

NATIONAL
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\$230 Billion Approved for Bank Bailout; \$0 for Homeowners Facing Foreclosure

*Major Actions to Avert Major Economic Crisis Continue to Avoid Central
Problem of Foreclosure Crisis*

Washington, DC – Last week the Federal Reserve approved \$230 billion in financial assistance to banks, including a \$30 billion loan directed to investment bank Bear Stearns. Those are the first major actions to bail out several large banks for irresponsible lending practices that have predisposed millions of families to foreclosure, destabilized the US economy and global markets, and now are exposing the Federal government to billions of dollars worth of risky assets.

While quick action was taken to keep big banks afloat, millions of homeowners have been allowed to continue to sink into foreclosure without any meaningful assistance. Current interventions have relied heavily on repayment plans and other minor modifications that do not sustain homeownership, and largely push the problem into the future.

The underlying problem is massive foreclosures caused by deceptive loan products to families. Helping families would directly contribute to shoring up the housing markets, financial system, and economy. But instead, banks are being bailed out and it will do nothing to shore up the collapsing housing market.

“It’s frustrating to see working families ignored, while billions of dollars begin to flow to bailout the institutions that caused the problem,” said NCRC President & CEO John Taylor. “The Administration is not concerned with the moral hazard of encouraging financial institutions to pursue

reckless and irresponsible behavior that endangers the American taxpayer and economy,” said Taylor. “But they are completely ready to punish working families using ‘moral hazard’ as the excuse.”

The newly proposed rules proposed by the Federal Reserve Board to address unfair and deceptive lending practices “acknowledges the widespread existence of predatory lending,” said John Taylor, NCRC’s President & CEO. “The fact is that millions of borrowers are facing foreclosure because of outdated regulatory consumer protection that has not kept pace with changes in the market,” stated Taylor.

But while tougher rules will protect against future irresponsible lending practices, they do not address past abuses that have left homeowners in unsustainable loans. Immediate intervention is needed to ensure that mounting foreclosures do not drive the economy into a sustained recession.

The National Community Reinvestment Coalition has proposed a major initiative called the Homeowners Emergency Loan Program or HELP Now. That program essentially purchases loans from securitized pools at a steep discount and applies the discount to the outstanding loan amounts allowing for substantial loan modifications or refinancing. The plan uses federal funds as a recoverable advance.

“We need a plan that will immediately address the foreclosure problem in this country today. It is wrecking not only our neighborhoods but the entire economy. No American will be left untouched by this crisis,” said John Taylor at NCRC’s annual conference last week.

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The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.