

marketplace  of ideas



Featuring Minnesota Attorney General

LORI SWANSON

On Preventing Predatory
Mortgage Lending

OCTOBER 11, 2007
DOWNTOWN CONFERENCE CENTER
PACE UNIVERSITY

**DRUM
MAJOR**
INSTITUTE FOR PUBLIC
POLICY

TABLE OF CONTENTS

About the Speakers **2**

Transcript **5**

Who Is The Drum Major Institute for Public Policy **38**

Also From the Drum Major Institute for Public Policy **39**

THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY
MARKETPLACE OF IDEAS SERIES

**PREVENTING PREDATORY
MORTGAGE LENDING**

SPEAKERS:

HON. LORI SWANSON

Minnesota Attorney General

HON. JAMES SANDERS, JR.

New York City Council

RICHARD NEIMAN

New York State Banking Superintendent

SARAH LUDWIG

Executive Director, Neighborhood Economic
Development Advocacy Project

Introduction by **HON. CHARLES E. SCHUMER**

U.S. Senate

Moderated by **ANDREA BATISTA SCHLESINGER**

Executive Director, Drum Major Institute for Public Policy

ABOUT DMI'S "MARKETPLACE OF IDEAS" SERIES:

Never content just to argue theory, DMI provides a platform for policymakers who have successfully worked for social and economic fairness in our public institutions. For far too long the conservative right has defined the limits of what is "possible" in society and politics. The "Marketplace of Ideas" shows that we can transcend these artificial boundaries: it is possible to be progressive, practical, and effective. Since its inception we've heard from a wide range of speakers, including Congresswoman Hilda Solis, who authored the nation's first environmental justice law; Minnesota Attorney General Lori Swanson, who initiated tough standards to crack down on predatory mortgage lending; Dallas District Attorney Craig Watkins, who transformed the prosecutors' role to include a focus on exonerating the innocent; and Maine State Rep. Sharon Treat, who passed legislation increasing access to affordable prescription drugs.

PANELISTS AND SPEAKERS

LORI SWANSON was elected Attorney General of the State of Minnesota on November 7, 2006. She is Minnesota's first female Attorney General. Attorney General Swanson has been a strong and tireless advocate for the public in such areas as health care reform, predatory mortgage lending, financial fraud against the elderly and others, criminal justice, public safety and consumer protection. Attorney General Swanson has proposed legislation to better protect Minnesotans against predatory lending, identity theft, cyber-bullying and internet crimes, and cell phone and utilities abuses and to provide college financial aid and consumer protections to veterans and to promote public safety. Attorney General Swanson has taken action against insurance companies that misled senior citizens on the sale of long-term annuities and companies that operated "trust mills," utility companies that have overcharged their customers, and adoption agencies that failed to deliver the babies. Attorney General Swanson negotiated an agreement with all hospitals in Minnesota to ensure fair medical billing and collection practices for Minnesotans. She has also taken action to protect students from deceptive college lending practices and to protect Minnesotans from consumer scams. Ms. Swanson served the State of Minnesota as Deputy Attorney General from 1999 to 2002 and as Solicitor General from 2003 to 2006. Prior to her appointment as Deputy Attorney General, Ms. Swanson was an attorney in private practice in Minneapolis. In 2006, Ms. Swanson served as Chair of the Consumer Advisory Council to the Federal Reserve Board of Governors in Washington D.C. Ms. Swanson served as Vice-Chair of the Council in 2005 and a member in 2004. In 2007, Swanson testified in front of the Board in Washington D.C., urging it to take action to protect homeowners from predatory mortgage lending practices that lead to default, foreclosure, and economic turmoil. Ms. Swanson graduated magna cum laude from William Mitchell College of Law in St. Paul.

CHARLES E. SCHUMER is the Senior Senator from New York, serving his second term in the United States Senate. For over thirty years Senator Schumer has been a dedicated public servant, tireless fighter for New York, and leader on national issues. He has spent his career aggressively fighting for low-cost air service, college tuition affordability, crime reduction, affordable prescription drugs and energy efficiency. Following the tragedy of 9-11, Senator Schumer led the effort to deliver \$20 billion to rebuild New York. In 2004, Senator Schumer was reelected with a record 72% of the vote. And as the Chair of the Democratic Senatorial Campaign Committee (DSCC), Schumer was the architect of the Democrats' successful effort to win the Senate in November 2006. In January 2007, Schumer was appointed Vice Chair of the Democratic Conference; the third-highest leadership position in the Senate. He currently serves as the Chair of the Joint Economic Committee and holds a seat on the powerful Finance Committee; the Committee on Banking, Housing, and Urban Affairs; the Judiciary Committee; and the Committee on Rules and Administration. Senator Schumer is also the Chair of the Banking Sub-Committee of Chairman

of Housing, Transportation and Community Development and the Judiciary Subcommittee Administrative Oversight and the Courts.

JAMES SANDERS, JR. is a New York City Council Member in his second term representing Laurelton, Springfield Gardens, Rosedale and the Rockaways (Council District 31). Throughout his tenure, he has proven to be a tenacious fighter for his constituents. Sanders was blessed to be unanimously voted the first African-American Chair of the Economic Development Committee in over 300 years of NYC's existence. As Chair, Sanders is in charge of a disparity study that is the basis upon which NYC can reinstate affirmative action. Chair Sanders has oversight of the Economic Development Corporation, and the Department of Small Business Services. Sanders is a member of the Land Use, Consumer Affairs, Technology in Government, Transportation, and the Fire and Criminal Justice Services committees. His legislation includes authoring (and passing) New York City's tough anti-predatory lending law.

RICHARD NEIMAN was appointed on March 5, 2007 by Governor Eliot Spitzer to serve as the Banking Department's 43rd Superintendent. Prior to his appointment, Mr. Neiman accumulated extensive experience in the financial industry from a range of perspectives in executive, regulatory, and legal roles. Immediately prior to joining the Banking Department, Mr. Neiman served as Chairman, President and Chief Executive Officer of TD Bank USA, N.A., a wholly-owned subsidiary of The Toronto-Dominion Bank. Mr. Neiman began his career with the Office of the Comptroller of the Currency in Washington, D.C. where he served as Special Assistant to the Chief Counsel. He went on to be a Director of Regulatory Advisory Services with Price Waterhouse in Washington, DC, followed by 10 years with Citicorp, where he held a variety of positions, including General Counsel of its Global Equities Group. Mr. Neiman joined TD Waterhouse Group, Inc., a bank holding company and leading global online financial services firm, in 1994 as Executive Vice President and General Counsel. He remained with TD Waterhouse until its acquisition by Ameritrade in 2006. Mr. Neiman holds a B.A. degree in political science from American University, School of Government and a J.D. degree from Emory University School of Law. Mr. Neiman is on the Board of Directors and a Vice President of the Henry Street Settlement, one of New York's oldest social services organizations and he also serves on the Board of the Harlem Educational Activities Fund, a mentoring and college preparatory organization serving students in Harlem and Washington Heights.

SARAH LUDWIG is Executive Director of the Neighborhood Economic Development Advocacy Project and is a leading advocate on community equity and financial justice issues. Since founding NEDAP in 1995, she has worked with hundreds of grassroots groups to develop local organizing and advocacy strategies to address redlining and lending discrimination. Sarah leads New Yorkers for Responsible Lending, a coalition of 120 community and consumer groups and community financial institutions dedicated to combating predatory lending practices. Sarah was

a 2000 fellow in the Rockefeller Foundation's Next Generation Leadership Program, and in 2002 received the Union Square Award. In 2004, she was selected as a Ford Foundation Leadership for a Changing World awardee. Sarah was appointed in 2006 to serve on the Federal Reserve Board's Consumer Advisory Council.

ANDREA BATISTA SCHLESINGER has led the effort since 2002 to turn the Drum Major Institute, originally founded by an advisor to Rev. Dr. Martin Luther King, Jr. during the civil rights movement, into a progressive policy institute with national impact. Under Andrea's leadership as Executive Director, DMI has released several important policy papers to national audiences including: 'Congress at the Midterm: Their Middle-Class Record' and 'Principles for an Immigration Policy to Strengthen and Expand the American Middle Class.' Andrea studied public policy at the University of Chicago. Andrea has worked in various capacities to promote educational equity and youth empowerment. She directed a national campaign to engage college students in the discussion on the future of Social Security for the Pew Charitable Trusts, and served as Director of Public Relations of Teach For America before working as the education advisor to Bronx Borough President Fernando Ferrer. Andrea has been profiled in the *New York Times*, *New Yorker* magazine, *Latina Magazine* and in 'Hear us Now,' an award winning documentary about her tenure as the student member of the New York City Board of Education. She has appeared on the 'Lou Dobbs Tonight' show on CNN and has been published in *New York Newsday*, *Crains New York Business*, *The Mississippi Sun Herald*, *New York Daily News*, *Alternet.com*, *Tom Paine.com*, *New York Sun*, *Colorlines Magazine*, *The Chief-Leader* and *City Limits* magazine. She is a contributor to The Huffington Post, on the Editorial Board of *The Nation* and was named a '40 under 40 Rising Star' by *Crain's New York Business*, a 'Next Generation of Political Leaders in New York' by *City Hall Newspaper*, and received a LatinaPAC Dolores Huerta Award for 'making great strides in promoting progress in our community.'

TRANSCRIPT

The transcript from this event has been edited for length and readability.

Internet links are provided in footnotes throughout this transcript as resources for readers seeking to better understand the policy discussion. While we hope they are helpful, the Drum Major Institute for Public Policy is not responsible for the content or continued functioning of these links.

SENATOR CHARLES SCHUMER: It is great to be here at the Drum Major Institute conference on predatory lending. I really appreciate the work the Drum Major Institute does, and this Marketplace of Ideas series is great. I am very pleased to be here and talk about this subject, and I want to put it in one little context. In a minute, we'll hear from Attorney General Lori Swanson, our New York banking superintendent, and others. The arguments over predatory lending and over the subprime crisis¹ are the nub of where America is headed, in a larger sense. There are really two groups that run America, through George Bush and the Republican Party. One is the Christian coalition, the religious people who believe that they are people of deep faith. I am, too. I am a person of faith. But they want faith to influence the government. They are the secondary group. The major group is a group I call the economic royalists. This is a small but very powerful group that really runs the Republican Party. They are usually self-made. They tend to be in the South and West, but they are all over. Their basic view is summed up when Tom DeLay² used to go back to his country club in the suburbs of Houston. Within five minutes someone would come over to him and say, "Tom," angry, "I made my money all by myself. Your government didn't help me make my money, it's mine. How dare your government take it from me?" And five minutes later, "Tom, I bought those ten thousand acres in central Texas with my money. It's my land and my air and my water. How dare your government tell me what I do with it?" "Tom," five minutes later, "I built my business with my own hands. How dare your government tell me how I should treat my workers? They work for me. And if I want to discriminate against them because they're Black or women or Hispanic or gay, if I want to treat them differently or pay them less than minimum wage, or set whatever working conditions I want, that's my right, Tom. Tell your government to get out of my way." Well, over the last forty years this group has created a patina of philosophy, very thin. There are really only two words that describe this belief. You see it every day on the *Wall Street Journal* editorial page: narrow greed.

The economic royalists... [are] a small but very powerful group that really runs the Republican Party... Over the last forty years this group has created a patina of philosophy, very thin. There are really only two words that describe this belief. You see it every day on the *Wall Street Journal* editorial page: narrow greed. They basically run the show.

—Senator Charles Schumer

1 http://en.wikipedia.org/wiki/2007_Subprime_mortgage_financial_crisis

2 http://en.wikipedia.org/wiki/Tom_DeLay

They basically run the show. The reason that our government right now seems paralyzed to deal with the subprime crisis is because you need the government to be involved. The private sector is not going to solve this problem by itself. Yet these people who run the show do not want the government to be involved at all. This is going to be a microcosm for our politics over the next ten years. We have played on the Ronald Reagan, hard right platform since 1980. Even Bill Clinton, he did a great job, but he had to play on it. It has all changed because the world has changed. The average citizen in 1980 basically said,

Predatory lending happened because we did not have government regulation.

—Senator Charles Schumer

“I’m doing great, I don’t need government,” even though it was government that helped create the platform from 1932 to 1980 that created the broad middle class. Average citizens today don’t think they are doing terribly. Democratic politicians who condescend to them lose. In other words, “Oh, you poor people, I know just how to help you out of your misery.” You know what? You tell that to the average middle class family, you know what their attitude is? “I’ve done all right for myself. Don’t tell me that.” But if you say “You’re going to need government to help you in certain areas, because life’s getting tougher and the world is changing and there are large forces out there, larger than you” they buy it. That is true with predatory lending.

Predatory lending happened because we did not have government regulation. When banks made loans they were by and large okay, because it is in a bank’s interest to be repaid and not to foreclose. If they kept the loan or had an interest in continuing in the loan, they were pretty good. But there was this whole mass of lending, the wild, wild West I call it, that developed in the last twenty years, as we developed a secondary mortgage market,³ that is not regulated at all. Some states tried to do it, but there is no federal regulation. These are unregulated mortgage brokers,⁴ often on their own, and unregulated mortgage lenders. Not banks, because banks have some degree of regulation. These brokers and lenders created the trouble. This mythology that they went in there and helped these poor homeowners become homeowners for the first time is just that: mythology. Just nine percent of the subprime loans went to first-time home buyers. Fifty-five, sixty percent went simply to refinancing, not to a new home at all.⁵

Let me give you a typical example: Frank Ruggiero, a retired subway motorman. His union got him a pretty good pension, he has Social Security. He is not poor. He lived in his nice little house in Ozone Park, a middle-class, working-class neighborhood in Queens I actually represented when I was in the Congress. He is an active member of Nativity Parish. Frank had his nice house in Ozone Park and had paid about half

3 http://useconomy.about.com/od/glossary/g/secondary_marke.htm

4 A mortgage broker is “an independent individual (or company) who brings together borrowers and lenders together. Unlike a mortgage banker, a mortgage broker does not fund the loan. Instead, the broker originates and processes the loan, and places it with a funding source, such as a bank or thrift. Brokers typically require a fee or a commission for their services.” (Source: Bankrate.com)

5 These statistics come from the Center for Responsible Lending. See: <http://www.responsiblelending.org/pdfs/Net-Drain-in-Home-Ownership.pdf>

of the thirty-year mortgage. He had it for about fifteen years, and he was doing just fine. He could pay the mortgage payments, they were fourteen hundred dollars a month, based on his pension and his Social Security, and I guess he made some spare earnings around here and there. Then Frank got diabetes, and his health care plan would not pay for the treatment that he needed. He needed cash and he needed it rather quickly. Some mortgage broker calls him up and says, "Hey Frank, I can help you get your fifty thousand dollars." I do not know if the broker called him up, or how it happened. It may have been advertising. There is a lot of false advertising out there. Frank is not a genius but he is not a dummy either. He says, "Well, how much will my mortgage go up? There's no free lunch." The broker says, "Don't worry, on January 1st your mortgage will go up from fourteen hundred to fifteen hundred." "Great!" Frank says, and signs the papers. He doesn't read the mortgage document. How many of you who own homes or co-ops read the mortgage document? I am a lawyer. I did not. That was twenty-five years ago. It was just banks. You did not have to worry about this stuff. And sure enough, the mortgage went up from fourteen hundred to fifteen hundred on January 1st the year after he signed the papers. But a year later it went up to thirty-eight hundred, beyond Frank's ability to pay. He had no idea it was going up that high. That is one sad part of the story. There are three sad parts to this story. The second is, of the fifty thousand dollars that Frank was promised, guess how much he actually got: Fifty-seven hundred dollars. The mortgage broker, this cowboy, who I'd like to... He got twenty-two thousand dollars as a commission because he got Frank to sign at a very high interest rate. The mortgage company, not a bank, got eleven thousand dollars of points.⁶ And between the lawyer, the appraiser and everyone else, they took the rest. Frank got fifty-seven hundred. So he got really no help with his diabetes problem. Third, Frank is a prime borrower. In other words, Frank has a large enough income and a good credit rating so that he could have walked into a bank and got a low interest rate loan. His mortgage might have gone up to seventeen hundred, he would have got his fifty thousand and everything would have been happy.

Frank Ruggiero is a typical person caught in this subprime crisis. There are about a quarter of the people in the subprime crisis, who are in foreclosure or on the edge, who can never pay back. They just cannot afford it. There is about a quarter who will work things out, because the value of their house still went up, because, one way or another, the mortgage servicer⁷ is connected to the financial institution that is giving the mortgage. We all know that financial institutions have an interest in not foreclosing. It costs them fifty thousand bucks to foreclose and only three or four thousand dollars to refinance, so they take much less of a haircut the other way. But the middle fifty percent, the Franks, need the help. The only place they can get some help is the government, and they need two kinds of help to deal with this crisis. First, you need non-profits to come in. There is no banker on the scene. In the old days, if Frank had fallen behind on his mortgage payment, his local banker would

⁶ http://en.wikipedia.org/wiki/Points_%28real_estate%29

⁷ http://library.hsh.com/?row_id=35

have come in and done a workout⁸ for him. It was in the bank's interest, as I said, not to foreclose. But that mortgage broker is off in the Bahamas somewhere with his twenty-two thousand dollars. He is nowhere to be found and the mortgage company is nowhere to be found either. Who holds the loan? It is chopped up in a thousand different pieces and different creditors have it. They probably have an interest in seeing Frank work something out, but they are too disparate. You need somebody to come in and help Frank. Fortunately, we have large numbers of groups who do this for a living, so to speak. They are nonprofits, and they always help people with mortgage counseling and mortgage help.

We have a hundred million dollars, now two hundred million, in the transportation appropriations [bill] to help pay these non-profits. The administration is opposed to this. We need a billion. We need the government to step up to the plate, and frankly I have asked Hank Paulson,⁹ the Treasury Secretary, to jawbone some of these financial institutions to doing it. I met with the head of Countrywide,¹⁰ this guy Mozilo,¹¹ who I hold in low minimum regard, as they say. And I said, "Why don't you step up to the plate?" This guy cashed out and made four hundred million dollars, and stopped selling the stock of his company in the last year or two. He knew what was going on. Take some of that four hundred million and put it back. If we cannot get the private sector to step up to the plate it's up to the government to do it. Help the non-profits. Second, we need money to help refinance these mortgages. The classic people around to do that are Fannie¹² and Freddie.¹³ You simply raise their portfolio cap.¹⁴ Barney Frank¹⁵ and I are actually today introducing legislation to do this.¹⁶ We have been toying around with it. I am, in this instance at least, a little more liberal than Barney Frank. I would do it quicker, with fewer constraints. We have come to an agreement that for six months we would raise Fanny's and Freddie's caps by ten percent, and eighty-five percent of that portfolio raise would have to go into subprime refinancing. That is a hundred billion dollars. That is a lot of money. And if we did those two things, we would not eliminate it. There are still some people who will never work their way out of this, because it is a terrible mess. However, for the seventy-five or eighty percent who could work their ways out, we would do some good. We would help them and we would help the whole economy. Because the whole economy is worried about the other shoe dropping in the next

8 A loan "workout" is debt restructuring where lenders reduce the interest rate, reduce monthly payment amounts or change other loan terms in order to prevent the borrower from foreclosing on the property.

9 <http://www.washingtonpost.com/wp-dyn/content/article/2006/05/30/AR2006053000364.html>

10 Countrywide Financial is "America's #1 home lender." <http://about.countrywide.com/about/about.aspx>

11 Angelo Mozilo, the CEO of Countrywide Financial <http://about.countrywide.com/bios/Biography.aspx?CtIID=0>

12 Fannie Mae <http://www.fanniemae.com/index.jhtml>

13 Freddie Mac. <http://www.freddiemac.com/>

14 The portfolio cap is the limit on how much Fannie Mae and Freddie Mac can invest in home mortgages. If the portfolio cap is lifted, these enterprises would be able to buy more home mortgages. The idea behind the legislation is that once Fannie Mae and Freddie Mac own the mortgages, they will be more likely than private lenders to help borrowers workout their loans rather than foreclosing.

15 U.S. Representative from Massachusetts and Chairman of the House Financial Services Committee: <http://www.house.gov/frank/welcome.html>

16 Schumer's bill is the Protecting Access to Safe Mortgages Act, S.2036 (see <http://www.opencongress.org/bill/110-s2036/show>). For more information on Frank's bill, H.R. 3838, see <http://www.opencongress.org/bill/110-h3838/show>

two years as subprime mortgage interest rates quickly rise.

For the future, there are two things: We have got to regulate all mortgage brokers and all mortgage lenders. I believe in a suitability standard.¹⁷ It has worked very

well with stocks. If you give someone a loan they cannot afford, you are responsible, you are liable, and you lose your license. Period. It is tough, and it will work. Second, a lot of people say, well, have Wall Street pay. Wall Street is paying, because the big markets up there work pretty well. People are getting fired, and people are losing money. That is the way capitalism works, and that is fine. The group that really is the most derelict here is the credit rating agencies,¹⁸ that just gave these things triple A ratings.¹⁹ I knew they shouldn't be triple A rated, because I knew what was going on on the ground. We have to change the way credit rating agencies work. One of the reasons they did this is, guess who pays them? The very people who want the good rating. And they do not pay the credit agencies until after they get the rating. Did you know that? In the old days, credit rating agencies were paid by the investor. That made sense. The investor had an interest in prudence. We ought to look at exploring going back to that model. That is what we can do. I am sure Ms. Swanson has many more good ideas. There are many out there, but this is not an issue where we do not know what to do. It is not an issue where we are helpless. It is not an issue, like in Tom Friedman's book,²⁰ where there are just these large economic forces and we cannot deal with them. We know what to do. It just involves the government being more regulatory, and putting up some dollars. We are going to have to tell the economic royalists in the White House, and some in the Senate and the House, that for the good of the country and the good of the people, and to do what is right, they cannot have their way anymore.

This mythology that [subprime lenders] went in there and helped these poor home owners become home owners for the first time is just that: mythology. Nine percent of the subprime loans went to first time home buyers.

—Senator Charles Schumer

It is now my pleasure to introduce Lori Swanson. She is the first woman elected Attorney General in the state of Minnesota. She was Solicitor General and Deputy Attorney General. She has a great record supporting the rights of Minnesotans on such issues as health care, financial fraud against the elderly, and consumer protection. I thank you for being here, and thank all of you in the Drum Major Institute for having this terrific conference.

ATTORNEY GENERAL LORI SWANSON: Well, good morning. It is my honor and privilege to be here with you today. I am a big fan of the work that this group does. First of all, I want to talk a little bit about why I felt, in Minnesota, it was important to address the topic of predatory mortgage lending. Second, about what we did. And then third, hopefully, about some lessons we can learn, not just for

17 <http://www.sec.gov/answers/suitability.htm>

18 http://en.wikipedia.org/wiki/Credit_rating_agency

19 Triple-A (AAA) is the highest credit rating.

20 Friedman's *The World is Flat* provides his perspective on globalization. <http://www.powells.com/biblio/7-9780141022727-1>

predatory lending, but for the larger area of corporate accountability. What fueled the mortgage mess? Why did we in Minnesota care about it? Far too many mortgage loans have been sold with little or no regard to the borrower's ability to repay them. As the Senator just said, that conduct was fueled by an era of deregulation, which enabled and facilitated it. With all of these issues, you have got to start by looking at why a government cares. With regard to mortgages, it cares because a mortgage is the American savings account. Mortgages and home ownership really are what fueled the American dream in this country. Mortgages are what built a middle class, what allowed people to save a nest egg for their future, for retirement, to send their kids to college. When that is undermined through the mess that we are in, everybody should care.

We have had, for a number of years here in this country, an economy that is fueled by borrowing. The U.S. Commerce Department reported earlier this year that the savings rate is a negative one percent, the lowest since 1933, the Great Depression.²¹ And many people among us are living paycheck to paycheck. They don't have a cushion to fall back on, and that makes them susceptible to mortgage refinancing pitches. In Minnesota, eight-five percent of all mortgage loans taken out in 2006 were cash out refinancings, where the borrower refinanced and, in part, took cash

out of the mortgage to pay for things like credit card debt, health care debt, and to buy new cars. That partly fueled the borrowing situation. What fueled the mortgage crisis, I think, is at the outset, there is an unlevel playing field. An unlevel playing field between the borrower on the one hand, and the mortgage broker on the other. Anybody who has attended a closing knows the blizzard of paperwork,

Mortgages and home ownership really are what fueled the American dream in this country. Mortgages are what built a middle class, what allowed people to save a nest egg for their future, for retirement, to send their kids to college. When that is undermined through the mess that we are in, everybody should care.

—Minnesota Attorney General Lori Swanson

all the forms put in front of you, the thirty documents in [tiny] print. It's very difficult for borrowers to understand that kind of legalese, and the unlevel playing field has been used by unscrupulous brokers and lenders to their advantage. Then, on top of that was the market itself. Markets work best when there's an element of risk. When somebody has got some skin in the game,²² they tend to behave more. In this area, the risk was substantially eliminated because of the secondary market, and because these loans were immediately pawned off. The old fashioned banker, who kept a thirty-year fixed mortgage in their own portfolio would not underwrite a loan that the borrower had no reasonable ability to repay. It would not be in their financial interest to do so. But the way the market has worked, with these loans being resold, it has not only fueled the growth of subprime lending but has encouraged irresponsible behavior.

21 See <http://www.bea.gov/newsreleases/national/pi/2007/pdf/pi0107.pdf>

22 Coined by Warren Buffet, this refers to a situation where high-ranking insiders use their own money to buy stock in the company they are running. http://www.philanthromedia.org/archives/2006/08/nonprofit_skin_in_the_game.html

Then, finally, is the deregulation. Federal regulators were so worried over the last dozen or so years about making sure that rates were low, be it with mortgage loans or credit loans, that there has been an utter failure to substantially regulate this market. I think regulators were asleep at the switch. They did not do their jobs when it comes to policing these industries, even though consumer advocates were beating down their doors. Everybody says, “Oh, how shocking! We didn’t know.” They all knew. People who are involved in this see. We were beating down their doors telling them about problems. The Attorneys General going back several years were filing lawsuits, the biggest lawsuits in the country, against groups like Ameriquest, Household Finance, cases settled for hundred of millions of dollars.²³ Yet the federal regulators said, “Gee, we didn’t know.” I think there are lessons to be learned there, too. We have seen all kinds of abuses of loans. You all know what I am talking about. Some of the things we have seen in Minnesota are exactly what we have seen throughout the country:

- Putting people into teaser adjustable rate mortgages,²⁴ not explaining that in two years or three years their rate would jump;
- Pre-payment penalties²⁵ that trap people into abusive loans. They were put in the loan by fraud to begin with, and then cannot get out because of these pre-payment penalties;
- Inflated appraisals: inflating the collateral value [of the home] to qualify people and then the people find themselves in over their heads right away;²⁶
- Then the stated income loans, which has been one of the most abusive areas. The “liar loans”²⁷ put people into loans without even retrospectively looking at a tax return to see whether this person really made the six thousand dollars a month that they say they made.

In Minnesota, we have been a fairly affluent state and a fairly well educated state. As a result we have had high levels of home ownership, but we also have very high levels of default and mortgage foreclosures. The number of foreclosures has nearly doubled in the last year, quadrupled in the last two years. It is

I think regulators were asleep at the switch. They did not do their jobs when it comes to policing these industries, even though consumer advocates were beating down their doors. Everybody says, ‘Oh, how shocking! We didn’t know.’ They all knew. People who are involved in this see.

—Minnesota Attorney General Lori Swanson

23 Mortgage lenders Ameriquest and Household Finance settled consumer protection lawsuits of \$325 million in 2006 and \$484 million in 2002 respectively.

<http://www.washingtonpost.com/wp-dyn/content/article/2006/01/23/AR2006012301523.html>

24 http://www.mortgagenewsdaily.com/wiki/Teaser_Rate_Mortgage.asp

25 Prepayment penalties are fees charged if a borrower pays off all or part of a loan before the loan is due.

26 For an in-depth look at the problems caused by inflated home appraisals, see <http://www.post-gazette.com/pg/06206/708426-30.stm>

27 For more on “liar loans” or stated income loans, see <http://www.npr.org/templates/story/story.php?storyId=8972571>

occurring throughout our entire state, not just in our cities, but in our suburban areas, as well as in rural Minnesota.

Before I turn to some of the tactics involved in passing the law, let me briefly tell you what the legislation does, focusing on the main points. First, the stated income loans. Allowing the broker to simply state on the application what somebody's income is or assets are has been a huge area of abuse. We have seen, for example, in Minnesota, a guy in his eighties who the broker put down as making twenty-five hundred dollars a month building wooden birdhouses. Or that the wife, who is in her eighties, makes twenty-five hundred dollars a month cleaning homes. Neither of these stories is true. That a young guy in his twenties is a landscape engineer earning six thousand dollars a month, when really he is a gardener who helps shovel and lay sod. That a suburban couple earns thousands of dollars a month renting out the nonexistent apartment in their home basement. The purpose of stated income fraud, of course, is that the person would never qualify for the refinancing or the loan if you put the truth down. So the brokers make it up, and they put down something that is not true on the application. It is no shock then that the borrower quickly defaults. If they did not have the income or assets that were put down on the application, nobody should be shocked that they quickly default. Our legislation essentially bans stated income loans. We require that the borrower put down the income and the financial

A mortgage is the most complicated financial instrument most American consumers will ever encounter, and yet it is also their most important financial transaction. It is the way they save money for the future. The mortgage industry, however, generally has been regulated much like you would sell a car.

—Minnesota Attorney General Lori Swanson

resources, and that they be verified by some objective evidence – tax returns, payroll receipts, some reasonably reliable method. Now the broker industry will say, “But stated income loans are for self employed people, and you're going to dry up access to capital. It will be a terrible thing because if people have unusual jobs, they can't put them down.” Sure they can. You can at least look at the tax return for the last year and try to determine if you are even in the ballpark for what's stated on the application. Then we make clear in the law that it's not sufficient just to state what the borrower's income or resources is.

The other problem I alluded to is this notion of the borrower's ability to repay. One of the primary problems we've seen there, in addition to the stated income loans, was the adjustable rate mortgage (ARMs), like the 2/28 and 3/27 loans.²⁸ The person gets the teaser rate, then the rate jumps up. That's not adequately disclosed to the borrower. Through our legislation, first of all, the borrower has to consider all costs of the loan. They have got to look at interest and real estate taxes and homeowner's insurance in determining the ability to repay. Then, for adjustable rate mortgage loans, the ability to repay has to be determined based on the fully indexed rate, and has to contemplate whether the person can repay it when it goes up in two years or

28 <http://www.investopedia.com/ask/answers/07/difference-ARMs.asp>

three years. It is not enough just to look at today's payment. You have got to look at the full amortization over the life of the loan.

One of the big problems that we have seen, that the Senator alluded to in the mortgage area, is that a mortgage is the most complicated financial instrument most American consumers will ever encounter, and yet it is also their most important financial transaction. It is the way they save money for the future. The mortgage industry, however, generally has been regulated much like you would sell a car. Instead of acting like we are dealing with an incredibly complex financial instrument, like a security or an insurance product, it has really been treated more like we are selling a car. In documents that we have uncovered through Attorney General investigations, for example, sales agents describe the environment as a boiler room. They were, in fact, at one company made to watch the movie "Boiler Room"²⁹ to learn how to sell. They have Power Hour, where you cannot sit down. You have got to stand up until you make a loan, and only when you sell a loan are you allowed to sit down. We got e-mails through our litigation where the executives would brag to each other. "We're all here to make as much f-ing money as possible. Bottom line: nothing else matters," is a quote from one of them. They would mock bad performing brokers who had not sold. They would actually send emails around the brokerage houses saying, "Look at this joke. He hasn't sold any loans. Isn't he a loser?" They would mock the value of that person. The culture became one where all they were trying to do is sell a loan, much like you were trying to sell a car, as opposed to showing some sense of stewardship to the best interest of the customer. Our legislation hopefully ends that. We place a duty on brokers, where the broker is considered to have an agency relationship³⁰ with the borrower. They have to act in the borrower's best interest, with utmost good faith to the borrower. You could call that all kinds of things. We call it agency. You could call it fiduciary duty,³¹ or you might call it suitability.³² There are different ways to attack it, but the bottom line concept is the same. It is not enough just to do no harm to the borrower. The mortgage broker also should make sure that a loan actually does some good.

The other concern that I have is true not just in the mortgage industry but other industries as well, such as insurance. We do not, in our legislation, simply regulate the process, but we also regulate the product. There are products out there that frankly ought not to be sold; products that are so unfair and so tilted against the borrower that they ought to be regulated. I have that right now. I have sued a couple insurance companies who are selling these long term deferred annuities to senior citizens, people in their eighties, who maybe have twenty thousand dollars in life savings. They are eighty-two years old when they take out the loan, or take out the annuity. The insurance company is putting them into fifteen year annuities where their entire life savings is tied up for fifteen years, and they have to live on

29 In the 2000 film, a college dropout gets a job using high-pressure tactics to sell dubious stock over the phone.
<http://www.imdb.com/title/tt0181984/>

30 http://homebuying.about.com/od/realestateagents/qt/92807_DualAgency.htm

31 <http://cyber.law.harvard.edu/trusting/unit5all.html>

32 <http://www.sec.gov/answers/suitability.htm>

essentially nothing. Through the Attorney General litigation you can litigate the process, asking if a sale was unsuitable or if there was fraud in the sale. A better, more effective way to regulate would be for insurance regulators to step it up and say some products are simply so unfair to the citizen they ought not to be sold.

In the Minnesota legislation we banned pre-payment penalties for subprime loans. We banned them because now you see their consequences. It is only good policy to allow people to pay a loan back early. We have a big, big problem with consumer debt. The consumer credit card debt in this country went from \$8 billion in 1968 to \$888 billion last year, of which \$17 billion alone was simply fees. Why do you want to punish somebody for paying back their loan early? We banned pre-payment penalties for subprime loans. We banned negative amortization loans³³ in the bill, the loans where you make your payment every month and your principal goes up, not down. That does not help anybody get into home ownership or help anybody be a prudent buyer. Those are banned. Our existing law had capped fees at five percent. The law had been on the books for several years, but we included the yield spread in that five percent. There have been attempts around the country to try to regulate the yield spread premium,³⁴ where the broker could make the loan at a certain interest rate but takes additional value out of it because they can. Because the consumer does not know that you can actually negotiate the cost of the loan. We decided to try to get at that by putting any spiff³⁵ paid by the lender to the broker as part of the five percent cap.

Let me turn here, in the time I have got left, to talk a little bit about some of the process or the tactics. I hope we can use the lessons with the subprime mortgage lending crisis to look to the future for all kinds of areas, like corporate accountability. The deregulation of the mortgage industry, I think, has been a scandal. Here are some lessons. I got elected in November, and I formed right away a study group that would tackle the predatory lending problem in our state. I put together the study group thinking that all of us together are smarter than any of us is alone. I put on consumer advocates, people like ACORN,³⁶ Legal Aid,³⁷ nonprofit counselors in my state who counsel and coach people on mortgage foreclosure and bailouts. The group included key legislators, and people from the business community, as well. We had just got a big grocery store in North

There are products out there that frankly ought not to be sold; products that are so unfair and so tilted against the borrower that they ought to be regulated... In the Minnesota legislation we banned pre-payment penalties for subprime loans. We banned them because now you see their consequences. It is only good policy to allow people to pay a loan back early.

—Minnesota Attorney General Lori Swanson

33 http://en.wikipedia.org/wiki/Negative_amortization

34 A mortgage lender pays a broker a yield spread premium for selling a loan at above par rate, or zero points. Some call this an "illegal kickback," while HUD says YSPs make loans more affordable to low-income buyers by lowering the closing costs. http://www.erate.com/yield_spread_premium.htm

35 A spiff is a small, immediate bonus for a sale typically paid directly to a salesperson for selling a specific product. <http://en.wikipedia.org/wiki/Spiff>

36 <http://acorn.org/>

37 <http://www.midmlegal.org/RTF1.cfm?pagename=Legal%20Aid%20Society%20of%20Minneapolis>

Minneapolis.³⁸ The predatory lending crisis, because of all the boarded up homes and foreclosures, was affecting that store's ability to make sales. I put someone on from there, as well as some bankers and lenders. The study group put their heads together and took about a month on our bill. I asked them to come back quickly because our legislative session started in January. They put together a bill I just described that basically was the vehicle for legislation.

We did not have a lot of competing bills or other bills. We had that one bill. If you want to move the boat better through the water, all oars really need to row in the same direction. My impression, as somebody who has been involved in different respects when it comes to corporate accountability, is sometimes the people on the

consumer advocate side of the aisle tend to be fractured. They tend oftentimes not to have a uniting force. They tend to all be on the same page and all have the same beliefs, but they do not necessarily speak with one voice through one bill. One of the reasons we were successful is everybody who wanted to see this legislation got together and had a consensus. There were some things in the bill that I was less keen on, but I felt so strongly that it

If you want to move the boat better through the water, all oars really need to row in the same direction... One of the reasons we were successful is everybody who wanted to see this legislation got together and had a consensus. There were some things in the bill that I was less keen on, but I felt so strongly that it was important to come together and have one bill that it was okay.

—Minnesota Attorney General Lori Swanson

was important to come together and have one bill that it was okay. Basically we could all sell it together. The other reason I wanted to put on the study group some people from the business community, and the banking community—not enough that they would control the agenda, but enough that they would have input—is that it frankly allowed them to be heard. It created more support for the bill, and it allowed for a better product. We made changes because of that. We also did not put on the mortgage brokers. I figured we really wanted to get at the mortgage broker piece, not so much the banks, but the industrial loan and thrifts. We did not put them on and they did not like it. Thereafter, they took the tack that they would try to work with the bill. We met with them, and in the end they actually supported the bill, too, along the lines of trying to improve the product and figuring that something would pass.

Another lesson I learned from this is, do not let the perfect be the enemy of the good. We did compromise and make some changes in the bill. But nothing at all changed on our core principles: it is a very strong law. Sometimes it is better to be pragmatic and effective than tilting at windmills. We did make some changes and compromises, and that helped get it passed. Another lesson is you cannot take on the whole world through bills. There is a U.S. Supreme Court decision that came down that said states cannot regulate national banks or their direct operating subsidiaries when it comes to most mortgage issues.³⁹ We knew that national banks

38 In 2004, Cub Foods opened the only large grocery store in North Minneapolis, a mostly African-American area struggling economically from the white flight of the 1960s and 1970s.

39 The 2007 *Watters v. Wachovia* decision allows federal preemption of state consumer protection measures: <http://supremecourtus.gov/opinions/06pdf/05-1342.pdf>

Another lesson I learned from this is, do not let the perfect be the enemy of the good. We did compromise and make some changes in the bill. But nothing at all changed on our core principles: it is a very strong law. Sometimes it is better to be pragmatic and effective than tilting at windmills. We did make some changes and compromises, and that helped get it passed.

—Minnesota Attorney General Lori Swanson

were going to be pre-empted, so we did not try to tackle them in the bill. Nor did we try to tackle state banks, figuring, if we cannot regulate national banks it is only fair not to regulate state banks. As a result the banks did not mind the bill. The groups who may typically oppose some of the national and state banks actually sent letters to the legislators supporting the bill as well. That, as a practical matter, helped get it passed. It is interesting that those

highly regulated entities have not been the source of most of the problems in this area. Actually, that is the reason, I think, for regulation. Banks kind of fought the legislation, saying, “We didn’t do it.” And I said, “Well, that’s the point.” They are highly regulated and did not do as much harm as the less regulated lenders. It just shows that legislation works.

Another point is to get someone in government on your side if you at all can. It is very helpful to have the government. These industries, whether mortgage, insurance or health care, are incredibly powerful. Look at the lobbyists in this country. When FDR was president there were twelve lobbyists in Washington, DC. When Ronald Reagan took office as president, there were fewer than a thousand lobbyists in Washington, DC. Last year there were thirty-six thousand lobbyists in Washington, DC, which is sixty lobbyists for every one member of Congress.⁴⁰ You get elected to Congress, you now have sixty immediate and instant best friends. I have nothing against lobbyists. I do have a problem that most of the lobbyists are not representing the interest of ordinary Americans. If you can get somebody in the government on your side, that is incredibly helpful. I think it gives credibility to these issues. It can keep other government agencies that may have an interest in coming in on the other side, a little more honest as well.

Through the work I am doing as Attorney General, not just in the predatory lending area, but in the corporate area, there are big problems. The regulators are not really regulating. They need to really step up and do a better job.

—Minnesota Attorney General Lori Swanson

Sometimes it is good to get lucky, too, and we certainly caught some breaks. There was this media tsunami. Every time the media was building and building and building. Every morning there was an article in the paper about another subprime lender being investigated or going into bankruptcy. That certainly helped. We put together these huge press packets of the last months’ clipping and hand them out at hearings. They would be four inches thick. We also got a lot of opinion leader support, which was incredibly helpful. The editorials around the state in the *Minneapolis Star Tribune*, the *Duluth News Tribune*, suburban papers as well, praised the legislation,

40 <http://www.washingtonpost.com/wp-dyn/content/article/2005/06/21/AR2005062101632.html>

saying it was time to pass it. That was helpful. Another lesson is sunshine can be a powerful disinfectant. At every hearing there were reporters and a lot of media coverage surrounding the bill. That made people who may otherwise have been interested in voting “no” vote “yes.”

The legislation went into effect on August 1, so it is a little too early to say exactly how it is working. We are going through the implementation period now. It is being used as a federal model. Minnesota Congressman Keith Ellison⁴¹ has taken it up and has turned it into a federal bill, which he is pushing.⁴² One area I would like to see addressed is making sure that we do not have federal preemption⁴³ too often in this country. We have seen federal regulators and the US Congress trying to preempt states’ ability to do better for their citizens. I think states have been a laboratory for democracy and tend to be closer to the people. I think too often federal preemption has been used not because the federal government wants to meaningfully regulate industries, but because it wants to deregulate those industries. They see that state Attorneys General, state Banking Commissioners and state officials tend to be the regulators nowadays in this country. It is incredibly important we not have federal preemption. The bills that I am supporting certainly would not. I hope those can provide some tools. Through the work I am doing as Attorney General, not just in the predatory lending area, but in the corporate area, there are big problems. The regulators are not really regulating. They need to really step up and do a better job. Hopefully the lessons that we learned in passing this can be used not just to pass other legislation, but can be taken to heart by certain regulators who have not been doing their jobs. I look forward to the panel. I thank you very much.

[APPLAUSE]

ANDREA BATISTA SCHLESINGER: Thank you everyone for coming. My name is Andrea Batista Schlesinger and I work for the Drum Major Institute. This is a fantastic panel. The criteria for the Marketplace of Ideas series are we try to highlight policies that are progressive, effective and practical. We get to learn anew each of these issues every time we have an event. The end result of this event is that I am now driving my mortgage broker crazy, because I am trying to buy my first home. Now I am very distrustful. We are making an impact on the industry already. I wanted to introduce each of our fantastic panelists in turn, and start it off with a question. Then we will talk amongst ourselves and turn it out to the audience. I wanted to start with Sarah Ludwig, the Executive Director of NEDAP.⁴⁴ She was a leading advocate on community equity and financial justice issues. She founded NEDAP in 1995 and since then has worked with hundreds of grassroots groups to develop local organizing and advocacy strategies to address redlining⁴⁵ and lending discrimination. Sarah also leads New Yorkers for Responsible Lending a coalition of a hundred

41 <http://ellison.house.gov/>

42 <http://www.govtrack.us/congress/billtext.xpd?bill=h110-3081>

43 For more on federal preemption, see http://www.tortdeform.com/archives/2007/11/federal_preemption_1.html

44 NEDAP is the Neighborhood Economic Development Advocacy Project <http://www.nedap.org>

45 <http://cml.upenn.edu/redlining/intro.html>

and twenty community and consumer groups and community financial institutions dedicated to combating predatory lending practices. Sarah, a lot of us who work explicitly for a progressive agenda are very quick to challenge President Bush on the “ownership society”⁴⁶ model when it comes to Social Security privatization. Yet a lot of us still accept that home ownership is the key to realizing the American dream. Before we get into the details of how we deal with the predatory lending crisis, have we done this to ourselves by accepting that home ownership is the ultimate goal and realization of the dream?

SARAH LUDWIG: No. I think that the experience of the last ten years or so has taught us that kind of blanket push for home ownership is dangerous and ill advised. We spend a lot of time at our organization working with community based groups that are really interested in home ownership as a vehicle for asset building. Clearly, it has been the most significant asset-building vehicle in this country. But when you have home ownership pursued at any cost, and the sort of abusive lending that has characterized mortgage lending particularly in our communities of color, it has actually eroded not only family and homeowners’ wealth, but has really been a transfer of wealth from communities of color to the pockets of “corporate greed,” as it has been characterized this morning.

I think that the experience of the last ten years or so has taught us that kind of blanket push for home ownership is dangerous and ill advised... when you have home ownership pursued at any cost, and the sort of abusive lending that has characterized mortgage lending particularly in our communities of color, it has actually eroded not only family and homeowners’ wealth, but has really been a transfer of wealth from communities of color to the pockets of ‘corporate greed.’

—Sarah Ludwig, Neighborhood Economic Development Advocacy Project

ANDREA BATISTA SCHLESINGER: City Councilman James Sanders. Many of you saw the *New York Times* article that detailed the devastation to Sanders’ district by predatory lending.⁴⁷ Councilman Sanders is in his second term representing Laurelton, Springfield Gardens, Rosedale and the Rockaways. Sanders was the first African American chair of the Economic Development Committee since the existence of the City Council. I was reading a critique of efforts for states to regulate predatory lending.⁴⁸ It was disingenuous, but the argument was, “Ever more restrictive loan terms would act as the functional equivalent of usury ceilings that have long since been abandoned because they cut off credit to many people who need it the most.” What we are talking about today is the subprime sector. It is lending to people who have weak credit, often the working poor and, in particular, African American and Hispanic households. To what extent do this regulation and this effort impact those with weak credit, and their attempts to access loans that would enable them to buy homes and enter the economic mainstream?

46 <http://www.whitehouse.gov/news/releases/2004/08/20040809-9.html>

47 <http://www.nytimes.com/2007/09/24/nyregion/24citywide.html>

48 “Unintended Consequences: The Risks Of Premature State Regulation of Predatory Lending,” By Robert E. Litan <http://www.aba.com/NR/rdonlyres/D881716A-1C75-11D5-AB7B-00508B95258D/28871/PredReport200991.pdf>

COUNCILMEMBER JAMES SANDERS: I think it is necessary to first understand the difference between a subprime loan and a predatory loan. Subprime is one of the necessary vehicles that has allowed communities of color and other people to have a chance at the American dream. I do not suggest that we cut off subprime. I think that we need to really look at it. We need to balance it. The studies are not in yet. We do not know whether this crisis has done more harm than good for these communities. They were so far out of the American dream before, that now that many of them have gotten somewhat into it. We need to know whether it has taken all of their money away.⁴⁹ I agree, from my point of view, this is a crime begging for a law, and we have yet to come up with those things. To answer your question directly, we do need to regulate this whole matter, but we have to make sure we do not throw out the baby with the bath water. We have to make sure that we do not end the dream. That is not the way to stop this crime. We need to stop the criminals, not the victims.

ANDREA BATISTA SCHLESINGER: I see that Sarah is begging to respond.

SARAH LUDWIG: I am sort of jumping out of my seat. With all due respect to the Councilmember, we do know that the harms wrought have actually been a net loss to homeowners and to communities. If you look at a recent study done by the Center for Responsible Lending,⁵⁰ they have shown the net gains in home ownership among families, homeowners of color in this country in the 1990s, have been more than eroded, more than lost through the foreclosure crisis. The subprime loans are so overwhelmingly concentrated in neighborhoods of color, and so disproportionately made to people of color, particularly Black and Latino homeowners, in the refinancing realm but also in the home purchase realm, that they are bearing the brunt of the foreclosure crisis. One in five of these subprime loans is expected to go into foreclosure. We heard the Attorney General from Minnesota say the numbers have quadrupled in the last two years. In New York they have more

than doubled in the last two years. They are so concentrated in neighborhoods of color that we have a colossal catastrophe on our hands. We are way past the point of making these distinctions of, “not all subprime loans are predatory even though all predatory...” That is something we thought we had to say for a very long time. But we are way past that.

ANDREA BATISTA SCHLESINGER: Councilman, did you want to respond?

When the Attorneys General sued Ameriquest a couple of years ago, 99.6 percent of the loans involved in the litigation were refinancings. These were people who already had the American dream. They had a house, they had a mortgage. But someone, an unscrupulous broker, convinced them to refinance from a product which, in some cases, was a good product into a really crummy product, thereafter putting them into foreclosure. That supports why we need regulation.

—Minnesota Attorney General Lori Swanson

49 For one study estimating the cost of subprime lending in communities of color, see: http://www.faireconomy.org/files/StateOfDream_01.16.08_Web.pdf

50 See <http://www.responsiblelending.org/issues/mortgage/research/page.jsp?itemID=31217189> and <http://www.responsiblelending.org/pdfs/Net-Drain-in-Home-Ownership.pdf>

COUNCILMEMBER JAMES SANDERS: Well, just to use your numbers, you said one out of five are in danger of default or have defaulted.

SARAH LUDWIG: Will end in foreclosure.

COUNCILMEMBER JAMES SANDERS: That leaves four out of the five. We can argue over the numbers, but the real question or the problem is, if we cut off home ownership for this population, then they will never get a chance to get into the American dream? The devices that we are using are flawed. These are wrong and this theft and plunder of these communities should not be allowed. However, we have to find a way of allowing them to get into the American dream.

ANDREA BATISTA SCHLESINGER: I just want to let everyone know I slipped to the panelists a twenty asking them to disagree amongst themselves. But I didn't know that it would start at 9:15. I thought 9:45, 9:50. I am getting my money's worth. Attorney General?

ATTORNEY GENERAL LORI SWANSON:

One of the things we have seen is, a lot of the most abusive loans have not been loans [to purchase a new home], they have been refinancing loans. When the Attorneys General sued Ameriquest a couple of years ago,⁵¹ 99.6 percent of the loans involved in the litigation were refinancings. These were people who already had the American dream. They had a house, they had a mortgage. But someone, an unscrupulous broker, convinced them to refinance from a product which, in some cases, was a good product into a really crummy product, thereafter putting them into foreclosure. That supports why we need regulation.

The states essentially cannot regulate the national banks or their direct operating subsidiaries. Our bill did not address that. We did not want to be tied up in court with a preemption challenge, so we did not regulate national banks. The law passed in May, and in June some of the national banks started taking out ads in our *Star Tribune* to hire mortgage brokers. They said they could continue to offer stated income loans and all those products that are banned under state law.

—Minnesota Attorney General Lori Swanson

ANDREA BATISTA SCHLESINGER: Let me introduce Richard Neiman, who was appointed on March 5th, 2007 by Governor Spitzer to serve as the Banking Department's 43rd superintendent.⁵² Prior to his appointment, Richard accumulated extensive experience in the financial industry from a range of perspectives and executive regulatory legal roles. Immediately prior, Mr. Neiman served as chairman of TD Bank USA, a wholly owned subsidiary of the Toronto Dominion Bank. We are here to learn about the Minnesota law, and to see if there are applications for New York. Can you set the stage for us as to what the situation is in New York now as it relates to what Minnesota has done?

51 <http://www.washingtonpost.com/wp-dyn/content/article/2006/01/23/AR2006012301523.html>

52 <http://www.banking.state.ny.us/biorhn.htm>

RICHARD NEIMAN: Picking up on what Lori talked about this morning on the important role of the states, and also picking up from Senator Schumer calling a lot of the market unregulated, there is certainly uneven regulation. This points out that there is even a greater need for the states to play a role, particularly with respect to mortgage bankers and brokers, those entities that were the direct focus of the Minnesota legislation. State by state, there needs to be more. There needs to be more uniformity among the states, a greater sense of resources dedicated, as well as initiatives with respect to the licensing of the originators⁵³—all those entities that work for mortgage brokers and mortgage bankers. In New York, we have over three hundred mortgage banking entities. We have over twenty-four hundred mortgage brokerage firms. Each of those entities combined have over forty thousand individuals who originate mortgages. Last year the New York legislature passed a mortgage loan origination bill,⁵⁴ which will require the licensing of all those mortgage loan originators. There will be fingerprinting, background checks and educational requirements in order for these people to pursue that career. We are adopting a model very similar to what has been adopted for stock brokers. Not only is the firm required to be registered, but each individual stock broker is required to be registered and subject to certain rules. This, in order to be effective, is going to have to be applied nationwide, so a mortgage loan originator who loses or gets into trouble in California cannot move to New York and engage in the same practice. Many of the states are organizing and are adopting a national licensing system actually utilizing the same system that the NASD has employed.⁵⁵ There is still a need for federal regulation to set a minimum standard so there are no differences between national institutions, state institutions, or mortgage bankers, or in mortgage activities in which depository institutions are engaged. One exception would be that the fundamental responsibility for registration, supervision and enforcement remain a state responsibility. They are, as Lori pointed out, closest to the ground. They have identified issues early on. I am hoping the federal government does not create a new federal bureaucracy to regulate mortgage bankers and brokers unless it is a back-up for any state that has not imposed a diligent system.

ANDREA BATISTA SCHLESINGER: The 2003 critique of state efforts to which I was earlier referring urged patience, arguing there were enough federal regulations in place and we just needed to give them time. We did not invite the author to be a panelist.

53 http://asianbondsonline.adb.org/knowledge_center/glossary/default_glossary.php?Term=Mortgage%20originator

54 <http://assembly.state.ny.us/comm/Banks/20061201a/>

55 http://www.accessmylibrary.com/coms2/summary_0286-15952352_ITM

RICHARD NEIMAN: On that point, though, in early 2000 New York saw the predominance of high cost loans and adopted legislation similar to that of Minnesota. But the industry is so creative that it will develop products that fall outside those scopes. That is why states have to be in a position to react quickly.

ANDREA BATISTA SCHLESINGER: Attorney General Swanson, in Minnesota are you already seeing the development of products to skirt what you have done?

ATTORNEY GENERAL LORI SWANSON: We are, again, because of the Supreme Court. The states essentially cannot regulate the national banks or their direct operating subsidiaries. Our bill did not address that. We did not want to be tied up in court with a preemption challenge, so we did not regulate national banks. The law passed in May, and in June some of the national banks started taking out ads in our *Star Tribune* to hire mortgage brokers. They said they could continue to offer stated income loans and all those products that are banned under state law. That is why I am working with Congressman Ellison to try to get a federal law passed as well. Water does find the crack. They are trying to get around it. It is ironic, because they were the ones who, when we were having the lobbying on the bill said, “We don’t do those kind of loans.”

The banks are keeping this thing alive. They are buying these loans and pumping money into this system which is keeping this thing going. In fact, I would argue that they are more culpable than these folk on the ground running around trying to con people. They are aiding and abetting. This is a crime looking for a law, begging for a law to be passed.

—James Sanders
New York City Councilmember

ANDREA BATISTA SCHLESINGER: They sense an opening.

ATTORNEY GENERAL LORI SWANSON: They are hiring brokers. Yes.

RICHARD NEIMAN: On that point, we should not lose sight of the fact, though much of this origination is in non-depository institutions, large banks, depository banks, do play an important role. Not in the origination. They play it in the securitization,⁵⁶ the wholesale funding of the mortgage brokers, investors.

ANDREA BATISTA SCHLESINGER: I know there are a lot of advocates in the audience who are already engaged, but also others who are interested in learning. For clarification purposes, can you explain for the audience how the origination process works? There is a lot of talk about the role of big banks, about the role of Wall Street, about how these loans are secured. Can one of you give a kind of 101 so that everybody in the audience understands this process?

RICHARD NEIMAN: Well, it is not that complicated. I mean, it is complicated, but in one sense it is not that complicated. When mortgages are originated, they are very quickly packaged, sold into the secondary market, securitized and then split up into pieces similar to that which the Senator was referring in the securitization process.

⁵⁶ <http://en.wikipedia.org/wiki/Securitization>

Looking back on a lot of the issues that gave rise to the subprime crisis, I always come back to the securitization process. It made it so easy for originators to originate loans where they would have limited recourse once those loans were sold. The risk was so dispersed that individual investors lacked the accountability to understand and to impose an underwriting discipline.

COUNCILMEMBER JAMES SANDERS: The Attorney General stated that the banks said they did not do this. We found that same problem in New York City, where these fine gentlemen would come to us and say, “We didn’t do it, and there’s no way we can separate the money once it’s in there.” As one of my former colleagues is in the audience now, our State Senator, can attest, we questioned them. We asked how they found the money from money laundering. How do you find this type of problem? They said they were able to find it, and I said “Well, this is the same. You should be able to separate this money.” The banks are keeping this thing alive. They are buying these loans and pumping money into this system which is keeping this thing going. In fact, I would argue that they are more culpable than these folk on the ground running around trying to con people. They are aiding and abetting. This is a crime looking for a law, begging for a law to be passed.

SARAH LUDWIG: I just want to pick up on the superintendent’s very apt description, and to get us to thinking towards policy responses. It is very important to understand that when loans are originated, which is a fancy way of saying when loans are made, they are bundled and sold off as an investment on Wall Street. This incredibly robust

Once this sale takes place—and some of these securitizations are in the billions of dollars involving thousands and thousands of loans—it severs the liability of the lender to the borrower. If the borrower has claims ranging from violations of that person’s civil rights, fair housing rights, and all the panoply of fraud and deception and other practices that are out there, it is very hard to bring those defenses against the purchaser of the loans.

—Sarah Ludwig, Neighborhood Economic Development Advocacy Project

appetite that Wall Street has had for mortgage backed securities in the last decade plus has created a whole bunch of incentives that have not been taking the borrower’s interest into account. Think about it. The broker has every incentive to make as high a volume for as long as it is possible, based on the commissions the broker is getting and on the kickbacks that Senator Schumer and Lori have described today. The volume of loans determines how much the broker gets paid. The lender is all for the broker making a lot of loans, and really

turning a blind eye to any abusive features, because the lender is going to make the money selling the loans off as a commodity. It is as if the interests of the borrower are not really part of this frame at all. Once the loans are sold, as was described, investors buy a slice or a “tranche,”⁵⁷ an interest in the whole bundle. It is not in a specific loan that an investor holds, it is a piece of the pie. Once this sale takes place—and some of these securitizations are in the billions of dollars involving thousands and thousands of loans—it severs the liability of the lender to the borrower. If the borrower has claims ranging from violations of that person’s civil rights, fair housing

57 <http://www.investopedia.com/ask/answers/04/081304.asp>

rights, and all the panoply of fraud and deception and other practices that are out there, it is very hard to bring those defenses against the purchaser of the loans. It is very key is to understand that because the loans are sold we must make sure that in any policy responses the purchasers of the loans have some legal liability. This will enable the borrower to defend himself or herself against foreclosure if there are violations of the law. One last very important piece is, when these loans are sold, the investors are working with a trust which is holding the loans. Somebody has to collect the mortgage payments but the lender is no longer in the picture. The securitization apparatus hires a servicing company to take the payments from the borrowers. It is the servicers that we need to make sure are front and center in our conversation about policy responses.

ANDREA BATISTA SCHLESINGER: I want to talk about our theory at the Drum Major Institute, that the public will influence public policy. On March 28th, in a press conference with Mayor Bloomberg, he was asked, “Are you concerned about the large number of New Yorkers struggling with subprime loans, and is there anything your administration can do to help them?” The response was first, “I don’t think there’s anything the administration can do,” and then, later on, “It’s very sad, but it’s not something that the city can really do anything about. And I’m not even sure it’s something that the state or federal government can do something about. This is the marketplace at work, and people should not try to live beyond their means.”⁵⁸ Now, I would hate to ask anyone to directly respond to Mayor Bloomberg’s comments on the record. However, I would like to ask all of you to respond to Mayor Bloomberg on the record. The general sense is, when you have this sentiment being echoed and bounced around, that this is a personal responsibility issue, how do you then advance a policy agenda to address the structural impediments to people exercising financial responsibility?

It is not such a large jump to say that the city can come up with vehicles to help refinance and to help prod the system. The invisible hand is not God. It is not something that we just have to leave. Otherwise, why is there government?

—James Sanders
New York City Councilmember

RICHARD NEIMAN: There is a lot states and government can do. Speaking on behalf of the states, at least in New York, the Governor has created an inter-agency task force called HALT, standing for Halt Abusive Lending Transactions.⁵⁹ We are looking at not just predatory practices, but at all subprime issues. We are looking at the data collection, and which areas of New York are hardest hit. The issues are different, depending on the area. We are looking at increased enforcement, not just over mortgage brokers and mortgage bankers, but over realtors and appraisers. There are a lot of coordinated efforts that we have instituted. We are looking at outreach to community groups, and working closely with foundations, many of whom are here today. We are looking at refinancing tools. SONYMA⁶⁰ has already

58 http://www.nydailynews.com/news/2007/03/29/2007-03-29_mike_points_finger_of_blame_at_borrowers.html

59 <http://www.banking.state.ny.us/cshalt.htm>

60 <http://www.nyhomes.org/home/index.asp?page=48>

created one addressed to subprime borrowers which will move them into a thirty or forty year fixed product. We are looking at legislative and regulatory responses at the state level, but also influencing at the national level.

COUNCILMEMBER JAMES SANDERS: I humbly and adamantly disagree with our mayor. I think that there is a lot that has to be done at every level of government, including the city. We only have to look to when Mayor Edward I. Koch⁶¹ was faced with a situation where the South Bronx was not here, for all practical purposes. He moved in a very proactive fashion and came up with vehicles for buying and financing homes. It is not such a large jump to look at that and say that the city can come up with vehicles to help refinance and to help prod the system. The invisible hand is not God. It is not something that we just have to leave. Otherwise, why is there government? We have a lot of tools at our command, like SONYMA and Fannie Mae. All of these organizations and financial institutions can be allowed and empowered to do things. We did it in the '80s with the Resolution Trust Corporation.⁶² When the banks were in danger, or some banks had "lived above their means" and had "not been responsible corporate citizens," we found it necessary to bail them out. Why is there difficulty looking at the people who put us in office in the same way?

SARAH LUDWIG: Yes, it is an ironic position for the mayor to take, because the city actually has been for the last two years very much involved in a foreclosure prevention program through HPD, citywide not for profits and community based groups. The city actually has a program that is winding down, called PACE, standing for Preserving Assets and Community Equity.⁶³ It was kind of a pilot or test program to see if we could integrate foreclosure prevention, outreach and education with legal services and post purchase counseling. The program works with not-for-profits and also melds efforts by the city and by lending institutions to work intersectorally. This has been a really interesting experiment, and you will be hearing some announcements very

When the banks were in danger, or some banks had 'lived above their means' and had 'not been responsible corporate citizens,' we found it necessary to bail them out. Why is there difficulty looking at the people who put us in office in the same way?

—James Sanders
New York City Councilmember

soon about a citywide program to be unveiled in coming weeks that is going to take what is good about what we learned in our two year pilot, but will go beyond that.⁶⁴ At the state level, there are many groups that have been working very hard over the past year and are part of the coalition called "New Yorkers for Responsible Lending."⁶⁵ There are a lot of NYRL members in the room. It is a coalition of a hundred thirty-five groups that have come together and asked, "How can we update New York State's laws to eradicate these abusive practices?" New York has an anti-

61 http://www.nyc.gov/html/nyc100/html/classroom/hist_info/mayors.html#koch

62 http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_0101_ely.pdf

63 <http://www.nyc.gov/html/hpd/html/pr2005/pr-10-18-05.shtml>

64 The program is the Center for New York City Neighborhoods. See www.nyc.gov/html/om/html/2007b/pr442-07.html

65 <http://www.nedap.org/programs/nyrl.html>

predatory lending law on the books. It was passed in 2002,⁶⁶ but it was just around the most egregious practices, and applied only to the highest-cost loans out there. We sat down and crafted principles-based legislation⁶⁷ around making sure that lenders have a legal duty to verify the affordability of loans, and that borrowers actually can afford loans, not just when made, but at any potential reset. It makes sure that there is a broker's legal fiduciary duty, and it has other features about which I am happy to answer questions. The interesting thing was, when we came up for air after drafting a model bill, which, by the way was introduced into the Assembly and we have high hopes it is going to pass through the legislature this year,⁶⁸ we got in touch with our colleagues in Minnesota and realized that we were doing the mirror image. That allowed us to see, as they were passing their law, what was effective and not in public discourse, and also to lift some of the language we needed to finish our model bill. It is a very similar effort because the problems are the same. We have these solutions to address them that are much more principles-based, rather than based around particular practices.

ATTORNEY GENERAL LORI SWANSON: I

am from Minnesota, so I can address the comments to your mayor... We all support the free market. This is America, and the free market is innovative, it creates products and is a good thing for America. But the job of government is to regulate the excesses of the free market when it goes awry. It is beyond dispute that the free market has not been working real well in this case. Public will is important, though. Any time you are going to try to pass legislation or address an issue, if you are too early it doesn't work. Before, community advocates saw these problems on the ground, but you had a whole lot of federal regulators primarily who said it was not a problem. And only when it started affecting Wall Street, and not just Main Street, did federal regulators start caring because, "Oh my goodness, the stock market's being affected. Now we have to care." It is important to have public will and public support. We tried to use those lessons in our legislation by getting as many people as we could to come out, getting people who maybe don't fit a particular model. We have people from the suburbs coming with big expensive homes in foreclosure. We also got the attention of a lot of legislators who saw this affecting their constituents, too. That is really important. On

Before, community advocates saw these problems on the ground, but you had a whole lot of federal regulators primarily who said it was not a problem. And only when it started affecting Wall Street, and not just Main Street, did federal regulators start caring because, 'Oh my goodness, the stock market's being affected. Now we have to care.'

—Minnesota Attorney General Lori Swanson

We all support the free market. This is America, and the free market is innovative, it creates products and is a good thing for America. But the job of government is to regulate the excesses of the free market when it goes awry. It is beyond dispute that the free market has not been working real well in this case.

—Minnesota Attorney General Lori Swanson

66 <http://assembly.state.ny.us/mem/?ad=011&sh=story&story=6545>

67 <http://www.nedap.org/programs/documents/2007ResponsibleLendingAct-billsummary.pdf>

68 <http://assembly.state.ny.us/leg/?bn=A+8972>

the need to regulate, as well, Harvard law professor Elizabeth Warren⁶⁹ has made a great point: this country would never allow a toaster to be sold with a faulty cord that had a one in five chance of burning down a house. Yet we allow mortgages to be sold that have a one in five chance of going into foreclosure. Generally, we as a country need to do a much better job regulating financial instruments. We are not doing it well enough and we need to do a better job, whether it is credit cards, mortgages, insurance, securities, you name it.

Harvard law professor Elizabeth Warren has made a great point: this country would never allow a toaster to be sold with a faulty cord that had a one in five chance of burning down a house. Yet we allow mortgages to be sold that have a one in five chance of going into foreclosure. Generally, we as a country need to do a much better job regulating financial instruments.

—Minnesota Attorney General Lori Swanson

SARAH LUDWIG: The personal responsibility issue comes up in conversations about this issue constantly. There is a quick way to summarize: Borrowers do not underwrite mortgages, lenders do.

ANDREA BATISTA SCHLESINGER: Senator Schumer and the Attorney General both mentioned the very powerful banking and lending industry. Are your regulatory attempts going to hit a wall when it comes to the power of this lobby? It doesn't seem that the power of the lobby is diminishing. You are taking this to different battlefields, but how do you anticipate the lobby reacting?

The personal responsibility issue comes up in conversations about this issue constantly. There is a quick way to summarize: Borrowers do not underwrite mortgages, lenders do.

—Sarah Ludwig, Neighborhood Economic Development Advocacy Project

COUNCILMEMBER JAMES SANDERS: We were defeated in the City Council. I put up the strongest law in the nation on predatory lending, Local Law 36 of 2002,⁷⁰ and we were absolutely defeated.

They took us to federal court and they struck us down.⁷¹ Our law was simple. It said two different things. It said financial institutions should not lend to anyone who cannot pay them back, which seems like common sense. Then we said, New York City should not do business with any banks that have these types of practices. The large banks took us to task. It was the invisible government that got into this and said we had to stop this at every step. They were making so much money from the super-exploitation that the large banks said, "Forget all of this, we have to go out ourselves. We cannot allow this bill to go forward. We will meet roadblocks."

ANDREA BATISTA SCHLESINGER: Attorney General?

ATTORNEY GENERAL LORI SWANSON: I think one of the problems is the Silent Majority. One of the things I have seen as Attorney General, is when an issue affects everybody, it does not affect anybody enough for them to show up and lobby for it.

69 <http://www.hno.harvard.edu/gazette/2003/10.30/19-bankruptcy.html>

70 http://www.sifma.net/leg_sec/nyc_pred_lend_opinion.pdf

71 <http://www.nyc.gov/html/law/downloads/pdf/pr012604a.pdf>

The single most important thing we had going for us on the law that we got passed was we had all the consumer advocates together under one umbrella through the auspices of my office. Those people worked it really, really hard: the ACORNs and the Legal Aids and the nonprofits. They really put their money where their mouths were. Never underestimate the power of the grassroots, either. We tried, through our office, to take on some pretty powerful interests: energy companies, cell phone companies, health care companies. They successfully killed those bills, because they have the might. But the best thing we had going for us was that grassroots effort. And people had their constituents show up. They called the legislators. I chalk this one up to that effort on the part of the grassroots. It really did work here. They were relentless in lobbying, and it worked.

RICHARD NEIMAN: I agree with that point about the public will. Though the enforcement of predatory practices is focusing on those minorities and minority neighborhoods that have been targeted, the reason I think this will become a national issue is headlines like in today's *Wall Street Journal*, "The United States of Subprime: Data Show Bad Loans Permeate the Nation; Pain Could Last Years."⁷² I think it will be felt by communities throughout the country.

[In Minnesota] the best thing we had going for us was that grassroots effort. And people had their constituents show up. They called the legislators. I chalk this one up to that effort on the part of the grassroots. It really did work here. They were relentless in lobbying, and it worked.

—Minnesota Attorney General Lori Swanson

ANDREA BATISTA SCHLESINGER: We planned that.

RICHARD NEIMAN: I think there will be a consensus. It will be very hard for large institutions to dispute that there needs to be more discipline and regulation with respect to underwriting standards. I think the debate will come around issues like SME⁷³ liability, fiduciary standards, the risks of class actions and preemption. But I think overall, there clearly will be a great deal of support.

SARAH LUDWIG: For the lending world or the financial institutions to publicly state there should not be a law requiring lenders to verify loans they make to borrowers are affordable will be an interesting moment. What they do behind the scenes is something else. The fact that we have to clamor for a law requiring the banks verify that borrowers have an ability to repay a loan is quite a mystifying thing, as well. But brokers have a duty to borrowers. We do a lot of community education outreach in our organization. Probably two and three times a week, we are out in neighborhoods meeting with existing homeowners and prospective homeowners. If you ask a room of a hundred people, "Does the mortgage broker you're working with represent your interest?" most people would say, "Yes, I think they do." There is a sort of trust people have in this real estate professional, and clearly it is not just brokers at play

⁷² http://www.sifma.net/leg_sec/nyc_pred_lend_opinion.pdf

⁷³ SME refers to small-to-medium enterprises or businesses.

here. But they played a very big role, and we really need to have a legal duty that they represent the interest of the borrowers, and not themselves.

ANDREA BATISTA SCHLESINGER: One last question and then we will go out to the audience. I have this “financial literacy” pet peeve. I know that Mark Winston Griffith⁷⁴ shares it, as well. I just got an email, for example, this morning, from an organization engaged in financial literacy that just got tons of organizations and banks to give them millions of dollars. Maybe I am jealous, I don’t know. Is there a risk that all of this effort will turn towards this kind of education and literacy of consumers and away from the obvious structural regulatory change that needs to happen? Obviously, it is important work. Many people here are engaged in that work. But is there a danger of emphasizing the financial education component of that, and giving institutions an easy way out?

SARAH LUDWIG: Well, that is where we have been for the last decade. You go to the regulators and you jump up and down, and you have people tell their stories, and you have documented evidence. It just goes on and on about how the harms are affecting not just individual home owners but entire neighborhoods, the entire state, the economy, your safety and soundness concerns, etc... You go to industry and you say to them, “Don’t you want to champion fair lending? Don’t you want to clean up this industry and be part of the solution?” And it’s like this eerie chorus that many of us heard for the last decade. “That’s why we need financial education.” And it is not to disparage financial education. It is a part, and a very important part, of the solution. But it is not the solution, and basically has been a displacement of incredible resources. A lot of financial institutions, depository institutions, charged with meeting the community credit needs of all neighborhoods they serve under the Federal Community Reinvestment Act⁷⁵ have, in the last few years, also said they are meeting community credit needs by funding financial education. It is just such a shifting of the burden. Again, people need to bear personal responsibility in buying homes, in refinancing their mortgages and all of their financial transactions. But we need regulation. “We’re going to teach you not to eat the toxic food” is something that Jean Ann Fox⁷⁶ at the Consumer Federation of America⁷⁷ likes to say about payday lending. It is convoluted and crazy, if you ask us, from a public policy perspective. What are we trying to do in terms of our government and our public sector if we are saying that people just need to be educated to avoid loans that are now called “ticking time bombs” and the like?

ATTORNEY GENERAL LORI SWANSON: Literacy, of course, is important, but these companies are talking out of both sides of their mouths. On one hand, they run billions of dollars in television and other advertisements luring people in, and then they try to blame the consumer by saying, “You should have resisted our marketing

74 <http://www.drummajorinstitute.org/fellow.php?ID=11>

75 <http://www.federalreserve.gov/dcca/cra/>

76 <http://www.ftc.gov/bcp/workshops/techade/bios/jafox.html>

77 <http://www.consumerfed.org/about.cfm>

efforts. You should have been more literate.” It is kind of like the health care debate, where the health care reform, the biggest thing HMOs say is, “Consumers are just using too much health care. If they would just stop going to the doctor, that would solve the crisis.” Same thing here.

ANDREA BATISTA SCHLESINGER: I’m being influenced. I’m going to stick to my rent stabilized apartment so I will not be susceptible to the marketing. I wanted to turn it out to questions, and, although these conversations often focus in the second part on the applications of the model policy to New York, we have with us a State Representative, Chris Perone, who’s in the Connecticut House of Representatives in Norwalk’s 137th Assembly District.⁷⁸ He is on the transportation, environment and higher education committees.

STATE REP. CHRIS PERONE: First of all, thank you for coming out. This is a terrific bill. Every question I have, “What are the impacts going to be? Who are the stakeholders? Who’s fighting it? Who’s not fighting it? Why aren’t they fighting it?” you answered really well. To the whole panel, I think you have had a lot of great things to say. My question really comes down to the ecosystem of what happens when a bill like this goes into law on the federal level. You were saying that somebody wants to introduce a bill on the federal level. The way a lobbyist works, the way their mind works, is sort of like shoot and fall back. If they cannot kill something on one level, they are going to fall back to the next thing, set up a blockade and try to get it again on the federal level. They will try to de-fang it or try to neutralize a lot of the good things that are happening on the state level. I am wondering how you’re working with the Congressman supporting this, and how you are working to try to head off some things that could possibly neutralize some of the good effect of this bill?

ATTORNEY GENERAL LORI SWANSON: I do not have a lot of confidence in Washington, DC, to be perfectly honest with you. I think there is so much gridlock, and it is very, very hard for things to get done. I talked about the number of lobbyists in Washington, the sixty lobbyists for every one member of Congress, most of whom are representing companies like these. It is tough. I am working with the Congressman from Minnesota on it.⁷⁹ But I do know what happens. They say the two things you do not want to see getting made are legislation and sausage. I think it is a tough process. My biggest goal is just making sure that, whatever happens, there is no preemption.

SARAH LUDWIG: Agreed on the preemption issue. As states start to enact strong,

[Financial] literacy, of course, is important, but these companies are talking out of both sides of their mouths. On one hand, they run billions of dollars in television and other advertisements luring people in, and then they try to blame the consumer by saying, ‘You should have resisted our marketing efforts. You should have been more literate.’

—Minnesota Attorney General Lori Swanson

⁷⁸ <http://www.chrisperone.com/>

⁷⁹ http://ellison.house.gov/index.php?option=com_content&task=view&id=114&Itemid=91

meaningful laws like we are trying to get in New York, like Maine⁸⁰ and Minnesota are, and North Carolina⁸¹ is not far behind, the pressure will build up over time, but we are not quite there yet. We need some more states to pass these responsible lending laws.

ANDREA BATISTA SCHLESINGER: We have a comment from Pamela Owens who is Director of Education and Training for the National Federation of Community Development Credit Unions where she developed the CDCU Institute⁸² and other training programs.

PAMELA OWENS: I am often asked, “If you had a place to move, where would you move?” I think I am going to move to Minnesota now. And Connecticut, which is a little closer, so that might be a wonderful thing. I just wanted to say to the Attorney General that I commend you on all the work that you have done. I have learned so much in your presentation. I especially want to say, “Thank you” for banning stated income loans. I heard of a situation about a month ago, where someone who works as a maid at a hotel in New York, her information was changed to say she was a domestic engineer. Her stated income went from about twelve hundred dollars a month, to somewhere around five thousand. Somehow, “domestic” got taken off, and “engineer” stayed. Her mortgage, which started out at about seventeen hundred, will reset next year. She will be one of the two million that have it reset, and it should be somewhere around thirty-seven hundred, or thirty-eight hundred dollars. We are talking and working and trying to help her with the situation. I am just so impressed with the work you have done. I just wanted to say, in terms of financial education, I love financial education. I am a big proponent of it, as is our organization. It is kind of funny, because in the last year we have found so much money out there for financial education programs. Everyone has told us this is the answer to the mortgage crisis. We said, “What about the responsibility of all of these mortgage organizations, these financial institutions?” “Oh no, no! The money has to be given to pre- and post-purchase counseling, because if the consumers just read those agreements they would understand.”

ANDREA BATISTA SCHLESINGER: I think the Drum Major Institute is going to go into a new business. If the progressive think tank thing doesn't, you know... Do we have a question in the back here?

AUDIENCE MEMBER: I am wondering, to what extent does gentrification play a role in this process, particularly in communities where there has been a great deal of refinancing of loans? There is always the other side of the coin. There are the foreclosures, but then someone is snapping up those properties. I am wondering if there have been any studies, or if anyone has looked at communities that are undergoing significant changes, and whether or not there is a relationship between

80 <http://www.docmagic.com/compliance/high-cost-memos/maine>

81 <http://www.responsiblelending.org/policy/state/north-carolina/page.jsp?itemID=28009875>

82 <http://www.cdcu.coop/i4a/pages/index.cfm?pageid=385>

the change and predatory lending?

COUNCILMEMBER JAMES SANDERS: I can speak of the 31st District, in my area: Laurelton, Springfield Gardens, Rosedale, and the Rockaways. The crisis is, in one sense, too new to see who is buying, but we have seen disturbing trends. We have seen that the city is solving every social problem that it has in my community... These developers are now turning into renters. They are renting to anyone who has money. They are going to the city and saying, “What programs do you have? We will take them all.” You are changing into a situation, not as much as gentrification, but you are looking at what Dr. Wilson⁸³ was talking about when he explained “the concentration of poverty.” We are coming up with other problems where you are over-impacting communities and the very weak civic structure that they have to absorb folk who have many needs. We are starting to see that as a problem. In all probability, we will see gentrification as time goes on, when the speculators come in, when they feel that the bottom has been reached and they start snapping up these programs. But right now we are seeing another problem, which is threatening.

When you look at the data, income is not a predictor for high cost loans... But minority neighborhoods and minority communities are three to four times more likely [to get these loans]. Then, when you think about what is involved in gentrification—contractors, developers who are providing linkages to financing means—it provides real opportunities for targeting of subprime products.

— Richard Neiman
New York State Banking Superintendent

RICHARD NEIMAN: There is a connection between gentrification and subprime lending. When you look at the data, income is not a predictor for high cost loans, using that as a term for subprime. But minority neighborhoods are minority communities are three to four times more likely [to get these loans]. Then, when you think about what is involved in gentrification—contractors, developers who are providing linkages to financing means—it provides

real opportunities for targeting of subprime products. The anecdotal information is just one after another.

SARAH LUDWIG: Professor Been,⁸⁴ are you researching this? The NYU Furman Center⁸⁵ is looking at the relationship between subprime lending and foreclosures and the gentrification effects on neighborhoods. So we’ll be hearing from the Furman Center when it issues its report on exactly the topic that was raised. We do a lot of mapping at our organization, and a lot of research in foreclosures.⁸⁶ Look at where the foreclosures are most heavily concentrated. You can beam down to the street level, and there are some blocks in parts of central Brooklyn, for example, where there are five to ten foreclosure actions filed in a one block area. Parts of Bushwick, same thing. East New York. Certainly we have mapped out the Queens Councilmember’s district. If you think about the displacement that is involved there,

83 http://aaas.fas.harvard.edu/faculty/william_julius_wilson/index.html

84 <http://its.law.nyu.edu/faculty/profiles/index.cfm?fuseaction=cv.main&personID=19774>

85 <http://www.law.nyu.edu/realestatecenter/>

86 http://www.nedap.org/programs/research_mapping.html

as the Attorney General said, this is affecting all communities throughout her state. It is affecting all communities throughout New York State. The issues manifest themselves differently, depending on the community and the real estate market. Because there is such a strong interest in buying up these properties, many of them brownstones, it is maybe not fueled by pressures of gentrification, but it is certainly connected very directly with gentrification. These longtime homeowners are being displaced, new people are coming in, paying a lot for these homes, and you can just imagine the cycle that entails.

The financial institutions are trying to convince you to take your equity out of your home. If you are always taking your equity out of your home, sooner or later you will not own the home. You will be a high class renter.

— James Sanders
New York City Councilmember

ANDREA BATISTA SCHLESINGER: We are going to skip ahead to another question because there are so many hands.

AUDIENCE MEMBER: My father and mother bought their first home with a subprime loan and it worked out just great. Subsequently, my father developed

two problems. He developed diabetes, and then he had a beat-up old car. When he refinanced, he bought a brand new car. When I explained to him what he was doing makes no sense, and I explained to him the dynamics of what it means to be a landlord, a homeowner, he said, “Well, I’m not a businessman. I don’t understand how this works.” And that is when it hit me. My father has refinanced three times since, with predatory loans, despite my better advice. I understand there is nothing I can do or say that will prevent him from buying. Whatever he wants, he is going to get, instead of attending to his health or attending to his other credit card problems, for example. The only reason he is even solvent right now is because he is in a union. Besides whatever my government can do, how do you prevent a regular Joe like him—from buying whatever he wants and from being that impulse buyer? The second thing, I think it is a misnomer to labeling a person like my father a “homeowner.” The industry is set up to make you buy houses. Its method of wealth accumulation is not necessarily to own a home and let it build equity. It is to buy a home, flip it, buy a home, flip it, buy a home, flip it. In that process, you will make money. I think the dynamics of the industry are set up to be a house buyer, instead of a homeowner. Is that a correct assessment? Could some solutions in government possibly address house buying as opposed to home owning?

COUNCILMEMBER JAMES SANDERS: From where I sit, there is very little government can do to force a person to act in what we would feel is a responsible fashion. We can have education. You can put things out where the lenders would be held liable if they do things. You would have a more controlled market under those conditions, and that is just not in the cards right now. Your other point, I believe, was the question of home ownership: “Who really owns the home?” if you wish. I do believe that that is a real problem, especially as the financial institutions are trying to convince you to take your equity out of your home. If you are always taking

your equity out of your home, sooner or later you will not own the home. You will be a high class renter.

ANDREA BATISTA SCHLESINGER: Gentleman in the back with the purple shirt.

AUDIENCE MEMBER: Thank you for this wonderful presentation. I am intrigued by Sarah Ludwig's comment. It would be anomalous for a bank to object to being required to verify that it expects to be repaid on its loan. Of course they would, because it would create an affirmative defense in litigation.⁸⁷ That is exactly why they would not want that to happen. This brings to mind my next question of a secondary means, perhaps a primary means of regulation, a more free market approach, which is tort and lawyers suing and lawyers defending. Given the track record of the federal government as a regulatory agency, leaving a large part of that regulatory burden upon private litigation may be a very helpful thing. It certainly was helpful in many respects in Title VII,⁸⁸ civil rights litigation, and in many other types of litigation for equity and fairness. I am wondering if anybody on the panel would like to comment on to what extent creating mechanisms, for example, attorney's fees, provisions, things of that nature, would facilitate private enforcement of defenses against predatory lending.

ATTORNEY GENERAL LORI SWANSON: One problem we have, it is not just that the federal regulators are not on the side of the consumer, they are actually against the consumer in many cases. Twelve times over the last three years the office of the Comptroller of the Currency,⁸⁹ which regulates national banks, filed friend of the court briefs,⁹⁰ not on behalf of the consumers they are supposed to be protecting, but on behalf of the banks that they are supposed to be regulating. In Minnesota we filed a lawsuit against Fleet Mortgage for selling people's private information to telemarketers,⁹¹ and the OCC came in with an amicus brief saying, "State Attorney General, you ought not to be able to prosecute that lawsuit on behalf of our client," the entity they were regulating, who they deemed to be their client. In our bill in Minnesota, we allow for a private right of action⁹² for violations of all the things I just described. I am a fan of the more cops on the beat, the better. When the squad car is parked on Main Street, people tend not to speed. If the federal government wants to do something, that is fine, but I do not want them to preempt the states. I think competition and turf wars are good things because hopefully if someone does not do their job, someone else will. We have the private right of action so consumers can bring their own lawsuits, as well, if the government is not enforcing the law.

87 http://en.wikipedia.org/wiki/Affirmative_defense

88 <http://www.eeoc.gov/policy/vii.html>

89 <http://www.occ.treas.gov/>

90 <http://legal-dictionary.thefreedictionary.com/Friend-of-the-court-brief>

91 <http://query.nytimes.com/gst/fullpage.html?res=9506E0D9173BF933A05751C1A9669C8B63>

92 A private right of action is the legal right of an individual to initiate a lawsuit if they have been harmed by a violation of the law.

SARAH LUDWIG: The New York State model bill, which was introduced in the assembly as Assembly Bill 8972-A,⁹³ also has a private right of action and attorney’s fees as part of its enforcement mechanism.

ANDREA BATISTA SCHLESINGER: Is there a question up front?

ALLISON TUPPER: My name is Alison Tupper,⁹⁴ and my question is about the con artist element of it. In the stories you have told, the mortgage brokers are lying to their clients. If I were a con artist and told you that I found a thousand dollars, and if you give me two hundred I will give you the thousand, you would put me in jail. Is this not the same for these people? Are they being prosecuted?

COUNCILMEMBER JAMES SANDERS: To be honest, they have been seemingly rewarded. Instead of going to jail, they are not only given the money, they are given even more. I do not see any real attempt to systemically go after them.

SARAH LUDWIG: There was a law passed last year by the state legislature called the Home Equity Theft Prevention Act,⁹⁵ that was originally and in model bill form drafted by New Yorkers for Responsible Lending. This law does make it a crime to steal someone’s house through a foreclosure rescue scam. It had to be criminalized in New York State, because one of the side effects and major consequences of the foreclosure crisis is creating a cottage industry of sleazy, unscrupulous outfits promising to bail people out of foreclosure. Really they are intending to steal people’s homes and all the equity that they have had in them, if any. That is now a crime. Now we have got to work on getting our District Attorneys’ offices to enforce this law. Of course, it only became effective this year, so it pertains only to scams perpetrated on people after February of this year.

ANDREA BATISTA SCHLESINGER: Last question, up front?

AUDIENCE MEMBER: There are two parts fueling this, as I see it. One is lack of access to credit for people who need to borrow. Elizabeth Warren talked about how nobody is earning enough, so how do people get access to credit? This guy’s father is borrowing because he needs the money. The second half is why has the foreclosure process not halted in any of this? Why are there not defenses to foreclosure like, “Excuse me, this loan is a fraud.”

SARAH LUDWIG: There are defenses to foreclosure. Sometimes, when we are talking to people in foreclosure, they do not realize they have defenses. There is a whole lot that comes with that. There are definitely defenses to foreclosure, and a lot of legal services people, including some in this room, spend all of their waking hours helping people defend against foreclosure actions in court.

93 <http://assembly.state.ny.us/leg/?bn=8972A>

94 <http://www.actnowny.org/2008/01/12/allison-tupper/>

95 <http://www.banking.state.ny.us/hetpyrul.pdf>

ANDREA BATISTA SCHLESINGER: I know there are others who have questions, and I am sure the panelists will stay as long as they are able to, and then the conversation, as always, continues on the DMI blog.⁹⁶ I wanted to first, thank you, and then ask you to wrap up. And you can, of course, say anything you like, as long as it is under two minutes. I want to ask as a guiding question: This is a national issue. It is

constantly in the national press of late. If you were advising a presidential candidate to make a statement to develop a policy, what would that advice be? What does somebody at that level need to be saying and thinking about so we can address what is a systemic problem at all levels?

We have now been faced with one of the largest financial crises that we have seen since the S & L crisis. This crisis is so complex and so widespread, I cannot think of another issue that will require such a coordinated effort among community groups, industry groups, government, and philanthropic groups if we are ever to get to a solution. And it is not one solution. It will be a series of steps at the local, state, and national levels.

— Richard Neiman
New York State Banking Superintendent

SARAH LUDWIG: These are always tough questions. When we think about the situation we have to think about it in two forms. You have to think about prospectively making sure these practices

are outlawed, or prohibited. We also have to make sure millions of people who have been aggrieved by abusive lending practices are made whole, or assisted, or get into the best possible situation they can. Any presidential candidate has to think about helping those already aggrieved by getting the servicers to the table to make sure people can modify their loans. All these adjustable rate mortgages that are adjusting upward this quarter are expected to become a deluge. People are going to end up unable to afford the mortgages while facing foreclosure in more record numbers than we have already had. We need to make sure that the servicers and the investors find ways to work with borrowers to make these loans fair with thirty year fixed rates for the rest of the life of the loan. They have to understand they are going to take losses, and they need to do business very differently now. Prospectively, we need laws like the Minnesota law at the federal level. We need a national standard, like what the model New York State law says, as well. It needs to have two key things. If we are going to have a national standard, it has to be a national standard with teeth. That means it has to have some form of what we refer to as “assignee liability.”⁹⁷ The purchasers of the loans need to have some liability to borrowers. It has got to make sure there is no preemption of state laws, and that it is a floor, not a ceiling.

RICHARD NEIMAN: We all know the phrase, “if you don’t learn from history you’re bound to repeat it.” One of the lessons we learned from the greatest financial crisis this country had seen in a while, the S & L crisis,⁹⁸ was that it a result of the liberalization of the lending activities of thrifts. Also, the S & Ls learned very quickly most of those losses were the result of keeping those loans on their books. They learned that they should remove those loans as quickly as possible. As a result, we have now been faced

96 http://www.dmi blog.com/archives/2007/10/liveblogging_the_marketplace_o.html

97 http://www.responsiblelending.org/pdfs/ib020-Assignee_Liability-1004.pdf

98 <http://www.fdic.gov/bank/historical/s&l/>

with one of the largest financial crises that we have seen since the S & L crisis. This crisis is so complex and so widespread, I cannot think of another issue that will require such a coordinated effort among community groups, industry groups, government, and philanthropic groups if we are ever to get to a solution. And it is not one solution. It will be a series of steps at the local, state, and national levels.

The biggest issue is philosophical: Is the government going to represent the interest of ordinary people or not? We have a great squeeze going on for ordinary people, a financial squeeze on the middle class. The costs of everything are up. Health care is up, tuition is up, utilities are up. Income is not up. We have a lot of ordinary people falling through the cracks. It really is a values issue.

— Minnesota Attorney General Lori Swanson

COUNCILMEMBER JAMES SANDERS: I of course agree with the previous speakers on this. A resolution trust has to be created. The federal government should take the lead, not simply in dealing with the problem. We have to make sure these financial institutions cannot do this again. As soon as people turn their backs, these financial institutions are going back into these markets again. There is so much money to be made, that this is akin to a pyramid scheme. One can argue that as long as there are people you can bring in, they will continue to do this. We have to give the people something more besides the “let the buyer beware,” as our President is currently saying. We need regulations to insist this does not happen again. Something as simple as moving all financial institutions under the umbrella of the CRA is a step.

ATTORNEY GENERAL LORI SWANSON: First of all, I just want to thank everyone in the room who is on the ground helping ordinary consumers deal with these problems. The situation is going to get worse before it gets better, as loans originated in '05 and '06 are reset. Thank you for your work. You are doing important work. The biggest issue is philosophical: Is the government going to represent the interest of ordinary people or not? We have a great squeeze going on for ordinary people, a financial squeeze on the middle class. The costs of everything are up. Health care is up, tuition is up, utilities are up. Income is not up. We have a lot of ordinary people falling through the cracks. It really is a values issue. Are you going to have a president who is on the side of ordinary Americans, or are you going to have a president who is going to give more to people who already have a lot? It is important that government help level the playing field for ordinary people. To me, it is less about any particular issue, because issues come and go. But it is about a philosophy. Thank you very much.

ANDREA BATISTA SCHLESINGER: Thank you all for coming, and a round of applause for our fantastic panel. Up next in the Marketplace of Idea series is the District Attorney from Dallas on exonerating the innocent, and in November we will have the Mayor of Boston on turning vacant buildings into affordable housing. The key, as we have seen here today: it is possible to have public policy that is progressive, that is effective, and that can work.

[END]

WHO IS THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY?

**DRUM
MAJOR**
INSTITUTE FOR PUBLIC
POLICY

The Drum Major Institute for Public Policy is a non-partisan, non-profit think tank generating the ideas that fuel the progressive movement. From releasing nationally recognized studies of our increasingly fragile middle class to showcasing progressive policies that have worked to advance social and economic justice, DMI has been on the leading edge of the public policy debate. Founded during the civil rights movement, DMI equips those on the frontlines with the tools to more effectively advance an agenda of social and economic justice, including research, model policies, policy-driven Web sites, and even young talent. For more information, please visit www.drummajorinstitute.org

BOARD OF DIRECTORS

William B. Wachtel
Chairman & Founder

Rev. Dr. James Forbes
Vice Chairman

Deborah Sagner
Secretary

Morris Pearl
Treasurer

John Catsimatidis

Bruce Charash

Cecilia Clarke

Sandra Cuneo

Jennifer Cunningham

Rosanna M. Durruthy

Stuart Feldman

Matthew Goldstein

Robert F. Kennedy, Jr.

Martin Luther King, III

Daniel T. McGowan

Bernard Nussbaum

Tom Watson

Randi Weingarten

Jennefer Witter

Andrew Young, III

STAFF

Andrea Batista Schlesinger
Executive Director

Amy M. Traub
Director of Research

Elana Levin
Communications Manager

Harry Moroz
Research Associate

Kia Franklin
Civil Justice Fellow

Lauren Su
Operations Manager

Mark Winston Griffith
Senior Fellow, Economic Justice

John Petro
Policy Analyst, Urban Affairs

Penny Abeywardena
Director of Strategic Relations

Suman Raghunathan
Immigration Project Coordinator

Veronica Gonzalez
Administrative Associate

Tsedey Betru
Director of DMI Scholars

Bani Dugal
Corinne Ramey
Cristina Jimenez
Kaitlin McGovern
Matt Graham
Tyler McClelland
Interns

ALSO FROM DMI

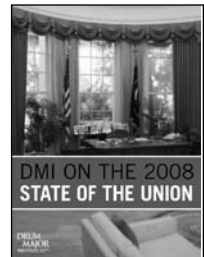
THEMIDDLECLASS.ORG 2007 CONGRESSIONAL SCORECARD

March 2008 / Did your representative make the middle-class grade? DMI takes a closer look at the decisions made by Congress in 2007, from the one-year freeze to prevent the Alternative Minimum Tax from hitting middle-income families to the filibuster that originally torpedoed a minimum wage increase, and the trade bill that put the interests of multinational corporations before the concerns of middle-class Americans. Examining 13 bills in detail, this report assigns a grade to each Member of Congress based on his or her votes for or against the middle class.



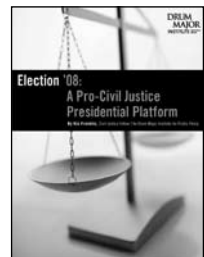
DMI ON THE 2008 STATE OF THE UNION

January 2008 / The more Americans demand change, the more President Bush's State of the Union address stays the same. DMI examines the President's domestic policy agenda in-depth and finds the same worn out ideology that has repeatedly failed America's middle class, from inadequate proposals to address the home mortgage crisis to a stimulus package that favors pet projects over proven methods of generating economic growth. Future leaders will determine whether the President's distorted worldview lives on and continues to afflict the nation.



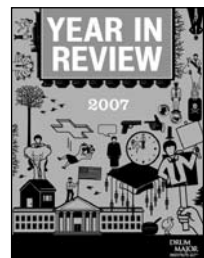
ELECTION '08: A PRO-CIVIL JUSTICE PRESIDENTIAL PLATFORM

January 2008 / Our civil justice system empowers citizens to advocate for their rights and protect themselves against undue harm, ensuring that everyone, even powerful corporations and our government, abides by the rule of law. The report outlines common-sense steps the next president can take to improve access to the civil court system, from establishing a right to civil counsel in certain critical cases to creating a presumption that federal laws will not preempt state regulations that protect public health and safety, economic fairness, and social justice.



THE 2007 DMI YEAR IN REVIEW

December 2007 / It's hard to turn a big ship. Many of the worst shocks of 2007 were the continued fallout of years of wrong-headed right-wing policy to deregulate, starve the public sector, and privatize at every opportunity. But the minimum wage hike, increased aid to students, and green initiatives at the state and local level provided new hope. DMI 2007 Year In Review explores the year's best and worst public policy, looks at six snapshots of the nation and provides a recommended reading list for progressives. Also included: a hawk's eye view of what the think tanks on the conservative right are up to, and, as always, the 2007 Injustice Index.



LESSONS FROM THE MARKETPLACE: FOUR PROVEN PROGRESSIVE POLICIES FROM DMI'S MARKETPLACE OF IDEAS

May 2007 / In Maine, moderate-income residents buy prescription drugs for as little as half the retail price. In San Francisco, some violent criminals are 82 percent less likely to commit new crimes after their release from prison. In Minnesota, the public can reclaim subsidies when economic development incentives don't produce the promised results. In Oklahoma, 92 percent of four-year-olds attend a high-quality public preschool. This report recounts how these successful policies got started, and how they can

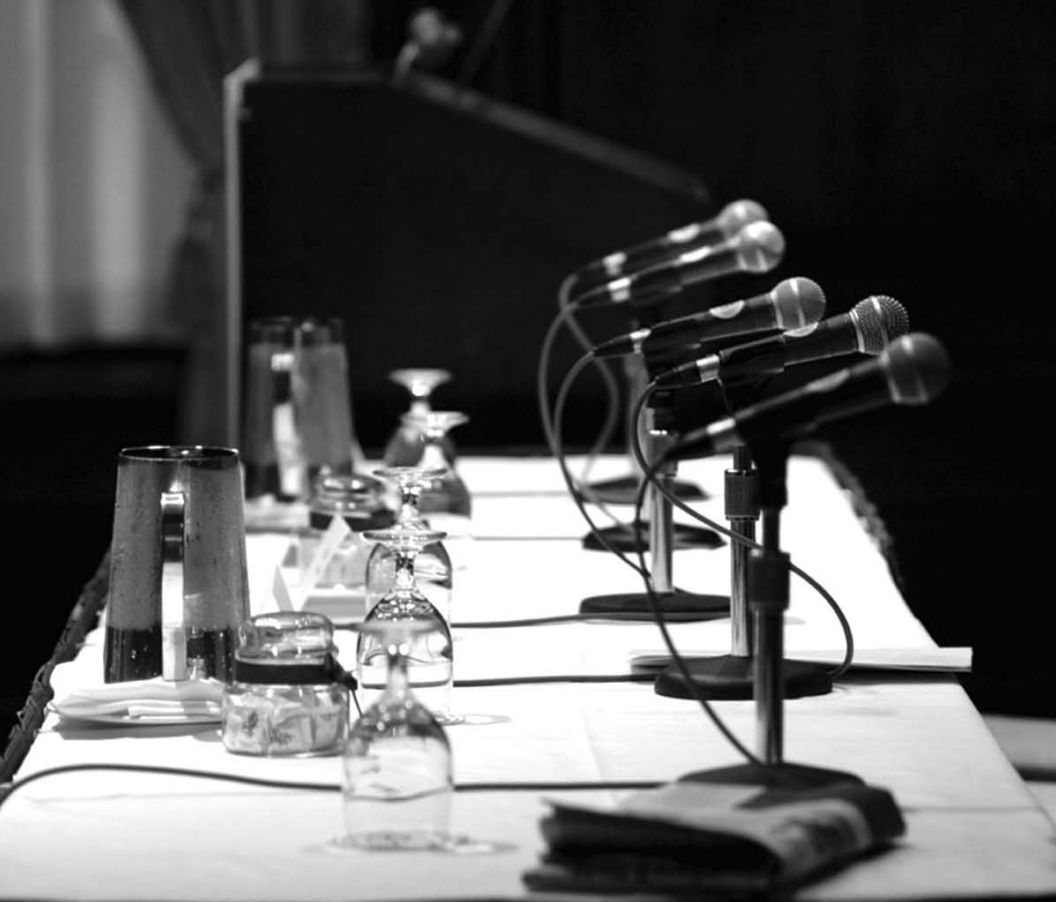


Marketplace of Ideas

In the Marketplace of Ideas, we don't just talk about problems, we highlight policies to address them and the policymakers that made them work.

"The Drum Major Institute's recent forum on increasing accountability and developing better uses for economic development subsidies with Minnesota State Senator John Hottinger was both informative and enlightening. I found it so useful to hear about the ideas of both colleagues in government and well-informed advocates about effective legislation in other states, particularly Minnesota's progressive and far reaching bill."

—NEW YORK STATE SENATOR LIZ KRUEGER



Ideas We've Brought to Market

For more information, please visit

<http://www.drummajorinstitute.org/events/marketplaceofideas.php>

- **Preventing Predatory Mortgage Lending**
with Minnesota Attorney General
Lori Swanson
- **Increasing Accountability For Economic Development Subsidies**
with Minnesota State Senator
John Hottinger
- **Getting Special Interest Money Out of State Elections**
with Arizona Activist
Dennis Burke
- **Combating Global Warming through Congestion Pricing**
with London Deputy Mayor
Nicky Gavron
- **Making Prescription Drugs More Affordable**
with Maine State Senator
Sharon Treat
- **The Power of Restorative Justice**
with San Francisco Sheriff
Michael Hennessey
- **Rehabilitating Vacant Buildings Into Affordable Housing**
with Boston Mayor
Thomas Menino
- **Holding Corporations Accountable for Their Fair Share of Employee Health Costs**
with Maryland State Senator
Gloria Gary Lawlah
- **Preventing Wrongful Convictions and Exonerating the Innocent**
with Dallas District Attorney
Craig Watkins
- **Lowering the Cost of Insurance**
with California Activist
Harvey Rosenfield
- **Strengthening the Labor Movement**
with Service Employees International
Union President
Andy Stern
- **Making Health Care Universal**
with Former Vermont Governor
Howard Dean
- **Promoting Access to Pre-School Education**
with Oklahoma State Senator
Penny Williams
- **Leveraging Government to Protect the People**
with Former New York
Attorney General
Eliot Spitzer
- **Tackling Environmental Injustice through Legislation**
with U.S. Congresswoman
Hilda Solis
- **Confronting the Need for Massive School Construction**
with Concordia Incorporated Founder
Steven Bingler

