

## Policy toward mortgage crisis needs adjusting

October 30, 2007

**JESSE JACKSON** [jjackson@rainbowpush.org](mailto:jjackson@rainbowpush.org)

'When I took an adjustable rate mortgage, I knew the rate would be adjusted. No surprise, it is now being adjusted. It doesn't take an

advanced education to understand this." The anonymous, aggravated caller on the radio show couldn't understand why he should care about the 2 million homeowners who could lose their homes over the next couple years.

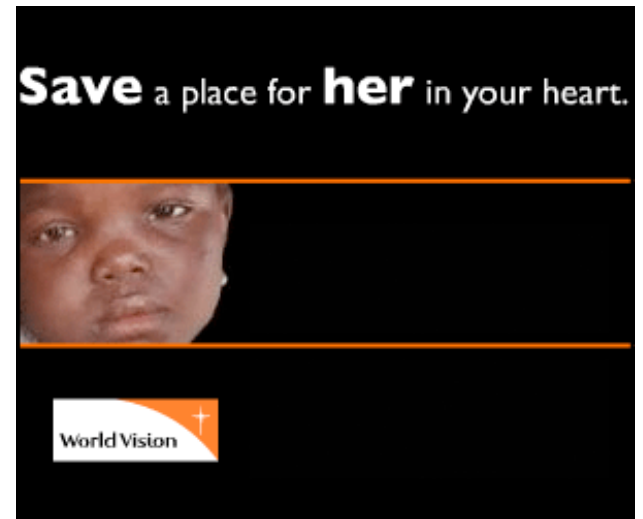
Why should we care? People got into loans and mortgages that they couldn't afford. They took a risk and got caught. Bailing them out will only encourage others to take bad risks. And who pays the costs? If the lenders get hit, then won't they pass the costs on to future borrowers, people with good credit who have done nothing wrong? Why not let people lie in the bed that they made for themselves?

This needn't be an academic question. Washington is slowly awakening to the scope of the mortgage crisis. The Federal Deposit Insurance Corp. is calling for freezing the introductory rates on subprime, adjustable-rate loans. Only legitimate borrowers would qualify -- ones who live in the home and have kept up on their monthly payments. That would eliminate about 1.75 million homeowners from the ranks of possible foreclosure. Helping them would then allow case-by-case resolution of the harder problems -- people who have already been hit with higher rates that they cannot afford, or missed one payment and need a way to work it out.

This plan won't work without Treasury Secretary Henry Paulson providing the leadership and President Bush providing support. Congress might help by ensuring that those restructuring the loans can't be sued by the investors in mortgage securities who should suffer some of the losses.

But why help those facing foreclosure? It strikes me that there is a range of good reasons. First, the damage suffered by 2 million people losing their homes to foreclosure won't be limited to those people. Their neighbors will watch housing prices plummet, and neighborhoods grow more dangerous, as boarded-up houses attract vagrants and drug dealers. Their communities and schools will suffer from declining tax revenues. Cutbacks in schools, teachers, police and firefighters will come just when they are needed more than ever. Finally, as more and more people get trapped -- in homes they can no longer afford to sell, in mortgages that are higher than the value of the house -- whole regions of the country will hit the skids economically. The Midwest is already in recession. It could easily spread.

Second, a lot of people got snookered in these loans. Sure, they should not have been so gullible. But deregulation and financial market changes gave mortgage brokers the incentive to offer loans to people who couldn't afford them. Many were rewarded for peddling costly products to inexperienced homeowners, putting them into loans with higher rates and hidden fees. Many single women and minorities were charged higher rates than men with similar credit ratings.



[jump local](#) | [What's This?](#)  
**VIDEO :: MORE »**



## TOP STORIES ::

### NEWS

['This is do-or-die time' for CTA, Daley says](#)

### BUSINESS

[Stylish figures for Alberto-Culver](#)

### SPORTS

[Oh, my aching 'backer](#)

### ENTERTAINMENT

[Michigan Ave. will be in 'CSI:](#)

The basic responsibilities of lenders were scorned. Loans were offered with no credit check. Borrowers were told they could refinance before the loan was adjusted, but were not told about huge penalties and fees that would kick in if they did.

Deregulation took the cop off the beat. Scoundrels found ways to rob folks with a fountain pen, a lot more effectively than with a gun. Now it's as important to police the suites as the streets. Hold speculators and irresponsible lenders responsible. Require lenders to exercise a standard of care. And limit the damage done to their victims and their neighbors.

Deregulation gave brokers an incentive to cheat their own standards. Let's hold them -- and those who financed them -- accountable, not the families and their neighbors whom they misled.

[NY' shots](#)

**LIFESTYLES**

[Her game is pizzazz](#)

Ads by Google

#### **5.875% 30 Year Fixed Rate**

Dedicated Service 7 Days A Week Direct Mortgage Lender. Apply Now!  
[www.BestRateLoans.com](http://www.BestRateLoans.com)

#### **Reverse Mortgages**

Find HUD/FHA reverse mortgages. Government regulated and insured.  
[mortgage-reverse.net](http://mortgage-reverse.net)

#### **Illinois Mortgage Rates**

Compare Mortgage Rates in Illinois. Plus Calculators, News and Advice.  
[Bankrate.com/Mortgage](http://Bankrate.com/Mortgage)

#### **Get Local Mortgage Quotes**

4 Local Lenders. Low Rates and Fees No Obligation Mortgage Quotes.  
[www.eLoanMatch.com](http://www.eLoanMatch.com)

#### **Home Mortgage**

Close in 12 Days - Bad Credit OK Lowest Rates & Highest Loan Amounts  
[MoneyNowUSA.com](http://MoneyNowUSA.com)

**suntimes.com:** [Send feedback](#) | [Contact Us](#) | [About Us](#) | [Advertise With Us](#) | [Media Kit](#) | [Make Us Your Home Page](#)

**Chicago Sun-Times:** [Subscribe](#) | [Customer Service](#) | [Reader Rewards](#) | [Easy Pay](#) | [e-paper](#) | [P.M. Edition](#) | [Online Photo Store](#)

**Affiliates:** [jump local](#) | [RogerEbert.com](#) | [SearchChicago - Autos](#) | [SearchChicago - Homes](#) | [SearchChicago - Jobs](#) | [NeighborhoodCircle.com](#) | [Centerstage](#) | **Partner:** [NBC5.com](#)

**Express Links:** [Obituaries](#) | [Death Notices](#) | [Sudoku](#) | [Crossword](#) | [TV Listings](#) | [Blogs](#) | [Video](#) | [Yellow Pages](#) | [Horoscopes](#) | [Letters](#) | [Commentary](#) | [Lottery](#) | [Eating In](#) | [Restaurant Reviews](#)



© Copyright 2007 Digital Chicago, Inc. | [Terms of Use](#) • [Privacy Policy](#) • [Submission Guidelines](#)

