



California Labor Federation | AFL-CIO

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January 23, 2012

The Honorable Shaun Donovan, Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Secretary Donovan:

The California Labor Federation writes to express our serious concerns about the proposed multi-state settlement. Based on the terms described in numerous media reports, the deal appears to be a settlement for the banks, not a settlement for the middle class. The people of California need real relief, not a quick settlement that lets the banks off the hook.

California is home to nine of the ten cities that were hardest hit by the foreclosure freefall. The two million working families we represent have been at the epicenter of this crisis. Millions have been devastated by the loss of their homes. Many more have watched their home values plummet and now nearly one in three California borrowers are underwater, owing more to the banks than their homes are worth. California has the second highest foreclosure rate in the country, surpassed only by Nevada. For these reasons, our stake in the outcome of the settlement talks is great. Our families, our communities, our state and local government, and our economy depend upon a fair outcome.

On every level, the proposed settlement appears to be inadequate: The total settlement amount is expected to be just \$25 billion dollars, while the nation has \$750 billion in negative equity. \$25 billion would not even cover the loss of home equity to California families, let alone all homeowners across the country. The settlement is expected to help 1 million homeowners, when more than 10 million are underwater and millions more have been wrongfully foreclosed upon.

Even worse, we are concerned that the settlement may not even come from the pockets of those who engaged in the misconduct. If the settlement gives servicers credit for writing down the value of investor-owned mortgage-backed securities without requiring them to write down the mortgages and liens they own, it will be our public pension plans, not the banks, that will take the hit. That means the same working families who have already seen their life savings go up in smoke will now face losses in their retirement funds. Not only is this a great injustice, but it fails to enact any real penalty against the bad actors.

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It is difficult to overstate the harm that has been inflicted on our economy by the financial institutions now seeking to pay a relatively small sum and receive broad immunity. Foreclosures destroy families financially and emotionally and blighted, abandoned properties destroy our communities. Cities, counties, and the state are unable to meet the needs of our most vulnerable, while banks sit on record reserves.

Any settlement must provide meaningful relief to homeowners and to the economy. We urge you to ensure that the rush for quick relief does not overshadow the need for an equitable settlement that provides:

1. Widespread principal reduction for California homeowners and fair redress for those who wrongfully lost their homes.
2. Reform of lending and servicing practices and penalties on those who broke the law to deter such wrongdoing in the future.
3. Real enforcement to ensure compliance.
4. Limited liability waivers for only those issues that have been fully investigated.

Thank you for your consideration.

Sincerely,



Art Pulaski
Executive Secretary-Treasurer

cc: Attorney General Kamala Harris
Speaker John Perez
President Pro Tem Darrell Steinberg
California Congressional Democratic Delegation

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