



March 31, 2014

Attorney General Eric Holder
U.S Department of Justice
950 Pennsylvania Avenue
Washington, DC 20530

Dear Attorney General Eric Holder:

We write, as local elected officials and concerned community members, to ask your help in protecting our cities from a new form of redlining—illegal discrimination in the mortgage market—with which we have been threatened as we try to fix the damage caused by reckless and predatory lending. We have enclosed for your attention, the signatures of more than 11,000 Americans who join us in making the following request of you and your office:

“Please investigate the Securities Industry and Financial Markets Association (SIFMA) and major banks' plan to redline the City of Richmond, California and other communities considering local principal reduction programs. Please take every action in your power to put a stop to it.”

As you know, predatory and irresponsible lending practices by the nation's largest banks were at the root of the financial crisis that drove the country into the great recession and continues to hurt millions of families. The crisis has affected everybody and disproportionately hurt communities of color: underwater rates are approximately 50 percent higher among African American and Latino homeowners and in neighborhoods of color foreclosure rates are almost three times those in predominantly white areas.

A number of municipalities are now exploring ways to restore community wealth and inject money back into local economies by purchasing mortgages, through traditional eminent domain authority if necessary, and resetting the mortgages to fair market value so that homeowners can avoid foreclosure and begin rebuilding equity.

In response to these local proposals, the Securities Industry and Financial Markets Association (SIFMA) has passed a policy to redline any communities that make use of this authority.ⁱ After decades of redlining and years of predatory and discriminatory lending (*i.e.*, reverse redlining), the Wall Street banks that are members of SIFMA are proposing steps that could once again deny credit to – or make credit more expensive for - communities of color.

SIFMA has also asked the Federal Housing Finance Agency to alter the regulations governing Fannie Mae and Freddie Mac so that those entities will not purchase or insure mortgages made in cities that have employed this strategy.ⁱⁱ

Not only do these actions by SIFMA and major banks raise fair housing concerns, but credible authorities believe they raise serious anti-trust issues as well.¹

We—and thousands of citizens—ask you personally to investigate this matter and address these issues as firmly and promptly as possible, using all the legal means at your disposal.

If you would like to get more information or meet to discuss this issue please contact Kevin Whelan, Kevin@homedefendersleague.org 612-414-9731.

Sincerely,

Mayor Gayle McLaughlin, Richmond, CA
Vice-Mayor Meghan Sahli-Wells, Culver City, CA
City Council Member Jovanka Beckles, Richmond, CA
City Council Member Jael Myrick, Richmond, CA
Supervisor John Avalos, San Francisco, CA
Supervisor Eric Mar, San Francisco, CA
City Council Member Larry Deutsch, Hartford, CT
City Council Member Henry Davis, South Bend, IN
City Council Vice-President Elizabeth Glidden, Minneapolis, MN
City Council Member Blong Yang, Minneapolis, MN
City Council Member Lisa Bender, Minneapolis, MN
City Council Member Andrew Johnson, Minneapolis, MN
City Council Member Cam Gordon, Minneapolis, MN
City Council Member Alondra Cano, Minneapolis, MN
Mayor Barbara Mallett, East Spencer, NC
City Council Member Brad Lander, New York, NY
City Council Member Ritchie Torres, New York, NY
City Council Member Mark Levine, New York, NY
City Council Member Corey Johnson, New York, NY
City Council Member Ras Baraka, Newark, NJ
Mayor Wayne Smith, Irvington, NJ
City Council Member David Lyons, Irvington, NJ
City Council Member Nick Licata, Seattle, WA
City Council Member Desean Quinn, Tukwila, WA
City Council Member Greg Taylor, Renton, WA
Alder Lisa Subeck, Madison, WI

ⁱ See 7/19/12 SIFMA Press Release, at www.tinyurl.com/SIFMAdocuments stating that “SIFMA is issuing this statement today to introduce a policy regarding the interaction of eminent domain with TBA trading. Loans to borrowers residing in areas that municipalities have initiated condemnation proceedings to involuntarily seize mortgage loans through their powers of eminent domain will not be deliverable into TBA-eligible securities on a going-forward basis.” Prohibiting the securitization of loans from these cities will raise interest rates and monthly payments on mortgages.

ⁱⁱ See 7/12/12 Email from SIFMA Managing Director Richard Dorfman to Acting Director of the Federal Housing Finance Agency Edward DeMarco, at www.tinyurl.com/SIFMAdocuments.

¹ http://www.ltg.ca.gov/09102012_LTG_DOJ_LETTER.pdf