

# HOT TOPICS

## Housing "The Foreclosure Crisis" ~ LWVCA Forecast

### THE FORECLOSURE CRISIS

By LWVCA Housing Committee

It is clear that as problems with residential mortgages have grown it is not just an individual crisis for families losing their homes. The shock waves are being felt in the overall housing market and on Wall Street.

Who is facing foreclosure? There are always a certain number of people losing their homes to foreclosure because of financial distress such as the loss of a job or a divorce. But the large increase in foreclosures is due primarily to the expensive loans, and particularly the adjustable rate mortgages, that were being heavily marketed in the last several years in a financial market with little government regulation.

The press refers to "subprime" loans and implies that only people with low incomes and bad credit were given the expensive loans because they were bad credit risks. Politicians have argued that these people don't deserve any help because they shouldn't have bought a house that was too expensive for them and it was their own fault. However, the Wall Street Journal did a study that showed that 61% of the people with expensive subprime loans qualified for and could manage the payments on a good prime loan. So why did all these people get such a bad deal? Some were naïve and trusted their lenders. Some worked with mortgage brokers who they assumed were shopping around for the best loan for them. They didn't realize that, like used car salesmen, the mortgage brokers made more money when they sold a more expensive loan. Many elderly homeowners were aggressively sold subprime adjusted rate mortgages with high fees when they refinanced to get money to repair their homes.

After an initial year or two of manageable payments the loans would start to adjust every 6 months. A monthly payment that started out at \$800 would become \$1400 after 18 months and 3 adjustments. The family is unable to handle the increased monthly payment and the house is foreclosed. Refinancing to a manageable loan is not

possible once payments are missed (lower credit score) or because of pre-payment penalties on the loan or because the value of the house is now lower than the original loan.

Nonprofit housing counselors can help a family negotiate a loan modification with the lender that will bring the payments back down to a manageable level. It takes a lot of patience and perseverance and is difficult for a homeowner without expert assistance. However, homeowners need to be careful of getting burned by foreclosure prevention scams. Be wary of any offer that promises to prevent foreclosure but requires upfront payments or requires the homeowner to sign over the property.

African American and Latino neighborhoods were particularly targeted with the predatory loans. Minorities were vulnerable because they were less likely to have the advice of family members who were experienced homeowners and they distrusted the larger banks that over the years had a reputation of not wanting minority business. The NAACP reported at its national convention in Cincinnati that the current foreclosure crisis is the largest loss of wealth in the African American community since Reconstruction.

### 2007 Foreclosures in Hamilton County

City of Cincinnati (1514)  
Colerain Township (267)  
Springfield Township (197)  
Forest Park (143)  
Green Township (114)  
Norwood (91)  
North College Hill (78)  
Delhi Township (72)  
Chevot (56)  
Anderson Township (49)  
County Total 3,183

### Nonprofit Foreclosure Prevention Help

Better Housing League, 721-6855  
Housing Opportunities Made Equal, 721-4663  
Working in Neighborhoods, 541-4109  
Home Ownership Center, 961-2800

LWVCA Housing Committee: Meets the 3rd Mondays at 7 p.m. at League office. For information, contact Helen Rhoad, Committee Chair. Committee members include: Helen Rhoad, Elizabeth Brown, Dot Christenson, Steve Demar, Bette Evanshine, Sherrie Heyse, Chris Moran, Rina Saperstein and Mary Kercherval Short.

**Discussion Question:** What effect do foreclosed properties have on quality of life and property values in a community?

## **LWVCA FUTURE** by Rina Saperstein

### **LWVCA MISSION/PURPOSE**

The League of Women Voters, a non-partisan political organization, encourages informed and active participation in government, works to increase understanding of major public policy issues, and influences public policy through education and advocacy.

### **LWVCA PRIORITY AREAS FOR 2008-09**

(Addressed with attention to collaboration and diversity, and breaking tasks into projects)

- TECHNOLOGY
- VOTER SERVICES
- FUNDRAISING
- ACTION/PROGRAM
- MEMBERSHIP RECRUITMENT

### **SUGGESTED PROJECTS WITHIN THESE PRIORITIES**

*Technology:* Upgraded website, member education in using internet technology, more use of email including emailed newsletters, accepting payment of dues, donations and events online; finding a technology specialist volunteer.

*Voter Services:* 2008 is a major election year- focus on providing excellent voter services; parlay 2008 opportunities into volunteer recruitment; grow experienced voter service volunteers; reconsider our distribution list; explore relationships with major media outlets; provide legislative and election info outside Hamilton County.

*Fundraising:* Educate members about League finances and budget, costs, investments and revenues; support and build our fundraising committee's work to develop new sources of funds, including fundraising events, sponsorships, grants, and possible sales.

*Action/Program:* Identify the big community issues that most need and benefit from League civic activity so that we can be proactive and focused (similar to national and state priority agenda for action); activate an action email list; enhance discussion leaders' understanding of program topics for high quality unit discussions.

*Membership Recruitment:* Expanding membership beyond Hamilton County, working with office volunteers to recruit from folks who call in for election and legislative information; membership outreach through our publications; continue "Dinner with the League" and other activities to reach out to non-members.

*Membership Focus:* Our present and our future are our PEOPLE! Gaining and retaining members is priority. This summer and fall, we have added a new unit (at Marjorie P. Lee Retirement Home) and are working to revitalize Warren County and Butler/Fairfield units with new activities and support. We've added lapel pins to identify ourselves in public as a visible presence, and created a video that can be used for League outreach. Our newly activated membership committee supports continuing our "Dinner with the League" that can bring guests in to socialize and learn, and plans a fall "orientation meeting" to welcome new members. This is a high profile year with the presidential election, and we need to make the most of it by promoting League membership at every opportunity.

We encourage all LWVCA members to be ambassadors for the League. League members need to focus on hospitality at every gathering. To invite others, League members to be able to talk about WHY we are League members, the good League does for us personally, and the good it does for the community. If we can describe this well, we can build our membership for the future.

### **Discussion Questions:**

Why are you a League member? What does League mean to you? How does your League membership benefit you? What does League mean for our local, state and national community?

Given limited resources in time, people and money, what should LWVCA's priorities be for 2008-09?