AFL-CIO
Americans for Financial Reform
Bazelon Center for Mental Health Law
Center for NYC Neighborhoods
Center for Responsible Lending
Community Reinvestment Association of North Carolina
Consumer Action
Consumer Federation of America
Empire Justice Center
Family Equality Council
HomeFree-USA
The Leadership Conference
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Fair Housing Alliance
National Gay and Lesbian Task Force Action Fund
National Law Center on Homelessness and Poverty
National Urban League
Neighborhood Economic Development Advocacy Project
PICO National Network
SEIU
Woodstock Institute

March 3, 2011

OPPOSE BILLS THAT SHUT OUT HOMEOWNERS AND ABANDON COMMUNITIES

House Financial Services Committee
United States House of Representatives
Washington, DC 20515

Dear Representative:

The following civil rights and consumer organizations are writing to urge you to vote AGAINST the four bills coming before the House Financial Services Committee tomorrow that would eliminate the primary foreclosure prevention lifelines available to homeowners and communities struggling to make it out of our economic recession. For the reasons stated below, now is precisely the wrong time to end these programs.

It is in the nation's interest to prevent foreclosures. Everyone benefits when we can help families stay in their homes. Preventable foreclosures cripple the overall economy by adding vacant houses to the already flooded housing market, further depressing housing prices and adding harmful uncertainty to this critical market sector. An estimated 11.57 million borrowers - 1 in 5 - are currently in danger of losing their homes. And unemployment and foreclosure now go hand-in-hand. Despite the average length of unemployment now at eight months, so many families who have lost their jobs or seen a drop in income as a result of the recession are now also losing their homes. We need to do more, not less, to help these families and stabilize the economy.

It is in the nation's interest to bring communities back. When families fail, communities fail. Families who have suffered foreclosure will feel the impact of foreclosure for years to come. Among many destabilizing consequences, they must confront their lives' disruption, the loss of their credit standing, and the higher cost and limited availability of future credit. But the impact of the foreclosure crisis is being felt far beyond the immediate home and neighborhood. This crisis has devastated entire communities, which suffer from a loss of community members, the disruption of community institutions, a decline in property values, and an increase in vacant and abandoned properties. Virtually every community across the country is feeling the fallout in the form of falling tax revenues and growing budget crises. Now is not the time to cut the programs created to prevent the foreclosures that fuel these broader problems.

Foreclosures continue to proceed at record levels, with disproportionately heavy impacts on communities and families of color, who are facing foreclosure at twice the rate of other families because of discrimination. Foreclosure prevention is a civil rights issue, and communities of color are suffering a disproportionate loss of wealth. Several studies have documented pervasive racial discrimination in the distribution of subprime loans. One such study found that borrowers of color are more than 30 percent more likely to receive a higher-rate loan than white borrowers even after accounting for differences in creditworthiness.[1] Another study found that high-income African Americans in predominantly Black neighborhoods were three times more likely to receive a subprime purchase loan than low-income white borrowers.[2] An analysis of loan, credit, and census data has shown that even after controlling for percent minority, low credit scores, poverty, and median home value, "racial segregation is clearly linked with the proportion of subprime loans originated at the metropolitan level."[3] This research supports the conclusion that racial segregation is itself an important determinant of subprime lending. The resulting flood of high cost loans in communities of color has artificially elevated the costs of homeownership for residents of those neighborhoods.[4]

Homeowners need more help, not less, and the mortgage and servicing industry has proven to be particularly ill-equipped in providing it. A massive body of recent evidence exists which shows pervasive lender foreclosure processing problems and problems with mortgage transfers and assignments within the securitization process. These shortcomings show a deep disregard for legal

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[1] See Bocian, D., K. Ernst, and W. Li, *Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages*, Center for Responsible Lending, May 2006, p. 3. Available at www.responsiblelending.org.

[2] Center for Responsible Lending's *Fact Sheet on Predatory Mortgage Lending*, *op. cit.* See also HUD, *Unequal Burden: Income and Racial Disparities in Subprime Lending in America* (Washington, D.C.: HUD, 2000), and *The Impending Rate Shock*.

[3] Squires, Gregory D., Derek S. Hyra, Robert N. Renner, "Segregation and the Subprime Lending Crisis," Paper presented at the 2009 Federal Reserve System Community Affairs Research Conference, Washington, DC (April 16, 2009) p.1.

[4] For a comprehensive analysis of the relationship between race and access to prime, near prime, and subprime loans in a representative metropolitan area, see Institute on Race and Poverty, *Communities in Crisis: Race and Mortgage Lending in the Twin Cities* (February 2009). Available online at http://www.irpumn.org/uls/resources/projects/IRP_mortgage_study_Feb._11th.pdf

requirements among lenders and servicers, and also demonstrate that they are badly understaffed, perform poorly, and lack accountability. Problems uncovered in the foreclosure process mirror the problems that homeowners seeking loan modifications have experienced: borrowers frequently report an inability to reach bank staff, loss of paper work that they have sent in, and little oversight or enforcement.

We cannot leave the important job of foreclosure mitigation solely to an industry that has repeatedly refused to do the job correctly. Just two days ago, HSBC suspended all foreclosures after an investigation by federal regulators uncovered "problems in the company's processing, preparation, and signing off of affidavits and other documents supporting foreclosures, and in HSBC's management of third-party law firms retained to carry out foreclosures."[5] Rather than eliminating the only lifelines that help people from losing their homes, we should be increasing that help. It is irresponsible to eliminate these programs at a time when our nation needs them most.

Thank you for your consideration.

Sincerely,

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[5] Bay, Carrie. "HSBC Suspends All U.S. Foreclosures," DSNews.com, March 1, 2011. http://www.dsnews.com/articles/hsbc-suspends-all-us-foreclosures-2011-03-01