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MADIGAN AND JACKSON URGE HOMEOWNERS IN TROUBLE TO MAKE THE CALL

Attorney General's study shows that 70 percent of homeowners in danger of losing their homes are not working with their mortgage company

Chicago – Attorney General Lisa Madigan and Reverend Jesse Jackson, Sr., in an effort to stem the rising tide of Illinois home foreclosures, today urged homeowners in danger of losing their homes to “Make the Call” to their mortgage company or a housing counselor.

A recent study by Attorney General Madigan’s office and an 11-state foreclosure prevention working group found that 70 percent of those in danger of losing their homes were not in discussions with their mortgage companies. The study underscored the importance of keeping the lines of communication open. Of the homeowners who have contacted their mortgage companies, the study found that almost half are working toward modifying their mortgage loans and, as a result, staying in their homes.

According to Madigan’s study, many homeowners fall behind on their payments within a few months of receiving the loans, well before the low initial interest rates (or “teaser” rates) reset upward. This finding verifies that lenders and brokers have been putting borrowers into loans they could not afford in the first place.

“Homeowners behind on their payments should not feel embarrassed,” said Madigan. “The facts of this crisis prove that it’s the mortgage companies whose greed and reckless lending has fueled the huge increase in foreclosures.”

“Homeowners should not be embarrassed or afraid to make the call to get help if they are in danger of falling behind and heading toward foreclosure,” said Jackson.

To prevent homeowners in crisis from losing their homes to foreclosure, Madigan and Jackson urged them to immediately contact:

- A HUD-certified housing counsel for assistance in working out a solution with the lender (Madigan's office can provide names and numbers for these counselors);
- Their mortgage company, whose contact information is found on their monthly mortgage statement;
- Rainbow PUSH at 773-373-3366; or
- Attorney General Madigan's new **Homeowners' Referral Helpline** at 1-866-544-7151 for guidance on avoiding mortgage foreclosure. Madigan's helpline is staffed from 8 a.m. to 7 p.m. Monday through Thursday and 8 a.m. to 5 p.m. on Friday.

Attorney General Madigan also directed homeowners to her Web site at www.IllinoisAttorneyGeneral.gov, to access her Illinois Mortgage Lending Guide, a resource manual containing step-by-step instructions for those struggling to make their loan payments and a list of HUD-certified counseling agencies that offer default counseling services.

Homeowners who do not have easy access to the Internet should call the Attorney General's Helpline, and they can have the guide sent to them quickly by mail.

"People are losing their homes in numbers not seen since the Great Depression, effectively erasing the gains in homeownership made over recent years," Madigan said.

"We have to work together – advocacy organizations, housing counselors and government agencies – to provide assistance to families in crisis so that they can stay in their homes," said Jackson.

An estimated 1.7 million adjustable rate subprime loans are scheduled to reset across the nation through 2009, including subprime loans held by approximately 200,000 Illinois homeowners. These resets will result in additional foreclosures in Illinois and across the country.

Illinois is among the top 10 states nationally for foreclosure activity. In 2007, Illinois experienced 90,782 foreclosure filings, a 25 percent increase in foreclosure activity over 2006, according to RealtyTrac, a national foreclosure data service.

According to the study by Madigan's office and the 11-state foreclosure prevention working group, the impact of a foreclosure reaches far beyond the homeowner and lender involved. While devastating for the individual homeowners and their families, foreclosures also have a negative effect on the property values of neighboring homes. The Center for Responsible Lending estimates neighborhood property values nationwide will decline \$202 billion due to subprime foreclosures, resulting in a loss of approximately \$5,000 for each homeowner living near a foreclosed property. Similarly, the Woodstock Institute found that each foreclosure within a city block of a single family home reduces that home's property value by approximately one percent.

Cities and states are suffering the economic burden of foreclosures, as well. A study by the Joint Center for Housing and Economic Policy found that each

foreclosure involves more than a dozen municipal agencies and can cost the city up to \$30,000 per property. A joint study from Congress recently found that the latest waves of foreclosures in Illinois will cost the state more than \$81 million in lost property tax revenue. That same study projected that the foreclosure crisis will cost the state a total of \$5.4 billion in lost property values and tax revenue by the end of 2009. Madigan and Jackson also called on the federal government to stop shielding the lenders and instead use its power to find innovative ways to keep families in their home, including large scale refinancing programs similar to those implemented during the Great Depression.

“President Bush’s recent announcement that six major lenders will suspend filing foreclosure proceedings for 30 days is woefully inadequate and does nothing to address the core problems underlying this nation’s mortgage crisis,” said Jackson.

Bush administration policy has long sanctioned the national banks’ position that they do not have to answer to the states, Madigan and Jackson noted. Federal regulatory agencies have installed a regime that blocked state efforts to clamp down on the increasingly reckless lending practices of national banks.

At the same time, those same federal agencies failed to provide any meaningful oversight of a lending industry spiraling out of control. The resulting regulatory vacuum left lenders free to aggressively push loans to homeowners who could not afford them, chiefly to feed Wall Street’s increasing appetite for investment vehicles. “Now everyone—homeowner and investor alike—is suffering the consequences,” said Madigan.

Madigan and Jackson pledged to develop targeted outreach to the African American and Latino communities that are disproportionately and hardest hit by the mortgage crisis. A recent study by the *Chicago Reporter* found that African American and Latino homeowners were far more likely than white homeowners to be put into a subprime loan. According to that study, high cost loans accounted for three out of every five home loans sold to Chicago-area African Americans in 2006, while high cost loans accounted for two out of every five mortgages sold to Latinos that year. Even when compared to the poorest white borrowers, the wealthiest African American homeowners were still more likely to end up in subprime loans

In response to the *Chicago Reporter* study, Attorney General Madigan has launched an investigation into whether the disproportionately high number of high cost loans sold to minority borrowers is attributable to lending practices that violate any Illinois fair lending or civil rights laws.

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