

Lenders need to be willing to be part of the solution

By Federal Glover
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AS I LISTENED to the families who have tried to renegotiate their mortgages, I understood the frustration they feel with their banks. The bank reneged on promises, didn't return phone calls and put up a series of paperwork roadblocks meant to discourage the young couple trying to live the American dream.

The October rally at Holy Rosary Catholic Church sponsored by the Contra Costa Interfaith Service Committee (CCISCO) brought the Rev. Jesse Jackson to Antioch for a second time in the past six months.

The Rev. Jackson is spearheading a national campaign to make banks more responsive to the plight of ordinary residents who fall victim to the creative loans of recent times. He argued that the banks, which received hundreds of millions of taxpayer dollars to bail them out of the bad loans they promoted are not fulfilling their part of the deal.

CCISCO agrees with Jackson's conclusions. It says the banks are ignoring Senate Bill 1137 authored by former state Senate President Pro Tem Don Perata meant to encourage the lending institutions to talk and meet with people facing the loss of their homes before proceeding with the foreclosure process.

In California, the mortgage delinquency rate has jumped to 10.2 percent, from 5.8 percent in 2008. The financial institutions that caused this crisis continue to ignore its severity and their role in any potential recovery. The problem is Perata's 2008 law and other state and federal legislation to help homeowners are not getting the desired results. Lenders appear to be reluctant to help homeowners. Thus far, the solutions offered have been a gamut of voluntary programs that still place borrowers at the distinct disadvantage of having to trust their lenders.

More people are starting to see the lenders as a major part of the problem. Assemblyman Pedro Nava, who chairs the state's Assembly Banking and Finance Committee, tried to look into the matter and got the same treatment as the borrowers. He held an October hearing in Los Angeles and the lending institutions failed to show up.

"The banks need to stop stonewalling and provide my committee with some answers. Californians deserve to know whether the bailout money taken by the banks is really helping people," Nava said. "Since the banks claim they are committed to working with families to modify loans, I want facts and figures.

"Earlier this year, the federal government rolled out the Home Affordable Modification Program (HAMP) to encourage services to offer sustainable modifications. The latest round of data, which covers the beginning of the program to the month of October, finds that only 20 percent of those eligible have received trial loan modifications.

"One would hope the potential for public shame would compel these lenders to do more to help homeowners," Nava said. "However, the reality is that when this crisis was at its peak, the lending industry spent millions on lobbying expenses to prevent even the simplest of lending reforms that may have diverted the severity of this problem.

"Voluntary approaches that rely on the beneficent decisions of lenders are no longer acceptable. All of the programs that exist today fail to create an atmosphere of accountability, trust and transparency in the loan modification process."

"A solution that holds promise is foreclosure mediation that requires lenders and borrowers to meet face to face with a neutral third party to work out a loan modification, or to determine if a modification is not appropriate and work out an exit from the home that is best for all parties. Foreclosure mediation is working in other jurisdictions outside of California ...

"In response to a growing chorus demanding more action, I introduced Assembly Bill 1588 "... Under AB 1588, a borrower who receives a notice of default can participate in a loan modification workout program with their lender so they can arrive at a sustainable loan modification. If the borrower is not able to receive a modification it would allow the borrower and lender to work out a reasonable transition plan.

"Mediation is not a one-sided concept — lenders and services have every incentive to participate. So what is the outcome? Thus far, several hearings have been conducted by the Assembly Banking and Finance Committee to review the potential of a foreclosure mediation program. In the one case where the lending industry agreed to testify, it was more of the same failed rhetoric and policy.

"Instead of acknowledging the benefits of a program that will keep people paying their mortgages the committee was treated to a public relations show outlining all of the good things lenders have done so far, even though they have failed to reach two-thirds of troubled borrowers," Nava said.

I hope that lending institutions realize that they are morally — if not legally — obligated to help solve the mortgage crisis that they helped create. Otherwise, stronger measures may be called for. This crisis has devastated thousands of California families. It's time to take a new approach to help families remain in their homes and neighborhoods.

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