



May 19, 2009

John E. Bowman  
Acting Director  
Office of Thrift Supervision  
Department of Treasury  
1700 G Street, N.W.  
Washington, DC 20552  
SENT VIA FAX AND US MAIL

***MDIAC Conference Call on May 28<sup>th</sup>***

Dear John,

For our semiannual call-in conference set for May 28<sup>th</sup>, I have discussed with minority community leaders a number of issues that we think should be on the agenda for this discussion and would appreciate your consideration of these issues and sending them to the other members of MDIAC.

1. According to the New York Times article on May 7<sup>th</sup>, Hope for Homeownership, which was passed last summer, is not working. Just one loan modification. OTS should consider funding a pilot program with minority institutions to turn foreclosed homeowners into future homeowners. Please see the attached American Banker article written by Mabuhay Alliance and HomeFree USA entitled, "A Foreclosure Option: Tenant to Homeowner."
2. Nevada, particularly, Las Vegas, has the highest foreclosure rate in the country and the largest percentage of homeowners who are "deeply underwater." Perhaps OTS should consider a pilot program supported by Senate majority leader, Harry Reid, of Nevada. Mabuhay Alliance has been selected by HomeFree USA to lead the effort in Nevada and will be doing our first home clinic two days after our conference call and anticipates meeting with Senator Reid at that time.
3. The latest U.S. Census data shows that there are over 15 million Asian Americans, including over four million Filipino Americans. Similar to African Americans and Latinos, we are not served by a sufficient number of banks. In fact, there are no Filipino American-owned banks in the United States. Perhaps OTS should consider special incentives for any major financial institution that will set-up a special outreach to serve Filipino Americans.



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4. Multibillions are being spent for job training for "jobs that do not exist." Perhaps financial institutions should be encouraged by various regulatory incentives to help the unemployed become entrepreneurs by starting their own businesses. This would include technical assistance and capacity building grants to nonprofits that focus on microbusinesses.

We look forward to our conference call on the 28<sup>th</sup> and are available before the call to discuss these four issues.

Sincerely,

A handwritten signature in cursive script that reads "Faith Bautista".

Faith Bautista  
President and CEO

Cc: Cassandra McConnel

# AMERICAN BANKER

On Focus and In Depth

## Viewpoint: A Foreclosure Option: Tenant to Homeowner

American Banker | Friday, May 1, 2009

By Marcia Griffin and Faith Bautista

Major community home counseling nonprofits are experiencing what virtually every financial institution is now recognizing: Despite the massive reorganization of the Obama administration's homeownership priorities, the number of foreclosures will continue to accelerate, and no end is in sight as declining home values and increasing unemployment continue unabated.

We urge a Main Street approach that preserves free-market principles and ensures that we remain largely a homeownership society.

We, as the presidents of two home counseling nonprofits serving virtually every area devastated by the blight and economic cost of foreclosures (from Arizona to California to Florida to Nevada and Ohio), urge a national "Tenant to Homeowner" program. This could be funded by a combination of Troubled Asset Relief Program and economic stimulus money. We recently raised this idea with Treasury Secretary Timothy Geithner, Federal Reserve Board Chairman Ben Bernanke, and Federal Deposit Insurance Corp. Chairman Sheila Bair.

This is how our program might work: Wherever a homeowner is facing a foreclosure on a primary residence, the financial institution offers the homeowner a speedy, uncontested foreclosure while letting the owner remain in the home as a tenant and eventually repurchase it.

This option could save financial institutions 50% or more over a traditional foreclosure, if long-term indirect benefits are factored in. Consider, for example, the impact on home prices of neighborhood stability and minimizing costs attributable to angry homeowners or subsequent vandalism.

Our proposal, which we hope to quickly refine with Obama administration leaders and major financial institutions, would contain the following elements:

- A one- to five-year lease.
- A rent of 25% to 31% of the tenant's net income.
- The right of the tenant to purchase the home at any time during a five-year period for 90% of its value at the time of foreclosure or the value at the time of the subsequent purchase offer, whichever is lower.
- Allowing up to two months of rent a year, if paid on time, to be applied as a down payment.
- An \$8,000 tax credit for a tenant who repurchases the home.

It may be necessary to provide substantial incentives to financial institutions. We recommend up to \$10,000 could go to any institution that completes a tenant-to-homeowner conversion, including payments of \$1,000 a year while the tenant is still on the lease. If funding is an issue, this program could be limited to people with income of up to 150% of the median and/or those residing in areas with a foreclosure rate at or above the national average.

As many as 2 million homeowners facing foreclosure and residing in homes that are substantially underwater might make use of such a bold initiative. After all, every national poll demonstrates that the vast majority of Americans, particularly those who live from paycheck to paycheck, prefer homeownership over being a tenant.

As to those who are unemployed or in part-time employment (almost 16% nationally and almost 20% in hard-hit areas in America), going from tenant to homeowner is not the entire solution. However, if we bet that our recession will be over in 18 months, we can ensure opportunities for leading these groups to homeownership.

The federal government could create a "homeownership/unemployment grant" where there is a substantial likelihood that within 18 months the unemployed worker would be fully employed. This is consistent with President Obama's commitment to create or preserve 3.5 million jobs.

To those who believe the federal government should not fund trickle-up Main Street proposals, we say that virtually every Bush/Obama trickle-down effort has either failed or missed its mark by an embarrassing margin.

*Marcia Griffin is the president of HomeFree-USA. Faith Bautista is the president and chief executive of the Mabuhay Alliance.*

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