

# **Massachusetts Alliance Against Predatory Lending**

*maaplinfo@yahoo.com www.MAAPL.info*

## **Testimony of Grace C Ross of the Mass. Alliance Against Predatory Lending DHCD Hearing on Family Shelter Regulations and Guidance**

October 22, 2012

My name is Grace Ross, Coordinator of the Mass Alliance Against Predatory Lending. I want to thank the panel from the Division of Housing Community Development for holding these hearings and especially welcome Erin Gorenstein who've I've known for so many years.

I am speaking here today as the Coordinator of the Mass Alliance Against Predatory Lending, a huge statewide coalition representing 70 organizations including the state AFLCIO all the way to local grassroots efforts, legal practices, etc. all concerned with reversing the foreclosure crisis in Massachusetts. Collective membership of all these organizations runs at about 650,000 people. I spoke this January when the Administration was asking for testimony in putting together its overall budget and came specifically to speak about the opportunity for the Administration to do something to stem the foreclosures in a very significant way. Specifically I came and spoke about the budget because without addressing the dramatic historical anomaly of this economic period, any discussion of issues such as shelter costs is almost, I would say laughable, but there is nothing laughable about what we suspect may now be tens of thousands of folks who have experienced or are experiencing homelessness in these last few years.

Specifically, we are now at 54,000+ foreclosures since the beginning of 2007. These foreclosures, of course, dramatically drop the value of properties across our state while at the same time, because the banks insist on a profit-losing strategy of evicting people post foreclosure. The vast majority of these households are then dumped into the rental market. We are in a unique historical position where the units they are dumped out of are not generally returned to the housing market. 54,000 foreclosures represents some close to 100,000 households being affected because in Massachusetts our average a residential building is two family unit building. We have stemmed the tide of some of the folks being evicted and then having their unit left empty because we changed the law so that former tenants are supposed to be protected and be able to rent during the time period when the banks own the properties. However, not only is that law being violated in some areas of the state, we believe still in significant numbers, but it is still the policy by the banks to empty out these units and then not re-rent them to people. Therefore, we have not only say, reasonably, something like 80,000 households that have been dumped into the rental market, but in addition we've probably lost safely 40,000 units if not 60,000 units of housing at the same time. That is a phenomenal economic pressure on our

statewide housing market. This has led to the continuing historical anomaly of rents continuing to rise as the value of properties is dropping significantly. Thus, the foreclosure crisis that is destroying our economy across the state (in our worse months, as we've pointed out, loss of \$4.1 billion in spending power for the people of Massachusetts) is destroying jobs that are still not returning and the ones that are, are not paying as well. Without decisively addressing the foreclosure crisis, rents are increasing as family incomes are falling across the state creating an even more devastating housing situation.

To use the simple example of a woman who we worked with in Worcester where I live who ended up essentially crashing on my couch with her son. She had owned a home in which she and her son and her adult daughter and her two infant grandchildren were living. She had been making \$75,000 a year, but her income earning skill sets are in two areas that in a very bad economy are likely to be seen as expendable household expenditures. She's been unable to make anywhere near that amount of money. She was put in a sub-prime mortgage without her knowledge and was illegally foreclosed on. She ended up homeless partly because not only do you lose your home in most cases these days as far as we can tell with massive illegalities in the foreclosure process, but you're credit is destroyed. Now that most landlords do a credit check before they rent to you, you may in fact be a completely reliable renter who's always paid their bills, but with this single anomaly on your credit of the time period when you were being foreclosed on you simply cannot get a place to live.

She was in a uniquely lucky situation of having me. I live in a loft apartment and therefore it's all one single space. She slept on one couch, her son slept on one couch as I said for the better part of the year. Yet he actually doesn't think of himself as ever being homeless. But of course they were and they were very lucky. I don't know how many of you have in the last four years and/or are planning to let a family stay essentially indefinitely in your house (remember I did and my house, as I said, is a single space). If you haven't done that, you're not considering doing that? Then I think you obviously have to change the shelter regulations because you're not prepared to contribute to sheltering the folks who're going to need it in the way that we would need it to be done at this time in our society.

This was part of what then led me to being so disturbed about the proposed shelter regulations. Not only is it reprehensible that we would want others who may have health or safety concerns to stay in places unfit for human habitation before they can get shelter, but many of the questions that I've heard people speak about at the hearing that intake workers are required to ask sound almost not only premised on assumptions and prejudice, but in fact would play into a sense of these households that this is all their fault. You and I are far too educated on the economic impacts of what's going on in our entire society to have the excuse to conceive that most of the folks that are homeless in anyway could be blamed on all individual choices. When an entire

society's middle income and working family incomes are statistically dropping across the entire nation, one can hardly blame people for not having enough money to pay increasing rents – not to mention any number of additional assumptions that seem to be behind these shelter regulation changes.

I also came just last night from a funeral for yet another young adult in Worcester who was killed. In his aunt's incredibly raw, honest and profound remarks she referred to his having tried many times to "get ahead" only to be thwarted in his attempts to do so. I was struck by the fact that the official unemployment rate among particularly our young adults of color; it is around 20% which means that the real unemployment rate is well over double that, certainly approaching 50% in reality. Those young families are economically trapped and truly suffering from a rental market that with no history or job income is going to be essentially impossible.

I was also struck – however painful her remarks in their raw reality were – that she said that he was now with God and at least he "couldn't be evicted from heaven". What a term of our time that we would think in terms of the term 'eviction' when we think of what it is that heaven can promise us that our present society claims to no longer be able to provide. This in the context of the fact that Massachusetts has now moved up to be *the second highest income population state in the country*.

I was also struck listening to people talk about the need to stay overnight in an emergency room or police station before being eligible for shelter. We have been through a huge battle to stop incurring the enormously higher costs of emergency rooms and police stations over housing people first!

Most incredibly, the idea that people are threatened by having DCF intervene when we fought for decades to clarify that *homelessness is not a legally-permitted reason to separate families*. Yet the draconian regulations that are being considered here today are doing exactly that. How more devastating can homelessness be for a child than to have their parent(s) taken away from them at the same time?

Obviously, I have to address specifically the claim that all post foreclosure evictions of homeowners must be their fault. There is no basis for such an allegation. It's hard to believe that this Administration, with at its top Governor Patrick who cut his teeth in the early 1990s in the relatively tiny foreclosure crisis of that time, could possibly believe this statement. It flies in the face of our top court, the Supreme Judicial Court of Massachusetts, which declared in its first ruling in the foreclosure crisis, the Fremont decision, that the contracts, the mortgages that people were led to sign were presumptively unfair; they were set up in such a manner that a consumer could not possibly have figured out how the combination of characteristics would trap them in a mortgage that was unsustainable; that made these contracts illegal from the day they

were used in our state. This specific analysis of illegal mortgages, was in the context of a much farther reaching ruling of principle that “mortgages that were doomed to fail” were illegal from the first get go.

Why DHCD (and whoever higher up) put this as the formal published statement of the Administration on foreclosure – and based the interpretations of regulations on it – flying in the face of all legal understanding of foreclosures in our time period, I don’t know what else I need to say.

Obviously, this needs to be undone. Criteria clarifying that if the only reason someone is denied a rental is on the basis of credit being ruined because of a foreclosure that that cannot be held against them. Fannie and Freddie in fact changed their criteria for loaning not to include credit damage based on a foreclosure. So this policy of DHCD’s is out of step not only with state law, with Fannie and Freddie’s analysis, and I can only assume the Governor himself. On top of that, it represents misguided policy that, if it is informing the Housing Policy and Implementation of our state, will continue to harm the entire housing market in our state. In fact, it could be seen to arm the banks with an additional terrorizing threat for homeowners that should they become homeless that our state has abandoned them to the streets or worse. And this, at a time when those of us who work on these issues believe that we’ve now identified enough legal irregularities in the standard operating procedures for foreclosure by our largest banks that close to 100% of these foreclosures may someday be proven to have been illegal.

I don’t know how you could say that the homeowners should be held a 100% of the time guilty of somehow creating the loss of the ownership of their home. I would be happy to meet with you and share with you accurate information which you seem to be without. Please contact me.

In summary, it’s not acceptable to redefine homelessness to dodge a state responsibility. That the idea that the state is trying to cut back to the place of housing roughly the same number of families that they housed in the late 80s is mind boggling in this housing crisis.

As the second highest income state in the country, I assure you there is sufficient resources, were this department and this Administration to use its bully pulpit to expose the market forces that are destroying our housing situation. Use your loud voice to call on the moral fiber of all of us to stand together to do something about it in the short run to house those who are victims of it and, obviously, for the longer run, about solutions many of which my organization in terms of what some people might consider the most fundamental contributions to this economic crisis, the foreclosure crisis. Those solutions would cost the State close to nothing. In the other hand, housing all of these families is obviously a spiraling cost.

Taking action to really address the homeless crisis requires a holistic view. DHCD in its role as responsible for housing and community development is in a position to uniquely represent a realistic reflection to the people of our state of what's going on with housing and community development or, one might say the opposite, un-housing and de-development of communities in our state.

*Specifically you should rewrite your regulations to reflect the fact that legislation said simply that these categories must be covered. That doesn't mean we could not reach for all categories of homeless to become covered – and lead in finding the money and political will to do so. That is your real mandate as human beings in this time period.*