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PRE-ABATEMENT



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TED RALL



The 2008 TARP bailout should have gone to the unemployed and homeowners facing foreclosure.

Bank Job

Make Rogue Corporations Pay for Foreclosure Crisis

"We know how to prevent foreclosures," Federal Reserve Bank senior economist Paul Willen told the New York Times. "We just need to be prepared to spend the money." Willen "sees two possible solutions: Require banks to modify loans, basically imposing the cost on them; or pay banks to modify loans, imposing the cost on taxpayers."

Millions of American families have lost their homes to foreclosure since the global economy crashed in 2008. At this writing 4.4 million more households are in severe default on their mortgages—and that doesn't count the millions of renters who are getting evicted.

A few distressed homeowners are professional "flippers" who took out short-term adjustable-rate mortgages on dozens of houses at a time. When the housing bubble burst, their dream of easy profits using borrowed cash to turn a quick profit blew up too.

But that's a rare story. The overwhelming majority are people who got into trouble through no fault of their own. Most lost their job or suffered a medical catastrophe. They're victims of the usual boom-and-bust cycle of corporate capitalism.

Laissez-faire conservatives argue that that things will sort themselves out and that society will wind up stronger as the result of "creative destruction." But the scale of the post-2008 Depression is too big to sit on our hands. One out of four Americans face current or imminent joblessness. Poverty and homelessness are about to skyrocket.

Most frightening, there is no hope of economic improvement. Obama hasn't enacted a jobs program. There's no new technology waiting in the wings to spur economic growth, as the Internet did during the 1990s. The cavalry won't be foreign investment—the rest of the world is struggling too.

The social, political — and yes, economic — consequences of creating a new vast permanent underclass are terrifying to

contemplate. Theft and random violence will rise. As we're seeing with the Tea Party, right-wing demagogues will gain power. People do bad things and listen to bad people when they're afraid. The U.S. could easily end up looking like Russia.

In 2009 the Obama administration announced a new program, Make Home Affordable, to assist distressed homeowners. But — unsurprisingly, since it was voluntary and therefore toothless — MHA has been a bust. Fewer than 500,000 households have received modifications to their mortgages.

As I can personally attest, banks like Citibank, Chase and Bank of America intentionally "lost" paperwork they requested so they could evict their customers and seize their homes as quickly as possible — frequently using fraudulent documents bearing forged signatures. FDIC chairperson Sheila Bair said: "We know that in too many instances, servicers have not made meaningful efforts to restructure loans for borrowers who have documented that they are in economic distress."

That's for sure. When I lost half my income in 2009, Chase Home Finance advised me that getting laid off had not adversely affected my financial status.

Millions of mortgages are going to need reduced interest rates and lower principal to reflect the new reality of the housing market. So who's going to pay?

It would be unfair to dun the taxpayers for the cost of loan modifications. First and foremost, many people rent. Why should people who can't afford the American Dream subsidize it for others?

Besides, the taxpayers already paid. The 2008 TARP bailout should have gone to the unemployed and homeowners facing foreclosure; when they paid their mortgages this would have wiped those "toxic assets" off the banks' books. Trickle-up economics works; trickle-down doesn't.

At bare minimum, banks that can't find the note to prove they own a home in foreclosure, and those who used fraudulent "robo-signers" to sign court documents, ought to lose their mortgages outright. In a tidy bit of justice, this would be fair punishment while allowing hundreds of thousands, possibly millions, of people to stay in their homes.

Next an investigation should be conducted of general bank malfeasance during the go-go '90s and '00s. Any bank that charged exorbitant interest rates on credit cards, ravaged debit card users with insane ATM fees, and failed to notify borrowers of the terms of their adjustable mortgages, should similarly face the only sanction they might remember the next time they're tempted to behave indecently: all their mortgages and credit card debt lines ought to be wiped clean.

Ted Rall is author of *The Anti-American Manifesto*, published by Seven Stories Press.

W. WHAT PROSECUTOR INDULGED?

WHAT DO THEY HAVE WITH IT?

ABSOLUTELY

THE PROGRESSIVE POPULIST, DECEMBER 1, 2010 — 19

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By: Todd Farlow