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WASHINGTON (NNPA) - Black homeowners who were unfairly targeted for the subprime mortgages that helped topple the American economy now face the threat of similar predatory practices, Department of Housing and Urban Development Secretary Shaun Donovan told African American reporters this week.

“We had many unscrupulous financial institutions, brokers and others that led folks down the wrong paths with these subprime and predatory practices. Unfortunately, we’re now seeing some of those same people that got folks into trouble in the first place migrating over into foreclosure scams,” Donovan said.

“So we have people who are on the edge of foreclosure, who are in a desperate situation that are hearing things that are, frankly, too good to be true.”

Confronting this burgeoning threat will be part of the Obama administration’s efforts to address the current foreclosure crisis and strengthen HUD’s performance moving forward.

“We need to make sure that these kinds of scams are stopped as quickly as possible,” the secretary said, “[to ensure] that folks who have been victimized already by subprime or predatory mortgage practices aren’t victimized once again.”

Donovan, a HUD undersecretary during the Clinton administration, said they also want to make sure the perpetrators are held accountable through revised and enforced regulation.

“We had many unscrupulous financial institutions, brokers and others that led folks down the wrong paths with these subprime and predatory practices.”

He said, “It’s become very clear to me in my short time back at HUD that the fair housing enforcement responsibility that HUD has as part of its central mission has been woefully underfunded and neglected under the prior administration. So, one of my top priorities is to reinvigorate the fair housing function here.”

President Obama’s budget, slated for release next month, will reflect the “high priority” nature of this issue to the new White House, Donovan said.

“I think you will see a renewed commitment to fair housing enforcement, including enforcement around lending violations that disproportionately targeted African Americans and other minority communities.”

The new HUD chief said success on these and other fronts demands cooperation and communication among different government agencies and also between the government and the community.

HUD has already begun talks with Attorney General Eric Holder and others about creating a lender regulatory system that is “more focused, more transparent [and] more fair” among other enforcement tools, Donovan said.

And, they are also working with the White House Office of Urban Policy and the Domestic Policy Council to coordinate overlapping goals for all-around urban development.

An equally important arm of their strategy, Donovan said, is to get the right information into Black homes, an information campaign in which, so far, predatory lenders have bested the government.
“We have to think in new ways at the federal level about how we are reaching, in particular, African American communities,” he said.

The press conference with Black news agencies this week was part of that effort to disseminate the right information about the housing plan, the housing official said, along with public service announcements and advertisements on radio stations and newspapers that serve minority neighborhoods.

One of the first things Donovan wants African Americans to know about the plan is that access is free.

“Let’s be completely clear here, there is never…if you’re a homeowner you never have to pay for access to the president’s plan. There is no fee to talk to your servicer; there is no fee to be part of the plan,” he said.

The proposed measure has three main parts:

One, it rewrites regulation so that an estimated 4 million to 5 million families, whose mortgage loans are with Fannie Mae and Freddie Mac, who owe 80-105 percent of the value of their homes and who are not in default, can refinance into lower-interest loans.

Two, it will use $75 billion taxpayer funds to provide incentives to mortgage servicers to modify at-risk loans for about 3 million to 4 million homeowners to a 31 percent debt-to-income ratio.

Donovan said of the importance of this provision, “One of the most disturbing trends we’ve seen over the past few months is that while many loan modifications are happening, too many of them result in payments that are unaffordable to those borrowers. And, in fact, what we’ve seen in many cases is that those payments increase.”

There are some borrowers who will not qualify for the plan because of the magnitude of their debt, but, Donovan believes many African Americans who fell victim to subprime lenders will qualify.

The last part of the plan would give Fannie Mae and Freddie Mac about $200 billion to backstop lower interest rate loans for people looking to buy or refinance a home.

This last measure is critical for the future development of the African American community, Donovan said.

“It is absolutely critical that while we seek to stem the impacts of the foreclosure crisis on

families that are currently at risk that we don't, as a result, stop credit from being available to African Americans who are looking to refinance their homes or get into the buying market," he said and added, "[But] we've got to make sure that moving forward, the right kind of products are available."
Donovan, the former commissioner of New York's Department of Housing, Preservation and Development, said he used this model to great success within low-income communities there. The plan created or preserved 17,000 homes while limiting defaults to only five foreclosures.

"So I know that if we do this right," he said; "if we get back to basics on lending, we can make sure credit is available so low- and moderate-income African Americans can continue to get access to the American Dream."