UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
WRITTEN HEARING TESTIMONY ON
"AN EXAMINATION OG HE HOUSING CRISIS IN MICHIGAN 11 YEARS AFTER THE RECESSION, HEARING DATE: AUGUST 2, 2019

Introduction and Problem Examination

We cannot move forward until we look back and truly understand the catalyst for the ongoing housing crisis that still plagues our country, and has hit the City of Detroit, and Michigan extremely hard. I am drawn back to the hearings in the House Judiciary on Foreclosed Justice: Causes and Effects of the Foreclosure Crisis, held on December 2, 2010 and December 15, 2010. I am quoting from the transcript from Representative Trent in response to my testimony:

> "But the end result, Ms. Fluker is correct; the end result is that. Because of government involvement here and the lack of market discipline that seems to hold the system together, we are in a situation now where banks have an incentive oftentimes to foreclose rather than work thing out with the homeowner. And I think there is something desperately wrong with all of that." Pp. 522.

This government funded foreclosure trend, with Fannie Mae, Freddie Mac, and FHA paying banks full mortgage balances to banks and financial institution when for mortgage foreclosures that disparately minorities, especially African Americans, closely followed by Hispanic populations, senior citizens and the working poor. Programs designed to assist homeowners to retain their homes failed, such as the such as the Making Homes Affordable Program, as banks and their servicers after being infused with billions of government dollars, chose to litigate these cases to remove distressed homeowners with the aid and intervention of the federal government, placing homeowners in a losing battle, instead of engaging in loss mitigation in accordance with the law.

The banks created this crisis and to date have not been held accountable for the tremendous loss of minority wealth, especially Black wealth, through real property loss. This outrageous conduct sets the stage for other abuses such as the land contracts and deed for contract. We must be very clear, it is not only the investors involved but quasi-governmental entities, such as Fannie Mae, Freddie Mac and HUD, in their quest to sell properties which they obtained post-foreclosure, who are bringing a significant percentage of eviction cases in Detroit.

I have one such case right now that is truly egregious as the single mother purchased a home via a deed of trust, putting a $9000.00 deposit down agreeing via a written contract for deed for trust to pay $1000.00 per month. This home was foreclosed and owned by Fannie Mae. The woman discovered this when she was illegally locked out and all her personal property discarded, including her deceased daughter's ashes. At no time during the course of this legal battle has Fannie Mae attempted to work something out to save the home. No, they have consistently over and over tried to have the woman and her children evicted, despite them paying $1400.00 per month into a court escrow. The victim, the defrauded individual is being treated as a criminal, when she only wanted someplace for her children to call home. This case is ongoing right now.

If the issue of homeownership trends, the impact of tax foreclosures and installment contracts are to be addressed and placed in the proper perspective to create effective solutions, these issues cannot be analyzed in a vacuum, but must be done reviewing the totality of the circumstances. This includes the banks' role in creating this scenario, and their ongoing role of keeping this crisis going through continued foreclosures, failing to provide fair reasonable mortgages to minorities, and failing to work with minorities to retain housing. Instead, they continue with their foreclosures and sale to investors, who then resell the homes to unknowing families, in many instances via abusive installment contract transactions.

The Historic Role of Banks and Current Solutions

The role of banks in the housing crisis is undeniable, yet the banks received hundreds of billions in bailout funds, and other incentives that made foreclosures and predatory lending very profitable.

Interestingly, many of the same banks including **J.P. Morgan, RBS-Citizens Bank, Lehman Brothers, Bank of America, Wachovia (now owned by Wells Fargo) and Barclays were also funders and fianciers of the Black historic slave trade in the United States.** This predatory and oppressive process against Black Americans has been ongoing with the biggest financial institutions. There are many discussions regarding reparations and whether appropriate or viable solutions. In communities such as the City of Detroit, banks should be made to pay reparations for the destruction and elimination of Black wealth through the improper and illegal dispossession of real property from black property owners. These funds should be specifically provided to Black communities, with the community groups, not developers and government officials serving their interests who are tainted by their sanctioning of and participation in the foreclosure process, deciding what is best for each community to revitalize and restore homeownership, viability and stability to black communities. In a community like the City of Detroit, where government funds, and retiree pensions were sucked out by the same banks who destroyed neighborhoods and then placed the city in predatory loan instruments producing a bankruptcy that bailed out the banks at the expense of the city's workers and retirees, there must be an infi\usion of funds to bring the community back in functional and effective fashion. The banks should be the first line contributors, as it was the discriminatory and illegal practices of the banking community that resulted in the trillions in black wealth loss through real property loss.

Once the communities are infused and stabilized, the need for alternative financing such as abusive installment contracts will be minimized as will the tax foreclosures. There must be a financial contribution to this problem, and the creators of the problems should be providing funds to correct the wrong and losses incurred as a result of the wrongs. We cannot just sit by and act as if this problem will correct itself. People are being foreclosed and evicted at record rates here in Detroit, and if we do not address these issues immediately, out homeless population will continue to skyrocket, as well as the continue demise of a viable black community. I have attached as Exhibit 1, a fact sheet providing important statistical data related to the number of foreclosure in Detroit and the impact on population and other significant information that must be considered when addressing the housing crisis issue.

Respectfully submitted,

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EXHIBIT 1

**REPORT ON CITY OF DETROIT CONDITIONS
IN LIGHT OF FORECLOSURE CRISIS BROUGHT ON BY PREDATORY AND RACIST LENDING PRACTICES OF BANKS & FINANCIAL INSTITUTIONS**

Mortgage Foreclosures

1. More than one in three Detroit homes were foreclosed the between the years 2005 and 2015. Since 2005, 139,699 of Detroit's 384,672 homes were foreclosed because of mortgage defaults or unpaid taxes.
2. There have were 65,000 mortgage foreclosures since 2005 and 2015. This doesn't include so-called zombie foreclosures in which lenders initiated foreclosure, and may have evicted tenants, but abandoned proceedings before they were complete. Zombie foreclosures were more prevalent in Detroit than anywhere else in the United States.
3. Fifty-six percent of all mortgage foreclosures are now blighted properties or have been foreclosed again for nonpayment of taxes; 13,000 homes are slated for demolition at a projected cost of $195 million.
4. Of the 84,000 properties on the city's blight list, 76 percent are foreclosures.
5. Homes sold for $22,000 on average in Detroit in 2014, down 73 percent from the peak before the housing crash and the lowest among 50 big cities. Detroit's decline in property values cost homeowners an estimated $1.3 billion in lost personal wealth.
6. OF Detroit's population fell by nearly 240,000 residents from 2000 to 2010, with the bulk of the population loss occurring after 2005.
7. Of all mortgages written in 2005 in Detroit, 68 percent were subprime, compared to 27 percent statewide and 24 percent in the U.S., meaning that they were at interest rates at least 3 percentage points higher than the national mortgage interest rate.
8. In Detroit, which formerly enjoyed the highest rate of African-American homeownership of any U.S. city, $4 billion in subprime loans were written in the four years before the 2008 housing and financial crash. 78 percent of foreclosed homes financed through subprime loans are now in poor condition or tax foreclosed.All banks and lenders were active participants in the subprime market because the rate of profit on subprime loans when sold to investors was eight times greater than the comparable rate on traditional fixed-rate loans.
9. Fannie Mae and Freddie Mac, government corporations operated by the Federal Housing Finance Agency, are listed as the foreclosing entity on 7,700 homes in Detroit, of which 46 percent and 58 percent are respectively blighted or abandoned.
10. The Federal Housing Authority was listed as the foreclosing entity on 2,453 homes in Detroit, of which half are blighted or abandoned.
11. Fannie Mae, Freddie Mac and the FHA stand behind the banks that actually foreclose on homes, with the government then paying the banks the full value of the inflated mortgage after foreclosure.

Statistics from Detroit News Special Report on Foreclosures, June 2015

According to the Wasted Wealth Report published by the Alliance for a Just Society in May 2013, ,primarily as a result of the foreclosure crisis and its disproportionate impact on people of color, From 2005 to 2009, white median net worth fell 16% to $113,149, but net worth fell by 66% for Latinos to $18,359, and 53% for African Americans to $12,124. In 1995, the ratio of white to Black wealth was 7-to-1. In 2004, it was 11-to-1. By the reported end of the Great

Recession 2009, it had ballooned to 19-to-1. For Latinos, the White-to-Hispanic wealth ratio was 7-to-1 in 2004. Five years later, it was 15-to-1.
Across the US, the African American home ownership rate declined from just under 50% in 2004, to 43% in 2013. – State of Housing in Black America, 2013.

Tax Foreclosures

1. Between 2011 and 2015, one in four properties in Detroit was foreclosed on for unpaid property taxes by the Wayne County treasurer, a number not seen since the 1930's depression.
2. Detroit has approximately one-third fewer occupied homes now than ten years ago.
3. Property tax rates are calculated based on the home's tax assessment.
4. Despite the Michigan Constitution explicitly providing that no property can be assessed at more than 50 percent of its market value, between 2009 and 2015, 55 to 85 percent of homes in Detroit were over-assessed. The taxes levied based on the inflated assessments on these homes and the ensuing foreclosures for unpaid taxes that occurred, were in blatant violation of the Michigan Constitution.
5. Home property values in Detroit declined from $80,000 in 2007 to less than $20,000 in 2011, and are at around $30,000 today.
6. Thousands of Detroiters who should have not been paying property taxes due to entitlement to the poverty tax exemption have lost or not are in danger of losing their homes due to tax foreclosure.

Study by Professor Bernadette Atuahene 2017 on Detroit Unconstitutional Tax Foreclosures

Home ownership decline in Detroit -- *Per U.S. census bureau statistics –*

349,170 households in Detroit in 2010 x 54% home ownership rate = 192,043 – home owners

232,780 households in Detroit in 2016 x 45% home ownership rate = 104,751 –home owners

Evictions in Detroit

1. Detroit has averaged 35,000 eviction cases a year since 2009, despite the city losing an estimated 41,000 residents since 2010. The News mapped the addresses of nearly 109,000 cases filed between January 2014 and August 2017 and found areas of the city hit much harder than others.
2. Families in one out of five Detroit rentals face eviction every year.
3. Last year, just 4,174 addresses were registered and inspected, in a city the U.S. Census Bureau estimates as having 140,000 rental units. That's down from the 5,235 addresses the city said were registered 10 years earlier under former Mayor Kwame Kilpatrick.
4. Judges don't require landlords to prove they've registered and passed city inspections before ruling on eviction cases. In 2015, for example, only one of every 13 eviction cases was filed on an address legally registered with the city.
5. Since 2014, when Mayor Mike Duggan took office, the city has issued fewer than 5,000 tickets for landlords who didn't register. That's fewer than the number of tickets written for residents for improperly placed garbage cans during that time, as of last month.
6. Even when landlords are found responsible for blight violations, they frequently avoid paying fines. Nearly 85 percent of "rental" blight violations, amounting to almost $2 million in fines, remain unpaid from that time frame.

7. Entity filing most eviction cases in 36th District Court between 2009-2017 – Fannie Mae/Freddie Mac (i.e. the federal government) with 7,353. Most of the evictions happened between 2010 and 2013, tapering off after that. The News found in a 2015 investigation 46 percent of Fannie Mae's Detroit foreclosures were blighted, needed to be demolished or were foreclosed for unpaid taxes. For Freddie Mac, that number was 56 percent.

Detroit News Special Report on Evictions, October 2017.

Detroit Bankruptcy

1. The City of Detroit was pushed into bankruptcy as a result of fraudulent bond deals imposed on the city by the banks supported by the credit agencies they funded.
2. These bond deals included interest rate swaps on the City of Detroit's pension obligation certififcates, in which Bank of America and UBS netted $300 million in termination fees between 2008-2015 by benefitting from their own mortgage fraud when interest rate collapsed in 2008. City casino tax dollars went directly to US bank and bypassed the City treasury to insure payment of these termination fees During the bankrutpcy, Judge Rhodes allowed these banks another $809 million in termination fees on these interest rate swindles.
3. Of the 7.1 billion in debt reduction accomplished through the Detroit bankruptcy, $3.85 billion was accomplished by the virtual gutting of retiree health benefits, with expenditures reduced from $4.3 billion to $450 million. An additional $1.7 billion came through cuts in pension payments, with the city not even contributing directly to the pension fund for the next 10 years. Thus, a total of $5.5 billion, or 78% of the total bankruptcy relief, came off backs of the city's retirees, despite the fact their pensions were supposed to guaranteed under the Michigan constitution.
4. Along with the gutting of their health benefits, General city retirees received a 4.5% cut in base benefits and 15.5% additional pension reduction if they are subject to the annuity recoupment. In addition, cost of living annual increases are eliminated, adding another approximately 20% to the real reduction in pension payments.
5. The Jones Day lawyers and their consultants pocketed $170 million in fees and then left town and returned to their palatial estates.

Water Shutoffs

Water shut-offs since Detroit first launched an aggressive campaign to collect on delinquent accounts in 2014:
2014 – 33,000
2015 – 23,200
2016 – 27,552
18,000 faced shutoff this year
Bridge Magazine, May 2, 2017

The Detroit Water and Sewerage Department issued $1.1 billion in bonds to fund infrastructure repair in 2011-2012. Of the that amount, $537 million was used to pay termination fees on interest rate swaps (swindles) to banks such as Chase, Citi, Goldman Sachs, Bank of America, UBS, etc.

Median income in Detroit per U.S. Census Bureau Statistics

Median Income – 2016 – *U.S. census bureau statistics*

Detroit -- $28,099 --

Livonia -- $71,692

Warren -- $46,249

(Livonia and Warren figure in the calculation for the Annual Detroit Metro median income of $56,142 used in affordability calculations in the new Detroit Affordability ordinance.)

In 2015, when Detroit's median income was $25,980, 21.2% of Detroit households had income less than $10,000, 19.5% had incomes between $10,000 and $20,000, and 14.7% had incomes between $20,000 and $30,000.

Median per capita in come in Detroit in 2015 was only $14,446 in 2015, compared to $33,123 for all of Michigan

Poverty in Detroit *per U.S. Census Bureau Statistics* **–**

Poverty rate --all people below the poverty line, which for a family of four is $24,563.

Detroit – 2016 -- 35.7% 2015 – 39.8% (Michigan 15%)

Under 18 years old, Detroit -- 50.8%*

Detroit remains the poorest big city in the nation, just above Cleveland, where the poverty rate was 35 percent.And a deeper look at the income data suggests the incomes of Hispanic and white Detroit residents grew significantly more than blacks, who make up 79 percent of the city, said Kurt Metzger, a demographer and director emeritus of Data Driven Detroit. The 2016 income data shows the gains were seen by Hispanic and white residents, although the survey data for whites was just within the margin of error, he said. The income rise wasn't statistically significant for blacks, Metzger said. (Taken From Detroit News, September 2017)

Hardest Hit Homeowner funds

The federal government has appropriated $7 billion to assist struggling homeowners remain in their homes from 2010 to the present. These funds are the poor's pittance from the $700 billion bank bailout.

Of the $760 million sent to Michigan, $380 million have been diverted to "blight" removal, with little supervision over the Detroit land banks and other entities who manage the blight removal projects. There have been numerous investigations, criminal and civil, documenting the fraud by these entities.

In contrast, homeowners are subject to rigorous restrictions and regulations I getting access to these funds. As a result, of the thousands of homeowners facing tax foreclosure in Wayne County in 2017, according to Step Forward figures only 193 received assistance via the Hardest Hit program.

Many of the same banks who were perpetrators of the racist, predatory lending practices that led to the massive foreclosure epidemic and the destruction of over 50% of Black wealth that ensued, also implicated in the slave trade, including, but not limited to: J.P. Morgan, RBS-Citizens Bank, Lehman Brothers, Bank of America, Wachovia (now owned by Wells Fargo) and Barclays.

This gives even more significance to the demand for reparations to rebuild our communities and implement a real Green New Deal, with funds not to developers, but to community organizations and unions representing the people.