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TO: Congressman Elijah E. Cummings, Ranking Member, U.S. House Committee on Oversight and Government Reform

FROM: Baltimore City Council President, Bernard C. "Jack" Young

DATE: March 8, 2011

RE: Testimony on the Debt Foreclosure Crisis

POSITION: Maintain federal resources designed to help foreclosure-stricken communities like Baltimore, Maryland

Like many metropolitan areas, Baltimore homeowners lack education on real estate transactions. Therefore, when the foreclosure crisis hit, Baltimore residents were severely impacted.¹ From 2005 to 2009, the number of foreclosure filings almost doubled, increasing by 96%. In 2009, 6,263 properties filed for foreclosure. By mid-2010, more than 2,100 properties filed for foreclosure.² This was due, in part, to the fact that many residents, in good faith, did not fully comprehend the foreclosure process and their rights. Indeed, even experts had difficulty comprehending the sophisticated and complicated mortgage terms buried in the subprime mortgage products inflicted on our homeowners and communities.

Most striking are statistics indicating the impact of the foreclosure crisis on Baltimore City children. According to a new report produced by the Baltimore Neighborhood Indicators Alliance-Jacob France Institute, the number of public school children affected by home foreclosures in Baltimore City rose almost 20% between 2004 and 2009.³

In light of these statistics, it is imperative that we educate the homeowners of Baltimore City on the foreclosure process and their rights, as well as facilitate interactions between them and lenders. In 2008-2009, Philadelphia had a Foreclosure Diversion pilot program that unfortunately did not spread to cities like Baltimore.⁴ In 2010, Congressman Elijah Cummings hosted a Foreclosure Prevention Workshop in his district, which includes most of Baltimore City.⁵ Due to Baltimore's limited resources, we need the help of the federal government to sustain efforts like these.

Federally funded programs like the Home Affordable Modification Program (HAMP), HUD's Neighborhood Stabilization Program (NSP), the Emergency Homeowner Loan Program (EHLPP) and the FHA Short Refinance Program must continue. Perhaps these programs are not, at the moment, helping millions of people. But they are helping some people;⁶ these programs are worth keeping.

The foreclosure crisis is a consequence of years of greed, regulatory neglect and consumer naiveté. Just as the causes did not materialize overnight, the solutions will likewise require time. Almost two years ago, at a forum sponsored by the University of Baltimore School of Law, we heard that:

Economic recovery funding should be targeted in a manner that prioritizes communities that exhibit three characteristics: (1) highest levels of unemployment; (2) greatest concentrations of foreclosures; and (3) historically under-funded, inferior or poorly maintained infrastructure. The city of Baltimore would be a primary beneficiary of this type of strategic focus. Channeling dollars to individuals and communities that need them most will immediately stimulate the economy and save and create jobs, because families living on the margins of survival will pour those recovery dollars immediately back into the economy through spending on food, medicine, clothing, child care, energy, transportation and other necessities.⁷

We are familiar with the phrase, "Rome was not built in a day." It takes time for a program to begin working efficiently. Initiating these programs was the first step; re-engineering

these programs is the next step. If we abandon these programs now, we will be abandoning not only the programs but also the people that are in desperate need of these programs; people that are in desperate need of guidance. The answer is to re-work these programs to produce better results.

We just learned through the 2010 U.S. Census that Baltimore City lost approximately 30,000 residents.⁸ In the coming years, a goal of Baltimore City Government should be to help stabilize the City's population, and one way to do this is by promoting home ownership. But how can we achieve this goal when you see rows of vacant properties in city neighborhoods? It will be difficult.

It will be particularly difficult to stabilize Baltimore if recently proposed legislation introduced in the U.S. House of Representatives passes. Specifically, H.R. 861 would terminate NSP⁹ and, consequently, threatens to undermine the efforts that Baltimore has made with a grant for \$26,092,880 in NSP2 funds,¹⁰ which are given to communities to help rehabilitate and resell vacant homes that received foreclosure.¹¹

Baltimore City needs the support of the federal government to help us provide a community in which our citizens want to live and raise families. The foreclosure crisis is a problem that we all have a responsibility to solve. Through the continuation of these federal programs, help us help the citizens of Baltimore City be forewarned, not foreclosed.

¹ Libby Lewis, *Baltimore Blames Lender for Wave of Foreclosures*, NPR, Jan. 11, 2008, available at <http://www.npr.org/templates/story/story.php?storyId=17994964> (last visited March 6, 2011) (stating that “you can see the mortgage credit crisis up close and personal” in a Baltimore City neighborhood that was coming back to life before the foreclosure crisis hit. City housing chief Paul Graziano said, “There’s no life” in the neighborhood. “Nothing but empty houses and for-sale signs.”).

² Matthew Kachura, *Children and Foreclosures: Baltimore City: An Examination of Students Affected by Foreclosures, 2003-2008*, available at http://www.bnajfi.org/uploaded_files/0000/0467/children_and_foreclosures_report_phase_1_final.pdf (last visited March 6, 2011).

³ Richard Webster, *How Has the Foreclosure Crisis Affected Baltimore Children?*, EXAMINER, Jan. 31, 2011, <http://www.examiner.com/education-headlines-in-baltimore/how-has-the-foreclosure-crisis-affected-baltimore-children> (last visited March 5, 2011) (citing Matthew Kachura, *supra* note 2 (identifying an increase from 1,951 to 2,409)).

⁴ *Residential Mortgage Foreclosure Diversion Program*, THE PHILADELPHIA COURTS, available at <http://www.courts.phila.gov/mfdp/> (last visited March 6, 2011).

⁵ *Foreclosure Prevention Workshop*, Dec. 18, 2010, available at http://cumplings.house.gov/pdf/Foreclosure_Prevention_Flyer_12%20_8_10.pdf (last visited March 6, 2011).

⁶ Les Christie, *Obama’s Mortgage Mod Plan is Still Lacking*, CNN, Dec. 14, 2010, available at http://money.cnn.com/2010/12/14/real_estate/HAMP_still_stalled/index.htm (last visited March 6, 2011).

⁷ James H. Carr, Chief Operating Officer, National Community Reinvestment Coalition, Speech at the University of Baltimore School of Law Symposium: *The Death of An ... American Dream* (April 3, 2009), available at http://articles.baltimoresun.com/2009-04-13/news/0904120085_1_foreclosure-crisis-predatory-lending-communities-of-color (last visited March 6, 2011).

⁸ Yeganeh June Torbati, *Census Figures Show More Diverse State*, BALTIMORE SUN, Feb. 20, 2011, available at http://articles.baltimoresun.com/2011-02-10/news/bs-md-state-census-20110131_1_baltimore-population-census-figures-baltimore-area (last visited March 6, 2011).

⁹ Jon Prior, *House Pushes Back HAMP, NSP Debate*, HOUSINGWIRE, March 3, 2011, available at <http://www.housingwire.com/2011/03/03/house-pushes-back-hamp-nsp-debate> (last visited March 6, 2011) (H.R. 861 is sponsored by Rep. Gary Miller (R-Calif.)).

¹⁰ *Healthy Neighborhoods NSP2 and Direct Purchase Programs*, HEALTHY NEIGHBORHOODS, available at http://www.healthyneighborhoods.org/buyandrenovate/dollars_for_foreclosures.aspx (last visited March 6, 2011) (The NSP2 grant was given to Healthy Neighborhoods, Inc. in consortium with the City of Baltimore Department of Housing and Community Development, St. Ambrose Housing Aid Center, Druid Heights Community Development Corporation, Habitat for Humanity of the Chesapeake and Telesis Baltimore Corporation.).

¹¹ Jon Prior, *supra* note 9.