

Remarks

Rainbow PUSH Coalition – Annual Wall Street Conference  
January 14, 2010

Good afternoon and thank you for allowing me to join you today.

I spent most of my early career as a prosecutor in the Civil Rights Division, and so I was truly honored to be appointed to lead the Division at this turning point in the story of civil rights in our nation. But upon my return three months ago, I was quickly reminded that the more things change, the more they stay the same.

Regrettably, the most overt forms of discrimination persist; those incidents that we should read about in history books still manage to find their way onto the front pages of our newspapers. We still see cross-burnings across the nation's heartland. We still see hate-fueled violence carried out in our biggest cities and in our smallest towns. We just recently read of a justice of the peace in Louisiana who saw it as his prerogative to refuse to marry interracial couples. These incidents make us pause, shake our heads and wonder how they continue in the 21<sup>st</sup> century.

Yet just as dangerous as those flagrant acts of bigotry are those more subtle forms of discrimination that permeate so many of our interactions and institutions, and continue to stand as barriers to our nation's greatest promise of equal justice for all.

Lending discrimination falls into this category – it's discrimination with a smile, and it tears communities apart. The corrosive power of fine print is every bit as destructive as the cross burned in a neighborhood.

So many communities have been devastated during the recent housing crisis, fueled by irresponsible, sometimes fraudulent and sometimes discriminatory lending practices. So many middle class Americans who worked hard to achieve the most basic building block of the American Dream – homeownership – found themselves on the brink, facing the loss of their most important asset. This crisis has overwhelmed families and ravaged communities. One fact is clear; while the foreclosure crisis has touched so many communities across America, communities of color have been hit particularly hard.

I've had the opportunity to work on this issue at the local, state and national level. A lifelong career in public service has made me a believer in attacking a problem at multiple levels of law enforcement. We need laws to combat lending discrimination at the local level, the state level and the federal level, because at any given time, the laws on the books are only as good as the political will of the leaders enforcing them.

And unfortunately, in recent years, what we saw in Washington was akin to the wild, wild west, with regulation virtually nonexistent as the housing bubble grew to unsustainable levels. The purpose of government is to improve the lives of its people, to enable every individual to access opportunities, to create a level playing

field, to make the economy work for everyone. But the absence of meaningful regulation at the federal level was among the factors contributing to the housing crisis.

And so it was up to officials at the state and local level to step in.

As a member of the Montgomery County, Maryland, Council in the first half of the last decade, I had the chance to see the realities of lending discrimination at the ground level. Montgomery County, Maryland, is one of the wealthiest in the nation. It is also racially diverse. Even when we controlled for wealth, data showed us that African-American and Latino borrowers were disproportionately in the subprime market. The data in my home county showed that upper income African-Americans were as much as six times as likely to be in a subprime loan as upper income non-minorities. As a member of the Council, I worked to strengthen laws protecting victims of lending discrimination. But our reach was limited.

As head of the Maryland state agency that oversaw financial regulation at the height of the crisis, I had the opportunity to work on solutions at the state level.

Under the leadership of Governor Martin O'Malley, we passed a sweeping package of reforms. We extended the foreclosure process, providing homeowners with more time and notice before a bank could foreclose. We cracked down on fraud, enacting a criminal mortgage fraud statute and making rescue scams illegal. We looked closely at the lending process and brought common sense and accountability back into the process. We required lenders to verify a borrower's ability to repay a loan, and we established a duty of care that requires brokers to offer the best products for which a borrower is eligible, rather than the one which will give the broker the highest fees. The Corporation for Enterprise Development's 2009-2010 Assets and Opportunity Scorecard cited Maryland as having the strongest law to curb predatory mortgage lending in the country, matched only by New Mexico.

But again, at the state level, our reach was limited, as the large, national players are not subject to state regulation. While we worked within our limited sphere of influence to combat the crisis, both at the front end, where loans were originated, and at the back end, where people were losing their homes, the federal government was decidedly absent. We were crying out for federal involvement but none was forthcoming.

When people are facing foreclosure they need four things: time, money, an advocate -- whether it is a lawyer or housing counselor -- and regulators who are genuinely concerned. Federal regulators were asleep at the switch for far too long.

We all know too well the details -- for years, as the housing bubble expanded, national lenders were subject to little oversight as they continued to dole out toxic, unsustainable loan products. When the bubble burst and those homeowners who had received those products began to find themselves under water, loan servicers

failed to provide meaningful solutions to help save not just peoples' homes, but neighborhoods and communities. Fraud and scams proliferated, and the devastation was widespread.

At the same time, while mortgage servicers have acknowledged that no one benefits from foreclosure, and while they have insisted they are committed to solutions to this crisis, we have seen little movement toward meaningful modifications on a widespread scale. A report by the Boston Federal Reserve last summer found that since the beginning of the foreclosure crisis in 2007, servicers had performed payment-reducing modifications on only about 3 percent of seriously delinquent loans. They claim that nobody wants foreclosures, but their actions have spoken much louder. When I was labor secretary in Maryland, I met with a dozen servicers in an effort to change their practices.

The American middle-class is our greatest economic engine. Among our most basic values is the belief that with hard work, each of us can achieve those things that will allow us to live a comfortable life, to put food on the table for our children, to build a roof over the heads of our families. And yet in just a few short years we've seen how that belief can be undermined by irresponsibility and greed.

Fortunately, the Obama Administration has the political will to do something about it. The federal government is actively engaged in putting every conceivable law enforcement tool to bear and every partnership in place to protect homeowners and to hold wrongdoers accountable.

In November, President Obama demonstrated his commitment to making our economy and our financial systems work for all Americans by establishing the Financial Fraud Enforcement Task Force. The Task Force brings together relevant federal agencies in an unprecedented collaborative effort. Attorney General Eric Holder is spearheading the Task Force, and he has made clear that mortgage fraud and financial discrimination are among the Task Force's priorities.

I am honored to co-chair the non-discrimination working group, which is looking at discrimination not only in the mortgage process, but in access to credit in general. The Task Force is also watching the spending of recovery dollars by state and local entities to ensure equal opportunity in the recovery efforts. We are working with sister federal agencies, as well as our counterparts in state government, to hold discriminatory lenders accountable.

As part of the Administration's efforts, the Division is dusting off the Fair Housing Act and the Equal Credit Opportunity Act, using them to combat those forms of discrimination that serve to keep our nation and our communities divided.

Fair lending is a top priority for the Civil Rights Division, and I have taken a number of critical steps to ensure that we put our best forward. I have hired a Special Counsel for Fair Lending to spearhead our efforts. We are also establishing a

dedicated Fair Lending unit within the Division's Housing Section. The unit will root out lending discrimination in all forms.

It will pursue cases of redlining – where minority borrowers have been denied access to loans and therefore to homeownership.

We will pursue cases of reverse redlining – where predatory lenders have targeted toxic products to minority communities, resulting in unprecedented numbers of foreclosures and the resulting disinvestment and blight. Such practices proliferated during the housing boom. In Maryland, for example we found that while only 18 percent of white homeowners had subprime loans, 54 percent of African-Americans and 47 percent of Hispanics had subprime loans.

We will target abuses by unscrupulous brokers, who all too frequently went unregulated during the heady days of the housing boom, and were allowed to offer unaffordable or unsustainable loans to unsuspecting homebuyers.

Already we have 38 fair lending investigations pending. But as we move forward, we must fight this battle on two fronts. We must hold accountable those brokers and lenders who originated toxic, discriminatory loans that have placed so many people in harm's way. But we cannot limit ourselves to yesterday's battles; we must also look at what is happening today.

Many of those abusive brokers and loan originators who profited during the boom have turned their sights to the new frontier – loan modifications. As homeowners under water try to pursue solutions, we must be sure they are not again subject to discrimination in their attempts to secure meaningful modifications. All too many homeowners in distress are getting solicitations for help with offers that sound too good to be true, because they are.

We fought hard to ensure that those entities participating in the President's Home Affordable Modification Program are required to provide data on their modifications. We will be getting that data soon, disaggregated by race and ethnicity so that we can be sure that those minority homeowners who have already been hit hardest by this crisis are not again subject to discrimination as they try to climb out of the hole.

Access to credit and capital is the foundation of our economy – without it the promise of equal opportunity is empty. We are working once again to be sure that all individuals and all families have access to those resources that will allow them to achieve the promise of our great nation.

We are reminded, as we prepare to celebrate the life and legacy of one of our nation's most cherished heroes, the Rev. Dr. Martin Luther King, Jr., that his fight was not just about eliminating segregation. Rather, he fought for economic justice, for real, systemic social and institutional change that would allow African-

Americans to realize the promise of our founding documents and allow them to access the American Dream. We have come so far, but his words remain relevant.

In 1968, just days before his death, he spoke at the National Cathedral. Discussing poverty he observed in Harlem, he said: "Poor people are forced to pay more for less. Living in conditions day in and day out where the whole area is constantly drained without being replenished. It becomes a kind of domestic colony. And the tragedy is, so often these forty million people are invisible because America is so affluent, so rich. Because our expressways carry us from the ghetto, we don't see the poor."

He went on to say: "There is nothing new about poverty. What is new is that we now have the techniques and the resources to get rid of poverty. The real question is whether we have the will."

The Obama Administration has the will, and has committed the resources necessary to ensure economic fairness for all Americans. We also have the structure, expertise and partnerships in place to ensure that wrongdoers are held accountable and homeowners or potential homeowners have regulators who understand the importance of consumer protection.

Our nation has come a long way in our pursuit of equal justice. But the journey is not finished. As we prepare to celebrate Dr. King's life, we should take comfort in knowing that Dr. King himself would marvel at where we stand today. But we must also remember that he would not rest. He would feel a sense of pride at our progress, and he would turn to face the remaining challenges ahead.

Thank you.