



## Neighborhood Economic Development Advocacy Project

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### NEDAP STATEMENT ON THE FINANCIAL BAILOUT

The Bush Administration's bailout plan, enacted last week by Congress, fails to address the root cause of the credit crisis and does nothing for homeowners and communities in distress.

New York – like the rest of the country – is in the midst of an unprecedented foreclosure crisis, which is devastating not only homeowners and families, but entire New York communities. The number of New York City homeowners entering into foreclosure continues to rise precipitously, with a vastly disproportionate number of foreclosure actions in predominantly black and Latino neighborhoods. Nationally, 6.5 million more families are expected to lose their homes to foreclosure by 2012, according to recent industry projections.

The new law, known as the “Emergency Economic Stabilization Act of 2008,” bails out Wall Street with hundreds of billions in taxpayer dollars, with no assurances that it will even address the credit crisis. Despite the massive collapse of the financial system, the bailout fails to address the deregulation and lack of accountability that are at the root of the meltdown.

It is imperative that Congress enact legislation, immediately, that prevents the further loss of homes to foreclosure and ensures responsible lending going forward. The legislation must:

- Require modification of loans for all mortgages and mortgage-backed securities that the federal government acquires through the bailout, for any and all distressed borrowers who can afford a fairly-priced loan.
- Include a concrete plan for systematic, affordable loan modifications for mortgages not acquired through the bailout.
- Amend the bankruptcy law to allow bankruptcy judges to order sensible, sustainable loan modifications, in Chapter 13 proceedings. This reform would save hundreds of thousands of homes, at minimal cost to taxpayers.
- Provide a comprehensive new regulatory framework for the financial services industry. We must put an end to the fallacy that the industry is capable of self-regulation.

Meanwhile, NEDAP condemns the disingenuous claims made by a growing chorus that federal policies to promote equitable lending and homeownership somehow *caused* the financial crisis. These claims are without foundation – for example, most subprime mortgages were in fact refinance, not home purchase, loans that were made by banks' affiliates and non-bank lenders not subject to the Community Reinvestment Act – and are basely intended to shift blame for the credit crisis away from the actual cause, deregulation, and onto homeowners, especially people of color.

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*NEDAP's mission is to promote community economic justice, and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.*