

## **Opinion: Home foreclosure crisis demands action at all levels**

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Special to the Mercury News

Posted: 12/02/2008 08:00:00 PM PST

For the past two months, Americans have watched the federal government give nearly \$350 billion of taxpayer money to the country's largest banks, while doing little to tackle the foreclosures that are driving down property values and destroying family wealth.

Last week, the Case-Schiller Home Price index revealed a nationwide drop in housing values of 17 percent over the last year alone — the largest annual drop in 50 years. Some of California's largest cities including San Diego, Los Angeles, and San Francisco topped the list, with annual declines of over 26 percent.

Foreclosures are central to the housing value problem. Here in San Jose, third-quarter foreclosures are up more than 400 percent over last year. But this is not just a financial crisis. It is a social crisis. Families are displaced from homes, children are displaced from schools, and neighborhoods are watching for-sale signs and foreclosure notices go up on more windows.

Religious congregations across the country are dealing with these on-the-ground realities. Earlier this month, members of PACT San Jose — a multi-faith community organization working with 21 congregations across the South Bay — joined faith leaders from across the PICO National Network in Washington, D.C., to call for a more systematic solution.

Standing in front of the stone pillars of the Treasury Building, more than 150 clergy and lay leaders called on Secretary Henry Paulson to wake up to the devastation occurring in communities across the country. In meetings with Congress, the Obama transition team, and the Treasury, our message was clear: If the bailout is about keeping our financial system afloat, then we need to get serious about addressing the foreclosure crisis. And we need to act quickly.

The good thing is that Congress now has an opportunity to rein in Secretary Paulson when he returns to Capitol Hill to seek authorization for the remaining \$350 billion in bailout money. Congress should deny access to the remaining funds unless Treasury embraces a systematic loan-modification plan put forth by the Federal Deposit Insurance Corp. that would give bailout

money to banks for modifying home loans.

FDIC's plan would guarantee these loans, as an extra incentive for banks, and would prevent future defaults by getting monthly payments down to an affordable 31 percent of income. Using just \$24 billion to do this — for comparison, taxpayers have given \$150 billion to AIG alone — could prevent as many as 2 million families from losing their homes.

And lawmakers in Sacramento, who are devising state-level strategies to encourage banks to work with homeowners to modify loans, should be adopting similar strategies, as well as pushing the federal government to take the lead on this issue.

In fact, every level of government can act on this crisis. San Jose should provide more funding for the stretched-thin foreclosure counseling program at Neighborhood Housing Services, a local HUD-sponsored nonprofit that provides free services to families at risk of foreclosure and assists them with loan modifications, social services and other needs. Funds for proactive, door-to-door outreach in the hardest-hit neighborhoods can help educate those at risk of foreclosure about their options. Local leaders should also look for models around the country, such as Philadelphia, where mandatory lender counseling averted almost 80 percent of foreclosures.

Keeping families in their homes is critical to the social and economic health of our area. Many foreclosures are preventable, especially if lenders will agree to standardized loan-modification protocols. And preventing foreclosure is good business for the owners of those loans as well. We need leadership at all levels of government to provide incentives and directives to move everyone in the right direction: keeping people in their homes.

### **Crisis meeting**

PACT will hold a community action meeting on the foreclosure crisis from 6:30 to 8:30 tonight at Trinity Episcopal Cathedral, 81 N. Second St., San Jose. Local, state and federal elected officials will speak.

Cindy Newberry and Carol Stephen are PACT leaders at Trinity Episcopal Cathedral in San Jose.