

# Foreclosure crackdown irrational

Early on, there was a distinct class overtone to the foreclosure debacle. Some media - remember Santelli's "deadbeat" rant on MSNBC? - tried to get us to believe that it was single moms on welfare, missing mortgage payments on their doublewides, that brought down Bear Stearns and

Lehman Brothers.

## GUEST COLUMN



GEORGE R. HAUSEN, JR.

That meme was intended to make it easier for us to believe, like the execrable skinflint Henry F. Potter in "It's A Wonderful Life," that home ownership for the rabble was an impossible dream planted by starry-

eyed liberals.

Remember, though, how we got here: unvarnished greed and a scorn for meaningful regulation. This was not Uncle Billy misplacing the building and loan's payment. Potter-esque banks and mortgage companies marketed predatory and questionable subprime loans to unsuspecting homebuyers on ridiculous terms and then bundled and securitized these risky loans for sale to the other masters of the universe in the under-regulated financial markets. Potter was a piker compared to the level of avarice and deception at work here.

In the ensuing economic downturn with consequent job losses, we now know that over 162,000 households in the state already have missed or been late on at least one mortgage payment this year. North Carolina will see 70,000 foreclosures in 2011. Indeed, over \$5.2 billion - yes, with a B - of home equity has evaporated in North Carolina since 2008.

Each additional foreclosure in your neighborhood causes an exponential drop in the market

value of the surrounding homes. Reduced home prices mean diminished revenues for local governments and school boards. Plummeting values can place many households "underwater"; that is, the bank is owed more than the house is worth in the market.

Local Legal Aid attorneys, with ongoing support from the Z. Smith Reynolds Foundation, have kept thousands of families in their homes and preserved tens of millions of dollars of home equity by fighting off the banks and their assorted Potters. Our modern George Baileys have accomplished this, not by resort to the courts (not initially at least), but through a process called loan modification. On any given day our organization has more than 900 cases in the loan mod process.

Loan modifications, or loan mods, as the term implies, are simply negotiated adjustments to the loan contract such as the rate, the deficiency, the principal, or a combination of those. The Potter-like banks often sense a "moral hazard" in the loan mod process even when it leaves them whole. Loan mods, however, work: The banks get cash, families get to stay in their homes, and property values don't suffer as much. An angel gets new wings with every loan mod...

Your chances of getting a mod improve greatly if you have a lawyer from Legal Aid or other competent legal representation. It's unfortunate, but Legal Aid has but 130 lawyers to serve the entire state. And the task is daunting. We face an ever-expanding poverty population, and over 3.2 million eligible clients. Our clients (median household income \$11,000, family of four) also are scrambling for the other legal services we provide - domestic violence restraining orders, debt-collection defense, protection against evictions and loss of subsidized housing

vouchers, unemployment compensation benefits, education, wills, benefit denials and appeals such as Medicaid, etc.

In defiance of seeming economic rationality and, indeed, common sense, banks have continued to pursue foreclosures, even if it means owning properties with a greatly depressed value. Astoundingly, as the crisis has deepened the banks have, somehow, become more aggressive. Their lying on affidavits has caused moratoriums on the whole process in some states. Lying is the least of their perfidy. Channeling their best Potter imitations, even the so-called legitimate creditors, like Bank of America, have now resorted to such sordid and illegal tactics as padlocking occupants from their homes and belongings even before the foreclosure process has run its course.

Legal Aid will stay the course, but we are not the solution. Someone needs to commit an act of big government. What we need is a moratorium on foreclosures. The Attorney General currently is investigating bank bad behavior and we hope a much needed and much deserved moratorium is the result.

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