Congress Hears Testimony on Housing Crisis, But No Solutions

Developments on Capitol Hill continue to reflect the fact that Congress has still not gotten the message from the population, that it must act to save the homeowners and the banks, but *not* the hedge funds. Legislative efforts have been focussed on pushing through a so-called FHA (Federal Housing Administration) modernization bill in the House of Representatives. Otherwise, hearings on the mortgage crisis became a platform for the likes of Federal Reserve chairman Ben Bernanke to claim that the mortgage crisis would soon blow over, and that the "fundamentals were sound."

The House, on Sept. 18, passed by a 348 to 72 vote, HR 1852, called a "comprehensive reform of the Federal Housing Administration." This Act would put the FHA in the subprime mortgage lending-insurance business, allowing it, for the first time, to insure mortgage loans which involve no initial down payment, are issued to "high-risk" borrowers, and are what are colloquially called "jumbo loans," up to 125% of the average home price, even in "high-cost states" like California, Florida, etc.

EIRNS/Stuart Lewis

"For Sale," "Auction," and "Foreclosure" signs are popping up everwhere; this photo was taken in Leesburg, Virginia.

The comparable Senate bill, sponsored by Connecticut Democrat Chris Dodd (a devotee of Felix Rohatyn), has already passed the Senate Banking Committee.

At the Sept. 19 meeting of the Joint Economic Committee (JEC), chaired by New York Democrat Sen. Chuck Schumer, a dramatic picture of the current crisis, as it is reflected in the housing debacle, was presented. Schumer himself said he expected 2 million households to face foreclosure over the next 12 months, and the crisis being caused by declines in housing prices was detailed by numerous witnesses. However, the level of "solutions" proposed amounted to the equivalent of a Consumer Protection Agency for mortgages—i.e., nothing.

We excerpt here, the testimony of two witnesses before the JEC. One, from the CEO of the Center for Responsible Lending, provides a broad review of the current foreclosure crisis. The second, given by a housing attorney for the Massachusetts Law Reform Institute, presents a little-known picture of how renters are being affected by the subprime mortgage crisis. Although neither witness touches the crucial fact that it is the whole financial system, not just subprime mortgages, which is blowing out, they give a sensuous picture of a slice of the social problem being created, which will get much worse, unless LaRouche Homeowners and Bank Protection Act is adopted soon.

Documentation

Subprime Lending Disaster Threatens Broader Economy

Testimony (excerpted and without footnotes) of Martin Eakes, CEO of Self-Help, and CEO of the Center for Responsible Lending, before the U.S Congress Joint Economic Committee, on the "Evolution of an Economic Crisis? The Subprime Lending Disaster and the Threat to the Broader Economy," Sept. 19, 2007.

Chairman Schumer, Ranking Member Saxton, Vice Chair Maloney, and members of the Committee, thank you for holding this hearing to focus on how the alarming rate of losses on subprime mortgages is affecting consumers, the U.S. economy, and global financial markets. We commend you for focusing on the problem and seeking positive solutions.

I testify as CEO of Self-Help (www.self-help.org) which consists of a credit union and a non-profit loan fund. . . .

Self-Help is a subprime lender, and our loan losses have

been less than one percent per year. We are small compared to the commercial finance companies that have produced most subprime loans, but we, too, provide mortgages to people who have lower incomes and credit blemishes. The biggest difference is that we avoid making loans that begin, from the first day, with a high chance of failing; we assess whether the borrower can pay the loan back; and we structure the loan in a way that promotes sustainability. This is Risk Management 101, a course that lenders in the prime market have followed for decades.

In addition to my experience with Self-Help, I am also CEO of the Center for Responsible Lending (CRL) (www.responsiblelending.org) a not-for-profit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. We work with many other concerned groups to eliminate predatory lending practices and encourage policies that protect family wealth.

During these past few months—as subprime foreclosures shot up to alarming levels, as over 100 mortgage companies closed their doors and laid off tens of thousands of employees, as investments collapsed and banks on several continents felt compelled to take action—the mortgage industry has tried to downplay the enormous damage caused by reckless subprime lending.

I. State of the Market

Today I want to make these points:

- The rate of foreclosures on subprime loans is severe.
- The problem of foreclosures on subprime mortgages is widespread, and has already had a significant negative impact on people with and without subprime mortgages, as well as the economy at large.
- Subprime foreclosures will get much worse in the near future.
- Tightening of credit has been caused by an industry that has run too loosely and without sufficient regulation.
- Market forces are not correcting the situation.
- The impact on homeowners is devastating. We provide one real-life example out of millions. . . .

III. State of the Market—Discussion

A. The foreclosure problem is severe.

Every credible quantification of subprime foreclosures reveals that the problem is severe. The 2nd Quarter National Delinquency Survey, recently released by the Mortgage Bankers Association (MBA), shows that foreclosures on all types of loans have increased, but, as expected, foreclosures in the subprime market are most severe. New foreclosures on subprime adjustable-rate loans in the second quarter 2007 are **90%** higher than the same time last year, compared with a 23% increase on prime fixed-rate loans.

At the same time, the MBA's "point in time" foreclosure statistics mask the extent of the foreclosure problem, because their figures fail to include the high number of subprime loans that were originated recently and have yet to enter their peak foreclosure years. CRL issued a study in December 2006 ("Losing Ground") estimating that **one out of every five subprime mortgages made in 2005 and 2006 ultimately will end in foreclosure.** This projection refers to *actual homes lost not late payments or foreclosures started but not completed.*

When we released our report on subprime foreclosures, the lending industry claimed that our findings were overly pessimistic. Even today, the Mortgage Bankers Association continues to insist that the foreclosure problem is relatively small, and that only about 250,000 households with subprime mortgages will lose their homes. Their figure comes from a mis-reading of the research described in the Losing Ground report. . . .

By any measure, these estimates represent an epidemic of home losses. These foreclosures will not only harm the families who directly lose their homes, but the ripple effects have already begun to extend to the wider local, national and international communities.

B. The foreclosure problem is widespread.

The MBA's recent delinquency report also shows that mortgage loans entering foreclosure have increased in 47 states since this time last year. On average, the increases were 50% higher. Only four states—North Dakota, South Dakota, Utah and Wyoming—did not experience increases in new foreclosures. Less than two percent of the American population live in those states.

When releasing the survey, the MBA downplayed new foreclosures by focusing only on changes between the last two quarters. But any minor changes from one quarter to the next are largely meaningless. **The foreclosures occurring today are the worst they've been in at least 25 years.** In essence, the MBA's defense of a dismal situation is, "The house is on fire, but the temperature has dropped by three degrees in most rooms."

The MBA has also been quick to claim that the performance of subprime loans is primarily a result of local economic conditions, not loan products or underwriting practices. In fact, it is not an either-or proposition. Local economic conditions can affect house prices appreciation and unemployment levels, which affect foreclosure rates. However, subprime loans have typically included features that are known to increase the rate of foreclosure. Economic studies and empirical research also have shown that the incidence of foreclosure escalates quickly due to "layered risk" factors (e.g. low downpayments, high debt-to-income ratios, adjust-

able interest rates, etc.)—exactly the types of loans that have dominated the subprime market in recent years.

Furthermore, if local economic conditions were the dominant factor in subprime loan performance, then there would be little distinction between the performance of subprime loans and FHA loans, which are also aimed at riskier borrowers. However, the MBA's own statistics show subprime loans perform worse than FHA loans *in the same market* [**Table 1**].

Lastly, the MBA has claimed that defaults on non-owner occupied properties are the major driver for increased subprime foreclosures. However, 88% of foreclosures are suffered by people living in their primary residence. A higher rate of foreclosures on investor properties is not a new development—default risks have *always* been significantly higher for investor properties compared with owner-occupied homes. We question why the MBA is surprised by this result, if lenders were making subprime loans with loose underwriting standards to this even-riskier class of borrower. Moreover, this type of lending did nothing to increase homeownership, and instead fueled speculative home-buying, short-term runups in house prices, and now increased foreclosures and falling home values that are hurting all the families in these neighborhoods.

The cost of the subprime problem extends far beyond lost homes and ruined neighborhoods with dropping property values. Over 100 mortgage lenders already have gone out of business and thousands of workers have lost their jobs. It's harder for mortgage lenders and firms in other business lines to get credit from once-burned, twice-shy investors. The stock market is increasingly volatile and the housing market is facing its first national decline since house prices started being measured in the 1950s. All these factors spell slower (or even negative) economic growth in the U.S. and—with German banks worried about subprime loans made in Chicago—bleak prospects for help from players in other global financial markets. . . .

TABLE 1
Outstanding Loans in Foreclosure at End of 2Q 2007
(Percent)

	Subprime	FHA
Northeast	5.76	2.42
North Central	8.76	3.45
South	4.50	1.76
West	4.40	1.23
United States	5.52	2.15

Source: MBA National Delinquency Survey, 2Q 2007.

D. Tightening of credit has been caused by an industry that has run too loosely and without sufficient regulation.

The mortgage industry has argued for years that regulation of subprime lending would have the unintended consequence of restricting credit. Today it is apparent that the current tightening of credit has been caused by the *lack* of adequate regulation and the reckless lending that followed. If subprime lenders had been subject to reasonable rules—the kind of rules that responsible mortgage lenders in the prime market have always followed—it is safe to say we would have avoided the massive problems we are seeing today.

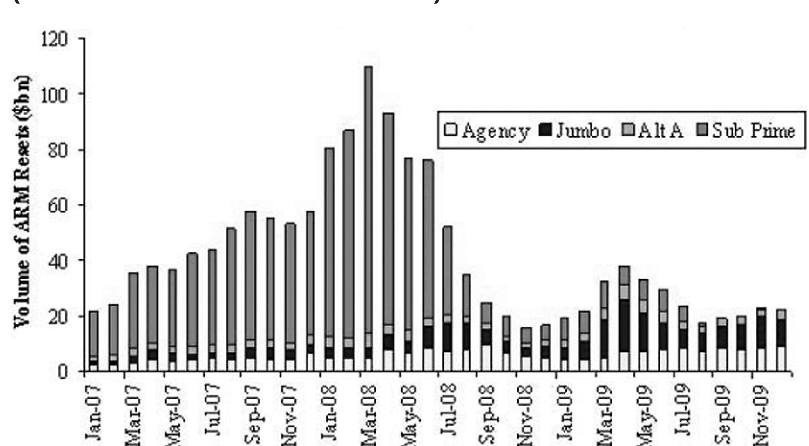
It is possible to structure subprime loans in such a way that homeowners have a high chance of achieving sustainable ownership. Unfortunately, that's not what most subprime lenders have done in recent years. In fact, they have done the opposite. Typical subprime mortgages have been refinances that include adjustable interest rates, prepayment penalties, and little or no documentation of the borrower's income. In the "Losing Ground" study, we examined subprime mortgages made from 1998 through 2003 to assess the relationship

C. Subprime foreclosures will get much worse in the near future.

It is important to recognize that while the rate of subprime foreclosures is alarming today, the worst is still ahead. With as many as 1.7 million foreclosures predicted to occur in the next two to three years, it is imperative that Congress take action to assist homeowners struggling today, not just protect future subprime borrowers.

Even with the recent modest cut in interest rates, many subprime borrowers will face 40 percent or greater increases in their monthly mortgage payments once their initial "teaser" rates expire and their fixed interest rates reset into higher-rate variable rates. As the chart below shows, a large majority of these rate resets will occur in early 2008 [**Figure 1**].

FIGURE 1
Monthly ARM Reset Schedule by Sector (Securitized + Non-Securitized)



between specific loan characteristics and the loan's performance. . . .

Some of these loan characteristics can work fine for homeowners when their lenders have carefully evaluated the loan's risk. For example, adjustable-interest rates are a reasonable option for families that are not already stretched to make their payments or those who expect a future increase in income. But in recent years, the subprime market became dominated by adjustable rate mortgages that allowed families no chance to sustain them: they were set only to go up, could not go down, and had such high margins (6% to 6.5%) over a cost of funds index (LIBOR) that they quickly jumped to highly unaffordable levels (currently 12% plus). Further, typical subprime loans included multiple higher-risk features that became even more lethal when packed together in one loan. The 2-28 subprime "exploding ARMs" comprised "nearly 80% of subprime originations in 2006."

For the past decade, subprime lenders have been aggressively marketing these dangerous loans and touting the easy availability of mortgages. Now, because of their actions, the market is tighter for everyone.

E. Market forces are not correcting the situation.

Normal market forces are *not* correcting the subprime crisis. That's because the subprime mortgage market as currently structured doesn't have adequate incentives to police itself; in fact, subprime lenders continue to have strong incentives to make harmful loans. Consider these facts:

- Mortgage brokers, who make approximately 70% of subprime mortgages, are not required to offer loans that are in the borrowers' best interests.
- Subprime mortgage lenders provide financial incentives (compensation for interest rate bumps, called "yield-spread premiums") to mortgage brokers for putting borrowers in higher interest loans than they deserve. Lenders also provide brokers incentives to include prepayment penalties costing thousands of dollars and carrying significantly higher chances of foreclosure.
- Lenders, until recently, reaped huge profits by ignoring a homeowner's ability to repay the loan and/or neglecting to document the homeowner's income.
- Unscrupulous lenders gain a competitive advantage over honest lenders when they *exclude* the costs of taxes and insurance from monthly mortgage payments.
- Lenders make more money when they steer people into subprime loans—even when those people are qualified for a lower-cost prime loan.
- Since loans typically pass from brokers to lenders to investors, it has been easy to avoid accountability for abusive mortgages.

All of these market incentives point in one direction: If the subprime market continues running without any rules, borrowers will continue to receive abusive loans that lead to foreclosure. The market may tighten up temporarily, but with these perverse incentives firmly in place, future abuses are inevitable.

We support responsible subprime lending, in fact, we've done it since 1985, but we are opposed to the reckless way that subprime lending has been conducted in recent years. When subprime mortgages are made with care, they are a valuable tool for giving families a secure foothold in the middle class. Sustainable homeownership is one of the best options for helping struggling families. But offering a false promise of homeownership is like serving tainted water. If we care about sustainable homeownership, and if we want good credit to be more abundant in the future, then we need to require lenders to return to common-sense loan assessments. . . .

Foreclosure Threatens Thousands of Renters

Testimony (excerpted) of Judith Liben, Housing Attorney at the Massachusetts Law Reform Institute, before the House of Representatives Committee on Financial Services, Sept. 20, 2007.

I. Introduction.

Good morning, Mr. Chairman and Members of the Committee. My name is Judith Liben. I am a housing attorney at the Massachusetts Law Reform Institute in Boston. MLRI is a nonprofit statewide legal services support center. . . .

Thank you for this opportunity to alert you to the plight of thousands of people who are innocent victims of the current mortgage foreclosure crisis and whose stories until recently have been largely ignored by the media and government officials.

I am referring to tenants living in foreclosed rental properties in cities and towns around the country. The buildings these renters resided in may have been owner-occupied, but more often they were owned by investors and speculators hoping to profit on the rents, who then defaulted on their mortgages, with the properties going into foreclosure. These foreclosed rental properties are typically smaller buildings, condominiums, and single-family rented homes. They are found in cities and surrounding suburbs, in lower-income and also more upscale neighborhoods-in short, almost everywhere. . . . As more information comes to light, it is now clear that, nationwide, tenants who did nothing wrong except to rent from a defaulting owner are suffering harsh collateral damage from the mortgage fallout. We urge the Committee to look carefully at this pressing issue.

II. Renters in Foreclosed Properties Are Quickly Put Out of Their Homes.

In most states, foreclosure terminates a tenancy, and, if the foreclosing bank takes title, it evicts the renter households very quickly—usually with only three to thirty days' notice. For example, in **Nevada**, a legal services lawyer reports: "The Housing Hotline in our office in Las Vegas receives dozens of calls each day from tenants who are being evicted after foreclosure. In Nevada, the new owner need only give 3 days' notice to tenants telling them to get out."

And in **Oregon**, a housing lawyer describes the plight of these families and individuals:

> We get calls from tenants who are given a two-week notice to quit after a bank forecloses on a home. This puts the tenants in a terrible position in that they have to locate, apply, receive approval, and move all in 14 days or risk an eviction on their record. I would say that, in 99% of these cases, the tenants become homeless, double-up in another family's home, or remain in place until they are evicted through court procedures and incur further costs as a result. We have never seen a bank give a family a longer period of time in which to leave or offer them a short-term lease in order to assist the family in moving.

The director of the Housing and Economic Rights Advocates in Alameda County, San Francisco County, and Contra Costa County, in Northern **California**, describes the situation there:

> We have heard from HUD-certified housing counseling agencies and consumer credit counseling agencies that they are receiving calls for assistance from tenants renting homes that have been foreclosed. The tenants' complaints include the foreclosing bank failing to provide utilities as required under state law and high-pressure tactics and outright threats by the foreclosing lender or its agent trying to force the tenant out of the property on an accelerated timeline.
>
> Many of these tenants are renting single-family homes in middle-class neighborhoods that were owned as investment properties by individuals. Notably, my office started getting calls in July of this year from homeowners who were going into foreclosure on their single-family investment properties with high-cost, subprime mortgages that they could not keep up with.

And in Riverside and San Bernardino counties in California, housing lawyers see two basic scenarios:

> First, a tenant in a home where the landlord loses title through foreclosure is served with a 30-day notice. Because there are no defenses that the tenant can raise, the tenant will have a judgment against him or her for possession and, usually, for money damages, which absolutely ruins their chances for obtaining other housing for up to seven years and will ruin what is usually already-precarious credit.

The second situation, which involves an "invalid" tenant, occurs during times when there are a lot of foreclosures. Scam artists study the Notices of Default published in newspapers and go to the addresses. If the house is vacant, they break in, change the locks, clean the place up just a bit and advertise them for rent. People then come, pay a heavy security deposit, and rent the house "as is." After paying rent to the fake landlord for three or four months, lo and behold, there's that pesky notice to quit posted on the house by whoever owns through foreclosure, an entity the rent-paying tenant has never heard of. The same procedure as in the preceding example then takes place.

Further aggravating the problem, displaced tenants are now competing with evicted foreclosed homeowners who are looking to rent. This means that, in some areas, rental markets are becoming tighter and more expensive. . . .

A recent article in the Summer 2007 issue of the Housing journal *Shelterforce,* entitled, "Losing Ground," describes what is happening in **New York City.**

> Not only are rampant foreclosures helping to accelerate change in the economic and racial make-up of these neighborhoods, but they are also exacerbating the lack of affordable housing in New York City. Foreclosures on two- to four-family and larger multifamily homes have led to wholesale evictions of lower-income tenants. Tenants in multifamily homes suffer as a result of foreclosures when landlords walk away from the home, stop making needed repairs, and fail to communicate with tenants about their housing status. As new owners take over the buildings, particularly in gentrifying neighborhoods, lower-income tenants are driven out to make way for higher rents.

Foreclosing banks claim, often with no support or data, that they must evict all tenants because empty buildings will sell more easily. The banks rarely consider that in many cases it would be more prudent and more profitable to keep the buildings occupied with rent-paying tenants while they search for a new owner. A typical situation is described by a legal services lawyer from Chester, **Pennsylvania:**

> I represented a Section 8 tenant. When the landlord lost the property through foreclosure, the bank bought at the sheriff's sale and promptly served the tenant with an action in ejectment. The Housing Authority

> was caught off-guard because the landlord had been giving assurance that the mortgage default was being settled. The Housing Authority immediately offered to assign the Section 8 contract and payments to the bank, but the bank refused and instead insisted on proceeding with the ejectment. My thought was that someone at the bank clearly wasn't thinking when they passed up the chance to get paid a few months' rent and opted instead to pay lawyers to start an ejectment action.

In **Massachusetts**, we have found that the banks often are unable to justify their insistence that all tenants must be put out of their homes; their lawyers and brokers merely repeat that the client wants the tenants out, no matter if they are good, rent-paying tenants who have lived in the property for years. As in other states, the banks in Massachusetts claim that they can't sell the buildings unless they are empty. But when a tenant's lawyer (in the rare case where the tenant has obtained legal counsel) or a neighborhood housing advocate asks what price the bank is asking for the building and whether they could work out a deal in which a local nonprofit purchases the property, the answer from the bank is still "no." The banks' lawyers and brokers have their marching orders: get the tenants out. . . .

To move the renters out fast, in most states the banks send out agents with "cash for keys" offers, which go something like: "If you leave in five days, we'll give you $500. Otherwise, we'll evict quickly and you'll get nothing." Many households, assuming the courts will evict them anyway, take these offers, although the money is hardly sufficient to find new housing. And, to make things worse, most tenants can't get the return of their security deposits or last month's rent that they gave to the original owner. . . .

Even where post-foreclosure evictions are prohibited by state, local, or, in the case of Section 8 leases, federal law, housing advocates report that the banks often ignore the law and threaten tenants with eviction. For example, under the law in the District of Columbia, a foreclosing bank cannot evict a tenant unless it has good cause. Nevertheless, as a housing lawyer from DC explains:

> Banks typically send 30-day notices to vacate immediately upon foreclosing, despite the tenants' absolute right to stay and rent after the foreclosure. The majority of tenants are frightened into moving by these notices, even though the notices lack any legal basis. In recent weeks, we have seen a rise in the number of tenants seeking help in responding to these notices to vacate. When tenants do show up in court to fight the eviction, the banks dismiss their cases—but then begin pressuring tenants into 'cash for keys" deals that barely offer enough for security deposit on a new place.

III. When Banks Own Rental Properties After Foreclosure, They Refuse to Maintain the Buildings and Often Stop Providing Utilities.

Let me describe how the process typically works in many states.

First, tenants often have no idea that their landlord has defaulted on the mortgage, that foreclosure is threatened, or that a foreclosure court procedure or sale has actually occurred. In many cases, the original owner may continue to collect rent from the unwitting tenants even after he has lost the building in foreclosure. A foreclosing bank may choose not to collect rent in hopes that it won't be viewed as the landlord of the building it now owns. Tenants often don't know what to pay or to whom. . . .

In Massachusetts, we have seen banks refusing to accept rent and then suing the tenants for nonpayment of "use and occupancy" in an amount higher than the rent—an amount never agreed to by the tenants. Low-income tenants, especially, do not have the financial or emotional reserves to deal with these uncertainties. This happens even where there are Section 8 leases (which courts have held survive foreclosure), but the banks, emboldened by the lack of clarity with all other tenancies, attempt to evict Section 8 households, anyway.

The foreclosing bank, often from another state or another country, refuses to recognize any responsibility to existing tenants, may refuse to pay the utility bills, and will not make repairs, no matter how serious the problem. Tenants are literally left in the dark, with no idea about whom to call in emergencies. . . .

In Brockton, Massachusetts, a legal services lawyer reports:

> Our office sees a lot of these cases. I recently represented a single mother, a domestic violence survivor who had always been an ideal tenant. She was up-to-date in her rent and didn't cause any problems. Her landlord was foreclosed upon and the bank stopped paying the electricity, which got shut off. After two weeks of trying to get the electric turned on (prior to our representation), the tenant actually had to call the electric company and establish an account for the entire building in her name, as the electric accounts weren't subdivided. The tenant was so diligent she even continued to pay her rent to her landlord for one month after the foreclosure happened. There is no reason for someone like this woman to have to end up facing eviction.

In Oakland, California, the City Attorney and local officials are alarmed as a growing number of households in foreclosed rental properties lose essential services and face displacement. See September 15, 2007, story in the Oakland *Inside Bay Area*, "Mortgage Crisis Hurting Tenants: Some Renters Illegally Evicted From Buildings in Foreclosure." . . .

> As the subprime mortgage loan crisis rattles the financial and real estate markets and exposes the vulnerability of many home owners, it also is hitting a hapless population that had nothing to do with the loans—renters in buildings in foreclosure. Across Oakland, scores of renters like Bryson [the subject of the story] are being served eviction notices or being told to move out as banks take over buildings from defaulting landlords. . . . Tenants caught in between the banks and their errant landlords may face difficult straits, he said, including eviction. In some cases, building utilities have been turned off because landlords stopped paying the bills. "Some of the stories are very sad," Russo [the Oakland City Attorney] said. "A 75th Avenue apartment has not had water for two weeks, and a woman who is pregnant lives there. . . . The cases are accelerating," Russo said. "It's becoming a humanitarian crisis. . . . I think it is unethical and illegal for financial institutions to foreclose and shove tenants out," Russo said. "These folks in many cases paid their rents and did nothing wrong.". . .

IV. The Problem Is Significant and Widespread.

In Minnesota, officials in Hennepin County keep careful track of foreclosure activity and report that a high percentage of recent foreclosures are on rental properties. A housing lawyer at the Foreclosure Relief Law Project of the Housing Preservation Project in St. Paul summarizes the findings:

> The impact of foreclosures on tenants is significant in Minnesota. In Hennepin County, which includes Minneapolis and the surrounding suburbs, there were 3,039 foreclosures in 2006 (this represented a nearly 100% increase over 2005). An astounding 38% of those foreclosures involved rental properties. The percentage of rental properties is even larger if you look at just the City's share of foreclosures. In Minneapolis, more than half (56%) of the 2006 foreclosures involved rental properties. (These figures are supplied by Hennepin County Taxpayer Services.)

In the City of St. Paul (where foreclosures nearly tripled from 2005-2006), the percentage of foreclosed properties occupied by renters is disproportionately large. The City is divided into 17 districts, and the percentage of foreclosures involving rental property ranges from 30% to approximately 70%, with an average of about 40%. (This data supplied by the City Council's research team.)

We have anecdotal evidence from Hennepin and Ramsey County homeless service providers telling us that more and more people are seeking shelter because their landlord lost the building to foreclosure. Legal Aid/Legal Service organizations tell us that the number of tenants calling for help because of a foreclosure has increased exponentially over the last several months. . . .

When journalists from **Maryland**'s *Baltimore Sun* started to research this issue for a special report, they found that "[p]roperties belonging to 'nonowner occupiers'—-usually investors—accounted for nearly 30 percent of the city homes that lenders were trying to foreclose on during the first three months of [2007]. . . .

In Chicago, the Executive Director of the Lawyers' Committee for Better Housing writes:

> We have a presence in eviction court every day, with a staff attorney and volunteers from Chicago law firms providing representation to 400-500 families each year. We are seeing a huge jump in the number of cases where tenants are being evicted due to the foreclosure of their landlord. Our social services specialist spoke with four tenants from the same building one day this month who had just been evicted due to foreclosure. Three of them were current on their rent and were good tenants. With 14-day orders of possession granted to the mortgage holder, they did not know what hit them, didn't know where to turn, and were at risk of homelessness. Seven of the last 46 tenants who contacted us regarding eviction hearings had landlords whose building had been foreclosed. This was over a two-week period.

Although we know of no comprehensive data collection in Massachusetts, the severity of the problem emerges from various sources. For example, during just one week in August, the Massachusetts Housing Court in the western region of the state saw 35 tenant/foreclosure evictions and the Legal Services Center in Boston got calls from 29 clients. In Suffolk County, during a recent 11-week period, 13 percent of the 526 foreclosure auctions advertised involved units occupied by Section 8 tenants assisted by the Metropolitan Boston Housing Partnership. This statistic represents only a portion of rented units involved in foreclosures, since it does not take into account the Section 8 tenancies administered by the Boston Housing Authority and, of course, all the non-subsidized tenancies in the county.

There is every reason to assume that the data from Minnesota and other places would be replicated elsewhere if other jurisdictions collected similar information, especially in urban areas. Although nationwide about 68% of residential units are homeowner units and 32% are rentals, in cities there are often more rentals. For example, the 2006 American Community Survey reports that about 59% of residential units in Boston are rentals, 54% in Houston, 58% in Cincinnati, and 60% in Los Angeles. Thus, it is safe to assume that the proportion of foreclosures affecting rental properties is significant in cities and, as in Hennepin County, also in nearby surrounding suburbs. The anecdotal information and media reports in this testimony do not represent a few isolated cases. . . .