

**Testimony of Sam Yoon
At-Large Boston City Councilor
Sam.Yoon@cityofboston.gov
To the
U.S. House of Representatives
Committee on Financial Services
Hearing on
Mortgage Lending Disparities
At the Reggie Lewis Athletic Center on October 15, 2007**

Mr. Chairman, Members of the Committee, thank you very much for the opportunity to address you today.

My name is Sam Yoon. I am currently an At-Large Boston City Councilor. I have extensive background in community development and affordable housing, having worked for small and large non-profit housing corporations for ten years before running for City Council. I have developed both rental and ownership housing for working families, seniors, and people with disabilities.

As Chair of the City Council's Housing Committee, I recently held hearings on the sub-prime mortgage foreclosure crisis in Boston, an issue which is closely related to the topic you will be focusing on today.

I want to thank you and the members of the House Committee on Financial Services for taking the extraordinary step of holding a field hearing in Boston. You are absolutely correct that we need to shine a light on the ongoing mortgage lending disparities in the Boston area. As you well know, recent data reveals that Black and Latino borrowers are still much more likely than whites or Asians in this area to receive higher-priced loans.

In many states including Massachusetts, most mortgages are not originated by banks but rather by mortgage brokers and non bank entities. Some of these entities operate less and less out of physical offices and more over the internet, where it is even harder to track and regulate them. For the most part it is these entities that are originating the higher priced loans to Black and Latino borrowers. Consequently these consumers are now paying more for the life of their home loans than their white and Asian counterparts. In addition, some of these Black and Latino consumers were pushed into sub-prime and often irresponsibly designed mortgage products.

As you know, the City of Boston in particular has been hard hit by the current foreclosure crisis. You will hear testimony from experts on this today. During the hearing that I sponsored on May 7th of this year, it became apparent to me and my council colleagues that many out-of-state mortgage companies developed business models that featured aggressive marketing of high-cost, exotic mortgages to unsuspecting consumers. As the Attorney General has laid out, in many cases there was outright fraud on the part of brokers and originators who created scams that were supposed to save homeowners on the brink of auctions.

Currently, record numbers of foreclosures and auctions are threatening the stability of Boston neighborhoods. Stable homeownership and tenancy is an important part of the city's ongoing efforts to decrease violent crime. In order to address this crisis, legislative remedies are necessary at both the State and Federal levels.

I urge you to extend Community Reinvestment Act requirements to all mortgage brokers and lenders similar to the requirements that already exist for banks. We must have adequate reporting requirements for all mortgage lenders in order to review and rate lenders on their performance. A CRA-style rating system for all mortgage lenders must

be put into place and those results must be published every year. We must also establish annual licensing requirements for mortgage brokers and require that borrowers who are offered high-cost loans receive in-person counseling from a qualified nonprofit. We also must require fuller disclosure of terms for mortgage advertising. Leadership at the federal level for such initiatives will be crucial to their realization.

Two further legislative remedies are needed to round out a comprehensive solution to the crisis. We need additional consumer protection for those facing foreclosure and eviction, and we need to criminalize mortgage fraud. The latter component is self-explanatory. With regard to the former, I believe lenders must give most borrowers a 90-day period in which they can correct the delinquency and reinstate the loan before imposing attorney fees. Borrowers should have the right to cure a mortgage default up to the date of the foreclosure auction.

In summary, we need to look for creative solutions to find opportunities where there are currently problems. Cooperation among federal, state, and local levels of government is essential. This field hearing is an important step in that direction. Legislation that leads to good mortgage lending will increase access to affordable homes and will discourage discriminatory and predatory lending practices.

I look forward to working with you and your leadership team to make the City of Boston a national leader in the fight to make the dream of homeownership accessible to all.

Thank you very much.

Sam Yoon
At-Large Boston City Councilor