The California Reinvestment Coalition (CRC) and the undersigned California based community organizations respectfully register our position on AB 2501 as SUPPORT IF AMENDED to include additional protections that will ensure we do not repeat the mistakes of the last crisis. We thank Chair Limon for her leadership in proposing the kind of strong and bold measures that the times demand.

The California Reinvestment Coalition builds an inclusive and fair economy that meets the needs of communities of color and low-income communities by ensuring that banks and other corporations invest and conduct business in our communities in a just and equitable manner. CRC and our member organizations have been fighting predatory financial practices for over 30 years. CRC members and allies were on the front lines of the last crisis, and are on the front lines today in serving, organizing, and advocating for people and communities most impacted by COVID.

We strongly support the intent of AB 2501 – to keep homeowners and tenants in their homes, and to provide relief to consumers who will otherwise have to choose between meeting loan repayment obligations and providing basic necessities to their families.

We believe the bill could be strengthened to even better serve California homeowners, tenants and consumers, and we will enthusiastically support the bill once it is amended to include the following:

1. A requirement that servicers provide a meaningful right of first refusal to tenant occupants, first time homebuyers, and community land trusts and other nonprofits organizations to purchase foreclosed REO properties, instead of allowing property sales to private equity, Wall Street firms, and Real Estate Investment Trusts (REITs), as happened on a grand sale during the foreclosure crisis, to the detriment of California residents and communities;

2. Strong enforcement provisions to ensure that the benefits, relief and rights conferred by this bill are honored and respected. The harsh impact of the foreclosure crisis was as a result of weak enforcement of weak rules.

3. Ensuring relief is as automatic as possible. Provisions such as those triggering automatic enrollment in forbearance programs for 60-day mortgage delinquencies should be replicated in other contexts, such as for auto loan delinquencies. During the last crisis, countless homeowners lost their homes due to excessive documentation requirements, and servicer malfeasance, incompetence and lack of sufficient capacity.
The Federal Reserve recently reported that 39% of former workers in households earning less than $40,000 a year have lost work, with few available resources to deal with financial obligations during the crisis.

We commend Chair Limon for beginning to address key issues and themes that we hear from our membership and allied organizations:

- Relief needs to be comprehensive and broad. Why should one household receive relief and another receive no relief, solely because one loan was federally backed and the other not?
- Keeping families in their homes is critical
- Families should not have to worry about lump sum payments at the end of forbearance periods
- Where landlords get relief, tenants should get relief
- Nonprofit and “mom and pop” landlords deserve consideration in order to ensure their survival
- Relief should be as automatic as possible so people do not fall through the cracks once again
- The pandemic presents opportunities for bad actors to take advantage of Californians, and the consequences of scams and poor relief delivery systems are substantial. We need clear rules and strong enforcement measures.

We must do all we can in the first instance to keep families in their homes and to relieve them of debt obligations they simply cannot repay at a time when the economy has shut down and workers are asked to stay home in the name of personal and public safety and welfare.

And when foreclosures happen, we must put these properties in the hands of tenant occupants, first time homebuyers and nonprofit organizations that can keep properties affordable and stabilize our communities. Such a program will require additional resources to enable such groups to purchase properties and to build the capacity of groups to be able to responsibly acquire housing. Another critical component of this program will be support for housing and tenant counseling agencies, and technical assistance for nonprofit groups seeking to keep housing in community hands.

But even if the resources are available, we need a mechanism to take properties off of the speculative market in order to allow these groups a realistic first opportunity to acquire and maintain properties in the public interest. Failing to do so the last time led to the loss of precious opportunities for families to attain homeownership and build intergenerational wealth, the rise of corporate landlords who neglected and evicted working class families, and the dramatic displacement of communities of color.

This bill, if amended as suggested and refined, can go a long way to ensuring not only that we do not repeat the mistakes of the past, but that we build a more equitable and stable California.

If you have any questions about this letter or our position, please feel free to contact Kevin Stein at California Reinvestment Coalition at kstein@calreinvest.org

Thank you for your consideration of our views.

Very Truly Yours,

California Reinvestment Coalition

OTHER ORGANIZATIONS