

## Cleveland Activist: 'A Devastating Decade'

*These are excerpts from testimony by Barbara Anderson, a Cleveland resident, and the treasurer of the Predatory Lending Action Committee of Empowering and Strengthening Ohio's People (ESOP), which was formerly known as the East Side Organizing Project, a community organization that originated in the southeast side of Cleveland.*

... ESOP's model is different from most, if not all, other foreclosure prevention counseling agencies. Chief among those differences is that we combine direct action organizing in order to secure an agreement with our loan counseling efforts. Indeed, the secret to our success is direct action organizing to secure written agreements that, most importantly, designate one specific person empowered to negotiate and change the loan terms to keep a family in their home.

Since 2001 when we began keeping track, ESOP's agreements have kept more than 2,500 people in their homes. For 2007, to date, we have assisted more than 400 families and are bracing for the "October Surprise" that will actually hit in January 2008.

I want to spend a few minutes and give you a sense of just how devastating the last decade has been due to the regulators abdicating their responsibility and abusive lenders entering the market place. The following statistics were put together by Paul Bellamy, a fair housing expert in Cleveland. They paint a very grim picture. Consider:

- Ohio's foreclosure rate is three times the national average and the highest of all states.
- Data from 12 of the 13 largest Ohio counties indicate that 2006 foreclosure filings increased by an estimated 25% over 2005, with an estimated 80,000 foreclosure filings.
- The volume of foreclosures is expected to grow much faster in 2007 and 2008 because of the number of subprime ARM [Adjustable Rate Mortgage] loans that will be reset at

much higher rates. In 2005, subprime loans accounted for about 13% of the mortgages issued nationally, compared to almost 28% (more than double) of the mortgages issued in Ohio. Subprime loans account for 18% of all outstanding Ohio mortgages currently held by the secondary market and other loan servicers. Despite representing less than one of five outstanding mortgages, subprime loans account for 70% of all foreclosures.

- The most common type of Ohio subprime mortgage is a "2/28" loan. These loans are sold with low initial "teaser rates" that are fixed for the first two years. Beginning in year three, the interest rate increases as often as every six months, so the monthly payment grows dramatically. Often, these loans are not underwritten to anticipate the inevitable rate escalation. In 2007 and 2008, roughly \$14 billion of these 2/28 subprime loans are going to reset in Ohio, impacting some 150,000 to 200,000 mortgages.

- Many borrowers with 2/28s and other ARMs can't refinance or sell to avoid default because their property is not worth what is owed. All too often, their original mortgage was based on an inflated appraisal. In 2006, six of Ohio's eight major metropolitan areas experienced depreciating real estate values between 3.5 and 7.7%—well above the U.S. average of 2.7%...