

Bank Accountability: The Key to Keeping Families in their Homes



CCISCO: CONTRA COSTA INTERFAITH SUPPORTING COMMUNITY ORGANIZATION

CCISCO is committed to building civic engagement and increasing public participation by those most affected by injustice and inequity in Contra Costa County. We are a multi-ethnic, multi-generational, interfaith federation of 22 congregations and youth organizations representing over 35,000 families across the county. CCISCO helps everyday people win extraordinary victories by providing a vehicle for them to speak, act and engage in public arenas. We believe in the power of relationships and that by acting together on our common values, we can imagine and create a new world. We are proud members of PICO California and the People Improving Communities through Organizing (PICO) National Network. With more than 1,000 member institutions representing one million families in 150 cities and 17 states, PICO is one of the largest community-based efforts in the United States. PICO California is made up of 19 congregation-based community organizations representing 350 congregations and 450,000 families across the state.

For more information go to www.ccisco.org and www.piconetwork.org

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THE PROBLEM

Contra Costa County

Every 7.5 seconds another family in America has lost their home.

Below are some startling numbers for our country:

- 1.5 million American families have already lost their homes to foreclosure.
- 13 million families are projected to lose their homes during the next 5 years if real action is not taken.
- 61% of sub-prime loans went to people who qualified for prime loans with much better terms.
- Those families paid more than \$5,200 in extra costs during the first four years—and that is BEFORE the interest rates increased.

In Contra Costa County:

- As of July, there were 17,281 foreclosures in the Contra Costa and 4,131 foreclosures filed in the month of July alone.
- 8 out of 10 foreclosures in Contra Costa are due to sub-prime loans.

Our Financial Institutions

Our entire financial system is broken. Banks and other financial institutions have worked overtime to repeal laws and regulations that were in place to protect the American people and the American economy.

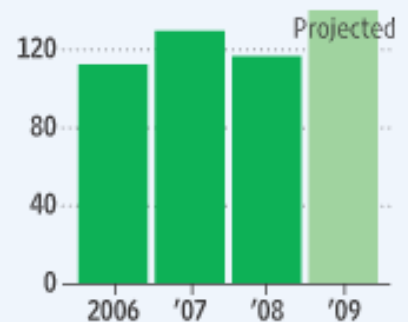
Now they are spending millions in Washington to defeat common-sense proposals that would make our economy stronger and more secure. The current financial system has drained the American people of hard-earned money and sent our economy to the brink of collapse.

Our democracy is broken. Wall Street has hijacked our democracy, spending millions and millions each year on lobbying to advance their private interests at the cost of the public's interest. We need our elected officials from both parties to say "No" to money being handed out by Wall Street.

Rebound

Total compensation and benefits are expected to rise at 23 major Wall Street firms.

\$160 billion



Source: WSJ analysis of data from analysts and the companies

Major U.S. banks and securities firms are on pace to pay their employees about \$140 billion this year -- a record high that shows compensation is rebounding despite efforts to reign in Wall Street's culture of exorbitant bonuses.

A year ago, we cried out to the federal government for help and we took our stories to Washington and met with top officials in the White House to demand a federal program to modify loans and stop preventable foreclosures.

And we succeeded. The White House and Congress put in place \$75 billion to help keep families in their homes.

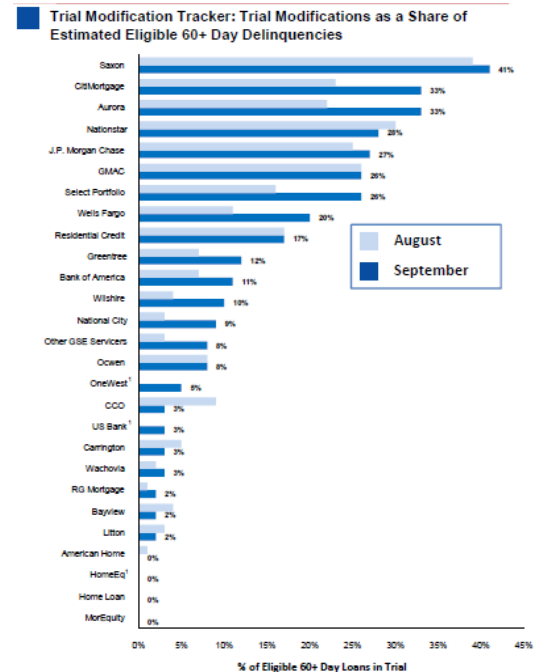
Despite billions and billions of dollars of taxpayer investment and subsidy, banks are still moving slowly and stubbornly to restructure loans and prevent the overwhelming tide of foreclosures.

Although there have been 487,000 trial modifications started by the program, there are an estimated 3 million foreclosures that are in process.

What is even worse is that it is the largest banks that are making the greatest profits that are doing the least to help families.


Bank of America has by far the worst record among the four largest servicers with only 11 percent of eligible homeowners having received a trial loan modification. Also, Bank of America is responsible for 1 of 3 families waiting for loan modifications for a total of 780,000 people.

Wells Fargo/Wachovia has only helped 17% of those eligible homeowners who are more than 60 days delinquent and we have heard many stories of families who were told that Wells/Wachovia had no loan modification in place as they continued to foreclosure on families which was a clear violation of the California Foreclosure Moratorium.



¹ HomeEq, OneWest and USBank began participation after July 31, 2009.
 Note: August trials as a share of 60+ day delinquencies on July 31, 2009.
 September trials as a share of 60+ day delinquencies on August 31, 2009.





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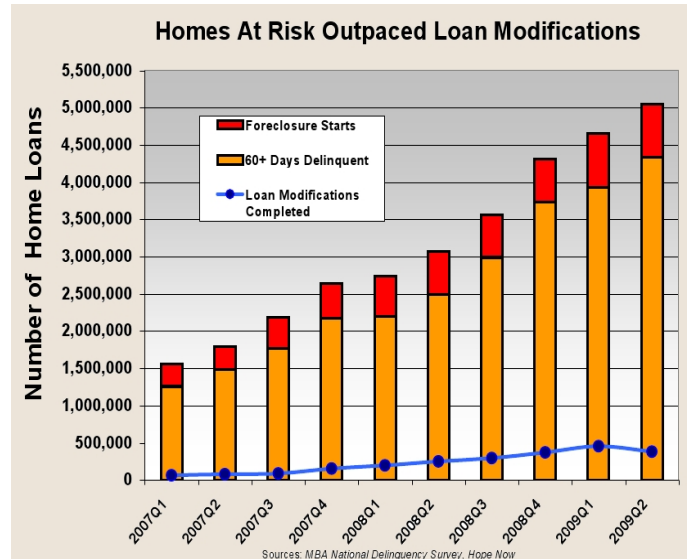
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There may be more hope than you think.

Short Term Solutions Are Not Working

A substantial problem is that too many of these loans are just temporary and according to analysts there is no evidence of significant numbers of temporary modifications becoming permanent. This is troubling, because many agreements were put in place in May and June, and should have been converted to permanent modifications by August or September.

Alan White, who analyzes foreclosure data, describes the trend:



“Clearly servicers are substituting 3-month trial modifications under the Administration’s Home Affordable program (which are not reported as modifications) for final modifications that would have been put in place in prior months. **The net impact of the Home Affordable modification program (HAMP) thus far seems to be a significant reduction in the number of permanently modified mortgages, without significantly reducing the number of foreclosures or foreclosure sales.** There is no evidence yet of significant numbers of HAMP temporary modifications becoming permanent. This is troubling, because many HAMP agreements were put in place in May and June, and should have been converted to permanent modifications by August or September.”

Yet another problem according to legal experts is the opportunities for additional money by foreclosing on families. “The rules by which servicers are reimbursed for expenses may provide a perverse incentive to foreclose rather than modify,” concluded a recent paper published by the Federal Reserve Bank of Boston.

“If they do a loan modification, they get a few shekels from the government,” said David Dickey, who led a mortgage sales team at Bank of America, in a recent New York Times report. “There’s all sorts of things behind the scenes.”

PROPOSED SOLUTIONS

Local Government:

- The City of Antioch needs to strengthen and improve access to housing counselors utilizing NSP II administrative funding;
- Introduce a resolution within the next 30 days to initiate a study of divestment from banks that do not negotiate in good faith with the community around foreclosure prevention; property disposition; and community investment.
- We also want to work with the City of Antioch and other local municipalities to strengthen their enforcement of SB1137 foreclosure fine ordinance and to develop a policy to move abandoned properties into receivership.

Contra Costa County:

- We are asking the County to introduce a resolution within the next 30 days to initiate a study of divestment from banks that do not negotiate in good faith with the community around foreclosure prevention; property disposition; and community investment.
- We also want to work with the County to strengthen their enforcement of SB1137 foreclosure fine ordinance and to develop a policy to move abandoned properties into receivership.

State of California:

- The State Attorney General needs to investigate banks that are uncooperative and pursue litigation against those which did not comply in good faith with the California Foreclosure Moratorium.
- We also want to work closely with our state legislature to adopt the proposed Mandatory Mediation legislation and to collaborate with our County delegation to convene hearings in Contra Costa County.

Federal Reserve:

We are calling on the San Francisco Federal Reserve to do the following:

- Help to convene the lenders we have identified within the next 60 days to negotiate around our requests around foreclosure prevention and community investment.

We are calling on the Federal Reserve Board of Governors to:

- Use their regulatory powers to initiate new rule making with the other federal banking regulators to strengthen the Community Reinvestment Act.

Department of Treasury:

The Department of Treasury has agreed to participate in a series of ten field hearings on the HAMP program and needed improvements. We will be releasing a schedule of events in the coming weeks. To increase the number of loan modifications under the HAMP program and to promote more sustainable modifications, the Treasury should:

1. Revise servicer participation agreements to clarify that servicers are not allowed to move ahead with any part of the foreclosure process once a homeowner has applied for a loan modification.
2. Work with HUD and Congress to implement an effective program that reduces the amount of debt that homeowners are carrying as part of loan modification.
3. Work with HUD to establish a clear appeals process for people who are denied loan modifications.
4. Make the Net Present Value model used in determining who is eligible for a loan modification available to the public and explain to people who are denied modifications how much income they would need to remain in their homes.

Congress:

We are calling on the U.S. Senate to pass judicial loan modifications and to pass strong consumer protection legislation (Consumer Financial Protection Agency), and extend the Community Reinvestment Act to lenders who were most responsible for foreclosures, in order to prevent this crisis from happening again.

Banks:

We are directly calling on banks to do the following:

1. Halt all foreclosure proceedings for families who are currently eligible for a loan modification under the HAMP program;

2. Suspend all auctions in Contra Costa County for the next 90 days to allow for negotiations to occur;
3. Designate a point person to negotiate with our family delegations;
4. Incorporate principal reductions, which are allowable under HAMP, and not just interest rate reductions, to make loan modifications more affordable and sustainable;
5. Negotiate with our local government entities and non-profit developers to bundle abandoned Real-Estate Owned properties and convert them into affordable housing;
6. Establish a community investment agreement to improve access to capital for our communities.

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