

NEWS

From

Richard Alarcón

Councilmember, 7th District



Room 425, City Hall • 200 North Spring Street • Los Angeles, CA 90012 • (213) 473-7007 • FAX (213) 847-0707

FOR IMMEDIATE RELEASE:

August 21, 2007

CONTACT: Becca Doten

213-847-7777 (office)

213-219-5534 (cell)

COUNCILMEMBER ALARCÓN HOLDS EMERGENCY HEARING ON FORECLOSURES; BEGINS WORK TO CREATE ACTION PLAN TO DEAL WITH FORECLOSURE CRISIS

Los Angeles, CA - In response to the dramatic rise of foreclosures in the city of Los Angeles, Councilmember Richard Alarcón convened a special four hour emergency hearing today on the impact of foreclosures on the City of Los Angeles and possible solutions to the crisis. The hearing was held by the Ad Hoc Committee on Ending Poverty in Los Angeles, which Councilmember Alarcón chairs. Councilmember Wendy Greuel, who is a member of the Poverty Committee, was in attendance as well.

At the hearing, Councilmember Alarcón announced that he will be recommending several actions that the Council, City Departments, banks and non-profits can take to stem the tide of foreclosures and help people save their homes.

“We are in an emergency situation and we need to take action now,” said Councilmember Alarcon. “This is a silent disaster, but I intend to bring the crisis to the forefront. We need to help families protect their American Dream. We heard today from organizations such as Los Angeles Neighborhood Housing Services, Bet Tzedek and ACORN, all of which have great programs available, but there is not enough awareness of their work. People need to know that help is available and we need to expand and build our capacity to help. We need to hold the federal government’s feet to the fire, to make sure that they take proactive steps to stem the tide of foreclosures. Bottom line, we need to do all we can to help save homes.”

In the three months ending on June 30, 2007, foreclosures in Los Angeles County jumped an astounding 799% over the same period last year. Many of these foreclosures are the direct result of questionable sub-prime loans targeting lower income and minority residents. Most experts believe the problem is only going to get worse before it gets better, likely lasting well into 2009.

On August 1st, Councilmember Alarcón, whose district includes three of the top ten zip codes in Los Angeles for foreclosures and notices of default, introduced a motion aimed at helping homeowners who are on the verge of foreclosure by providing small loans. This motion will be part of the larger program of action being proposed by Councilmember Alarcón related to the current foreclosure emergency.

Today’s hearing included a report from Dr. Daniel Blake, an economist at CSUN, representatives from Wells Fargo and Freddie Mac, the Los Angeles Housing Department, the County of Los Angeles Department of Consume Affairs, Los Angeles Neighborhood Housing Services and non-profit foreclosure assistance providers the Housing Rights Center, ACORN, Enterprise Community Partners, Bet Tzedek, Neighborhood Legal Services. All of these participants commented on the proposed resolution and added additional ideas.

< CONTINUED >

< CONTINUED >

The hearing also included three Angelenos who have experienced the threat of foreclosure, two of whom were victims to predatory lending. They spoke personally about getting into loans they didn't realize would be beyond their capacity to pay back. Alex Martinez, a monolingual Spanish speaker, spoke about being taken advantage of because of the language barrier and Alvin Clavon, a college graduate who had a solid middle-class job, found himself on the verge of foreclosure because he was not properly informed of the terms of the loan he got into. Both men were able to save their homes and renegotiate interest rates with banks, but they could not have done so without outside assistance.

Specific ideas discussed include:

- Call on the Federal Government to increase the limit for "conventional" loans (which the federally chartered institutions like Fannie Mae, Freddie Mac, and FHA will purchase and market, guaranteed) to a level that at least reaches the median home price in Los Angeles;
- Call on the Federal Government to declare Los Angeles a "high cost area" so that Freddie Mac and Fannie Mae can increase their opportunities to help local homebuyers and owners;
- Call on the Federal Reserve Bank to lower the prime interest rate;
- Create a Los Angeles City Task Force on Foreclosures with representatives from the lending industry, banking industry, non-profit service providers and City agencies. This task force will:
 - Recommend strategies to help homeowners who face foreclosure;
 - Recommend strategies to educate homebuyers in advance, so that they do not get into foreclosure situations in down the road;
 - Investigate and recommend action that the Community Redevelopment Authority may take to buy foreclosed housing to sell at cost to working families for owner-occupancy;
 - Provide reports to the Council and the Mayor every sixty days with its views and recommendations.
- Increase capacity to investigate predatory lending practices utilizing various federal, state and local agencies;
- Call on the State government to introduce a bill that would have all loan documents be in the language of the buyer's choice;
- Solutions to the current rent gouging situations occurring as more people are forced into the rental market.

These are just some of the suggestions discussed at today's hearing. A comprehensive resolution will be drafted based on today's hearing and with input from the hearing participants. The resolution will be introduced on the first day that Council returns to session, Tuesday, Sept. 11.

NOTE: Testimony and fact sheets from the hearing are available upon request.

###