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Tags : Foreclosures, Wells Fargo

Wells Fargo Faulted for Record on Failed Mortgages

Posted on 13 May 2010 by The Hartford Guardian

New America Media, News Report, Anuja Seith

SAN FRANCISCO—When consumer activists protesting Wells Fargo's record on home mortgages gathered recently at Justin Herman Plaza, they brought with them a black coffin topped by yellow tulips.

But the coffin didn't contain a body. Organizers said it was meant to represent the depths of the recession and the extent of the foreclosure crisis.

The inscription on the coffin, "Five million homes and eight million jobs lost," spotlighted an epidemic of foreclosures they said are turning the American dream of owning a home into a nightmare.

A coalition of faith, labor and community organizations called the action to target Wells Fargo's annual shareholders' meeting, taking place a few blocks away in the city's financial district.

Outside protesters complained that big banks like Wells Fargo have received billions of taxpayer dollars but have not used the money to help homeowners struggling with their payments. Inside the meeting, Wells Fargo executives announced first-quarter profits of \$2.55 billion.

"People are very upset with the banks for continuing with their risky lending practices and awarding exorbitant bonuses to their executives," said Steve Smith, spokesperson for California Labor Federation. "It was these very practices that led to the collapse of the economy."

Struggling homeowners with Wells Fargo mortgages were among the demonstrators.

"I was a real estate agent, but the collapse of the market affected my business and I took up another job that left me earning 60 percent less than what I was making earlier," said Antioch resident Domingo Delgadillo. "I am now pushing for modification of my loan so that I can keep my home where I have lived for 10 years."

But Delgadillo says Wells Fargo doesn't want to help him. They've sent him an application for a short sale, which would allow Delgadillo to sell his home for less than his outstanding mortgage.

The Antioch resident is hardly alone, according to Adam Kruggel, director of the Contra Costa Interfaith Supporting Community Organization, which brought Delgadillo to the rally.

"According to the Department of Treasury, they have offered permanent loan modifications to less than 8 percent of the families who qualify and need a loan modification under the federal HAMP program," Kruggel said. "They need to do better and they need to be held accountable."

HAMP is the Home Affordable Modification Program, a federally funded effort that pays banks to adjust mortgages for homeowners at risk of foreclosure.

Community groups also said big banks like Wells Fargo have a history of targeting minority communities with predatory, high-cost loans.

"In Contra Costa, 80 percent of the foreclosures during the first two years of the foreclosure crisis were due to subprime loans that were targeted to Latinos and African-Americans," Kruggel said. "People of color were targeted for the predatory loans, so they bore the greatest impact of the first wave of foreclosures."

A recent report by the National Association for the Advancement of Colored People (NAACP) estimates that

communities of color could lose \$213 billion in the foreclosure crisis.

Among the large financial institutions with home mortgage business, Wells Fargo has been one of worst subprime lenders, Kruggel said.

"Wells Fargo has a horrific record of targeting people of color for subprime loans, regardless of their income or credit," he said.

"They also have a horrific record of denying conventional loans to low- and moderate-income communities of color," he added.

A report released last month by the organization National People's Action found that Wells Fargo originated \$27.8 billion in subprime loans at the height of subprime lending in 2006, funding approximately 185,000 subprime home mortgages.

Using data made public under the Home Mortgage Disclosure Act, National People's Action found that while African-American and Latino borrowers together accounted for only of 11 percent of Wells Fargo's lending volume, they accounted for 25 percent of the company's \$47.5 billion high-cost refinance lending business.

Earlier this month, the NAACP agreed to drop a class action lawsuit against Wells Fargo after the bank agreed to give the civil rights group access to its lending records.

The NAACP had alleged African Americans were forced to pay loans at interest rates 30 percent higher than whites.

In settling the case, Wells Fargo also agreed to work with the NAACP to improve fair credit access, sustainable homeownership and financial literacy for communities of color.

However, Wells Fargo stressed that as a fair and responsible lender Wells Fargo does not tolerate discrimination and is making every effort to keep its borrowers in their homes.

"Wells Fargo is focused on doing what we can to provide solutions for our clients facing financial distress," said Chris Hammond, the bank's senior vice president for communications.

Hammond said Wells Fargo has organized seven homeownership preservation workshops across the country. At an Oakland event from April 26 to 27, there were "200 Wells Fargo team members on-hand to assist mortgage customers who may be facing financial difficulties," he said.

But the community groups who turned out to protest Wells Fargo said those outreach events aren't enough.

The federal government, they said, needs to take steps to force the banks to deal with struggling homeowners. President Barack Obama's HAMP was meant "to give incentive to lenders to encourage principal reduction, a key motivator to keep people in their homes. However, representatives of some of the biggest banks have gone to Congress and refused to do so," said Liz Ryan Murray, senior policy analyst at the National People's Action.

The activists are calling on the federal government to impose a moratorium on foreclosures until 50 percent of HAMP-eligible families get assistance.

They also want foreclosed properties to be given to public groups, non-profit or city agencies who can sell them at affordable prices to local residents.

Kruggel noted that after the Great Depression, Americans launched a massive movement to regulate financial institutions and build community banks around the country.

"These changes laid the groundwork for a period of great prosperity that lifted millions of people out of poverty," he said. "We need action with the same urgency and boldness today."

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