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My name is Robert Jackimowicz, and I am the Planning and Development Policy Advisor to Cleveland City Council and am here on behalf of Council President Martin Sweeney and the entire Council. I want to thank the Federal Reserve Board for holding these hearings and also want thank Congressman Dennis Kucinich for his assistance to address you today regarding potential revisions to the Community Reinvestment Act.

It is my intent today to briefly focus on what is currently occurring in Cleveland's neighborhoods and what the Federal Reserve System should be aware to strengthen the CRA to assist cities like Cleveland in our efforts re-stabilize our housing markets.

The Community Reinvestment Act since its passage in 1977 has played a vital role in the City of Cleveland's ability to directly engage Cleveland's commercial lenders in assuring reasonable lending and investment activity for all its citizens. Agreements made with commercial lenders, with the support of the CRA, have insured a continuity of neighborhood reinvestment and a high level of participation with Cleveland' nationally recognized system of Community Development Corporations. These joint investment activities have allowed the city to provide a wide range of home rehabilitation and home ownership choices to those who previously had no opportunities to create real estate assets for themselves.

However, due to the foreclosure crises, those asset building opportunities have all but evaporated. We now have entire neighborhoods of abandoned and vacant housing which continues to drain city resources needed to secure and demolish them. This foreclosure disinvestment activities by commercial lenders is directly linked to failing neighborhood real estate markets, decreasing real estate tax revenues, increasing slum and blight, all at a scale which is unprecedented in Cleveland.

Despite the intent of the CRA regulatory requirements, the current law has not kept up with the changing home mortgage environment in the inner city and more importantly, the observed practices of both regulated and unregulated mortgage providers as they cycle through the foreclosure process. In the last two years Cleveland has experienced approximately 14,000 foreclosures. It is estimated that there may be as many 9,000 additional mortgage loans at risk in the city. While the City, County, County Courts and non-profit organizations have developed a coordinated substantive effort to provide for foreclosure prevention, we cannot keep up with the sheer numbers of vacant and abandoned properties the mortgage investors or servicers are literally dumping in Cleveland's neighborhoods.

As a result of the foreclosure crisis, the city has had to program increasing amounts of resources to rid the neighborhoods of the foreclosed vacant and abandoned homes. In the last three years the city has had to commit $1.7 million for securitizing and boarding up vacant homes. In 2005 the city boarded up 2,235 homes. In 2009, almost 5,000 homes were boarded up. Out of the $25.0 provided by HUD NSP I funding, the city has programmed $15.0 million for residential demolition and $5.0 million out of $21 million in NSP II. The annual number of demolitions has gone from 195 in 2005 to 1,708 in 2009. We are estimating over 2,000 demolitions in 2010. To maintain the newly created vacant lots, the city is programming approximately $1.0 million annually for lot grass cutting labor costs.

As the Cleveland City Council has engaged to stabilize neighborhood real estate markets and address the systemic processes of disinvestment, we have become knowledgeable of the post foreclosure practices by both regulated and unregulated lenders for which we have to provide resources to abet. For example, a city council commissioned a Housing Market Indicator Report in 2009, prepared by Cleveland State University. The report indicated the Deutsche Bank National in 2008 bought back 585 homes at a median price of $26,000, and sold 740 homes at a median price of $5,500. This type of activity has a devastating impact on home owner values.

I believe you have already been provided testimony by Frank Ford, of Cleveland's Neighborhood Progress Inc. which clearly describes the systematic foreclosure practices of continued disinvestment by mortgage holders not envisioned by the CRA. They bear repeating.

1. **Unsound Business Approach to Foreclosure**. The refusal by mortgage servicers to write down loans to keep a home occupied. This then leads to a REO sales of home for ten cents on the dollar to wholesale investors who may not chose to do anything to the least desirable properties.
2. **Ownership In Violation of Criminal Code**. Building maintenance and housing codes are ignored by depository banks.
3. **Irresponsible REO Disposition**. As the REO low value inventories grow and are indiscriminately sold to bulk purchasers we see a repetition of the same disinvestment strategies by companies that are more difficult to track and find.
4. **Walking Away From Foreclosures**. We are experiencing the lack of or deferral of REO owned properties which are abandoning the completion of the foreclosure process. This "abandonment" includes obtaining judgment but not requesting a Sheriff Sale or requesting a Sheriff Sale but withdrawing the property prior to the date of the sale.

As described, it is these four areas we believe require immediate action to amend the current CRA laws. Without some regulatory relief we will be challenged to seek and request of the federal government additional resources to sustain our attempts to stabilize neighborhoods by continued use of public funds for demolition, board-ups, and acquisition of foreclosed properties. Without your assistance we will see this cycle of foreclosure disinvestments continue to repeat itself for years to come. We need action now.