

**Remarks of Bethany Sanchez, Metropolitan Milwaukee Fair Housing Council
EGRPRA Panel
October 19, 2015 - Chicago, IL**

Good morning, I am Bethany Sanchez. I direct the Fair Lending Program at the Metropolitan Milwaukee Fair Housing Council. I am grateful to have been asked to share perspectives on regulations that impact our fair housing and fair lending work, and describe how those regulations are needed - and useful - in our quest to ensure housing choice for all Wisconsin residents, and create strong, healthy communities.

1. Overview of the Metropolitan Milwaukee Fair Housing Council (MMFHC)

The Metropolitan Milwaukee Fair Housing Council is a private, nonprofit organization, with 38 years of experience in the fair housing arena, protecting the civil rights of home-seekers, and working to ensure equal access to housing for all Wisconsin residents.

The Fair Housing Council addresses *fair housing* questions or *fair housing* complaints related to:

- rental properties,
- entities involved in the home sale process (Realtors, sellers, and others),
- entities involved in the home loan process (banks, mortgage companies, credit unions),
- homeowners insurance and renters insurance, and
- mortgage “rescue” scams.

Staff members from the Fair Housing Council’s Enforcement Program:

- conduct intake of fair housing and fair lending complaints from the general public and counsel complainants on their options for administrative or judicial remedy,
- provide investigative services for persons who allege discrimination, and
- conduct systemic investigations of institutional discrimination.

Fair Housing Council staff members also:

- provide presentations and information to the general public,
- provide training and technical assistance to banks, social service agencies, civil rights organizations, housing providers and government agencies,
- work with partners to ensure that borrowers in the home lending market have equal access to loans and are treated fairly, and to prevent foreclosures,
- connect lenders with opportunities for lending and investment in central city communities, and
- work with community organizations, developers, and local policy makers on the need for inclusionary housing policies and the promotion of racial and economic integration.

The Fair Housing Council has offices in Milwaukee, Appleton, and Madison, Wisconsin. Discrimination based on race and on disability are the most common forms of housing discrimination that the MMFHC investigates. The organization also investigates discrimination based on gender, sex, national origin, age, religion, family status, marital status, sexual orientation, and source of income as well as discrimination against victims of domestic abuse.

Since our inception in 1977, the Fair Housing Council has:

- handled over 7,350 complaints alleging illegal housing discrimination and conducted over 11,000 tests in the rental, sales, insurance and lending markets
- assisted over 650 complainants in filing lawsuits; roughly 98% (all but 8) brought to successful resolution for the complainant.

Subsequently, plaintiffs in enforcement actions recovered over \$8.2 million in damages.

Additionally, some MMFHC clients were able to legally secure the housing denied them.

2. MMFHC's focus on Fair Lending began in 2001, as issues arose in our community raised by lack of regulation or oversight on Fair Lending

- Prior to Dodd-Frank, and the spotlight on fair lending, in Milwaukee as well as the rest of the country, toxic high-cost loans reached previously unimaginable levels. In 2006, 45.6% of mortgages in the City were high-cost loans!
- In hyper-segregated Milwaukee, those toxic loans were extremely concentrated in our minority neighborhoods, and half of them were refinance loans sold to long-time homeowners who had worked for years to make improvements on their homes, and build community.
- And not surprisingly, when the foreclosure crisis struck, the foreclosures were concentrated in those same neighborhoods, disproportionately devastating people of color and entire communities.
- In response, we strongly supported Dodd-Frank's mortgage regulations, which banned highly risky loan products like negative amortization mortgages, amended mortgage servicing rules, required lenders to disclose all the costs involved in each loan, and, most importantly, required lenders to verify a borrower's ability to repay the mortgage.

3. The Fair Housing Council's Fair Lending Program has created and/or worked within a number of partnerships that leverage HMDA, CRA, Fair Lending laws, and Dodd Frank as tools to increase all credit-worthy borrowers' equal access to fairly priced credit.

Discrimination and segregation isolate individuals and families, creating and worsening poverty, keeping people away from the connections and resources that will help them access affordable, safe and sanitary housing, and build bridges leading to healthy families and communities.

Having equal access to fairly-priced, non-predatory loans is an essential component of financing the purchase or maintenance of a home. However, the achievement of this goal is dependent on borrowers fully understanding their choices, understanding how they can avoid discriminatory loans, and if necessary, how to access legitimate, professional, free help with avoiding foreclosure.

Our partnerships have been effective in helping us, working with hundreds of organizations, to advance our mutual goals.

- **Strategies to Overcome Predatory Practices (STOPP) initiative, established in 2002**

In 2002, as concerns about predatory lending were emerging, we put together our STOPP initiative, bringing together over 75 organizational members from government, banks, and nonprofit community groups. STOPP workgroups examined HMDA data and marketing tactics of predatory lenders, showed the link between those factors and foreclosures, and

developed outreach to help borrowers avoid predators. We also helped legislators understand the need for increased borrower protections from high cost loans.

- **MMFHC's CRA Caucus, created in 2003**

Our CRA Caucus provides a collective way for organizations serving LMI and minority people to effectively leverage the provisions of CRA to advance our common goals. In preparation for writing comment letters on mergers, acquisitions, or CRA exams, we examine the HMDA data, and check in with the community about the banks' strengths and weaknesses. Our joint comment letters to regulators describe the existing practices and products of the institutions that we feel benefit the community, and express our concerns and goals for increasing access to capital and credit.

Our comment letters have leveraged productive, ongoing relationships with the banks and their staffs. On one occasion, I was thanked profusely by the bank's head CRA officer, who said that our letter had reinforced changes she was trying to make from within the bank, and provided her with leverage to be more responsive to the needs of all the communities the bank serves.

- **The National Community Reinvestment Coalition** provides other important resources for our work, leveraging HMDA data, CRA, and Fair Lending laws to serve LMI and minority communities across the country. I have been on NCRC's board since 2004, and believe that Milwaukee neighborhoods have benefitted from our collective work, to use and improve CRA, to help craft Dodd-Frank and monitor its implementation, and to push back on proposed GSE reforms that didn't ensure that all credit-worthy borrowers have equal access to fairly-priced loans.

- **Take Root Milwaukee, established in 2010**

Take Root Milwaukee is a Milwaukee-area-focused homeownership consortium made up of local and national banks, nonprofit housing counseling agencies, nonprofit neighborhood groups, Realtors, Realtists, the City of Milwaukee, Wisconsin's Housing and Economic Development Authority, philanthropic foundations, and two local television stations.

Together, we work to increase stable homeownership in the Milwaukee area, particularly for underserved communities, and help existing homeowners to preserve and maintain their homes, and avoid mortgage rescue scams and foreclosure.

We have branded ourselves in this partnership, as the trusted resource that home seekers and homeowners can turn to, for professional, free assistance.

With our shared goals, working together, we operate an informative website, a telephone hotline, and extensively cross promote our individual and collaborative events and resources. As a consortium, we sponsor an annual homeownership fair, and several regional foreclosure prevention outreach events each year. This work has effectively connected thousands of Milwaukeean with resources they need, and helped them to avoid scams.

Take Root Milwaukee has also served as an effective mechanism for inter-sector communication, as we meet regularly to discuss emerging issues, structure roundtable discussions on topics such as how to better-serve the mortgage needs of immigrant populations, or to address homeowners insurance cancellations.

Banks participating in Take Root Milwaukee find that the consortium helps them to meet their CRA obligations and grow their customer base, regularly and routinely connecting them with organizations serving LMI people and neighborhoods. The information gained through roundtable events, and via our Loan Products Workgroup has informed their work to better-serve the credit and capital needs of LMI people and neighborhoods.

Earlier this year, we looked at HMDA data showing the home lending of Take Root member banks and their affiliates for 2011, 2012, and 2013 and compared it to the banks' peers who are not Take Root members.

While the data and maps clearly show there is still progress to be made in increasing lending to Minority and LMI neighborhoods, TRM Lenders out-perform all lenders as a group, every year in terms of reaching LMI and minority neighborhoods.

Prior to joining Take Root Milwaukee, two of Take Root's bank members settled fair lending and redlining complaints with the Department of Justice and HUD. They, along with other members, now see their collaborative work with Take Root Milwaukee as a way to connect them with productive people and ideas to enhance their institutions and communities, going forward.

- 4. In 2009, MMFHC began using the Federal Trade Commission's rule and Wisconsin's state law on mortgage rescue scams.**
 - Our campaign to prevent Mortgage Rescue Scams includes providing in-service training to staff at bank branches in the Milwaukee area, presentations to elected officials and their staff, radio and television ads filmed by Milwaukee's Mayor Tom Barrett, and a variety of other outreach mechanisms to help homeowners understand that they should not pay for help with obtaining a loan modification or with foreclosure prevention.
 - And, using the state and federal regulations as a basis, we provide assistance to homeowners who had already been scammed, filing complaints against the scammers with the CFPB, the Wisconsin Department of Financial Institutions and depending on the specific features of the scam, a number of other regulatory agencies.
 - While many of the scammers are long gone by the time we hear about them and file our complaints, in our successful cases, we have recovered an average of over \$3000 for each of our scammed homeowners.

- 5. MMFHC's Inclusive Communities Program works to Affirmatively Further Fair Housing,** educating and encouraging municipalities and counties to proactively create more opportunities for all members of communities to access safe, affordable housing, and to show connections between housing choice and transportation, health, and jobs. When the proactive work is not effective, the Affirmatively Furthering regulation can be the stick. We currently have an open complaint against Waukesha County for its failure to affirmatively further fair housing and its failure take steps to overcome discrimination.

6. **In 2012, in cooperation with the National Fair Housing Alliance, we began doing REO investigations.** We have filed four fair housing complaints based on our findings of significant differences between how lenders were maintaining and marketing their REOs in primarily minority neighborhoods and how they dealt with their REOs in primarily white neighborhoods.
7. **Going forward,** there is still much work to be done. Recent Department of Justice and HUD Fair Housing Act enforcement cases demonstrate that some mortgage originators continue to target minority borrowers for higher cost loans without regard to the borrowers' credit qualifications, and that redlining by banks continues to result in denial of access to mortgage credit to qualified minority borrowers.

We need regulations to be enforced and enhanced to ensure all people equal access to housing opportunities, and to create and maintain racially and economically integrated housing patterns.

I have described the important ways that CRA has helped the communities we serve. My colleagues on this morning's panel will call for the modernization and strengthening of CRA. I echo their suggestions, particularly on assessment areas and standardized training of examiners, and would point you to NCRC's position papers for more detail.

We are concerned that several proposals in Congress would have rolled back many of the important systemic safeguards and consumer protections enacted by Dodd-Frank and regulations implemented by the CFPB. In just a few years, the CFPB has already made great strides in creating a fairer and more transparent financial system, working to put a stop to fraud and abuse, and returning billions of dollars to millions of people harmed by illegal, deceptive and discriminatory practices.

Congress should not attempt to weaken the power of this critical agency that has already done a great deal to protect consumers and create a safer financial system. If anything, the CFPB should be provided more resources so that it can speed up the implementation of regulations – including, but not limited to regulations that will include more enhanced reporting of small business loan data.

We look forward to working with our local and national partners in the public and private sectors to promote healthy, integrated communities across the country. Thank you for asking for our input on these important regulations.