The Foreclosure Crisis in the Inland Empire: A Faith-Based Response

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I. Introduction:

It is impossible to ignore the recent foreclosure crisis that has unfolded in the United States over the past ten years. It is impossible not to notice the sudden changes in our residential environment, particularly the influxes in vacant homes and the bank-owned signs in front yards alerting potential investors or buyers to the opportunity at hand. At the end of 2010, there were nearly three million properties in the United States
with foreclosure filings equating to one in every forty-five homeowners in the United States facing foreclosure in 2010 alone. The Inland Empire is the sixth-most affected metropolitan area in the country, with over one hundred thousand foreclosures in 2010, one in every fourteen homes in Riverside and San Bernadino counties were foreclosed on in 2010.¹

The cause of this crisis is multifaceted, complex, and controversial. However, a number of well-documented immoral banking practices pioneered after the deregulation of the banking sector, particularly with the repeal of the Glass-Steagall Act in 1999, such as robo-signing, indicate that the biggest banks in the country are largely at fault and statistics, in conjunction with ethnographic investigations demonstrate that homeowners and communities are victims. Furthermore, Massey and Rugh’s 2010 study demonstrates how non-white minorities have been disproportionately victimized throughout this historical episode. This very basic understanding reveals a dangerous antagonism in which some of the most powerful financial institutions in the world’s interests are in conflict with the interests of already marginalized communities.

Consequently, this investigation focuses on relevant literature discussing racial segregation and discrimination in housing and mortgage loans, the role of deregulated banks in provoking the foreclosure crisis, and how pre-existing inequalities shape and continue to shape racially disproportionate impacts of the foreclosure crisis. This research concludes that banks are at fault for immoral and irresponsible lending practices and that minorities are disproportionately affected. Realizing the eminent danger in this injustice,

as a participant researcher, I go on to apply a Critical Theory perspective to discuss how, in the Inland Empire in particular, communities are able to fight back and empower themselves against mega-powerful financial institutions. Utilizing participatory research accumulated during my time working at the faith-based community organizing network Inland Congregations United For Change (ICUC), I investigate how communities are reacting from the grassroots level to fight for justice at the local, state, and national levels after being unfairly brutalized by this historical episode. This investigation focuses on how foreclosures have affected the Inland Empire, how communities can and are responding to the injustices suffered, and particularly how ICUC has been strategizing an organizing response to enable the deeply affected communities to fight for justice and equality.

**Abstract:** This essay begins with a summary of relevant academic literature regarding discrimination and segregation in housing and lending markets, and how they relate to the foreclosure crisis. Next, I describe the community organization ICUC in its structure and its philosophy. I describe my own relationship as a researcher to the organization ICUC, incorporating how my work has been subjected to own biases and positionality. I then describe the methodology of my qualitative research, utilizing a variety of forms of data from within the organization. Finally I present my findings, relating the impact of the foreclosure crisis to the Inland Empire specifically in order to appreciate the gravity of the issue. Then describing how grassroots organizers have approached one of their greatest challenges yet in opposing the big banking sector. I analyze how this response
has progressed and how one of the greatest challenges to local communities could present an opportunity for community unification and grassroots empowerment.

II. A Review of Relevant Literature Relating to Contemporary Residential Segregation and the Current Foreclosure Crisis

Introduction

The recent foreclosure crisis is a historical episode still in progress, consequently, studies analyzing the relevance of racial discrimination and its impact on housing issues, specifically foreclosures, are generally incomplete. What is evident is that non-whites have experienced unequal opportunity in the housing market when compared to whites with similar characteristics. It is essential to understand the causes of this inequality, in particular to identify to what extent structural racism ingrained in the political system affects this issue. In a nation shaped by racial inequalities, particularly economic, identifying and analyzing structural racism and how it affects any social or economic aspect of life is pivotal. It is critical to analyze how structural racism affects home ownership in particular, because it is one of the most significant sources of wealth accumulation patterns that affect overall wealth disparities. The face of inequality in home-ownership has changed significantly in the past decade.

Until recently, the majority of academic focus on racial discrimination in home-ownership focused on the disproportionate difficulties that non-whites suffered in attempting to buy a house, including discriminatory treatment from real estate agencies, as well as lenders. Due to the neoliberal deregulation of the banking sector and the
consequent rise in securitized lending, mortgage-backed securities, and subprime mortgage lending, (largely as a result of the repeal of the Glass-Steagall Act in 1999), non-white home ownership skyrocketed. With this came an equally significant rise in subprime mortgage loans. Jacob Rugh and Douglas Massey’s 2010 study finds that non-whites are significantly more likely to be marketed risky subprime loans than were white people with similar economic characteristics. However, there is little evidence that quality of mortgage loan is directly affected by race of recipient. Conversely pre-existent racial segregation shaped by historical structural racisms are essential to understanding how non-white populations seem to be disproportionately affected by the foreclosure crisis. Therefore, this review focuses on relevant literature discussing racial segregation and discrimination in housing and mortgage loans, and how pre-existing inequalities shape and continue to shape racially disproportionate impacts of the foreclosure crisis.

Note: This research project is intended for the use of both the Pitzer in Ontario program and as a guide for further research for ICUC. Consequently, in lieu of the traditional literature review, I utilize a different format from the Western Connecticut State University that creates a structured guide, easier to follow, to assist future research efforts by making this section as clear and easy to follow as possible.²

Summary of Articles

²This format can be seen here: http://people.wcsu.edu/mccarneyh/acad/RelatedLit.HTML

a. This review explores and summarizes relevant information regarding discrimination in four major categories: Employment, Housing, Credit, and Consumer Markets. Housing and Credit markets are most relevant to understanding institutionalized racism in the foreclosure crisis. Study contains an in depth description of the various ways in which researchers attempt to measure or to quantify discrimination. These include: statistical analyses, experimental approaches, and law and legal approaches. Cites evidence of discrimination suffered by non-white minorities attempting to purchase homes, including being deterred from purchasing in a variety of ways, being offered less assistance with financing, and racial steering into less wealthy neighborhoods with higher proportions of minority residents. The review of discrimination in credit markets focuses on mortgages because home ownership is one of the most significant sources of wealth accumulation and consequently has the greatest affect on overall wealth disparities between races. These investigations provide conclusive evidence that blacks and Hispanics are discriminated against significantly. More recently, as a result of increased competition after the deregulation of the banking sector, studies have begun shifting focus from access to mortgage loans to quality of mortgage loans. The more recent studies determining equality of outcome probabilities across races determine that predatory lending and subprime mortgages are significantly more common in low-income and minority neighborhoods.

a. This article explains how minorities have reached record numbers of home-ownership by examining how neoliberal classical economic theory and the consequent deregulation of the banking sector have affected changing lending practices that have allowed for the rise in minority home-ownership. The authors describe how the deregulation and increased competition in the banking sector redefined discrimination in credit markets from generally existing through the outright denial of mortgage loans to being practiced through the marketing of lower quality, predatory, and subprime mortgage-backed securitized loans. Study finds that more than half of the gains made by underserved markets between 1993 and 2000 were accounted for by subprime loans at all income levels in minority markets. In addition they report that 78% of the increase in lending to minority neighborhoods was subprime lenders and that 82% of the increase in refinance lending to blacks was from subprime lenders. In conclusion they discuss how the old inequalities that left American neighborhoods equally as segregated as they were at the beginning of the 20th century accommodated the new inequalities in the forms of predatory and abusive lending practices.

3. Economic Perspective:

a. Goms, Furlong and Krainer 2007; Gerardi, Shapiro, and Willen 2009; Glaeser, Gyourko, and Saiz 2008; Haughwout, Peach, and Tracy 2008; and Khandani, Lo, and Merton 2009 all conclude that leveraged refinancing, overbuilding of homes, the collapse of home prices, and a poorly regulated mortgage market were primarily responsible for the
foreclosure spike across metropolitan areas. They do not reference predatory lending or immoral banking practices as a major cause, however they do insinuate that poor regulation allowed for these types of practices.


a. This article discusses how predatory lending practices detriment community development. In order to test how predatory lending disproportionately affects minorities, this study utilizes data from the Home Mortgage Disclosure Act from 1993 to 1998 comparing mortgage loans in the Chicago Metropolitan Area across neighborhoods separated by race and income. They conclude that low-income and minority neighborhoods are served by distinctly separate financial services than serve middle class white neighborhoods. As a result, residents in minority neighborhoods are exposed to unequal opportunity in mortgage lending and are consistently targeted by predatory lenders while more accommodating financial institutions serve the middle class and white neighborhoods.

a. Fischer and Massey 2004 and Turner and Ross 2005 report that segregation and steering of blacks and Latinos occurs most often when the housing or real estate office is located in a predominantly white neighborhoods. This evidence provides historical contextual explanation for the existent residential segregation that accommodates unequal opportunity in lending markets.

   a. This study of 1997 mortgage loans finds that on average, blacks pay more than 0.5% higher interest rates on home mortgages than whites with similar characteristics, controlling for income level, date of purchase, and date of buyer. This is one bit of evidence supporting Williams’ notion of the new inequality in housing markets.

   a. This article unpacks structural racism, particularly white privilege, and how it has shaped spatial injustice and residential segregation, particularly in the Los Angeles metropolitan area. Reviews historical and current materializations of structural racism and how they affect residential segregation and spatial justice, provides historical context and explanation for the pre-existent residential segregation that accommodates the inequality in opportunity in lending markets in minority neighborhoods.

a. This article provides explanation for inequality in lending by explaining that pre-existent residential segregation created a unique niche of minority clients who were differentially marketed risky subprime loans that were in great demand for use in mortgage-backed securities that could be sold on secondary markets. They test this data by reviewing foreclosure actions in the top 100 metropolitan areas, testing across black, Hispanic, and Asian segregation while controlling for a variety of housing market conditions such as creditworthiness. This study finds that the segregation and spatial isolation of minority neighborhoods are powerful predictors of foreclosures.

**Conclusion:**

Minorities were and are underserved by financial institutions that are able to target them specifically and market distinctly predatory loans as a result of residential segregation caused by historical and contemporary structural racism. Furthermore, irresponsible banking, enabled by legislation produced by big banks’ lobbying dollars enabled them to undertake a variety of immoral, and some illegal, profit-seeking practices that prompted the foreclosure crisis, leaving our communities devastated.

**III. Inland Congregations United for Change:**

Inland Congregations United for Change (ICUC) is the Inland Empire local affiliate of the PICO National Network and of PICO California. ICUC, PICO National Network, and PICO California all practice the same style of traditional, faith-based
community organizing. PICO was founded in 1972 by Father John Baumann as a regional training institution supporting neighborhood community organizations in California. Currently PICO has forty-four affiliated federations and eight statewide networks working in 150 cities and towns and 17 states. More than one million families and one thousand congregations from 40 different denominations and faiths participate in PICO. To support an emphasis on local change first, PICO is structured uniquely to most non-profit organizations. Rather than one large hierarchical structure, PICO is broken down to create local autonomy. Local affiliations, such as ICUC, are separate non-profit organizations to the PICO National network. The community members of each local affiliation determine what issues matter most to them, and begin trying to create change on a local level. Local leaders and employees of PICO National Network and PICO’s statewide networks, and local affiliates meet regularly, share trainings nationally and statewide, and share an abundance of resources and strategies. Local affiliations fight to change policy and the decision making processes on the local level (city and county), while statewide networks pool the support of interested local affiliations and fight to change policy on the state wide level, finally, PICO National Network pools support from local and statewide networks and fights to change policy on a national level. However, no affiliation is required to participate in any PICO campaign that they do not want to. Statewide and national issue campaigns are carefully selected based on the interest of the greatest population of community members in the individual affiliations.

This appears very intricate and complex, however, it is based on simple philosophies of community organizing. In United States democracy, there are two real types of political power, that generated from capital, and that generated from organized
people. Too often in this democracy are the people most affected by political decisions excluded from the decision-making processes. For example, how many politicians debating health care policy have ever not been able to afford coverage? Community organizing attempts to make the voice of the community and the individual community members heard in decision-making processes affecting the lives of the community members and the community. Many of these issues exist on the local level and these are the ones that most directly affect local community members in most cases. On this level, local affiliations network between specific church, school or community center based groups to try to understand the local power dynamics and strategize to change the way decisions are made to incorporate the populations affected, asserting the principles of democracy. In more recent years, community organizers have found that many issues directly affecting the lives of their community’s members cannot be influenced at a city or county level, and PICO National Network and PICO’s statewide networks exist for this reason.

ICUC, and PICO, align with no political party, nor do they endorse political candidates for office; instead, they practice a philosophy of “no permanent enemies, no permanent allies,” and take on issues identified and chosen by the community. ICUC exists in order to educate and assist the community members in identifying which issues are affecting them and how to deal with these issues. Based on assessing the needs of the local community, issues and campaigns prominent within ICUC presently include foreclosure prevention, justice for immigrants, youth organizing, school nutrition, jobs for youth, health insurance, public safety and violence prevention, increasing parks and recreations opportunities, and improvements to public works. LOCs network frequently
and support one another, as well as take on shared campaigns represented by ICUC as a whole.

ICUC operates in Riverside and San Bernadino Counties of California and over twenty-six congregations from the region participate in ICUC. Together they represent over 25,000 families in Riverside and San Bernadino Counties. There are eight trained organizers on staff, half are specific organizers to one of the various regions of the Inland Empire, there is also an Executive Director, Education Organizer, Operations Organizer, and Development Coordinator. In addition, there is a board of directors made up of community leaders from all over the Inland Empire. ICUC, like PICO, is an explicitly non-partisan organization. ICUC organizers begin their work in a community by completing multiple “1-to-1s,” simply sitting down and talking to community members to try to gain an understanding of issues, assets, culture, indigenous leaders, and politics of a community. They proceed to build Local Organizing Committees (LOCs), based specifically out of one organization, usually a religious organization, that serves to represent the local needs.

The LOC in Ontario out of Our Lady of Guadelupe Church is a youth organization self-titled Ontario United with Tenacity (OUT). OUT started around two years ago through the youth group at Our Lady of Guadelupe Church, but now includes members of the youth group, non-church going members of the community, community members of different faiths, and non-church going students at Ontario high schools. OUT is currently focusing on bringing about change in school food, starting in Ontario High School.
While many grants serve to finance projects and campaigns within ICUC, to ensure local autonomy and financial sustainability, ICUC also asks the local churches in which it operates to pay a stipend in exchange for the training and resources provided by ICUC and PICO. Furthermore, LOCs work to create individual fundraising projects to sustain their organizing efforts. ICUC staff and community leaders have a very special relationship with the community. Faith-based organizing, rather than being based on race, class, or political association, is based on values, and faith. People work together based on common values that are underrepresented in their local politics, such as justice, and family. There is a great focus on both the community and the individual. Both are used to being excluded from the decision-making processes affecting their livelihoods and thus both are put at the forefront of importance within ICUC. As a result, staff, volunteers, associates, community leaders, communities, and individual participants establish rich and meaningful relationships through which they explore one another and themselves, celebrating their own existences and fighting for a voice.

The foreclosure crisis has affected PICO community members hugely. Particularly ICUC, which operates in the Inland Empire, the sixth most affected metropolitan region in the country, and is estimated to be over 60% Latino. Consequently, much of the ICUC response to foreclosures is in collaboration with PICO California and the PICO National Network, whose top level strategists and researchers have been carefully analyzing what has been successful in grassroots organizing at reducing the impact of the crisis. Now that we understand the general structure of ICUC and how it interacts with PICO National Network and PICO California, we have an organizational scope through which to analyze their foreclosure response.
IV. Methodology, Purpose and Need, Personal Statement

I have been working as an intern and an organizer for ICUC for over eight months, beginning in September 2010. Understanding my relationship with ICUC is crucial for understanding and analyzing my methodology and my findings because they are deeply affected by the quality and nature of my relationship with the organization.

I got involved at ICUC after taking a class called Community Organizing taught by Pitzer College visiting professor Tom Dolan, who is also the executive director of the organization. This class gave me the opportunity to demonstrate an interest, dedication, and desire to participate that went above and beyond the level of commitment students generally give to a class. I began to form an intimate relationship with Tom, often staying before and after classes to just to talk about what was going on in the organization, and the world, and what the implications may be.

Through this relationship, I was ushered into the organization and able to negotiate a mutually beneficial, open and trusting relationship with the community involved and with the organization. During this first semester I began working on the outskirts of the organization, the majority of my work taking place on Pitzer College campus in trying to acquire resources and permission for a Youth Organizing Summer Pipeline on Pitzer College campus to meet the needs and desires of our youth organizers. Through a dedication to this project I was able to increase the level of interaction and trust that I had with the organization, and by the end of the semester I had garnered enough trust to begin engaging more actively in the community.
One pivotal element of this entire relationship is the constant recognition of and open dialogue involving the community organizing principal of self-interest. The organizing tradition sees self-interest not as a bad thing that defines someone’s selfishness or lack of desire to help others, but instead embraces self-interest as the driving force behind all individual actions. I maintain an extremely open dialogue regarding self-interest in all of my interactions within ICUC to ensure that nobody is exploited. I express my own self-interests as the desire to learn more about organizing, the requirements imposed on me by Pitzer College and my desire to fulfill these requirements, as well as to find some sense of fulfillment that for me comes from an ability to make an impact on positive change. I have consistently presented this and listened closely to the self-interests of many individuals involved in the organization to make sure that we were establishing honest and equitable relationships.

As I became more informed as an organizer, I felt more comfortable engaging in interaction with foreign communities (other than Pitzer College) with less of a chance of disturbing or taking away from them than I might have with a less developed understanding of my own positionality as well as the organizing tradition. Thus, at the end of my Community Organizing class, I told Tom that I wanted to keep working for ICUC and become more involved in actual community organizing, and he proposed that we accommodate this through an independent study in which he would lead me, and another classmate, Zavi Engles in establishing roots in the organization as interns and analyzing our progress.

Since then, I have maintained involvement in four projects. I have been working under Nicole Scheunemann (organizer) as an interning organizer with Ontario’s local
LOC, Ontario United with Tenacity (OUT). This includes regularly attending weekly meetings, fundraisers, youth groups, and events; as well as prepping youth organizers for meetings, coordinating transportation, and organizing events. This year we have focused the majority of our efforts on improving school food in Ontario High School. In addition I have remained coordinator of the Pipeline program orienting Tom’s new class on where the project stands, and how they can get involved, and continuing to work with them on getting the project done. Furthermore, Tom, Zavi, and I organized and executed an experimental micro-enterprise project dealing with artesanía (souvenirs and handicrafts) from the Zapatista communities in Chiapas, Mexico. This project is aimed to reduce community organizations reliance on politically associated philanthropists (whilst simultaneously supporting the Zapatista movement); specifically, this first batch of artesanía, much of which has been sold, is intended to raise money to send Latino youth organizers from the Inland Empire to Chiapas, Mexico and to Peten, Guatemala to learn from radical organizers active in indigenous movements.

During my time working out of Ontario, I was constantly reminded of the foreclosure crisis in progress. Vacant houses and “Bank-Owned” signs pervade the residential landscape (with currently more than 2000 homes in Ontario in some state of foreclosure), while the media constantly reminded me of what was taking place around me. I became interested, or intrigued by the foreclosures, largely because I was so uneducated on the subject and I understood so little of the economic circumstances that facilitated this crisis; all I knew then was that it was having a major and negative impact on our local community. I began talking to Tom about how ICUC and PICO have been reacting to the foreclosure crisis and realized that many community members have been
unfairly affected by irresponsible profit-seeking banking activities perpetuated by America’s largest financial institutions.

As Tom unveiled some of the research that ICUC had already accumulated, the gravity of the impact on our local community became apparent. We agreed that a project based around the ICUC’s foreclosure campaign could be useful for research, and for the trainings and conferences presently occurring throughout the Inland Empire and California. Regressing to an open dialogue of self-interest, I made clear that my enrollment in the Ontario program required that I complete a research project, but that equally strong was my desire to create something useful and not to put a lot of time into an academic exercise that would reflect how much I had learned from ICUC but not serve to aid or benefit ICUC, creating an inequity in our relationship. From there we began a brainstorming process that lasted nearly a month, through our weekly meetings and regular phone conversations.

The foreclosure research project that I embarked on has encountered significant obstacles and as a result has changed considerably between then and now. First, I had planned to record testimonies of community members affected by the foreclosures and involved in ICUC, contrasting academic explanation with personal experiences in order to reveal who is at fault, who is affected, and what communities can do. I began doing one-to-one research meetings with ICUC staff and community leaders involved in the multi-congregational organizing campaign. These meetings discussed self-interests once again, and how to create a mutually beneficial project serving the needs of everyone involved.
After my first time recording a testimony of a community member who had suffered through a foreclosure, I was emotionally traumatized. Seeing the effort she had put forth and the adversities she had been subjected to by no fault of her own really affected me. I went back to the ICUC office and told Tom and Elizabeth Ayala (an ICUC Riverside organizer spearheading the foreclosure campaign), that I did not feel comfortable using these community member’s testimonies without being sure that I could give something back to them. I realized that these testimonies, while rich and useful in information, are so sensitive I could not really allow myself to take them from people with whom I had no prior relationship. From here the project took its final turn.

Rather than create a video, we decided that I would review all of the information already recorded by organizers, staff, and community leaders that was being passed around within ICUC and PICO and try to create a comprehensive summary of the problem and the solution. This is what my research has amounted to.

My methodology, consequently, utilizes an advocacy and participatory approach to study the foreclosure crisis in the Inland Empire through a scope of critical theory summarizing how communities have been affected unjustly and how they can empower themselves and strategize a response. ICUC has granted me consent to utilize e-mails, memos, and all relevant material from within the organization, which together form a sort of digital platform describing their foreclosure response. The content which I have reviewed and summarized includes: powerpoint presentations; memos and e-mails from within both ICUC and PICO; publications by ICUC, PICO, and other collaborating organizations such as the Center for Responsible Lending; Letters to attorney generals; letters to government officials; meeting and action preparation documents; calls to action;
meeting summaries; workshop agendas; campaign descriptions; personal and group e-mails; flyers; newspaper articles; grant applications; and other reports and publications.

I use what I have found from these documents in conjunction with one-to-one research meetings with organizers and staff to understand and present a problem caused by an enormously powerful deregulated banking sector and a grassroots, community-based solution.

Throughout my process I was constantly confronting my own positionality and had to struggle with how it affects my research project. The aspects of my positionality that came forth the most during the research process were my age, socioeconomic status, and occupation. During much of this process I was dealing with vulnerable populations already suffering unjustly. Often I felt that my age, in conjunction with my occupation as a student, may have affected how I was perceived as an organizer and a researcher. These were likely just my own insecurities, but I felt that my own self-interests as a student with academic goals distinct in some cases from the organization’s goals inhibited my relationship with some of the community members and staff with whom I have worked. Trusting intentions is extremely important in this type of work, organizers, staff, and leaders are all extremely busy and for them to designate time, energy, and resources towards a project they must trust that the project is going to perpetuate their self-interests. The fact that I had to complete it as a school assignment, I feel, may have taken away from some of their trust in my intentions. This notion helped me to understand why maybe it was not best for me to take testimonies from community members who have experienced serious trauma without any established relationship with them, except through our working with the same organization.
In addition, being a straight, white, male, middle-class, college student working within vulnerable populations consisting of majority low-income Latinos caused me to constantly question myself and the impact I had on groups around me. In essence, I represent the traditionally dominant demographic. Working as an organizer, as well as a researcher, the last thing I wanted to do was to dominate. Rather, in my organizing, I wanted to do anything that I could to accommodate the grassroots empowerment of communities seeking to fulfill their own self-interests, whilst not asserting any form of leadership or dominance that could compromise the overall community empowerment. In the same way, as a researcher, I did not want to let my presence influence or corrupt the accuracy of the data that I was collecting. To account for this I did my best to be extremely humble, reserved, and responsive to the community, always remembering to put them before myself to earn their trust and to establish myself as a non-dominant personality.

V. Research Summary

My research, as a result of my methodology, combines qualitative and quantitative data, analyzing the impact and the cause of the Foreclosure Crisis in the Inland Empire in order to create a scope of Critical Theory to analyze community response to corporate injustice. In order to understand how critical theory is applied as a philosophical paradigm to my research, one must understand certain assertions regarding the foreclosure crisis that I understand to be true and that are well documented in the literature discussed in section II, but that are debated amongst scholars and rooted in deep economic theories that are too much better documented in pieces such as Jacob S. Rugh
and Douglas S. Massey’s (2010) *Racial Segregation and the American Foreclosure Crisis* to justify my attempting to explain them. These assertions are that increased competition, deregulation of the banking sector and the new era of securitized and subprime mortgage lending allowed for big banks to participate in immoral and irresponsible, profit-seeking practices such as predatory lending and robo-signing that have led to massive losses for home-owners and local communities; and that minorities and lower economic classes, as with most financial downturns, largely due to pre-existent residential segregation caused by historical structural racism, have been disproportionately affected and subjected inferior levels of service throughout.

This is essential for understanding how critical theory is relevant in understanding impact of and community response to the foreclosure crisis in the Inland Empire. This section will briefly describe the misdoings of the banking industry nationally and the national impact, detail the impact of foreclosures on communities, specifically in the Inland Empire, and present how the community organization ICUC has been mobilizing communities in response.
The Center for Responsible Lending projects that at least eight million families will lose their homes in the next four years under the current system with the current rate of foreclosure, meaning one in every six homeowners with a mortgage will lose their home. Foreclosures are currently proceeding at an average rate of approximately 40,000 per week. Furthermore, the nation has lost an estimated $17 trillion in wealth as a result of foreclosures (how foreclosures extract wealth from the community not just the individual will be covered below). The government committed $13 trillion of taxpayer money to the banks responsible for the foreclosure crisis in the 2008 bailout, which is enough to pay off every mortgage in America and build a house for every American without one, while former and struggling homeowners await any real federal compensation. Meanwhile, the banks behind these loans, made off with record profits, in the billions, leaving behind them a wake of families facing foreclosure, long-term unemployment, falling house prices, and a massive loss of wealth and economic security to the individual and to the community.³

In doing so, these banks and their partners acted fraudulently, illegally, and immorally every step of the way. From knowingly making, packaging, selling, and purchasing deceptive and predatory mortgage loans, to packaging them and reselling them as high quality and safe investments, to systematically falsifying loan documents to expedite the process of foreclosing on families, to denying families the help they needed and deserved to stay in their homes, all of these banks and the lenders they support are engaged in a chain of pervasive fraud. Throughout the nation, as PICO affiliates have

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³ PICO National Network, and Center for Responsible Lending. *Common-Sense Solutions to Saving Homes and Communities*. Jan 30, 2009. PDF.
been collecting the stories of individuals affected by foreclosure. Even more issues have come to light. Individuals engaged in negotiations with banks have experienced a consistent lack of transparency and standardized protocols during the loan modification process, making it confusing, ineffective, and labor intensive to the borrower. For someone like Jackie Brazil, with whom I had a chance to speak, this meant that while she was negotiating a modification with Bank of America through federally initiated Home Affordable Modification Program (HAMP), in countless documents, usually the same documents that she had already submitted, and spending many hours on the phone, the sales office of Bank of America sold her home and put a notice on her house giving her and her children three days to leave.

This is only one example of what is actually an epidemic. In fact, Bank of America, the largest servicer in the country, has only granted permanent mortgage modifications to 21% of borrowers who are eligible for the federally initiated HAMP program, which by the way, is not a sustainable solution, continually falling short of its goal to keep families in homes through meaningful loan modifications, kicking out 40% of participants after the program’s first year.¹ This program fails largely because, as Bank of America of Riverside told a crying and recently homeless mother, Jackie Brazil: “modifications are voluntary, not mandatory.”⁵

In addition to a lack of transparency, the testimonies collected by PICO affiliates nationally reveal more equally frightening trends for homeowners and those who stand

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¹ For more information on the failure of the HAMP program see this recent article from Wall Street Journal Blog http://blogs.wsj.com/developments/2011/05/06/obama-anti-foreclosure-efforts-still-falling-short/?mod=google_news_blog
⁵ “Jackie Brazil Interview.” Personal interview. 15 Apr. 2011.
with them. Of the small percentage of community members who did receive loan modifications, the vast majority were short-term workouts or payment plans that may reduce costs for one to three months but eventually raise monthly rates and put borrowers further in debt. Another hypocrisy that piles the odds against homeowners is that a responsible homeowner who sees herself stretching her budget, at risk of falling behind on her mortgage payment, and seeks out assistance from her bank, is refused any sort of customer service because she is not actually behind her loan yet. Furthermore, such as was the case for Jackie Brazil, some borrowers are even declined service or modification negotiation until they have missed more than one mortgage payment, and technically registered as “default.” These obstacles make it extremely difficult for a family who is at risk of defaulting on their loan to retain ownership of her home, furthermore, the final tragedy evident in all testimonies is that once a family is foreclosed on, they have no real recourse to call upon. There is little to no support being offered by the banks, or the government, by families who have been robbed of all their savings that they put into their mortgages and are left homeless with no return from their investment into their mortgage loan and home improvement.6

Tragically, the recently homeless are not the only ones suffering. Foreclosures do not only affect the members of individual families losing their homes. Rather, an influx in foreclosures devastates the entire community, municipality, county, state, and nation economically, and socially. To understand this, we need look no further than the Inland Empire, specifically San Bernadino and Riverside counties of California, which as of

May 8th have 32,488 and 49,695 vacant homes recently foreclosed on. Firstly, foreclosures have a profound and negative affect on real estate values, which impacts homeowners and the government. This is even more relevant considering the unequal impact of foreclosures on already marginalized minorities and lower socio-economic classes considering that homeownership is one of the most considerable sources of wealth accumulation thus consequently real estate values have a significant impact on overall wealth disparities. The Center for Responsible Lending estimates that every home within 1/8 of a mile of a foreclosure loses on average $51,174 in value. In San Bernadino County this translates to an actual loss of $133.2 billion dollars in home value ($627 billion in California), which could drain $661.1 million from the counties annual tax revenue. To put this figure in the context of its impact on our local communities: the lost tax revenue suffered by local governments is so great that the revenue lost for every three foreclosures is equivalent one teacher’s yearly salary. In the 2009 tax year, this cost California $627 million, San Bernadino $70 million, and Riverside $90 million. Unfortunately, this is not the only loss suffered by the government that translates to even more detriment to an already devastated municipality. Los Angeles City Councilmember Richard Alarcon, in a statement issued in April 2010, states that a single foreclosure may cost the city up to $34,000 for services required such as inspections, court actions, unpaid water and sewage charges, trash removal, and police intervention.

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7 These numbers come from www.Realtytrac.com, a website listing recently foreclosed and bank owned properties for potential buyers.


9 PICO California, SEIU, Alliance of Californians for Community Empowerment, and California Reinvestment Coalition. Home Wreckers. 2011. PDF.
Another consequence on the community is negative equity. Negative equity is the amount that separates the current market value of a home from a greater the amount owed on the mortgage loan. Commonly, homes with negative equity are described as “underwater.” Negative equity is a symbol of a community asset, in this case home values, being removed from the community. In the Inland Empire, 32% of homeowners are currently underwater in San Bernadino County, and 33% in Riverside County; their debts collectively represent $18 billion and $23 billion in negative equity respectively.

The final devastating impact of foreclosures on communities (that I will discuss) is unemployment, which is perpetuated by, and continues to perpetuate the foreclosure crisis. From the beginning of the crisis in 2006, unemployment has sky-rockeeted to record highs, jumping by 10% in both Riverside and San Bernadino counties to 15.5% and 14.2% respectively. Local economics guru John Husing, to whom I was referred by the aforementioned Riverside organizer Elizabeth Ayala, released a report in October of 2008 detailing and analyzing these drops. Husing claims that the Inland Empire is facing its first prolonged downturn in local employment in over forty years. Between August of 2007 and 2008, some 25,000 people lost their jobs, leaving a record 165,000 people out of work, doubling the average from 2000-2007. By analyzing which industries have suffered, Husing estimates that a downturn in residential construction industry is directly or indirectly responsible for the loss of over 95% of job loss. The downturn in residential construction is a direct consequence of the foreclosure crisis, the abundance of cheap bank-owned real estate, and the consequent decline in new housing demand. Husing goes

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The impact on the community and municipality described here are symptomatic of the entire nation. Understanding the depth of devastation caused by irresponsible banking practices is crucial to understanding the community response. ICUC’s response, in collaboration with PICO National Network, is unique because it focuses on organizing community members to meet their own needs, providing short term relief for immediate struggles, and building power through organizing in order to bring common citizens to the policymaker’s table to implement solutions that work. In some ways, this can be accomplished on a local level, particularly in providing direct relief necessary to sustain the livelihood of the community, but also in putting direct pressure on local servicers to work with homeowners and on elected representatives to stand with families over banks. In cases where the decisions affecting families in the Inland Empire are being made in Sacramento or Washington D.C, ICUC collaborates with PICO California and the PICO National Network. In addition, the PICO National Network lends many of its resources, largely advice and strategies determined by researchers and analysts enabled by the larger size and budget of PICO National Network to ICUC whose actions are often influenced by these strategies. PICO California has actually sent trainers down to the Inland Empire to collaborate on foreclosure education workshops. ICUC’s community leaders as well as staff are constantly networking in person, through phone calls, and e-mails, sharing strategies, resources, and coordinating larger organizing efforts.
The majority of issue campaigns carried out by ICUC are addressing local needs and do not necessarily require collaboration with the National Network, aside from informational resources, however the foreclosure crisis calls for collaboration for one major reason described in a PICO memo describing the Bank Accountability/Economic Justice Campaign. Here it reminds affiliates that the government has put no measure up to stop foreclosures that can be reasonably and economically prevented. To win the massive reinvestment that communities need, we need to be able to change the policies and practices of the nation’s four largest banks that are responsible for the crisis. These are: Bank of America, Wells Fargo, JP Morgan Chase, and Citibank. These four banks together hold $2.6 trillion in deposits totaling 37% of all US deposits. Their lobbying is some of the strongest of any industry and they are what PICO describes as “gorillas in the room” that shape the entire industry. This memo gives strategies for and reminds organizations the importance of winning local battles in order to sustain local organizing efforts and address the needs of local communities. However it also claims that without collaboration to create more power these four giants will be near impossible to influence.

This next section summarizes the extent to which my research indicates that ICUC has been collaborating with PICO in its Bank Accountability/Economic Justice Campaign and with the PICO California campaign, and finally what ICUC is doing in the Inland Empire.

ICUC leaders have been on two separate trips to Washington to participate and give input into planning the national campaign. In one of these trips, in November 2010,

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12 PICO National Network. *Bank Accountability / Economic Justice Campaign.* PICO Summary of Campaign sent to ICUC.
ICUC and PICO leaders were able to meet with the current Secretary of the Treasury for the United States, Timothy Geithner. This was the first time that Geithner had ever sat face to face with the people who have to deal with the program that his office designed and manages, HAMP. Two years before the meeting, 180 PICO members stood outside the Treasury Department requesting a meeting with Geithner to demand that his department implement a broad loan modification program. This time a coalition of clergy, community leaders, homeowners, and PICO staff brought with them a stack of testimonies with photos of homeowners whom the HAMP program failed to aid. Leading New York City foreclosure activist Michael Hickey estimated that just enforcing HAMP could double loan modifications.\footnote{Dayen, David. "Geithner Meets with Homeowners Burned by HAMP." Weblog post. \textit{Firedoglake Blog}. 4 Nov. 2010. Web. 11 May 2011.} To date there have been no regulations or stipulations dictating certain consequences for servicers failing to comply with the program.

ICUC leaders have also attended two Faith and Families Summits in Washington D.C. as well as one Clergy and Policy Meeting. During these advocacy trips they have met with legislative staff for senators Barbara Boxer and Dianne Feinstein, as well as congresspeople Nancy Pelosi and Ken Calvert. They have also engaged in forums with Obama’s domestic policy advisor, Melody Barnes, and Reverend Joshua Dubois, head of Obama’s office of Faith Based and Neighborhood Partnership. During these meetings they have advocated for the passage of Senate Bill 61, which would grant bankruptcy judges the ability to lower the principal of home mortgages and pressure the banking industry to do so as well.\footnote{Timpson (ICUC), Corey. "Re: ICUC's Work on Housing and Foreclosures." Letter to Bishop Gerald Barnes and Bishop Rutilio De Ruego. 31 Mar. 2009. MS.}
In addition, ICUC leaders and staff joined PICO National Network, PICO affiliations from all over the nation, clergy, and representatives from National People’s Action, Alliance of Californians for Community Empowerment, Northwest Federation of Community Organizations, and the Service Employees International Union to write a letter to and to arrange a meeting with the Iowa Attorney General, Tom Miller. This meeting happened in January of 2011 and letters were sent before and after the meeting. Tom Miller is leading the national investigation into foreclosure fraud. The second letter begins, “Collectively we represent the groups that have mobilized more Americans in the fight for financial reform than any other group in the country. Our communities are being devastated by the foreclosure crisis and the irresponsible and criminal activities of the banks that caused and continue to perpetuate it.” The collective of community organizations urged the Attorney General, who is still struggling to create an equitable settlement, to implement “real systemic change,” changing the way banks operate, not just individual outcomes. They urge Tom Miller to criminally prosecute banks that acted illegally as a symbol of his allegiance with homeowners. They demanded three remedies that must be part of any equitable settlement: Loan modifications, Principal Reductions, and Remedies for homeowners who have already lost their homes. Loan Modifications must be meaningful and banks must prove they have done all the work and used all tools available to try and keep families in their homes before foreclosing. Modifications but be sustainable, including lowering the rate, and taking into account household debts and medical expenses, as well as making resolutions for the life of the loan. Principal reduction (reducing the total value owed) must be the first line loan modification tool,
writing down mortgage values to current market or near market value for owner-occupants in danger of losing their homes will begin to stabilize the housing market and economy, and bring stability families and communities.\(^\text{15}\)

Though Tom Miller is spearheading the investigation, it is essential that each state also apply pressure on their state government and state Attorney General. ICUC has teamed up with PICO California on multiple trips to Sacramento to put pressure on the California legislature as well as meet with California Attorney General Kamala Harris. Furthermore, on a national PICO day of action in early late March of 2011, PICO affiliates everywhere sent thousands of phone calls to forty-seven state’s Attorney Generals asking them to pursue major settlements against home lenders for foreclosure fraud. On this day, software at the PICO National Network tracked that ICUC contributed hundreds of the over 1000 phone calls that clogged Harris’s voicemail by 11 A.M.\(^\text{16}\)

Similar tactics of phone-in days, letters, and meetings have been utilized by PICO California, with participation from ICUC, in pressuring state assembly. In these efforts they are supporting three key pieces of legislation that they are calling the Homeowner Protection Package, aimed to remedy costs of foreclosure, provide homeowner protections, and stabilize the housing market. They are: The Foreclosure Fee to Recoup Losses, AB 935 (Blumenfield) would impose a fee of $20,000 on a foreclosing party in order to mitigate the economic impact of foreclosures on cities, counties, school districts, and the state; Fair and Legal Modification, SB 729 (Leno/Steinberg) would require loan


\(^{\text{16}}\) Personal E-mail
servicers to give homeowners a decision on their loan modification application before beginning the foreclosure process, avoiding what happened to Jackie Brazil, as well as give homeowners the right to bring legal action with specified remedies when violations occur; Title Transparency, AB 1321 (Wieckowski) would mandate a proper and official recording of all mortgage deeds, trusts, assignments, and payment of requisite fees as well as requiring that the mortgage note be filed prior to issuing a Notice of Default to ensure that the foreclosing party has a right to foreclose.¹⁷

To address local needs, ICUC has formed an intercongregational foreclosure temporary committee. This committee began its work by listening to the experiences of hundreds of families in order to understand the full impact of foreclosure in our community. This outreach guides leaders in their strategies, being certain to address what the community needs. From this research they have come up with a three-tier local response: Keep families in homes, stop predatory lending, and restore neighborhoods.¹⁸

ICUC leaders, with support from PICO California, Springboard Inc., and a number of other housing advocates, have been putting on a series of foreclosure education workshops throughout the Inland Empire. These workshops are intended to educate communities about options for families facing foreclosure, as well as to recruit support for the larger issue campaigns. One of the most important roles of the foreclosure workshops is to educate families on the free and honest services that exist out there to support them, because, along with predatory lenders, exist a number of other predatory

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¹⁸ Ayala, Elizabeth. *Grand Application*. ICUC Grant Preapplication to Presbyterian Committee on the Self-Development of People.
financial servicers anxious to continue to exploit these affected populations. For Jackie Brazil this meant her lawyer agreeing to negotiate a modification on her loan and running off with $3,500 that she paid him up front.\footnote{"Jackie Brazil Interview." Personal interview. 15 Apr. 2011.} For the Hernandez Family of Our Lady of Perpetual Help, ICUC was able to convince them to cancel and refund $1,500 that they had given to a loan modification consultant and utilize the free services that did the same things. The HUD Approved counseling agencies in the Inland Empire that they are advocating are the Fair Housing Council of Riverside, Neighborhood Housing Services of Inland Empire, Springboard Inc., and the NID Housing Counseling Agency.

My research includes a summary of one of these events in which 250 people gathered at St. Catherine Of Alexandria in Riverside. At this half-day event participants could ask questions to agency experts, including local housing agencies, the District Attorney’s office, and HUD. After presentations from ICUC staff and various experts, advocates, and servicers, a break out session allowed participants to find the right experts able to address their diverse needs ranging from foreclosure education to filling out modification paperwork. An interview with ICUC Executive Director Tom Dolan also informs me that there have been workshops in Ontario at Our Lady of Guadelupe Church and in Montclair at Our Lady of Lords featuring trainers from PICO California and SEIU. This series of workshops has helped to create a network of awareness through which potential victims of fraud can understand their situation and their become aware of what options they have. In April 2010, ICUC received a commitment from the Fair
Housing Council to partner with ICUC to conduct workshops in each ward of the city of Riverside and other cities in the Inland Empire.²⁰

Finally, ICUC has been pressuring servicers, particularly Bank of America, to work with homeowners on meaningful and immediate modifications. So far, there has been one action at Bank of America, In Riverside. At this action Faith Leaders publically condemned Bank of America for not modifying home loans. To address the self-interest of the bank, they called for the City of Riverside, as well as local businesses and residents, to pull their money out of Bank of America, citing that Bank of America has modified less than 10% of homes in foreclosure even though it is the lender with the highest number of homes in foreclosure. After this action faith leaders walked to Riverside City hall to present city council with a request to withdraw investments and business accounts from Bank of America, to ensure that “our money reflects our values.”

ICUC is currently planning another action at a Bank of America chapter in San Bernadino County in coming months.

**Conclusion:**

Saul Alinsky, the forefather of modern community organizing, describes only two types of power in American democracy, that which comes from money, and that which comes from organized people. In the foreclosure episode in the Inland Empire and nationally, this dichotomy could not be more clear. The excessive banking lobbying dollars that led to the deregulation that allowed the sub-prime and predatory lending

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²⁰ Ayala, Elizabeth. *Grand Application*. ICUC Grant Preapplication to Presbyterian Committee on the Self-Development of People.
crisis to occur is an example of the power of money at work. Through critical theory, we examine how ordinary people can respond by organizing together to accomplish extraordinary things. It is extremely important to monitor, analyze, praise, and participate in this kind of work because it is one of the few true sentiments of populism and democracy today, and drawing support to this kind of action is essential.

**Research Notes:**

My research draws on documents and e-mails given to me with explicit permission by Tom Dolan, Executive Director of Inland Congregations United For Change (ICUC). In addition, my research draws on the testimony of one homeowner, Jackie Brazil, which I videotaped for the ICUC website. Finally, my research draws on a series on informal interviews, or one-to-one research meetings, and informal interactions with ICUC staff and community leaders who have also given their permission for me to use this data. In my appendix I have included all of these documents, as well as an informal outline/guide I made for myself describing information in each of these.

If I had more time and an opportunity to become further engaged this issue campaign, I would like to collect more personal testimonies, however the emotional nature of these stories makes me hesitant to do so without enough time to establish equitable and trusting relationships.

**Notes:**

**Research Bibliography:**
Note: This bibliography is from my personal collection of documents and other forms of qualitative data, much of it will not be found except on the disk held in trust by the Pitzer in Ontario Program. With the data, one will find a rough, rough, outline describing particular documents to the extent that I utilize them in this essay.


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