Community Reinvestment Conference Addresses Continuing Foreclosure Crisis
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More than 600 activists, government representatives, and industry officials from across the country came to Washington, DC on March 10th through 12th to participate in the National Community Reinvestment Coalition's 20th annual Conference. Titled "Building on the Past to Shape the Future: Advancing Community Reinvestment, the conference focused on two areas: lobbying for immediate legislative remedies and working to build a longer-term movement to address the many challenges facing low-income communities in the United States.

First, the conference aimed to lobby Congress for action on four legislative priority areas: 1) creation of an independent Consumer Financial Protection Agency, a proposal to create a new federal agency designed to protect consumers from predatory lending and credit practices: 2) support for the expansion of the Community Reinvestment Act, so that non-bank financial institutions (such as mortgage companies, insurance firms, investment banks, and credit unions with over $1 billion in assets) would have the same "affirmative obligation" to invest in low-income communities as banks have had since 1977; 3) a strengthened foreclosure modification system with a greater emphasis on principal write-downs; and 4) support for integrated workforce development centers ("Generating Real Opportunities for Work (GROW) Centers) that aim to combine job training, business incubation, social services, and government procurement contracts to generate sustainable living wage jobs in low-income communities.

The first two days of the conference focused on breakout sessions and the immediate legislative priorities outlined above. By contrast, the last day of the conference centered on a range of plenary sessions that cast their gaze on outlining in more detail the challenges community activist face, as well as trying to identify solutions to those challenges.

Jane Oates, Assistant Secretary of the Employment and Training Administration at the U.S. Department of Labor was the day's first speaker. She emphasized the importance of developing jobs in "green" sectors of the economy. "We share Secretary [Hilda] Solis' fire in the belly about green." Oates said. Oates added that because many green industries are new, there is the opportunity to train and recruit a diverse labor pool at the front end and thus help workforce diversity become an embedded industry practice. "We can have employers who are people of color. We can have an industry that is a model for others," she said.

Oates also discussed other initiatives, such as creating sector-specific workforce recruitment strategies. For instance, Oates mentioned that the utilities industry had a high percentage of its workforce reaching retirement age, so the federal government is creating an industry advisory group to oversee the development of training in that sector.

Following Oates, the first plenary panel examined the foreclosure crisis. Frustration at the lack of progress made during the past year was palpable. Jim Carr, Chief Operating Officer of the National Community Reinvestment Coalition, recalled that, “I remember in 2007 hearing that the markets were correcting themselves … How long do we keep hearing that news before the whole financial system comes back looking for another round of TARP funds?” Michael Calhoun, President of the Center for Responsible Lending, concurred with Carr that the wave of foreclosures was far from over, noting that, “We are probably only half way through the crisis.” Alys Cohen, Staff Attorney at the National Consumer Law Center, said that for subprime borrowers 43 percent of mortgage holders were now “seriously (more than 90 days) delinquent.”

The foreclosure crisis has also spread to apartment housing. Erica Poething, Deputy Assistant Secretary of the Office of Policy Development and Research (PD&R) at the U.S. Department of Housing & Urban Development (HUD), noted that her office tracks apartments (multi-family housing units) valued at $2.5 million or more. According to Poething, 240,000 units were in foreclosure or delinquent at end of 2009, which is “18 times the norm.”

On a more positive note, Greg Nickerson, President of the National Community Stabilization Trust, highlighted the efforts of his organization, a group formed by a consortium of six nonprofits (Local Initiatives Support Corporation, National Urban League, National Council of La Raza, Enterprise Community Partners, NeighborWorks America and the Housing Partnership Network) to acquire properties in bulk and redevelop them. “Our job is to try to deliver properties at scale to nonprofits. That’s happening. We’re in 250 cities,” Nickerson noted. Nickerson said that, “We are finding ways to stabilizing communities,” but that an integrated system is still far from complete. Nickerson added: “The real focus is to keep the property in a stable state, keep it occupied if we can. My fear is that we will have this purgatory. There is a broad middle ground of owners who do not know when they are eligible to receive help, tenants who do not know when they will be kicked out.”

The second panel examined the impact of the nation’s high unemployment rate and how policy might be able to address that. Christian Dorsey, Director of External and Government Affairs of the Economic Policy Initiative, noted that it was easy to “get lost in data and lose sight of the larger story. 15 million are unemployed – another 11 million are under employed. That totals 26.2 million people.” Both Dorsey and Robert Borosage, Co-Director of The Campaign for America’s Future, argued for a combined focus on short-term legislative spending (such as public spending to help reduce high unemployment now) combined with a longer-term shift in priorities to focus on redeveloping manufacturing and support investment in alternative energy source development. Borosage acknowledged the palpable frustration of many activists in the room (“we’re getting killed,” he said at one point), yet emphasized that, “For all of our disappointments, this is our best opportunity for progressive reform since at least the 1960s.”

The next session discussed two NCRC legislative priorities: the Consumer Financial Protection Agency (CPFA), a proposed new federal agency designed to avoid the predatory lending products that helped create the current financial crisis, and an expansion of the Community Reinvestment Act (CRA Modernization Act), a bill that aims to extend CRA regulations to cover non-bank institutions not presently covered by CRA (which collectively originated nearly 95 percent of all subprime loans). Bill Zavanello, a staff member of the House Financial Services

Committee, noted that, "A lot of institutions got a lot of backing when they got in trouble. If that implicit assumption [of federal backing] exists, it is perfectly reasonable for the Feds to say if we are going to help you when you get in trouble, let's include obligations to serve the community."

At lunch, David Stephens, head of the Federal Housing Administration (FHA), addressed the conference. Stephens noted that in 2008, half of all Latinos and African Americans homebuyers got their mortgages through the FHA. "Absent FHA," Stephens emphasized, "the only option would be a subprime office or a payday shop." Stephens added that, "It's a pretty boring market – 30-year fixed, fully documented, owner-occupied, primary residence, $178,000 average FHA home loan. We are in the shelter business, not in the investment business."

Stephens highlighted the scale of the crisis. In Nevada, the worst hit state, the *average* loan to value is 129 percent and 77 percent of mortgage holders are under water. "Negative equity alone," Stephens estimated, adds one percentage point to the unemployment rate. "You can't take an out-of-area job because your credit will be destroyed if you sell at a loss and can't cover the loan," Stephens said.

Stephens pointed out that FHA has greatly stepped up enforcement of fair lending practices under his watch. Since he became FHA Commissioner in July 2009, the FHA has shut down 356 lenders. By contrast, the previous year's record was 28 and in 2007, at the height of the subprime lending boom, the number of lenders shut down by the FHA was three.

An afternoon plenary session examined a wide range of issues, with a focus on the housing crisis. Moderated by John Taylor, CEO of the National Community Reinvestment Coalition, the panel featured six people: Howard Glaser, Principal of the Glaser Group; Phil Bracken, Executive Vice President of Government & Industry Relations at Wells Fargo; Sheila Crowley, President of the National Low-Income Housing Coalition; Julianne Malweaux, President of Bennett College for Women; Phyllis Salowe-Kay, Executive Director of New Jersey Citizen Action and Bert Ely, a scholar with the Cato Institute.

Bert Ely of the Cato Institute argued that part of the problem was a government over-emphasis on promoting home ownership. "Homeownership is not for everybody. It not only requires a capital commitment. It entails financial risk. It also entails a lot of work … I would hope that this policy bias against renters could begin to end." Sheila Crowley of the National Low Income Housing Coalition agreed. "I am a homeowner. I don't have philosophical objections to being a homeownership. I do think when public policy rewards people for homeownership through the tax code and penalizes people for not being homeowners, this is a problem." Phyllis Salowe-Kay also noted that the current system of deductions was highly regressive

Juliette Malveaux, President of Bennett College for Women, noted that, "From an economic perspective, I don't like homeowners being favored and renters not. But there is a book out titled *When Affirmative Action Was White*. To say housing is not that important after you subsidized all of these other people [by making low-cost federal housing loans available to white Americans after World War II], that's not right."

Howard Glasser noted, that, “There is now apparent stability,” due largely to federal government supports such as the purchase of $1.5 trillion of mortgage-backed securities of and the first-time homebuyer tax credit. However, Glasser added, “We have an inventory backlog of maybe five million homes in default. While we have had some supply & demand equalization, what happens when stimulus goes away and foreclosures continue to climb?”

Phil Bracken of Wells Fargo offered one proposal. Bracken noted that the United States currently has “2.8 million homes that are foreclosed and vacant and 70 percent of them are in need of repair. We have Fannie Mae, Freddie Mac, and FHA. The program exists right now (203)(k). It’s not ready for scale. But simple changes could be made to make the program scalable … We haven’t told America that you can get the property improvements included in the FHA mortgage and the loans are assumable. I don’t know how many people you need to fix 2.5 million homes, “Bracken added. But it could be “a jobs program and a housing program at the same time.”

The conference concluded with a brief address by the Reverend Jesse Jackson Jr. Jackson emphasized what he saw as the central issue in the current economic crisis: namely, the breakdown of the “rule of law” in the U.S. financial sector. “When the referee is fair we can make it, “ Jackson said, but “when the referee is corrupt we cannot make it.”

“The law has broken down!” Jackson exclaimed. “We need fair housing. We need consumer protection enforced now. The lenders who become predators should face the court of law. They should not have a license to steal. We bailed them out without linkage to reinvestment.”

Following the address, Jackson handed out the National Community Reinvestment Coalition’s annual awards. Journalist Daniel Gross won the organization’s Color of Money (media) award. Dutch filmmakers Mascha & Manfred Poppenk won the Community Empowerment (film) award for “Grown in Detroit,” a film about an urban garden at a Detroit high school for pregnant teens. Richard A. Cordray, Attorney General of the State of Ohio won the “Henry B. Gonzales” (government service) award for enforcement actions against predatory lenders. Morris Williams of the Hamilton County Community Reinvestment Group was the Recipient of the William H. Proxmire (lifetime achievement) for 36 years of activism in the Cincinnati region. Arc of Hilo (a nonprofit running eight social enterprises) received the James Leach (rural nonprofit) award. The Community Action Agency of Lehigh County (Pennsylvania) received the James Rouse (urban nonprofit) award. Ida Johnson, who has worked in Davenport, Iowa for over 36 years, and started United Neighbors to help families provide structured activities to keep children out of trouble, bridge the technology gap, and stabilize homes through homeownership received the National Community Reinvestment Award, given to an individual who best exemplifies “the ideals and values of the community reinvestment movement and economic justice.”

For more information on the National Community Reinvestment Coalition, see: www.ncrc.org