allow states to recover foreclosed property to reuse for affordable homeownership and rental housing. States would allocate funds to government entities or nonprofit organizations for the purchase, rehabilitation, and resale of homeownership and rental units. This bill is a significant step in thinking ahead to address blight that occurs in neighborhoods with high foreclosure rates. Although the bill passed in the House of Representatives, President Bush has threatened to veto this measure.

In April 2008, the House considered the Emergency Home Ownership and Mortgage Equity Protection Act (HR 3609). This proposed legislation to modify current bankruptcy law has the potential to save hundreds of thousands of homes without any cost to taxpayers. Today, bankruptcy judges are prohibited from modifying mortgage debt on primary residences, even though they have the discretion to do so for any other securitized debt – investment properties, commercial properties, vacation homes, yachts, and family farms. The bill included specific, tailored language that would reduce the principal on mortgages to reflect the current value of the home, while providing a vehicle for lenders to recover the full fair market value; reset interest rates to affordable-but-fair levels; and eliminate many abusive fees. The bill would only effect loans that have already been underwritten and would allow bankruptcy judges to help homeowners with the most abusive loan terms. Due to opposition by industry, this provision was taken out of the current housing legislation, and will be debated separately reducing the chance of passage.

Prohibiting Predatory Lending

Although the current credit crunch has squeezed much of the irresponsible and abusive lending practices from the subprime market, strong anti-predatory lending legislation is needed to ensure those practices do not return when housing markets recover.

Last fall, the Senate Banking Committee introduced the Homeownership Preservation and Protection Act of 2007 (S2452). This bill is comprehensive, offering protections against abusive lending, servicing, and appraisals. Consumer protections would be established for all loans, and extra protections for subprime and very high-cost lending. Although a strong bill, this bill does yet not have the support to move in the Senate, and remains in the committee stage of the process. On November 15, the House of Representatives passed the Mortgage Reform and Anti-Predatory Lending Act of 2007 (HR 3609). The only national comprehensive anti-predatory lending legislation passed to date, HR 3609 addresses a range of predatory lending practices. While this legislation would significantly prohibit predatory lending practices, it could be strengthened in many ways, including for example, further limiting excessive fee practices by mortgage brokers, holding financial institutions accountable for their investment practices, and not preempting state laws that better protect consumers from predatory loans.

Finally, in 1994, the Homeownership and Equity Protection Act (HOEPA) granted the Federal Reserve Board the broad authority to prohibit unfair and deceptive practices. Despite a preponderance of evidence of predatory lending practices, these powers were never fully exercised. In late 2007, the Federal Reserve proposed changes to HOEPA and issued draft rules available for public comment. The comment period is now closed, and final rules are expected by mid-summer. The proposed rule applies certain protections to a broad set of high-cost loans and also prohibits unfair appraisal, servicing, and advertising practices on all loans. The changes address almost every aspect of unfair and deceptive mortgage lending practices, but nevertheless leaves significant room for further improvement.

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Q&A: How to Use the Community Reinvestment Act to Promote Housing and Economic Opportunity in Your Community

Why is the Community Reinvestment Act (CRA) important?

CRA is a federal law that imposes an affirmative obligation on banks to serve the credit needs of low- and moderate-income communities and to take steps to provide equal access to responsible financial products and services to traditionally underserved populations. Thanks to CRA, banks have actively promoted housing and economic opportunity for underserved groups by providing affordable mortgage programs, small business loan products, community development financing, funding for non-profit housing and economic development programs, etc.

Banks are regularly examined by the federal government to determine if they are meeting their CRA obligations. Because an unsatisfactory CRA rating or questions about CRA performance can result in delays or denials of mergers, acquisitions or the expansion of services, banks often look for ways to maintain or improve their CRA records.

How can CRA-related housing and economic opportunity be maximized within my community?

To maximize the benefits of CRA within local communities, NCRC encourages community stakeholders to develop a CRA strategy that involves a combination of any or all of the following activities:

- Submit written comments addressing the community reinvestment performance of banks in your local area for review by regulators when these banks undergo their regular CRA examinations;
- Monitor bank mergers, acquisitions and expansions to identify strategic opportunities to encourage banks operating in your local area to improve on their community reinvestment records;
- Meet periodically with banks operating in your local area, even if they are performing well on their CRA exams, to discuss your community's credit/capital/bank service needs and to suggest actions a bank can take to meet those needs;
- Meet with bank regulators to discuss the performance of specific banks, as well as improvements to the CRA exam process;
- Encourage your local government to establish a linked deposit program to ensure that only those banks with reasonable community reinvestment records are eligible to benefit from a financial relationship with local government entities.

Remember to contact NCRC if you need assistance implementing any of these CRA-related activities.

How can I or my agency participate in the CRA exam process to benefit my community and clients?

Comments made by community stakeholders (including non-profits, local government agencies and individuals) that highlight strengths or weaknesses in a bank's performance with regard to lending, investments or service provision that benefit underserved groups can have a strong influence on a bank's CRA rating, as well as on the ongoing actions a bank takes to promote housing, financial and economic opportunity for traditionally underserved populations.

You can submit comments on a bank's community reinvestment performance at any time. If a bank is not undergoing a CRA exam at the time you submit your comments, simply instruct the bank and its federal regulator to place your CRA comments in the bank's public file. The next time a CRA exam occurs, the federal examiner is required to look at comments in the public file and the bank is required to report how it responded to any concerns raised.

NCRC can provide guidance and data analysis to help you develop your comments on a bank's CRA record.

Why should community stakeholders meet regularly with banks to discuss CRA-related activities?

Community agencies and other stakeholders can approach banks, particularly those that receive poor CRA ratings, to suggest ways that financial institutions can improve their community reinvestment performance. The development of mutually beneficial relationships between banks and community stakeholders has resulted in funding for housing counseling programs; new loan products that better serve small business entrepreneurs; increases in the number of bank branches in underserved neighborhoods; investments in local community and economic development loan programs and projects; financing for affordable mortgage products; sound credit alternatives to predatory payday loan products; etc.

To see if there are any specific issues you may want to discuss with a bank, you can check the results of that bank's last CRA exam at www.ffiec.gov/craratings/default.aspx or you can contact NCRC for an analysis of a bank's CRA-related performance. NCRC can also help you prepare for your meetings with banks.

Why do bank mergers, acquisitions and expansions present a strategic opportunity to encourage banks to enhance their product/service offerings and/or to support programs that benefit traditionally underserved groups?

If valid questions about a bank's CRA performance record are raised when financial institutions are engaged in a merger, acquisition or expansion process (particularly if the bank received a low CRA score on it's last exam) federal regulators may delay or deny the merger, acquisition or expansion application involving that bank. To avoid such delays, the financial institution(s) involved will often work with community stakeholders to develop a community reinvestment plan that addresses the problem(s) and that identifies specific funding and/or new products, services or investments the bank will offer in order to promote housing and economic opportunity for traditionally underserved groups.

To find out if there are any pending merger, acquisition or expansion applications that may impact your community and/or for assistance in preparing your response, call NCRC's Membership Department at (202) 628-8866.

How can NCRC help me or my agency prepare to make CRA-related comments or engage in CRA-related discussions with banks?

NCRC can provide a detailed analysis of a financial institution's community reinvestment record that addresses how well the bank serves the needs of low- and moderate-income and/or minority households through its basic banking, lending and investment services. This analysis is provided FREE to NCRC members.

NCRC staff can also provide guidance on how to prepare CRA-related comment letters and engage in negotiations with financial institutions to secure funding, products and services that promote housing and economic opportunity for low- and moderate-income and minority clients. Staff can help members frame and support their appeal and determine what community investment commitments it might be appropriate to ask a bank to make (e.g., develop new products that better serve small business entrepreneurs, fund a housing counseling programs, invest in a housing/community development or small business loan fund, etc.).

In addition, NCRC members can communicate with other coalition members via our listserv to find out what has worked in other communities, see examples of comment letters written to regulatory bodies and, of course, elicit support from other allies for their CRA-related activities.

How can I or my agency get help from NCRC to support our CRA-related activities?

Staff from NCRC's Membership, Research and Legislative/Regulatory Affairs Departments are available to provide you with the support you need to utilize CRA to promote housing and economic opportunity in your community. To start the process, contact NCRC's Member Organizing and Advocacy Associate, Sarah Bedy at (202) 464-2719 or by e-mail at sbedy@ncrc.org. ■

NCRC Member News

NCRC members are utilizing the attention focused on the foreclosure crisis to promote national discourse about financial inclusion policies and to create innovative approaches to fair lending and credit building.

One of NCRC's newest members is the **Credit Builders' Alliance** (CBA), who joined as recently as the 2008 National Conference. CBA is a Washington, D.C. membership-based organization that focuses on community and micro lending. Its recently launched CBA Reporter program is a unique partnership with Experian and Transunion credit-reporting agencies that allows non-profit lenders and smaller credit unions to report micro lending transactions. CBA used its powerful membership model to convince the reporting agencies to be partners in the program, and won a $250,000 grant from the Center for Financial Services Innovation to start it. This program will help many individuals and entrepreneurs to build a positive credit history, and allows community and non-profit micro-lenders to be recognized by the credit-reporting agencies.

New Jersey Citizen Action (NJCA) highlighted opportunities for policy change during President Bush's visit to Freehold, NJ last month by organizing hundreds of citizens to attend a gathering where citizens voiced their opinions on the recent troubles at Bear Sterns and the Federal Reserve action that bailed them out. NJCA's Jim Walsh said at that gathering, "It is unconscionable that the President is bailing out Wall Street and leaving American families on the curb." Walsh also used the opportunity to highlight NCRC's HELP Now program, which addresses the foreclosure crisis with fairness and accountability for all parties. Walsh explained to the media that the program allows the federal government to buy troubled mortgage loans for the current market value, giving private loan servicers the ability to make adjustments to keep consumers in their homes.

The Neighborhood Assistance Corporation of America (NACA) was also in the news for a high profile event, making national headlines outside of lender Bear Stearns' headquarters. NACA wanted to bring attention to the Federal Reserve's $30 billion loan to J.P. Morgan Chase to buy its faltering competitor, and attendees made their voices heard saying, "Help Main Street, not Wall Street." NACA took a group of homeowners in danger of foreclosure inside Bear Stearns' lobby to make a point about the dire straits homeowners are in.

The Association for Neighborhood and Housing Development, Inc. (ANHD) has begun an initiative to stop "creative" financing similar to the type that led to the mortgage foreclosure crisis. ANHD's neighborhood member organizations spurred this initiative when they reported a sharp increase in tenant harassment in New York City's rent-controlled buildings over the last four years. New landlords used tactics such as bogus eviction notices to force tenants out. Due in part to this tactic, private developers bought an estimated 90,000 units of affordable rental property (9% of the city's overall rent-controlled housing) in the past four years.

As they looked into the harassment allegations and the disappearance of affordable rent opportunities, ANHD discovered that the new owners had applied for loans to purchase these buildings based on projected income that couldn't be generated by the usual five percent tenant vacancy rate—that the new owners were reporting an expected twenty percent first year tenant turnover rate, which was only achievable if current tenants were forced out. Irene Baldwin, the Executive Director of ANHD, said that her organization aims to do two things with their campaign: first, assist tenants to stay in their homes, and second, end financing based on unrealistic tenant turnover and projected income rates. Baldwin pointed out that if apartment buildings are mortgaged based on unrealistic profit expectations, tenants would end up living in buildings that couldn't pay for their own debt—and be at risk of losing their homes in that way. Baldwin said ANHD plans to "go to the regulated investors to pressure them to do responsible underwriting."

Many NCRC members helped to get a public hearing on a Bank of America/Countrywide merger application. After the Board of Governors of the Federal Reserve system received a large volume of comment letters in response to the merger, they announced that they would hold public hearings in Chicago and Los Angeles for the first time since 2004. NCRC members, along with other concerned groups, signed up in large numbers, arranging trips and coordinating testimony so that groups that couldn't attend were represented by partner organizations. NCRC's Research staff created reports for members who requested help in preparing their testimony, such as the Sargent Shriver National Center on Poverty Law in Chicago.

One NCRC member group represented at the April 22 hearing in Chicago was the **Empire Justice Center** and their partner coalition, the **Greater Rochester Community Reinvestment Coalition** (GRCRC). GRCRC also testified on behalf of the **Delaware Community Reinvestment Action Council.** Barb Van Kerkhove of GRCRC said at the hearing that her group would not oppose the merger if the Federal Reserve imposed certain expectations on Bank of America. GRCRC's suggestions included: fair lending reviews of Countrywide clients to ensure no racial or ethnic discrimination took place; restructuring or modification of troubled Countrywide loans to keep homeowners in their homes; improved response time handling calls about loans from consumers and consumer advocates; assignment of managerial level staff to be direct phone contacts to restructure loans; prompt responses to borrowers before referring borrower files to foreclosure attorneys; adding additional fees on to the borrower's mortgage costs; and monthly public statements about the number of homeowners who contact the bank and actions taken (e.g. loan modification, repayment plans, etc.).

Van Kerkhove shared with NCRC the fact that the groups testifying at the hearing were given only five minutes to present their information. She spoke to other groups that had concerns about the merger and found they were disappointed about the time limits too, especially considering that the lunch period was extended and the proceeding ended half an hour earlier than was scheduled. Van Kerkhove observed that groups testifying in favor of the merger seemed to have an easier time expressing all of their points in five minutes.

NCRC members are creatively utilizing opportunities to promote fair lending and community reinvestment for low and moderate income, minority working class borrowers. If your organization is interested in learning more about NCRC's membership, member activities, engagement and technical assistance in your community, contact Sarah Bedy in the Membership department at (202) 464-2719.

The Member Notes section of *Reinvestment Works* is also accepting information about member activities to profile. Contact NCRC at the above number to submit your information or e-mail: sbedy@ncrc.org. ■

New Staff Members

NCRC is pleased to announce several new additions to our staff.

MarQuis Fair has a wide range of professional experience in the field of Administration and holds a Bachelors' Degree in Theatre Arts from Howard University. Before joining NCRC, MarQuis worked as an Executive Assistant at another non profit organization in the political arena. He has also worked for The Gallup Organization, Community Bankers Association and for various federal agencies.

As the Event Management and Training Assistant ***Matthew Juliar*** supports the National Training Academy Director in planning, implementing and facilitating the Training Academy curriculum and the planning and implementation of the National Conference. Matthew comes to NCRC from key positions at three of the nation's leading hotel chains – Four Seasons, Marriott and Omni Shoreham where his involvement included managing all aspects of major conferences as well as the needs of tens of thousands of conference attendees. He holds an AA in Business Management from Fullerton College and BS in Business Administration from Cal State Fullerton.

Jon Losciale graduated from Temple University with a Bachelor's degree in Film And Media Studies. He joined NCRC in 2008 as a Producer to lead NCRC's efforts in making visual media to inform, organize, and influence members and the public. Before coming to NCRC he worked at Banyan Productions, where he produced and coordinated several popular reality-based programs including HGTV's 'Renovations', TLC's 'Trading Spaces' and 'Trading Spaces Family', and DIY's 'Make A Move'.

Jeffrey Paul May is the Assistant Director of National Neighbors, a program of the National Community Reinvestment Coalition. His responsibilities are to provide oversight of all education, compliance and enforcement activities occurring across the U.S. In his previous post, he was the Project Director of the Fair Housing Program for DB Consulting Group, Inc., a minority-owned firm that provides support and technical assistance to federal agencies. Mr. May managed the firm's fair housing investigation, research, enforcement, and education activities throughout the U.S.

In his fourteen years of employment in social services, Mr. May has received extensive training as a testing coordinator from the National Fair Housing Alliance and the U.S. Department of Housing and Urban Development in rental, sales, insurance, and lending investigations. He holds a B.A. in Sociology and a Master's in Urban and Regional Planning. He was a member of the Fannie Mae Housing Impact Advisory Council, and the National Fair Housing Alliance's Board of Directors.

Luisa Melgarejo is a Compliance Manager on the National Neighbors' team. Joining NCRC in February 2008, she is responsible for fair lending enforcement and compliance testing projects that are designed to detect the presence of illegal discrimination in our nation's financial and real estate institutions.

Ms. Melgarejo comes from a local non-profit organization in Baltimore, MD with a long history of housing counseling and project management experience. She is bilingual and uses that ability to further educate the emerging markets community. Prior to her becoming part of the non-profit community, she worked for several lending institutions as a CRA officer.

Ana Cecilia Rocha is a Mortgage Advisor with the National Homeownership Sustainability Fund at NCRC. Ana recently worked for one of our member organizations, Cypress Hills LDC in New York, as a Foreclosure Prevention Counselor and Advocate. She has testified in different city and town hall hearings, given interviews to various media outlets and taught numerous workshops in foreclosure prevention and budget management. As community organizer, she has led workshops at public schools in New York City and participated in petitions to promote fair lending and community development. As a film student, Ana is currently working on a documentary about the foreclosure crisis and the effects of predatory lending in communities of color. Fluent in Portuguese and Spanish, Ana is originally from Rio de Janeiro, Brazil and graduated from George Mason University with a Bachelor of Arts in Communications and Media Production.

Megan Zatko graduated from the University of Michigan with a degree in Organizational Studies and a concentrated focus on Communications/Public Relations. She went on to receive her Masters degree from Polimoda University in Florence, Italy. A seasoned writer, her previous experience includes Communications Director for a large trade association, as well as writing/editing for the nonprofit world and the retail sector. As NCRC's Manager of Communications, Megan focuses on multiple elements of NCRC's communications strategy, including internal and external print, and online communications. ■

Get Involved in the NCRC National Training Academy

NCRC's National Training Academy offers substantive state-of-the-art training and technical assistance both on-site and online via webinars. The extensive curriculum ranges from courses on The Community Reinvestment Act (CRA), fair lending laws, Home Mortgage Disclosure Act (HMDA), Truth in Lending Act (TILA), Real Estate Settlement Procedures Act (RESPA), Homeownership and Equity Protection Act (HOEPA), the newest in mortgage loans, challenges to unfair lending policies, effective coalition building, financial literacy, public speaking, fundraising opportunities, and media relations, to name a few.

NCRC seeks to "train the trainers" and expand the availability and reach of information on current developments in community reinvestment.

NCRC members can participate in our training events by attending classes in Washington, D.C. or, if you are unable to travel for training, by participating via Webinar. With internet access, a computer, and telephone, you can log on to our trainings virtually. Non-members pay a nominal fee to attend Training Academy events. Trainings are held 2-3 times a month.

Training Opportunities: Are you interested in being a trainer for the National Training Academy? Do you have skills that could be shared with the NCRC membership? If so, we want to talk to you. If training is an area you want to explore or want to participate in further, please contact Ada Albright, Director of NCRC National Training Academy, at Aalbright@ncrc.org. We look forward to expanding our roster of available trainers and involving our membership as much as we can.

View Our Curriculum: Our curriculum is online. To access the training curriculum, visit www.ncrc.org and click on National Training Academy. You can also see the full curriculum in the Fall 2007 issue of *Reinvestment Works.*

Suggest Other Areas of Concentration: Is there an area that is not featured in the Training Academy? If you have an area that you would like to provide training on that would enhance the curriculum for NCRC members, we want to hear from you. Please contact Ada Albright and aalbright@ncrc.org and let her know your topic, how it would impact NCRC members and include a short outline of the training information. ■

NCRC Weighs In on the Legislative and Regulatory Responses to the Foreclosure Crisis *continued from p. 16*

Broader Solutions Needed

The scale and complexity of the current foreclosure crisis demands a more comprehensive remedy. When faced with a major foreclosure crisis resulting from the economic turmoil of the Great Depression, the federal government responded with a new housing finance agency, The Home Owners Loan Corporation (HOLC). During the 1930s, for example, most loans were short-term and required refinancing to maintain homeownership. HOLC issued government bonds and refinanced consumers into long-term affordable fixed-rate mortgages. HOLC issued over one million loans between 1933 and 1936 and ended its operations as a solvent institution a few years later. The National Community Reinvestment Coalition has proposed a major initiative called the Homeowners Emergency Loan Program or HELP Now.

HELP Now would allow the federal government to purchase loans from securitized pools at steep discounts – equal to their current market value. The discounts secured at purchase would be applied immediately to allow for substantial loan modifications into long term affordable products. Interest rate and principal write-downs would be allowed. Loans requiring greater amounts of assistance to be affordable would be refinanced. Modified and refinanced loans would be packaged and resold to the private market. Families that experienced foreclosure within the past 18 months would be eligible to purchase a home within close geographic proximity of the home they lost. The plan provides a stong incentive for servicers and investors to participate but does not force their participation.

Conclusion

Harvard University Law Professor Elizabeth Warren has pointed out that families have better consumer protection when buying a toaster or microwave oven, than when purchasing a home. Given the role that unfair and deceptive practices have played in creating the current crisis, and the reality that all Americans are paying the cost of regulatory failure, responsible public policy demands a thoughtful and meaningful response. Aiding families to sustain homes will stabilize the declining housing assets of banks, encourage liquidity, and allow the US economy to start down the road to recovery.

Action against predatory lending is also needed. Although the Federal Reserve Board's proposed rule changes to the Home Ownership and Equity Protection Act is an important step in the right direction, legislation is, nevertheless, essential regardless of how well written are the final rules. Legislation provides a greater level of permanency. Furthermore, legislation will enable more comprehensive regulation of the non-financial mortgage-related institutions that are not regulated by the Federal Reserve, OCC, FDIC or OTS. Legislation should address every aspect of the lending process including product type, underwriting standards and criteria, payment shock, special features (such as prepayment penalties), broker fees, appraisal standards, steering and marketing, as well as lender and securitizer accountability. The American public deserves a thoughtful, responsible, and meaningful response to the foreclosure crisis. ■

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