Home Mortgage Disclosure Act Public Hearings, August 5, 2010
Open Mic

[Applause.]

Sandra Braunstein:
We're going to move directly into the Open Mic segment.

[Background noise]

They way we'll do this is I have the sign up sheet and I'll call out people's names. We have a microphone that is being put up right now -- there we go -- in the front. I would ask that when I call your name, that people step forward, and you have five minutes for your statement. We've moved Maggie. As you can see, our timekeeper is up front. She will flash signs to alert you when your time is running out and when your time is up. And the first name on my list is -- is it Namoch Sokhom?

Namoch Sokhom:
"Namoch."

Sandra Braunstein:
Okay. That's the first name on my list if you want to come forward, and you have five minutes.

Namoch Sokhom:
Thank you.

My name again is Namoch Sokham, and I am the Director of the Business Development Center of Pacific Asian Consortium in Employment located in Los Angeles. For the last 17 year, we have served over 70,000 new and small business owner, and have maintained and created new business, over 9,200 that has been employed over 12,200 employee. I'm here to share some story about our clients who have HELOCs. The story of HELOC, when you have it, it is very difficult to separate the ownership of the home and the ownership of business and HELOC is the connection, and this is the -- kind of the human behind HELOCs.

John Trans, which is not his real name, came to U.S. as a refugee from Vietnam in late 1990. Although he was working as a teacher back home, his lack of English prevented him to pursue professional in teaching. In 2001, he used his people skill by starting a seafood delivery business, including live fish and shrimp. In 2001, his business got a delivery truck and also employed two people. John ran the business profitable enough to buy a home in the San Gabriel Valley for himself, his wife, two children, and his parents. But as business grow, he also need cash to get the supply, also provided his restaurant and grocery store owner or customer that need to pay him 15 or 30 day later to make his business very competitive because his competitors provided 15-day credit to the customer. He also needed to do that, so he needed HELOC to be competitive. While turned town for a conventional, small business finance, but he eventually got HELOCs for 50,000 because home price has been increased back in 2006. However, and the good part is to get the loan, but when you get cut, that's the problem. In 2008, his HELOC -- 50,000 was frozen and, suddenly, he got no source of cash to get the next batch of supply and continue to pay his employee. The final blow to his business is that the gas price also increased, so he was forced to keep his truck idle. He started falling behind on his mortgage. He came to us, PACE, to get help for short-sale process in 2009. Six months later, we helped him to get a short sell approved by the first mortgage, but the second, smaller mortgage still require him that he have to pay the principal of the smaller mortgage. While his home ended up foreclosed, three months, with shame, he moved his family out of California. His American dream of success that once seemed so close was now dead.

So there are two problems out of this. Small businesses still need to utilize home equity for collateral as a credit, and there's a need of small business to create its own credit history. So I propose that a new kind of loan product be allowed which will use home equity as collateral and a cash flow for business as a source of the payment. The loan would be made in the name of business but collateralized by the home guarantee by personal signature. That way, the business can create small credit history as well. Thank you.

Sandra Braunstein:
Okay. Thank you very much.

Nancy Kenyon.

Nancy Kenyon:
Good afternoon. My name is Nancy Kenyon. I'm Executive Director of Fair Housing of Marin. Our organization investigates housing and lending discrimination in Marin County. And in addition to this fair housing counseling, we run a foreclosure program for distressed homeowners, advising clients in seeking modifications from lenders. One-third of these clients are Latino or non-Caucasian.

What are we seeing? Lenders are delaying or denying modifications for the great majority of our clients; many of them are going to lose their homes. Trial modifications may be granted, if rarely, but permanent modifications are then denied. Are they being denied because of their race or their ethnicity? We don't have the data now to tell. We were not surprised by the number of loan foreclosures. Several years ago, we used HMDA data to conduct an audit of loans in poor areas of the county. We found predatory lenders were targeting these areas with subprime loans, particularly to senior homeowners of color, whose only asset was their homes. In one case, we assisted a monolingual Latino couple join a class-action suit against Ameriquest. All of their loan documents were in English, even though they requested that they be given to them in Spanish. In a separate study of mortgage lenders in the Bay Area, we found that Latino and other ethnic testers -- testers are people who go in as sort of customer service people -- were immediately directed to FHA, with no effort to try to qualify them for prime loans. We could not have directed any of these programs without the HMDA data. If we are to help the many distressed homeowners and ferret out predatory lending and discriminatory practices, information from lenders is needed more than ever, particularly in reporting of loan modifications by race, ethnicity, gender, and census track.

I thank you so much for the hearing.

Sandra Braunstein:
Thank you.

John Frangoudis?

John Frangoudis:
Thank you.

My name is John Frangoudis. I'm President of California Association of Mortgage Professionals North Bay chapter. I have been in the mortgage industry for over 20 years, but I have been active with consumer groups much longer. But the days where we were talking about CRA and affordable housing for prices in East Oakland were 15-, 20,000, while I buy home. So it's come a long way. The CRA and HMDA have come a long way as well. Unfortunately, the data collection and the timeliness of the collection is a very, very, very critical point. As late as 2007, civil servants were front of Congress and telling the American people that (inaudible) is not going to have big effect on economy, because he was saying that believing everything you are saying, because the data he was coming from was a year -a-half or maybe two years ago old. You have to have accurate data.

Today, we're talking -- we spent a lot of time about accuracy of data and timeliness. Where are 2010? Computers have been around a long time. The lenders accumulate all that information, whether it's credit scores -- you can put up new field on application, collect all the data, and one day after the quarter is over, that computer can, you know, spit out all the information you need. You don't have to wait for a quarter or one more quarter or a year later to get information. It can be provided. It can be programmed and provided. Today's problem, though, is much more acute, because we are facing the biggest destruction of wealth in the history of the human race, and unless we do something about the loan-modification issues, we are not going to solve the economic crisis that exists. Now, I'm speaking from my experience because of all those years, in the last two, three years, I've been helping people with loan modification. I have an e-mail I received three days ago from a friend that I've been helping, who has been trying to do a loan modification with Wells Fargo.

Now, Wells Fargo has been, in my experience, one of the best banks to deal with on loan modification, but they're still falling very, very, very short. Basically, what I see is, how come the regulators and the banks do not help anybody? But instead, they are hindering our efforts to modify the loans. With Chase, I have been working with Chase and another borrower. My first contact with them was December 15, 2008. He had two loans. This is success story. I'm not talking about failure. This is success story. The person is still in the house. The person has still not modified the second loan. We are entering in the modification of the second loan. The trial period starts September, and he is going to go September, October, November; and then, finally, we are going to have the modification sometime in December. That is two years after I started.

There's no justification for it. They were losing papers. They were missing papers. They were messing up the papers. I mean, I had to put the poor guy through rigmarole and everything else to jump through the hoops, and I did. Again, I consider that a success story, because they gave principle reduction, they lower the payment, and made the house affordable for him to stay, and he did not lose his house. Obviously, he cannot refinance or do anything else for many years, but at least he is in the house.

Unless we do something with loan modification, it is not going to help us in anything with all the data you collect. We'll have come up with a program that if the big banks work with the community organizations and with the mortgage professionals, we believe that we can solve the problem in six months. Obviously, this is not the time for me to discuss that, but I would be glad to talk to anybody who is interested in listening. But thank you very much. I appreciate the opportunity to speak. And HMDA is very important to collect all the data, but much more important than privacy and identity or whatever else is the timeliness of information. It has to be given information at very, very, very speed.

Thank you.

Sandra Braunstein:
Thank you.

John Lind.

John Lind:
I'm John Lind, Executive Director of a small organization called CANICCOR, an agency of nonprofits. Basically, we serve as consultants to institutional investors who have social concerns but are, of course, investors in the banks that we are concerned about. And so, we try to meet with all the major banks about once a year. In the last 12 months, I think we've met with ten, and including all the major ones.

In this process, there's a dialogue that goes on, and in order to make that dialogue fruitful, I generally prepare a fairly detailed analysis of HMDA and CRA data, highlighting issues that we're concerned with as of the moment, and recently, that's also been involving loan modifications. So, you know, if you bring in call-report data and everything else you can find. So you might call it -- it produces sort of a mini-CRA report that we send to the bank before we meet with them so that the discussion is fairly focused. And so, in this context of analyzing all these data, one point that hasn't been touched on very here is, particularly, multi-family housing loans. And there, I really think the information needs to be expanded. One important point, which should also be to single families, is the number of units. When I lived here in San Francisco, every house on my street is more than a single-family house, so that gives you some idea of how important, at least in the larger cities, the larger, single-family housing units, as well as the multi-family.

In our analysis of the multi-family data, our concern has been focused on units of 5 to 50, because they tend to be more the size of units used by lower-income people, and, aside from, you know, city developments, low-income developments, which may be above 50, and there is no way of knowing the number of units. And so, I stand on my head, taking the average loan value in an MSA track, and trying to fudge what I think the ratio of a single-family house to a multi-family, single unit would be, and then try to put in a change of difference of the LTV ratio and so forth. Secondly, we need to know the LTV ratios here, because most of these loans are fairly short, they are modified, they're refinanced after ten years or something like that, and so, it's really important to know what the LTV is on the loan when it's given. So those are two important points on the multi-family that I bring up.

And the other thing is piggyback loans, and I do just what the Fed does, and I go through and I try to match all this closed-end seconds, or the few that might be HELOCs that are reported, with the appropriate first lien. And this, within a given lender, I think the order of maybe 90 percent, roughly correct, but we need some way of having an index that connects the second mortgage to the first mortgage. I don't want anything that tells where the property is or anything like that, but HMDA needs to invent some sort of a way of tagging the second lien with the first lien, because that's been a major problem in modifications, where strangely enough, as we all know now, most lenders are more willing to pay off – bring current their second lien, and let their first lien go into delinquency.

So I thank you very much for giving me this moment to present my concerns.

Sandra Braunstein:
Thank you.

Leonard Ryan?

Leonard Ryan:
Hi. I'm going to take a little different approach today. My company, I think, will have a little bit from both sides of it today. I didn't exactly know what I wanted to comment on until I heard what everybody was talking about. My company processes about 1,500 HMDA reports a year for lenders nationwide. And out of that, approximately 8 million loans are processed through our software. And what we work with is from a technical side, what's doable and what's not doable. And so, what I wanted to comment on was – from today what was discussed, what is doable and what you guys talked about, and what's going to be a little bit more difficult.

We go through something every single year from last week in February that we call "HMDA hell week," and we order pizza for all of our support people in our and we deal with a ton of stuff dealing with that. So, actually, the idea of a quarterly reporting thing actually has a lot of appeal to me, in terms of spreading things out, but I think also for the industry, we're right now required, just like taxes, that you report on an annual basis but are supposed to maintain it on a quarterly basis. Well, if that's true, you should also be able to report it on a quarterly basis. The concern that I   would have with reporting it on a quarterly basis is– was— would be that you must have something in there to be able for people to submit reasonable revisions without ability. Because there's a lot of stuff that does come from the escrow side, and from a lot of other places, where purchaser types and other types of things would cause a problem within there.

I also agree with the panel in terms of including more people, mortgage brokers, private investors. I've had a situation where I spoke in front of a group, that's not one of the major groups – spoke in front of a group, gave a presentation; probably knew at least 30, 40 percent of the people in that room needed to do it. The attorney that spoke right after me said, “Yeah, what he's saying is true. But you know, nobody's ever gotten penalized in your group for not doing it." So I wouldn't recommend filing HMDA reports. I think that that needs to be overcome, and I would look forward to that being done in this area. The reverse mortgages -- I get scared to death about those things. I'd like to see that end. I think a lot of the stuff that people have had about that. What's not going to work and what everybody needs to be a little bit aware of, I think this will be an absolute disaster if this is implemented before January 1 of 2012, and here's the reason: The Dodd-Frank bill gave a lot of strength to what you guys are doing, but it also put a lot of uncertainty, and a lot of regulations still need to be written. And if you try to implement HMDA earlier than that, and you put that into place and then do additional regulation, there's going to be a problem with that. And I think that the industry -- we already suffer when regulations are put into place at weird times. So don't release in January and February, because that's the time that they're doing their previous HMDA. And, you know, if there's something that can be done, I would recommend that.

The other thing about LOS software, loan origination software, the software that you say can be provided the information in a moment's notice, the problem with that is that when you put in new regulation -- in this last couple of years, there's been just tons of regulations that have been put in. And we have programs in our office -- for example, we help people oversee over 7,500 pages of laws, rules, and regulations and we return information in about 30 seconds on it. It is really, really difficult to go through this -- all the different things, stuff like that.

You have two things that have happened. Number one is, that when you say, "I want to add this little field," or, "I want to subtract this little field," the problem isn't your little field. The problem is, is the loan origination software has been opened to do a whole lot of things other than requested, and it takes three or four months for them to close it up. Yes, they can take the appendix out while they're doing open-heart surgery, but they got to finish the open-heart surgery. So it takes a while from a practical view.

The other problems is, is that just like the industry, loan origination software companies have cut back about 40 percent, because they just don't make the money that they used to, and so, they have less developers. So of all these things are very practical, and I don't work with, let's say, Chase or Wells, or one of the big top-five base, I work with all the communities banks and everything else that's involved, and those people have real issues when it comes down it.

Second and last point, the parcel credit scores, assets all that stuff? Those have absolutely huge problems. One of the things is that the big banks may do so many things inside of the census track that you can't figure out who it is, maybe if it's 20 or 30 loans. But I'll tell you, Bank of Hawaii -- yeah, that place is very interesting. You may do one loan in a census tract for the year. Got to figure out who that person is, yeah.

The last thing is that -- two things is -- somebody mentioned 25 loans. I think it should be 100, and there are a number of reasons why I feel that way. Prequalifications. This year, with the RESPA changes, I've talked to so many lenders that said they got rid of their prequalification program this year, just because the new RESPA changes pretty much made it new. So I think that getting rid of that particular field would be a nonevent in my opinion.

Okay. Thank you.

Sandra Braunstein:
Thank you.

Eva Calzado.

Eva Calzado:
Good afternoon. My name is Eva Calzado. I am a housing economics rights and CRC client. I live in Vallejo. I am a single, hard-working state employee.

In June 2000, I was hired by Sonoma Development Center full-time. On March 2005, I was approved to my first house, zero down, for 355,000. On January 2006, I was attracted by an agent's offer to refinance the house and get a cash-out 75,000, but I told him that 50,000 was enough. I was told to let my mortgage work for me and instead, I will work and work for my mortgage. The loan officer, a real estate agent of the broker, went to our house at night and let me sign voluminous paperwork, but to make a long story short, I was a victim of predatory lending and fraud. I admit that I made some mistakes along the way, like trusting my broker and lenders. Me and my family have paid for this mistake by all the stress and emotional pain we've gone through, and our house is in foreclosure and up for sale next month. So I am here today because I know my family isn't the only family going through this nightmare.

I am here to ask the Federal Reserve to require reporting by the banks on their loan modifications so that we can know if the banks are really helping homeowners stay in their homes. I am here to ask the Federal Reserve to collect better information on the Asian American and Asian Pacific Islander community so that we know how my community is doing in this economic recession, and so that resources can be targeted to better helping Asian ethnic population. Finally, I would like to ask that the Federal Reserve collect information under primary languages spoken by borrowers and what language they receive their loan documents in.

For me, I talk to my broker in my language, which is Tagalog, that's my primary language, and the language I'm most comfortable with, but all my loan contracts were in English. I know that this happened to lots of English second language speakers, not just Filipino, but Latinos too. I hope that the Federal Reserve will collect more information from the banks to make the HMDA loan useful. I also hope and pray that the banks will modify loan to affordable mortgage payments, if possible adjusted, to the present market value of the house. As for me, it is a fair deal, to both lenders and homeowners, to move forward and a solution to foreclosure crisis.

Thank you very much. Good luck to all of us, and may God bless America.

Sandra Braunstein:
Thank you

Paul Ainger.

Paul Ainger:

Good afternoon.

My name is Paul Ainger. I'm an affordable development housing consultant. Over the past 20 years, I've been working a number of housing developers, including Mercy Housing and Community Housing Opportunities Corporation in Davis and Visionary Housing out of Stockton. Why I am here is to advocate for -- let me get my glasses out so I can see -- require detailed information -- reporting on multi-family loaned lending, which is basically apartments, that notes whether the loan was a construction loan or a permanent loan, and whether the housing units for which the loan was sought were deed-restricted for affordable housing. HMDA regulations currently require reporting on mortgage loans secured by multi-family property, but this state has limited significance and it's rarely, if any, ever been analyzed. It's only on permanent loans. Most of the deals that what we do in California in rural areas particularly but even in Sacramento and Chico, Davis, other places that I worked, really have -- mostly have only have construction level attached to them. They don't have any permanent debt at all, because they are so deeply discounted in terms of the rent, there's no permanent debt at all. So that's not captured currently under HMDA data.

So I specifically recommend that HMDA be enhanced to require that the reporting of loan data that includes construction loans for multi-family properties, as well as permanent mortgages. And construction loans are really critical on whether we're going to do the deal. Now, most of the construction loans aren't done by local banks, because they're, frankly, too large to have the lending capacity to do it. So this will also report on the applications of construction mortgage, rent, regardless where the property is located -- whether it's the service area or not. Finally, whether the loan was secured multi-family property that is deed-restricted -- this is very important because nondeed-restricted properties of apartments, basically, just aren't really providing a public purpose as much as deed-restricted ones that have both deed restriction and a regulatory agreement attached to the property.

Thank you.

Sandra Braunstein:
Okay. Thank you.

Neil Fisher.

Neil Fisher:
My name is Neil Fisher. I work with Cando in East Palo Alto, that's the East Palo Alto Community Alliance and Neighborhood Development organization. I'm a HUD-certified foreclosure intervention counselor. Mostly, we try to help people modify their mortgages, but when I talk to a lender about modifying a loan, I'm talking to a low-level people who are looking at their computer and trying to figure out what someone else has written on the computer for them to talk about. I never talk to anyone at a higher level, anybody who's able to make a decision. Often, I get told that the client has been given a negotiator, and I get the negotiator's name. I never get a negotiator's phone number or even email address. I'm not able to contact them. I'm not clear who that negotiator is negotiating with, but it's certainly not us.

We have no way to tell what the determining parameters are for a modification, so we can't tell if the bank is discriminating or not. That's the reason we want more transparency in reporting on modifications, for lenders to tell us about geography, race, gender, ethnicity, and see what's going. I want to make a comment on something that came up on one of the panels, where the mortgage industry is resisting efforts to provide more information, and needed 18 months to gear up for the new information that might be required. I've been doing counseling -- foreclosure intervention counseling for two years now, and banks are still as slow as they have always been.

As much as they talk about hiring people and gearing up, they're not doing it. We're not seeing it at our level. It's taken months to get any kind of answer. Even the initial answer, that there's someone been assigned to the case, it takes several months after. So I think as much time as you give them to gear up to handle more information required, they'll take more. It's a complete waste. Also, in terms of privacy for my clients, I don't typically see people until they get a notice of default, so that's a legal-recorded document, and at that point, everybody knows. It's on foreclosure radar, it's on websites, and all their neighbors know they're in financial difficulty. So, really, the privacy issue really to me seems overblown all together.

Thank you very much.

Sandra Braunstein:
Thank you.

Maria Benjamin – oh, okay.

Gina Gates?

Gina Gates:
Good afternoon. Thank you for allowing us an opportunity to speak.

My name is Gina Gates and I'm a member of PACT, People Acting in Community Together, and we are part of the Pico affiliate -- rather, the Pico National Network, we are part of them. There are about 45 PACTS within Pico, who represent one million people in America. First off, I want to let you know that by profession, I'm an e-trainer, so I convert theoretical programs into online formats, and I've been doing that for a long time before it was cool. So I just want to let you know it's a bunch of malarkey about the programming issues that you're hearing. This can happen, and it can happen very quickly if you give the free market an opportunity to respond. I know a lot of engineers. We know a lot of engineers. We know a lot of programmers. We know people who are just putting little applets together to make these things happen. So I just really want to put that out there that the feasibility of this happening is totally possible. The hurdles that you're hearing about – they can be addressed and they can be addressed quickly.

One of the things that came to mind is the issue of privacy. First off, I did lose my home to foreclosure with Chase. The issue with me is, I was negotiating with them -- well, actually, Hope Now was negotiating with them. So the three of us were like, "Yes, we’re making this happen." Later, I found out that the day my documents arrived at my home in the afternoon, they sold my house in the morning. Unfortunately, for me, I fell into that little dead zone when

WAMU was taken over by JP Morgan Chase. Chase finally admitted, "Hey, you know, we made a mistake here." And the negotiator I was given – of course, I had to escalate that to Jamie Diamond's office to his executive office. And to whoever those people were, I have no idea. I know they're out of Florida.

Basically, they said, "If you give us 40,000, we'll give you your house back."

I said, "With the same loan?"

And at that point, they go, "Well, yeah." And it was a loan that they originally had put to my throat, but at that point it was like, "Hey, I'm going to be able to save my home." It was my first home. I put over a quarter of a million dollars down, but the priority was getting the kids through school, and my businesses were doing well when I got the home. So came back and said, "Got the 40,000, but I need it in writing, because this lender is personal loan needed to know the personally asset is coming back." Basically, I could hear, "Oh, we don't give anything in writing, and my manager just took the deal off the table. You're not getting your home back."

So guess what? My neighbors knew my home was in foreclosure because of the big pod. It became really -- kind of the poster child, because in my neighborhood, that just really didn't happen, but I can tell you that a lot of my neighbors were struggling with their mortgages. So, with that, the privacy issue -- I'm not really concerned about it, because there's a greater good that is necessary, so to be sensitive to it, but it's not that big of a deal. The issue of being identified, and who the people are that they're not self-identifying, I think one of the questions that was not posed is, how many people are into the self-identifying? And let's look at that, so we can calculate a margin of error for that. I mean, I think that that is reasonable. So with that being said, I've now become a very big advocate for modification reform, loan-modification reform. I've lived through some of worst with my neighbors. The people across the country -- the stories are repetitive. You know, the way it is, we get no response, our documents get lost, people don't return our calls. Mistakes like what happened to me continue to happen. And yet, these banks have gone to our Treasury and they have negotiated a deal to get a bailout, and yet when we go to them, this is how we get treated. That is unfair.

We file complaints with the Department of the Treasury through the Office of the Controller, and the banks don't respond, and give us the documents that we require. The problem is, our regulators are not enforcing the law or they can't. Maybe it doesn't have enough teeth, but we need teeth, and we need our regulators to be able to say, "Hey, back off." I think one of the banks said, "Well, we need about 18 months or two years, and then come back and we'll have that conversation." Well why don't they hold off on foreclosures and get their act together?

Thank you.

Josie Ramirez:
I'm Josie Ramirez, I'm sorry, my name is Josie Ramirez, and I'm with the Mission Economic Development Agency. I have a pending engagement, and I was asked to go ahead and speak, if my colleagues would allow.

Sandra Braunstein:
I'm sorry, that's fine --

Josie Ramirez:
John just gave me the green light to do it.

Sandra Braunstein:
Okay.

Josie Ramirez:
I'm sorry. I just wanted to introduce myself again. Josie Ramirez with Mission Economic Development Agency. We are a local HUD-certified counseling agency, and we provide foreclosure intervention counseling here to predominantly low-income Spanish-speaking clients.

And I just want to ditto what Gina just said: We see that every day -- every day -- day in, day out. But what I wanted to address with you is just a glimpse of what we see on the frontline every day. Our counselors meet with clients that are facing the threat of foreclosure, but before we submit a loan-package document or package to the servicers, we sit down with the clients, do a thorough assessment of their financial status; you know, does it make sense for them to keep the house or not? Then once we feel confident that they are a good candidate for a loan modification, we complete a very thorough package and submit it on their behalf, following guidelines, HAMP guidelines; however, unfortunately, more often than not, the loan modification requests are denied. So, when we try to follow up with the servicer to find out, you know, "Why? What happened? These are the guidelines. These are what we're following, and we just need to try to understand why it was denied."

Unfortunately, we're given very vague, sometimes no answers, but sometimes very vague, contradictory: sometimes they make too much income, sometimes not enough income, and yet when we question, “Well, this is our income, this is how we recalculated it. Can you share with us how you derive that income?” They won't. They don't share that information. In fact, a recent trend that's very disturbing is, we've had several of the larger banks or servicers tell us that they are no longer willing to share any financial data with counselors, with HUD counseling agencies, that the only people that they will speak to about financial is the borrower themselves. So then my frustration is that that's what we're for, we're often the middleman that's trying to help these clients who are threatened by the whole intimidation of this, not knowledgeable; they come to us for help, and yet, they're saying -- even though we have authorized third-party lenders on record, they're not -- they don't want to disclose or share that information with us. So this information is critical, and it's no wonder, then, that we as intermediaries that are trying to help families save their homes, are left to wonder and come up with a perception or the idea that maybe there is some unfair or discriminatory practices that are happening.

So, therefore, I encourage the Board to require servicers to report HMDA data on loan mods so that transparency is just not a fluffy word that's being used to make people feel good, but actually really practiced, because our experience is that's not what's happening. Leaving that discretion to be, you know, voluntary, it's just not happening.

Thank you for your time.

[Applause.]

Sandra Braunstein:
Karen Westmont.

Karen Westmont:
Hi. I'm Karen Westmont. I'm an independent researcher. Thank you for letting somebody like me, who's not tapped in, to come to an event like this.

I'm independent, probably because I didn't finish my PhD, but the economists I study with have done amazing research. If you'd like to see evidence-based database, rigorous research on race discrimination in lending, see the work of John E. (inaudible). There's a book from 2000 they've done. But my own research is on consumer finance, mostly low-income consumer finance and housing purchase. I have been a -- I've worked in fair housing. I've worked as a property tax assessor in the last downturn. I have done community organizing and housing policy, for a miserable few years, for the State of California. I have a lot of background. My primary concern is what I think is this hidden problem of housing-cost burdens that are going unidentified. It's a little bit to the DTI question, the debt-ratio question that Mr. Fishbein has raised, but more generally than that. For example -- and I'm thinking, if we are interested in what caused the foreclosure crisis or what are the contributing factors, to look at housing-cost burdens is another way of looking at cost.

High housing costs is usually identified as interest rates. I'm talking about housing costs from the larger-- relative to income. And there have been studies -- Fannie Mae was interested in sustainability earlier in the 2000s. They assumed that the problems we're seeing with income to cost happen after the loan. Aside from, of course, the recent full failure, but I would say that the problem is earlier than that and deliberate, even with prime loans. There are many government programs -- and I know a giant bank who, as an anecdotal story, government programs that do 45 percent of income, not talking all debt, just talking housing-cost burdens – do housing-cost burdens at 45 percent of income, generally for low-income buyers, but it has been stretched. FHA is pulling those ratios back, but they were never that high. The thing is, how broadly this practice is, we don't know. If HMDA had this data -- if it had – there is a category in HMDA for DTI rejection. If there is DTI rejection -- I realize this is a definitional question, but if we had the debt-to-income ratio better than that, because that obscures, particularly, the housing-cost burden, PITI, if we had that, that would give us more information on cost burden.

And I'm talking -- we're talking about government programs who know we're supposed to be doing affordability at 45 percent for many of these loans. And never mind it used to be 20 percent. It used to be 25 percent in housing policy. So, now, we've gone to the amazing ratios, and I would -- my own research looks at the disproportionate burden. For example, for a dollar -- for the same loan, I think my stylized facts were 7 percent at 97 percent loan-to-value, no mortgage insurance. Over the full term of the loan, the subsidy you get from a mortgage interest property tax deduction is one cent on the dollar for a lower-income buyer. It's 30 cents on the dollar for a moderate-income buyer. Never mind, it's more -- for people more.

If you're looking at wealth creation, we need to know, not just PITA, but we also need to know the after-tax PITA. These are questions outside the lenders' concerns, but these are policy questions. Now, considering these things may make it harder for low-income borrowers to get help if we are using standard underwriting or if we were to modify underwriting criteria to consider what subsidy you get or don't from the mortgage (inaudible) never mind the bias of the system.

But there are other ways to ensure that housing might be -- homeownership might be wealth creating, besides the standard instruments we currently use. So I would argue that debt-to-income ratio is nice, presuming definitions before- and after-tax PITA, and then the annual percentage rate is not -- except for the (inaudible) quality -- is not required in HMDA data, but the APR would be nice, not just 30 years out, but 5 years out and 12 years out. That picks up better than typical carrying terms for a homeowner or home buyer, and it also would pick up better the front-end costs that are typically charged of those who finance their mortgage insurance and other things.

So that's it. Thank you very much. Appreciate it.

Sandra Braunstein:
Thank you very much.

Joe Ridout?

Joe Ridout:
Hi. My name is Joe Ridout. I'm with Consumer Action. Thanks to the members of the Board for allowing us an opportunity to comment here. Consumer Action is a consumer education advocacy group that's been around since 1971 fighting for rights of consumers. We offer free publication on housing and consumer-rights topics in numerous languages, including Spanish, Vietnamese, Chinese Korean, Hmong, and Tagalog. And we count over 1,500 community-based organizations in our network of housing CBOs. HMDA must respond to the evolution of mortgage products and the diversity of homeowners by continuing to devolve itself so that it can maintain this data's relevance in the increasingly complex universe of housing needs in mortgage products. In the 1970s, relevant mortgage data did not include downstream changes to the mortgage, like collateralized debt obligations. Mortgage modifications were not an important consideration 35 years ago. Subprime lending was many years from being recognized as a threat. The landscape is now vastly different, and the task of data collection must keep pace with the housing needs of the present.

For example, as has been articulated earlier today, there have been troubling accusations that mortgage applications are being granted on a racially skewed basis; however, these kinds of claims cannot be properly evaluated unless the data collected keeps pace with the products offered. Modified mortgages must be included in future iterations of HMDA data collection.

We urge the Federal Reserve Board, as well, to break down the Asian category to record the specific ethnicity of the loan borrower. This overly generic category presents a misleading picture and masks policy-relevant differences among specific Asian and Pacific Islander groups. For example, according to the most recent Census that we can use, the homeownership rate for Japanese and Filipino Americans is over 60 percent; while for other API groups, such as the Hmongs and Koreans, it is 40 percent or less. As an even more striking example, the poverty rate for Hmongs is six times as high as the figure for someone who is Filipino, but because HMDA uses "Asian" as a generic catchall in many low performance problems with the API community become invisible and very difficult to address. Specific areas of housing distress that we see include Hmong homeowners in California's Central Valley, and Minneapolis, Minnesota; Vietnamese homeowners in Orange County and Santa Clara County; and Filipino homeowners in San Diego and San Mateo County, California.

These API housing hot spots have been confirmed by many advocates, and by an internal analysis done by a Federal Reserve Board, Community Action, community affairs analyst in 2008, in a report called "The Subprime Mortgage Market in the API Communities," which combined 2000 Census data with 2007 First American Loan Performance Data. There is some evidence, in fact, that API homeowners are being hit the hardest by the wave of foreclosures. The 2008 Census Bureau's American Community's Survey showed that Asian homeownership that year dropped 1.24 percent, the largest fall in homeownership among the nation's major ethnicities. By comparison, blacks suffered a .88 percent decline of homeownership, Hispanics dropped .80 and, whites just .40 percent. California has one-third of the API population, but there is no available HMDA data that can help identify which specific pockets of Asian communities are being hit hardest or being helped the most by specific lending behaviors.

Incomplete data will give birth to misleading conclusions to address social problems. At a time when Americans are suffering through a housing crisis more severe than any in our lifetime, we should take every opportunity to ensure that the information on which we base our housing policy is as thorough and complete as possible.

Thank you.

Sandra Braunstein:
Okay. Thank you.

Clarence Johnson.

Clarence Johnson:
Good afternoon, Madam Chair and distinguished members of the Federal Reserve Board, to the panelists who are still here, ladies and gentlemen.

My name is Clarence L. Johnson. I'm the senior minister/pastor of Mills Grove Christian Church Disciples of Christ in the East Oakland community of Maxwell Park. I'm also an active of the East Bay Housing Organization's Interfaith Communities United for Affordable Housing, which supports clergy, congregations, interfaith leaders who are involved in affordable housing advocacy. The East Bay housing organization's a 26-year-old nonprofit membership organization made up of over 250 organizations of individuals dedicated to working with communities in both Alameda and Contra Costa Counties. The membership includes nonprofit housing developers, fair housing and tenant rights agencies, community organizations, homeless and social services providers, city and county agencies, as well as financial institutions.

As a clergy person seeking the shalom, the peace in our communities, we believe that violence reduction is connected to housing. I'm very concerned about housing issues. I'm committed to ensuring affordable housing for all the people of our communities. I'm here today specifically to share concerns on multi-family lending. I join a previous speaker, Mr. John Lind, in asking you to use your considerable authority to require reporting on multi-family lending that identifies whether the loan was a construction loan or a permanent loan, and whether the housing units are deed-restricted for affordable housing.

These loans are critical, I believe, to the development of affordable housing. Currently, only permanent loans are captured by the Home Mortgage Disclosure Act. The need for affordable housing – rental housing in particular -- has never been greater. I attended on Tuesday a national night-out event where families came together, where neighbors came together to talk about affordable housing and to share their concern just being a part of the community together, and neighbors getting to know each other. In that crowd was a mother who had lost her job. She has four sons. The sons had to go to live with their father, who was in a two-bedroom house. She was forced to go and live with her mother. So when we talk about these kinds of issues, we're talking about more than paper. We're talking about more than simply homes, we're talking about lives. We're talking about people's lives. And I believe if we can save a home, we can save a boy and a girl. If we save a home, we can save a family. We can save a community. We can save a church. We can save Oakland and San Francisco; indeed, I believe we can save America.

And so, we urge you to assist us in requiring detailed reporting on multi-family lending that identifies whether the loan was a construction loan or a permanent loan, and whether the housing units were a multi-family dwelling or deed-restricted for affordable housing. Your best attention to our concerns will be greatly appreciated. Thank you very much.

Sandra Braunstein:
Thank you.

[Applause.]

Sandra Braunstein:
Carlos Moreno.

Carlos Moreno:
Hi. My name is Carlos Moreno, and the reason I am here is because I qualified for a loan modification. I was -- I got into a bad loan, first of all, with INDYMAC, and I contacted the bank myself, and I told them that I needed some help with my loan. And they got all my information, on the phone, and they told me that, yes, I was able to qualify for a modification, to send all the paperwork that they were requesting so I could get a modification. I did that. I did everything that they were requesting. I sent the paperwork that they were asking, and after three months, they told me to call them back and see how the process was going. After those three months, I called them back and they told me that they were working on the loan, just to wait on them, that

they were going to call me back or contact me by a letter. So the fourth month came or the fifth month came and I called them back -- same story. This happened about seven months. I kept on calling them, and finally, they told me, you know what? You're going to have to do the process all over again. I don't know the reason why, but I believe from INDYMAC, One West, took possession of the bank, or something happened in there, so I end up doing the process all over again. And same story: They told me contact us in about three months, or we're going to send you a letter saying, you know, what type of modification you were going to get.

In the meantime, I was getting into a further and further default in my loan, because they told me, "Just send as much as you can for, you know, what you can make on the mortgage payment."

So this happened for a long period of time. I kept on calling them, asking them questions, you know, about my situation, my loan. And finally, I guess I spoke to this person in management; he told me, "Carlos, I'm sorry. I don't know what happened. We have all your paperwork but it never was assigned to a specific person for your case. You're going to have to do that process all over again."

So at this time, I was really fed up. I was, you know, angry, and at the same time, I was just discouraged, because I thought these people were just playing with me, so I went and got some help. I went with Legal Services in East Palo Alto and spoke with an attorney there, and I guess it was too late. The bank took possession of my house. They foreclosed the house on me, and the attorney told me, "You know what? You were a person that really – you should have qualified for a modification. I don't know what happened." But the bank really did, a -- you know, I don't know if it was a mistake or what was it, but I was just -- I lost my house. At this time, I'm still in the house. I'm going through a legal process and all this, but really, I just want to say that a lot of people are hurting out there, and we got to just do something about this, because, I don't know, it seems like the banks -- they're saying that they're helping people, but they're not. That's all I got to say, and thank you very much.

Sandra Braunstein:
Thank you.

[Applause.]

Sandra Braunstein:
Amber McZeal.

Amber McZeal:
Good afternoon. Thank you all, first of all, for having a panel and inviting me. My name is Amber McZeal. I'm the Communication and Housing Organizer at the organization Causa Justa -- Just Cause. They are a member-based organization that's been fighting for housing rights and housing as a human right in the Bay Area for the last 10 to 15 years.

I'm here to reiterate all the messages you've heard previously, that we need to have more accountability for the banks, and urging the Federal Reserve to create comprehensive policy to execute that transparency and accountability. I've been working with clients who are homeowners in the Oakland area for the past few months -- they're facing foreclosures -- in a clinic called the "Foreclosure Prevention Group." And I just wanted to reiterate -- or first make a point that there was something discussed about, you know, whether or not there is discrimination within the lending or the lack of loan modifications. And I just want to state that if we don't know, we should know that there is historical precedent for unfair and discriminatory treatment, especially with regard to finances, in the United States; so that is no mystery to any of us. And among varying ethnic groups especially.

This 1975 HMDA Act had at its core the intention of re-establishing an equilibrium with issues like access to credit and fiscal wealth accumulation, and now its intention should be extended, its policies modified to assure that the equitable and fair fiscal practice in relationship to our current economic state. I wanted to first talk about -- you know, I heard a lot of stories about folks who are facing foreclosure, and there's something that we're doing at Causa Justa, which is writing a health report in collaboration with the Alameda County of Public Health, showing the statistics of health risks with regard to people facing foreclosure. This is one of the first of its kind in the United States. Its release is scheduled for the next couple of months. And I think as we start to bring these factors into consideration, that the need for revamping and refurbishing of these policies becomes ever more pertinent. I want to, you know, just again reiterate that we need to have these policies refurbished, because home stability, as the Reverend said before -- I'm really glad he made this point -- home stability is the foundation of harmonious and healthy communities. Predatory and discriminatory lending practices are not only an injustice to customers and consumers, but it's a severe infraction upon the sanctity of our communities. I urge the Federal Reserve Board to demand for more information from the banks, demand for the transparency of the information that they obtain, as well as the sharing of that information with third-party advocacy agencies such as ourselves.

And some suggestions may need to set quotas for the percentage of loans modified, a certain requirement during a week. And in lieu of that, respecting that it is a very slow process for the implementation of policies, perhaps we should set a moratorium on these foreclosures so that we can eradicate this as a crisis in the United States. And lastly, the issue of transparency and accountability addresses the tension of profit over people, and I think not only as a country, but as a human civilization, we have been trying to answer that question and resolve that tension for some time. To allow banks to commit fraud, forms of fraud and forms of theft, and not hold them accountable is an infraction on our civil liberties. We have to re-establish the equilibrium between people and profit, and we must respect and acknowledge the symbiotic relationship between the two. Corporate wealth is a defined and achieved through the community. We are the content, both through labor and consumer.

Thank you.

Kenna Stormogipson:
Thank you. Good afternoon.

It's my pleasure to be here today. I'm a board member of the Lower Bottom Neighborhood Association, and I am here because I'm a school teacher in Oakland Unified, so I don't have to be at work today. We are an all-volunteer organization. And I just wanted to report about what's happening in West Oakland, in the 94607 ZIP Code, and I want to reiterate the other two speakers' -- especially the pastor and the former speaker -- about how this is not just about people's credit scores and losing their houses, but in my neighborhood, it really is a matter of life or death. And I'm not kidding, there's been at least eight people killed in my neighborhood just this summer. And the people being affected are not just the ones having to move out, being evicted, losing their houses. But everyone, especially the renters, especially the folks who can't leave the neighborhood in times of crisis, are finding themselves trapped in a place that becomes more and more violent as houses become boarded up, as houses become empty, as houses become bought up by people with a lot of cash who can get them for cheap. There is a particular investor who I personally know who has bought over 100 homes in the last year in my neighborhood. And I was so struck because two weeks ago, I was talking to a good friend of mine two blocks away, and she was saying, "You know what? I'm moving out of here. I'm leaving. At the end of this month, this is it. I'm done."

And I said, "What happened? You've been here for, you know, a couple years. What's going on?"

And she said, "You know, things were going great and then the neighbor next door, they couldn't short-sell their house, and now it's boarded up and it's become a big drug house." So that was one house.

Next door to me, you know, just three months ago, the same thing happened to my other neighbor. Literally, on every block in my neighborhood, there's been at least one foreclosure. You're lucky if it's only one. And she said, "Well, you know, there I was, and my daughter's four months pregnant. She stepped out of the door to go down the street to go catch the bus for her checkup, her pregnancy checkup, and as she's walking down, all of a sudden, there was a bunch of drama with the dealers and here she was having to run away from gunshots, jump over a neighbor's fence to get away from the stray bullets that were coming at her; fortunately, she wasn't hit by a bullet; someone else was. She still had her checkup, so she goes to the doctor, and the doctor asked her, ‘You know, your heart rate seems to be beating really fast. What's going on?’”

And, you know, it's crazy. It is absolutely crazy to me that nothing more is being done to keep people in their houses, because it is the number one way to improve public safety in my neighborhood, is to keep people in their homes. The police can't do it and, you know, neighbors can't do it when they're being kicked out. So I just wanted to really emphasize that this affects the entire community. It's not just about homeowners losing their homes. And the last point is that as things have gotten worse and worse, more and more homeowners are talking to each other and saying, "Okay. What in the world can I possibly do to keep my home, to not be evicted, to not be foreclosed," because everyone knows someone who's been foreclosed. And as people are talking, what comes out is that every bank is totally different, and yet you had no choice in who your bank is. Most people started out with one lender -- Washington Mutual, then it went to Chase, then it went to whoever; then they started out with some crazy subprime no-name lender, you know, Provident Lending; and the next thing they know, three months later, it's another bank, another bank, another bank.

So no one really chose their current mortgage holder, and yet that seems to make a lot of difference in terms of if you get any modification or any sort of help with your loan. And it doesn't feel good, even if you get a modification, even if you get some help, it doesn't feel good to know that your neighbor next door in the exact same situation gets no help because they just happened to have a different lender that they did not choose. So there's a level of fairness that's completely absent from this entire process. So whatever information can come out to shed light on what's going on would be helpful, because there is none at this point. So I just wanted to bring out those two parts of the story as well.

Thank you.

Sandra Braunstein:
Thank you very much.

[Applause.]

Sandra Braunstein:
And with that, we're going to end this hearing, and I want to once again thank all of our panelists, thank my fellow presiders, and thank the San Francisco Fed again for their gracious hospitality this morning, and I don't have a gavel to officially bring this hearing to an end.

[Applause.]