BUILDING ASSETS, BUILDING CREDIT:
SYMPOSIUM PROCEEDINGS
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JOINT CENTER FOR HOUSING STUDIES
HARVARD UNIVERSITY

Sponsored by the Ford Foundation, Freddie Mac, and Neighborhood Reinvestment Corporation

WELCOME

In November 2003 the Joint Center for Housing Studies of Harvard University, with funding from the Ford Foundation, Freddie Mac and the Neighborhood Reinvestment Corporation, convened a two-day symposium: *Building Assets, Building Credit.* The symposium placed a spotlight on access to financial services as a gateway to homeownership and focused on the roles of savings, transaction accounts, short-term credit providers, and credit scores in impeding or facilitating asset accumulation for low-income individual and communities. Participants included academics, advocates, private and nonprofit industry representatives and government regulators. This document, authored by Jeanne Engel, provides an illuminating overview of the symposium.

The symposium was created to improve understanding of the reasons for and implications of differences in access to and utilization of asset-building financial services in low-income and minority communities. While housing is a key cornerstone of wealth, borrowers experience with the financial mainstream before purchase plays a part in the products and pricing they receive. Thus the Joint Center and the symposium funders assembled participants from both financial services and housing sectors to give their perspectives and to ponder solutions.

This document is not a transcript of the symposium, but highlights the themes that emerged along with their implications. It begins with an introduction that summarizes the motivation for the symposium and several of the key issues. The next section discusses the implications for business, policy, regulation and advocacy before summaries of the six panels are presented. Certainly, more questions were raised than were answered over the two-day symposium, but it is hoped that through ongoing research and discussion policy solutions will begin to emerge.

Nicolas P. Retsinas
Director
Joint Center for Housing Studies

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OVERVIEW

The dream of equal, fair, and expanded access to credit in low-income communities was never more within the nation's grasp. Three decades ago credit for home mortgages and other asset building opportunities was far less widely available than it is today. Until recently, if an applicant's credit history was marred by past payment problems he or she was rejected for a loan and could not get one at any price. Now the amount of savings a mortgage applicant needs to qualify for a loan is reduced as a share of property value and transaction costs in mortgage finance declined. Many more borrowers with past payment problems or scant documentation of past payment histories are able to qualify for credit, albeit at higher prices and fees, due to new tools that predict loan performance from applicants' past behavior and application characteristics. This move to risk-based pricing opened up opportunities to those who once could not access credit funded through the capital markets and by banks and thrifts.

Along with the expansion of credit and risk-based pricing come new challenges. Increasingly, credit allocation and pricing decisions rely on lender assessments of the borrowers' credit and employment history that are recast as numerical credit scores. Portfolio lenders, secondary mortgage market underwriters and guarantors, public rating agencies, and investors use these credit scores to make underwriting and pricing decisions. The ability to ensure the credit and payment information reported is as complete and reliable as possible has therefore grown in importance.

More predictive models of default risk and severity lead to greater access to credit, but they also raise concerns about the potential for price discrimination and disparate impact. The predictive models create cover for predatory lending practices that pressure people to accept loan terms that they do not understand, are unfavorable for them, or are aimed at stripping away their hard-earned equity.

The evolution of financial services presents challenges and opportunities for businesses, community groups, and consumers alike. Technology, information, and innovation open new markets for businesses. They are rapidly collecting information on once largely underserved borrower groups. The information helps improve the predictive power of their underwriting models. Many are experimenting with new methods and approaches to improve the accuracy of their models, maximize approvals, and help mitigate loan losses. New technologies that lower risk management costs and the transaction costs of loan and payment systems are developed so increasingly lower price points, transaction sizes, and transaction frequencies can be met. Businesses are better able to reduce the cost of credit to consumers and to serve a wider variety of investor appetites for different risk/return profiles and product features. However, businesses operate in a complex regulatory environment that is subject to change at all levels of government, which introduces costs and uncertainty into their efforts.

Community groups are challenged with helping consumers of mortgage and other credit products select the right product given their risk profiles and their particular circumstances. They are pressed to help borrowers build and maintain good credit records, through education, counseling, and incentives to save. They work to help the private sector understand the true risks associated with the clients they serve and advocate for focused attention on low-income markets. They have opportunities to use their community knowledge and to leverage philanthropic capital to develop innovative payment, credit, and insurance products, new approaches to educating consumers, and new partnerships to deliver financial services to their constituencies. Finally, they need to demonstrate their value and explore possible new functional roles in the process of expanding credit access so that they attract sufficient funding to operate.

Consumers face a dizzying array of financial service products and must try to understand what products they qualify for. They need to develop and maintain good credit histories, know their rights, and advocate for tools to help them build assets. Today the onus is placed on consumers, the least educated of these three groups, to detect and correct errors. Additionally, they need to broaden their vision of how actions and choices with respect to financial services influence their lifetime chances of accumulating assets and wealth.

Why Credit Is So Important

Generally, without financial services and credit in particular, low-income individuals cannot build many of the assets that are cornerstones of household wealth. Because incomes and wealth are often too low to cover the costs of investments in homes, automobiles, higher education and small businesses, they typically rely on credit to make these investments. Even services as important to participation in the mainstream economy as the Internet or cell phones typically require a credit card. Consequently, credit is the lifeblood of asset building and is essential to creating economic opportunities for low-income individuals.

To qualify for credit on prime terms, borrowers must show a record of timely payments, have no or few overdrafts of checking accounts, and have steady income sufficient to service the loan. People with low-incomes often have more difficulty remaining current with credit than others. Typically, they do not have enough saved to bridge unforeseen reductions in incomes or cover unexpected spikes in necessary expenditures. Large shares of households—over 30 percent of owners and almost 70 percent of renters in the bottom income quintile—have less than $500 in savings. Furthermore, a much larger share of low-income people lacks a transaction (savings or checking) account. Lacking the information on payment history that is most commonly captured by credit reporting agencies and used by lenders in making under-writing decisions. This leaves many low-income people without access to credit at all, or they are able to obtain credit only from subprime lenders or other costly alternative creditors.

Credit is especially important for housing related investments because homeownership remains the primary store of wealth for most households. About half of all low-income and minority households own their homes but less than ten percent of the same group own a business, individual stocks, or mutual funds. This relationship changes little in the analysis of households in the middle quintile.

Why Mainstream Financial Service Providers Are Important

Mainstream financial service companies are important to credit access and usage for at least three reasons. First, they process payments and are therefore the source (or a potential source) for capturing information on payment histories that are used in assessing individuals' likelihood of loan repayment. Second, financial service companies intermediate between savers/investors and borrowers. Thus, they provide savers a place to invest their savings and earn a return on their investment *and* they supply credit to borrowers. Where they locate, how they market and design their savings, investment, and credit products, and how they make their credit allocation and pricing decisions govern the financial services options available to consumers and shape the perceptions, awareness, and interest of consumers in these products. Third, financial services companies insure and spread risks. Availability and cost of insurance influence the types, costs, and locations where savings, investment, and credit products are supplied.

The State of Knowledge of Low-Income Financial Service Usage

Observed patterns reveal that low-income and minority individuals and communities are much less likely to use mainstream financial services and more likely to use alternative sources. While we made progress during the period 1989 to 2001, almost 30 percent of low-income households in the first income quintile did not have transaction accounts compared to about one percent in the fifth income quintile. Traditional branch banking and prime lenders dominate in middle and upper income communities; however, subprime lending specialists and check cashers command significantly larger and growing market shares in low-income communities in general, and minority low-income communities in particular. In mortgage markets, for example, subprime lending specialists supplied a modest 6.4 percent of all home purchase loans in 2000 but they supplied 11.4 percent of home purchase loans in low-income communities and 12.9 percent of the home purchase loans to predominantly (greater than 20 percent) minority low-income communities. These percentages are significantly higher for refinancing loans—21 and 28 percent respectively.

The reasons for the observed differences in financial services provision and usage are not fully understood. Suggested reasons for the observed differences range from the costs associated with providing financial services to households with limited savings, small transaction sizes, and infrequent transactions, to the risk and subsequent costs of extending credit to borrowers more susceptible to economic downturns and budget shocks, to information imperfections in markets. Furthermore, the methods that various institutions use to market and reach out to borrowers are based on imperfect information about the costs and benefits of meeting market demand. In addition, institutionalized discrimination, regulatory barriers to entry for certain institutions, and the presence of cultural factors may also contribute to these observed differences.

However, the implications of these differences for individuals are increasingly evident. Individuals who do not have savings and checking accounts find it difficult to obtain credit or debit cards. Because they lack electronically captured payment histories, individuals without savings accounts have more difficult time demonstrating their history for paying rent or paying for other goods and services—most credit decisions made by suppliers with this information. Individuals that use more costly financial products, than they might otherwise qualify for, pay more in interest and fees. Finally, individuals who cannot access credit because of undocumented payment histories, incorrectly documented payment histories, improperly scored payment histories, or blemished credit histories are thwarted from acquiring assets—the access to financial services that shapes lifetime opportunities and economic successes.

Implications of differences for low-income communities, the financial service industry, and the broader welfare effects of these differences on consumers are poorly understood. Access to financial services and the individual's choices about service providers have secondary impacts at all levels. At the community level, selections influence property default rates, types of loan workout and foreclosure policies enforced, and whether locally owned or community-controlled financial institutions and related intermediaries benefit from credit flows and savings. At the industry level, the selections and regulations, which support and shape the current system, determine which types of financial institutions benefit. Welfare effects across consumers access to financial services, and consumers selections govern whether the move to risk-based pricing results in consumer welfare net gains for vulnerable borrowers or in a loss of welfare for certain groups at other expense.

Interventions to Improve Credit-Based Asset Building Opportunities

Perhaps most important, the interventions that would improve asset building opportunities for low-income and minority households are neither fully developed nor widely agreed on. However, considerable progress in reaching consensus on them is being made. The following interventions, grouped broadly into three categories, appear to hold the most promise.

1. Improving Lender Credit Assessment, Risk Management, and Pricing Decisions
    - *Improving the quality and capture of payment history information.* It is clear that past history results in very different costs to the lender. Yet, we know that minorities tend to have either thin files or no credit score at all. The current national data system captures a lot of data, but not all of it. How can we better score nontraditional borrowers?

    - *Improving the predictive power of credit scoring and underwriting models*. The credit information collected should be as complete and accurate as possible and the statistical models should be as sensitive as possible to the most predictive factors by including the proper variables and selecting the proper subgroups upon which to fit models. Efforts to improve credit information collection by adding so-called nontraditional information such as utility and rent payments, tailoring credit scores and evaluations to particular credit applications such as mortgage lending or auto lending, and ensuring that models constructed on larger populations apply equally well to important subgroups, are all interventions that accomplish this goal.

2. Improving Regulations to Overcome Market Imperfections, Barriers to Entry, and Protect Consumer Interests
    - *Overcoming market imperfections*. The imperfect credit information and proprietary scoring models used to make credit and investor decisions are oft-cited examples of market imperfection. Moreover, incentives to report information voluntarily, accurately, and use it fairly are lacking. Consequently, a key intervention espoused by many is a review and adjustment of regulation of information and the use of information in credit decision-making. At issue is whether regulations governing accurate and complete reporting of payment information on the part of those who extend credit or otherwise expect regular payments (such as landlords and utility companies) are stiff enough. Whether regulations demand enough public disclosure on rates and fees or ensure enough transparency of proprietary risk modeling systems to judge their fairness is also of concern.

    - *Facilitating competition and lowering regulatory barriers to entry, consistent with safety and soundness and fair lending.* Competition in financial service markets increases consumer choice and the likelihood that economic rents (profits above and beyond the normal compensation of capital for a given level of risk) are eliminated. In so doing, it moves the market toward commonly accepted and narrower price ranges for equivalent credit products extended to similarly situated borrowers regardless of the financial service provider they select. Given the complexity in the regulation and administration of regulations of financial institutions, as well as the multiple federal, state, and local agencies that regulate them, some rationalization of the regulatory environment to lower costs and level playing fields appears critical, though admittedly difficult to achieve. Regulatory concerns frequently cited for analysis include the registration and regulation of brokers; public disclosure and transparency issues with respect to pricing grids and scoring models; the dual federal/state regulatory system and regulation of non-supervised lenders.

- *Protecting the interests of consumers and protected classes.* Ensuring that all borrowers end up with the lowest priced credit for which they qualify should be a priority. This is accomplished through:

  a. Voluntary efforts or regulations that require loan applicants with higher quality credit to be referred up to lenders that offer lower cost credit;

  b. Voluntary efforts or regulations that require or encourage transparency and some uniformity in pricing grids by risk grade;

  c. Financial literacy campaigns that improve consumer performance under a system that is at present and may remain rooted in caveat emptor – let the buyer beware.

3. Empowering Consumers through Education, Incentives to Save, and Insurance Options

- *Providing education to improve consumer financial literacy and sophistication.* With so much riding on knowing how to establish and maintain a good credit history, knowing what credit options are available and best for purchasing or refinancing assets, and what rights consumers of financial services have by law, developing low-cost and effective means to educate the public is vital.

- *Developing products that insure against risks that make low-income and minority borrowers more vulnerable to failed repayment efforts.* Efforts to educate consumers can only accomplish so much because many are inevitably exposed to risks, over which they have limited control owing to their incomes, education and employment opportunities that could interfere with their repayment. These include greater likelihood of uninsured medical expenses, home repairs, layoffs, and market-wide home price declines. Developing products to insure these risks is therefore an important though difficult goal because of the moral hazard associated with some of them.

- *Increasing the number of households with savings and transaction accounts.* Transaction accounts are critical entry points to mainstream financial services because they readily demonstrate payment and repayment history. They also provide opportunities to accumulate savings to cover the down payment and loan closing costs that most real estate and automobile purchases require. Providing incentives and opportunities to save are central to mitigating risks associated with job loss, family dissolution, income declines, and budget shocks.

Promising Tools to Promote Access and Informed Choice

In each of these areas of intervention, new technologies, institutional partnerships, government incentives, and government regulations could have market altering impacts leading to significant improvements in fair, equal, and competitive access and use of financial services for low-income asset building. A main goal of the symposium is to review these tools and assess which have the greatest promise to move the market, and how government regulations and limited resources can be leveraged to achieve these market impacts.

The advent of new payment systems such as debit cards, payroll cards, and electronic funds transfers that lower transaction account costs could replace costly traditional alternatives such as check-cashiers or payday lenders. Increasingly sophisticated uses of credit scoring and loan underwriting models could extend the reach of credit and lower its costs for some, if not most, borrowers. Technology-based education tools and decision-based software could improve the quality of credit histories as well as expedite access and informed selection of the optimal financial services product for individual customers.

Emerging partnerships among government, employers, pension providers, labor unions, community groups, and financial institutions could reshape how financial services are supplied, as well as how the costs and risks of supplying them are distributed.

Government incentives to encourage savings and promote both financial literacy and homeownership could be realigned to benefit low-income consumers to a much greater degree than today. Finally, regulations that increase transparency, improve credit information, overcome competitive barriers to entry, create collective action that reduces risk for all parties, and best protect consumers, could promote fair and more equal access to credit.

IMPLICATIONS OF FINDINGS FOR BUSINESS, POLICY, REGULATION AND ADVOCACY

What follows is a discussion of the implications for business, policy, regulation and advocacy gleaned from the presentations during the two days.

Consumer Choices (and burdens on consumers)

We are not even close to an informed consumer even though we (most of the financial services sector) have placed primary responsibility for making the best choices on consumers. Given the changing financial services industry (particularly the mortgage banking sector), the lack of transparency, the confusing array of products, and the marketing tactics of brokers and others that can be predatory in nature, even the most sophisticated borrowers experience difficulty in understanding mortgage terms and thereby gaining access to the best mortgage terms and prices for which they qualify. As noted by one presenter, “Consumers are not good policers—we just can’t say, ‘Read the documents’.”

Shorebank’s on-going survey work in three cities seeks to identify the preferences and product usage patterns of distinct consumer segments in the low and moderate-income market. Preliminary findings about savings behaviors and attitudes toward banks are:

a. Consumers are aware of the relative costs of not having a banking relationship and are generally satisfied with their choices;

b. Attitude and cultural barriers are lower than often imagined—these are not big barriers to banking services;

The minority and elderly communities present particular challenges. Minority consumers avoid banks when obtaining a mortgage because they are worried they will be turned down, they are fearful of the process, or minorities feel they do not have a trusted advisor (that they can more easily find in a non-bank institution). It was noted that a large percentage of Latinos expect to be in a position to buy a home in five years, and that these consumers will generally follow the direction of a real estate professional in choosing a lender. Much more needs to be known about the dynamics of this relationship and its impact on loan terms. For elderly households, access to home equity credit is important, and more elderly households are going to subprime products.

Decisions to spend (incur debt) are complex and not always rational. The Coalition for Consumer Bankruptcy Education looks at a sample of debtors and non-debtors and compared their knowledge, mood, attitude and behavioral measures of spending and savings. They find that debtors were more likely to have unpaid bills and less likely to deposit money into saving accounts or checking accounts, and behavioral patterns that create financial problems in the first place persist even after debtors have filed for bankruptcy relief. They also find differences between high and low social economic status debtors that have training and financial literacy education implications. The Coalition concludes that policies to reduce debt and increase savings will not be effective unless they consider the psychology of decision-making.

In summary, improving the knowledge and understanding of consumers, their choices and behaviors, is critical. It has implications for everyone in the industry, particularly advocates and community-based organizations. However, consumers, particularly low income and minorities, should not be considered a homogenous group. Good local market information is key, and products and services need to be targeted to particular groups. More research using a socio-psychological approach to how consumers make choices is also needed.

Support for Financial Literacy Education

There exist substantial challenges to both increasing availability of, and funding for, financial literacy efforts. Most everyone at the symposium seemed to feel that while financial literacy education will not solve all of the predatory lending and other financial services-related problems, there are far-reaching benefits (such as improvement in consumer credit understanding and managing and improving credit scores). But, if these benefits exist, why do challenges remain?

The lack of logic becomes even more apparent when considering the substantial cost savings resulting from foreclosure avoidance programs. As recent research confirms, loan workouts and home retention plans can reduce home loss among low-income borrowers by up to 68 percent.

The symposium examined financial literacy education (FLE), its evolution in the consumer finance marketplace and the challenges posed in permanently supporting the financial literacy education industry. This issue has grown in importance as consumers try to negotiate and conform to the needs of financial service providers (the supply side) and as the far-reaching benefits of FLE become more fully realized. Participants were posed a value proposition: If we can save lots of money by preventing foreclosure (estimates range from $30,000 to $80,000), and it costs community-based organizations (CBOs) an estimated $3000 to counsel borrowers, <u>and</u> there is a 50 percent success rate, why we cannot (we do not) support CBOs to do this? Several reasons were identified for the failure to adequately fund FLE. First, demographic shifts, a changing policy environment, new technologies and competitive pressures have influenced the evolution of the financial services industry which, in turn, has led to significant negative externalities and overall market failure (as evidenced by predatory lending). Second, while new institutions arose to provide consumer education and training, their evolution was disjointed and imperfect. It was noted that homeownership education and counseling industries, and consumer credit counseling industries, both exemplify the failed delivery of public goods: both industries are undersupplied and under funded.

Financial literacy remains an undersupplied and under funded service. Expansion of financial literacy efforts will require additional research, innovation, new partnerships, and a greater level of financial support. It was suggested that the intervention of a third paper broker may be needed to develop and maintain financial literacy as a public good and increase awareness of FLE as a valued commodity for which stakeholders should pay a market price (addressing the free ride problem).

Foreclosure Prevention

Foreclosure is not always the fault of the borrower; the system can put borrowers in the wrong credit bucket. When this happens, unnecessarily high interest rates increase capital costs to borrowers that can lead to foreclosure and often loss of their home. (Non-prime borrowers have a five percent default rate versus a half percent rate for prime borrowers. In addition, the length of time between loan origination and foreclosure is substantially shorter for subprime loans in lower priced areas - two years for subprime loans versus five years for prime.) It should also be recognized that in our push to increase homeownership nationally, we may be putting households into homeownership when they are not financially or otherwise prepared to take this step. And while we know much about the costs of foreclosure to lenders and borrowers, little is know about the social and other costs to communities, particularly the undermining of community revitalization efforts.

Foreclosure rates today are below 1998-1999 levels despite continued job loses—this is not an interest rate story. This decline corresponds with the rapid growth in the late 1990s of the use of home retention workouts in servicing problem loans. The good news is that loans in repayment plans or other home retention workout plans are up to 80 percent less likely to fail. Similarly, among low-to-moderate income borrowers, home retention workouts reduce the incidence of failure by up to 68 percent.

New tools (such as Freddie Mac's Early Indicator program) have a high degree of accuracy in identifying borrowers most at risk. Research has shown that failure rates increase and cure rates decrease as delinquency status increases from 60 to 90 to 120 days. These new tools allow servicers to not waste time on borrowers who will cure their default without intervention, but to focus their attention on borrowers who most need their assistance and as early as possible in the delinquency. Other post-purchase tools include post-loan looks at credit scores as indicators of trouble and to assist in moving borrowers from subprime loans to prime loans.

Participants and presenters alike argued for an enhanced role for community-based organizations in foreclosure prevention. A study of CBO foreclosure prevention efforts in Minneapolis St. Paul found that the number of days to outcome in the program was considerably shorter (205 days) than that reported for the industry as a whole (365 days). Moreover, 73 percent of borrowers assisted by the program-avoided foreclosure and remained current after 12 months. However, for CBOs to play a greater role, and be seen as credible partners (partnerships with services merit greater demonstration/study), they must have demonstrated capacity, quality and consistency of service delivery and a presence in the market.

Predatory Lending

There was quite a bit of tension around this issue. Predatory lending is primarily a refinance issue; and, its greatest impact is on low income and minority households and communities. While there is progress in addressing this problem, much more work needs to be done. Two areas for attention are suggested:

- Industry, regulators, researchers and advocates need to look at other actors in the system and their incentives (or lack thereof) for meeting the self-interests of the borrowers. The misalignment of broker incentives is an important example of market failure –one that can lead to foreclosure and an inability to build wealth. Brokers now serve 42 percent of the subprime market; brokers and correspondents together serve 75 percent of the subprime market. These agents have significant loan origination incentives that are not aligned with the interests of borrowers, nor with lenders and investors. Broker loans are more likely to be priced higher and go into default. And borrowers, particularly in refinance loans, do not get the best loan prices. Again, the important role of education and counseling and the positioning of CBOs and similar others to serve as "trusted advisors" was strongly agreed and supported. Both would go a long way to expanding the knowledge of, and providing more loan product choices for, low-income consumers.

- Participants strongly disagreed about the need for, and impact of, federal pre-emption of state predatory lending regulations. One viewpoint holds that federal preemption of state anti-predatory lending laws deregulated consumer protections and caused foreclosures to skyrocket. A different viewpoint holds that preemption is neither the cause nor the cure for predatory lending and suggests a continued role for states to act. It was further suggested that we could achieve greater benefit by focusing on the practices and tactics of non-supervised suppliers of credit that have a strong presence in low income and minority communities.

The expected presence of predatory lending on Congress's agenda this year offers an opportunity for industry and consumer adversaries to work together. As noted by one participant, the challenge is to connect all the good intentions in the room and work together. Predatory lending may be a starting point, but other issues could also benefit from such collaboration.

The symposium also raised the related issue of debtor protection rules in subprime market default situations. There are both “high road” and “low road” business strategies in subprime foreclosures. The high road strategy is based on making money through loan performance rather than through default. A low road strategy is based on making money both through loan performance and through appropriating borrower equity at foreclosure. Low road lenders and strategies benefit from predatory terms. It was suggested that enforced non-waivable debtor protection rules would likely increase significantly the costs of low road lenders (and reduce post-default profits). Thereby requiring low road lenders to charge borrowers more up front. High road lenders already operate as the debtor protection rules require, and therefore will not experience a significant decrease in profits. This should lead to shifting market share from low to high road lenders and possibly putting the load road lenders out of business. In turn, this shift should reduce predatory lending as well as adverse neighborhood effects through a reduction in default and foreclosure rates.

Home Equity and Other Options for Wealth Building

Home equity is the largest component of net worth for American families, comprising at least 50 percent of net wealth for one-half of all households. When compared with other types of assets, home equity is held by a broader cross section of families and is more evenly distributed across income groups. It can also provide an important stimulus to household current consumption. Using their home equity, households can increase their leverage (the ratio of unpaid mortgage balance and house value) by taking out additional mortgages. Refinancing converts home equity into cash for current spending and investment, typically for home improvement and consolidation of other debts. The propensity to refinance varies by demographic group and leverage that is too high might cause concern for financial health. A study by Freddie Mac looks at the accumulation of home equity, the changes in aggregate leverage, the likelihood of a household’s refinance decision and the impact of this decision on the households’ finances. It finds that both real home equity and aggregate leverage increased in recent years. Younger households are more leveraged and more willing to refinance. Education levels, marital status and first-time homebuyer status are also factors in determining refinancing. The findings suggest that disparities exist between households of different income levels and race. Lower income families have less home equity accumulation, more leverage and a lower refinance propensity resulting in a loss of wealth of approximately $21.9 billion. African-American families also face less home equity, higher leverage and less refinance probability with a loss in wealth estimated at $22 billion.

We know that asset ownership among low-income households is low; also, that homeownership is the means through which most households build assets and wealth. But what if homeownership is not an option, either because a household is not yet ready for these responsibilities or because high housing prices keep the household out of the market? Several suggestions merit increased attention:

- The lack of progressivity of federal tax laws is proven. Reform of tax laws would assist low-income households in building assets.

  For example: Analysis of the current direction of pension policy finds the bulk of policy changes enacted or considered in recent years move the pension system in the wrong direction. These changes provide disproportionate tax benefits to high-income households who would save adequately for retirement even in the absence of additional tax breaks, and they do little to encourage low- and moderate-income households to save more. There was substantial discussion on the issue of progressivity and the ease of pension policy reform, “its not rocket science!” but looks impossible given current politics.

- Reform of the asset tests in means-tested programs such as SSI and Medicaid.

- Reform of the saver’s credit and adoption of a “Save More Tomorrow” type approaches.

- Continued and increased focus on savings vehicles.

  Participants considered the extent to which institutional arrangements influence savings by the poor and the lack of access by many low income families to institutional savings vehicles such as an employer-sponsored savings plan, regular bank savings account and tax benefits for pensions. An analysis of savings performance of participants in the IDA demonstration found that while higher match rates and direct deposit are associated with being a “saver”, only financial education is associated with increased savings. Also, low-income families will save when the institutions (such as 401(k) plans and the government's Thrift Saving Plan) are right. Seven means to improve institutions for saving include: low-cost, electronically-based products; employer-based products such as direct deposit and savings plans; EITC refunds; use of IDAs; financial education in the schools and workplace; the inclusion of savings plans in the CRA services test; and, progressive saving and pension reform. There may also be an expanded role for community banks.

- Balanced focus on the need for affordable rental housing.

  It is demonstrated that poor credit quality is concentrated in renters. In fact, between 1989 and 2001, credit quality declined by almost 200 percent for low-income and minority renters. Affordable rents can lead to improved ability to pay bills and save.

Changing Roles of Community-Based Organizations

Community-based organizations are seen as objective sources of information and sources of guidance in decision-making, particularly related to homeownership counseling and foreclosure avoidance. In addition, the early activation of community support mechanisms in servicing subprime loans became increasingly important. But this conference identified several issues that must be addressed to expand and maximize the benefit of these institutions. First, the evolution of the mortgage industry fostered new challenges to the presence and efficiencies of CBOs. Many CBOs did not adapt to this change environment. Others responded by retooling their programs, adopting new technologies and programs and partnering with private-sector entities. Still others are increasing advocacy efforts on behalf of consumers related to predatory lending, concentrated defaults and the complex and often opaque mortgage transactions. Should we continue to support CBOs that cannot make this transition? Second, CBOs that do adapt need to be paid to do high value tasks. There is a business case for the marketing, counseling, financial literacy training and foreclosure avoidance activities undertaken by CBOs. Our challenge is to make that case, identify the stakeholders (including the public sector) and generate support. Funding for pilots to test partnership arrangements between CBOs and mortgage servicers deserves consideration.

Unnaturalized Residents

As noted in a study by Metro Edge, the lack of proper identification is one of three principal reasons for not having a savings account (other reasons were a lack of money and insufficient funds to maintain an account). This statement was reinforced by subsequent comments throughout the two days. Progress was achieved as an increasing number of banks have begun accepting the matricula consular as a form of identification for Mexican immigrants. However, this is a continuing challenge for regulators, bankers, and the GSEs.

Credit Scoring

Today's credit scoring systems are faster, fairer, more consistent and more objective. Despite known shortcomings, U.S. credit files enable creditors to rank borrowers and calculate repayment risk with remarkable precision due to the depth of information in files and the broad participation of furnishers. And as a result, they have expanded the availability of credit and decreased loan pricing, thereby improving access to low- and moderate-income households and communities.

Credit scoring models currently recognize many of the data quality issues; as a result, the effects of inaccurate or missing information on underwriting decisions are minimized. That being said, there was agreement that we can and should further enhance the predictiveness of credit scoring models by seeking out different indicators and finding ways to collect more and better quality information, particularly, positive information. (One suggestion is the creation of standardized access to rental and utility payment information.)

This is not an easy task. The voluntary nature of reporting and lack of incentives to report information, as well as the absence of regulatory oversight to force reporting, all pose substantial challenges. To address this issue, symposium participants offered several suggestions including the imposition of state licensing requirements, denying access to non-reporters, and collective action by the three principal credit bureau agencies. However, it is worth reiterating a caution expressed by one of the presenters: Solutions to credit quality problems need to be weighed against imposition of burdens and costs on both furnishers of information and consumers as these can discourage participation in the system. Moreover, it was argued that greater furnisher liability for inaccuracies, new responsibilities and more stringent reinvestigation timelines are all likely to accelerate movement toward "feel good" reporting and decrease participation by furnishers.

Finally, there was general agreement about the need for consumer credit/financial literacy education as a means to encourage consumers to understand, manage and improve their own credit scores.

Subprime (or Non-Prime) Lending—Equity and Efficiency Implications for Social Welfare

The residential mortgage market has shifted from a system where credit is rationed to large classes of prime quality borrowers (borrowers with good credit), to a system where subprime borrowers are offered credit with rates and terms more closely related to the relative risk. Because risk is more accurately measured and efficiently priced, households who would be denied credit can now own a home. It is expected that some borrowers who received cross subsidies at the margin of the prime market will end up paying a higher risk premium, and many who enjoy good credit scores and low LTV ratios will receive lower rates. Through refinancing and using the accumulated equity in one's home, homeowners can access an important wealth-building tool. But subprime lending with its higher costs can limit a household's ability to build wealth, and research has found significant disparities between households of different incomes and race.

There are specific efficiency gains and losses from subprime lending. The gains include expanding or preserving the positive impacts of homeownership and the public benefits that derive from positive neighborhood externalities; the provision of lower cost credit; and a potential boost to the economy from increased access. Efficiency losses include potential higher credit costs as marginal borrowers are moved out of the less risky prime market. There are also equity considerations related to subprime, and these are intensified if risk assessment and pricing models are not accurate. Some higher risk borrowers will default and these borrowers are likely to be concentrated in low-income and minority neighborhoods. Since most subprime loans are for refinance and include cash-out provisions that convert equity into current consumption, low-wealth households could have lower levels of savings from home equity in the future.

Implications for business, community development practitioners and policymakers include the following:

- Accurate and timely information regarding loan underwriting and pricing is key to evaluate subprime mortgage markets.
- Transparency of pricing mechanisms is crucial for borrowers to evaluate products
- Investors need to understand the credit and collateral risks of expanded loan approvals, e.g. possible concentration of foreclosures.
- Given the higher default rates of subprime loans, develop strategies to ease families out of defaulted loans.
- Subprime loans may be an important but temporary tool to smooth income shocks or provide emergency funds.
- Further analysis, to assess impacts of expanded access to credit, is needed.

Panel One: The Financial Service Choices of Low-Income Households and the Implications for Asset-Building

Moderator: Frank DeGiovanni, Ford Foundation

Presenters: Karen Gross, New York Law School
Chris Berry, Kennedy School of Government, Harvard University
Jennifer Tescher, Shorebank Advisory Services

Discussants: John Caskey, Swarthmore College
Vada Hill, Fannie Mae
Jeff Jaffee, Citigroup

This panel looks closely at consumers, their propensity to incur debt and how changes in the banking industry offer new opportunities for improving access. Consumers are not a homogenous group; to reach them will require targeted products based on good market information. But too much debt can have devastating effects on consumers. Financial literacy and public policies that attempt to alter spending behaviors must go beyond demographics and consider the psychology of debtors. As banks learn more about consumers, they responded by becoming more innovative. Current research identifies new and replicable strategies with great opportunity for reaching the unbanked. The outcomes of filing for bankruptcy affect individuals in all areas of their personal lives.

Presentation

Rich Debtors, Poor Debtors and Non-Debtors: The Use of Psychological Measures to Determine Differences

Karen Gross, New York Law School, Richard Wiener, University of Nebraska, Susan Block-Lieb, Fordham Law School; and Corinne Baron-Donovan, Graduate Center of the City University of New York

The first presentation considered consumer bankruptcy from a psychological perspective and is based on a study conducted by the Coalition for Consumer Bankruptcy Education. Three questions are posed:

- What distinguishes bankrupt consumers from others who do not get into trouble with debt?
- Are there categories of filers who share separate patterns of psychosocial characteristics?
- If there are distinct categories of bankruptcy filers, what types of knowledge, attitudes and behaviors are characteristic of the categories?

The Coalition for Consumer Bankruptcy Education compared debtors to a sample of non-debtors. After controlling for demographic differences, the Coalition found that debtors were more likely to have unpaid bills and less likely to deposit money into saving accounts or checking accounts. It appears the behavioral patterns that create financial problems in the first place persist even after debtors have filed for bankruptcy relief. The Coalition also found differences between high and low social-economic status (SES) debtors that have implications for training and financial literacy education. For example, the research suggests that attempts to alter the spending and saving actions of lower SES debtors should focus on decreasing their positive attitudes toward unnecessary purchasing and increasing their own sense of control of their intentions to buy. The presenter concluded that consumer decision-making about debt is complex and not always rational; and, public policy that does not consider the psychology of debtors is unlikely to succeed.

Financial Services Demand in Lower-Income Areas: A Three-City Survey

Shelly Herman and Darice Wright, MetroEdge and Chris Berry, Kennedy School of Government

The second presentation considered the extent to which information gaps (on both the demand and supply sides) serve as barriers to asset building. The presentation is based on on going survey work in three cities that seeks to identify the preferences and product usage patterns of distinct consumer segments in the low and moderate-income market. The presenter offered some preliminary findings about savings behaviors and attitudes toward banks:

- Three principal reasons for not having a savings account are: a lack of money, insufficient funds to maintain an account and lack of proper identification.
- Consumers are aware of the relative costs of not having a banking relationship and are generally satisfied with their choices.
- Attitude and cultural barriers are lower than often imagined – these are not big barriers to banking services.

In summary, the presenter believes there is some unmet demand for savings accounts but less for checking, and concludes that attracting new customers to banks is not be easy. She cautions that banks and policy makers should recognize that low and moderate consumers are not homogenous, but will require targeted products and policies based on good market information.

From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers

Ellen Seidman and Jennifer Tescher, Shorebank Advisory Services

The third presentation focused on how changes in the banking industry can lead to new opportunities for improving access to financial services. Changes such as technological advances, government initiatives (EFT), the expansion of the non-bank sector, emergence of IDAs and demographic shifts, all have implications for improving access. The presenter offers five criteria for banks and policymakers to use in choosing the right strategies including demonstrated early acceptance by consumers and a reduction in customer acquisition costs. She also identifies five strategies with key opportunities for reaching the unbanked. For example, banks can achieve lower cost delivery by implementing remittance products and stored-value cards; greater access to customers is achieved through workplace initiatives, bank/non-bank partnerships and self-service delivery vehicles such as kiosks and ATMs. The presenter concludes by identifying important challenges facing banks. These are: cultural barriers (conservative institutional culture), inadequate market information, achieving larger volumes, finding partners and navigating regulatory issues.

Discussion

The discussion that followed picked up on the relationship between building access and building assets. One discussant noted that minority consumers avoid banks when obtaining a mortgage because they are worried they will be turned down, they are fearful of the process, or minorities feel they do not have a trusted advisor (that they can more easily find in a non-bank institution). Several comments reiterated the need for additional research on the psychology of decision making, with a particular focus on planning for the future. The conversation then turned to supply side structural barriers and picked up on points made earlier about the greater variety of consumer needs met by check cashing outlets versus banks. As noted by one discussant, to access banks consumers need savings and credit. But how do consumers acquire either of these without access to a bank! In discussing the regulatory environment, discussants called for greater flexibility and an improved enabling environment to foster bank innovation.

Audience Participation

Two additional areas of discussion were raised during this portion of the panel. One commenter reminded participants about the role of community banks in addressing access issues. She suggests community banks may be best positioned to provide the flexibility and high touch approach required by the unbanked, particularly minorities. The second discussion focused on the barriers posed by lack of identification/documentation to home purchase and other access efforts.

Panel Two: The Provision of Mortgage Services in Low-Income Communities

Moderator: Peter Zorn, Freddie Mac

Presenters: Raphael Bostic, University of Southern California
Michael Lacour-Little, Wells Fargo
Ira Goldstein, The Reinvestment Fund

Discussants: Gary Acosta, National Association of Hispanic Real Estate Professionals
Rob Couch, Mortgage Bankers Association of America
Sharon Hermanson, American Association of Retired Persons

The decline in credit quality for low and moderate-income renters has major implications for our efforts to increase homeownership and build wealth. In the second panel, presenters first raise the need for expanded consumer education and financial literacy efforts as a means of reversing this decline. Research suggests that credit characteristics and financial circumstances drive the product choices of low-income households, but this choice need not by definition be subprime. And while less known, there are also social and economic costs to low income, low priced communities with higher proportions of subprime loans and foreclosures.

Presentation

Hitting the Wall: Credit as an Impediment to Homeownership

Raphael Bostic, University of Southern California, Paul Calem, Federal Reserve Bank and Susan Wachter, Wharton School, University of Pennsylvania

The first presentation traced the evolution of credit quality, particularly among lower income populations. The research found that on average, credit quality remained the same from 1989 to 2001, but that segments of the population performed differently. Specifically, credit quality for homeowners remained essentially the same, but substantially declined (by almost 200 percent) for low income and minority renters. This finding has implications for U.S. efforts to further increase the homeownership rate and points to the need for expanded consumer education and financial literacy. The presenter also first raises the issue of overburdening renters with pushes to homeownership—an issue raised later in this section.

Mortgage Choice: An Empirical Analysis Using Data From 2002

Michael Lacour-Little, Wells Fargo

The second presenter looked at home purchase mortgage product choices of lower income households. The results suggest that credit characteristics and financial circumstances drive product choice, not demographics. These results are consistent for low and moderate-income households and first time homebuyers for whom low downpayment products are the preferred choice. In his research, the presenter found diverse and inconsistent definitions of the term "subprime." He believes that the new HMDA APR reporting will be of limited value and not completely capture these differences. He suggested adopting a new term, "non-prime" to describe these products.

The presenter concluded that carefully designed conforming products can compete effectively with both FHA and subprime products and help increase homeownership rates of underserved populations. But, these alternative products will require a new vocabulary to better reflect their inherent complexities.

Bringing Subprime Mortgages to Market and the Effects on Lower Income Borrowers

Ira Goldstein, The Reinvestment Fund

The third presenter focused on subprime mortgage loans and their effects on low-income borrowers. Looking at 2001 loan data for home purchase and refinance in Philadelphia census tracks, the presenter found that prime loans are the norm for purchase mortgages while subprime loans are far more frequent as mortgage refinances. Further as borrower income increases, the percentage of loans that are subprime decreases. Accordingly, a larger share of mortgages to lower and middle income people are not purchased by the GSEs and thus do not afford low and moderate income people the economic advantages the GSEs bring to a market. He also found that refinancing from a prime loan to a subprime loan is more than twice as likely in areas with lower housing values; "credit repair" (subprime to prime) is more than twice as likely in areas with higher housing values. The presenter also looked at the incidences of foreclosure and sheriff sales. Interestingly, the data indicate a disproportionate share of both in moderately-prices areas—far more than in low value areas. However the length of time between loan origination and foreclosure is substantially shorter (two years for subprime loans versus five years for prime loans) in lower priced areas. The presenter concluded by suggesting that while we know much about the costs of foreclosure to lenders and borrowers, little is known about the social and other costs to communities.

Discussion

The discussion that followed focused on minority (primarily Latino) and elderly populations. It was noted that a large percentage of Latinos expect to be in a position to buy a home in five years and these consumers will generally follow the direction of a real estate professional in choosing a lender. Much more needs to be known about the dynamics of this relationship and its impact on loan terms. For elderly households, access to home equity credit is important, but more elderly households are going to subprime products. Picking up on points raised earlier, the discussants noted that if large portions of our disadvantaged households are credit constrained and can only access subprime lenders (in the absence of other conforming products) then we may be relegating them to a situation where they will never build wealth.

Audience Participation

Questions from the moderator and audience prompted a spirited discussion about an optimal homeownership rate and the concern about pushing homeownership too far. The conversation then focused on what we can do differently to change systems and move borrowers to better loans. Comments called for changes to the incentive system for brokers and bankers that can lead to higher priced loans, and the need for more and better financial literacy efforts that focus on products and risk. This discussion also first raised concerns about the growing use of refinance to get out of consumer debt problems and its potential to compound failure especially in a future bankruptcy situation.

Panel Three: The Social and Community Welfare Implications of the Evolution of Mortgage Services in Low-Income Communities

Moderator: George McCarthy, Ford Foundation

Presenters: Michael Collins, Neighborhood Reinvestment Corporation
William C. Apgar, Joint Center for Housing Studies, Harvard University
Frank Nothaft, Freddie Mac

Discussants: Sandor Samuels, Countrywide
Susan Wachter, The Wharton School of the University of Pennsylvania
Barry Zigas, Fannie Mae

From a social welfare perspective there are certain gains and losses that result from subprime mortgage lending. Our ability to accurately account for these in making program and policy decisions depends on our ability to accurately measure and price risk. As subprime lending has expanded access to a greater number of lower income households and the mortgage industry has evolved as a whole, some, but far from all, community-based organizations are retooling to meet the resulting challenges. Refinancing and using the accumulated equity in one's home has become an important wealth-building tool. However, subprime lending, with its higher costs, can limit a household's ability to build wealth and research has found significant disparities exist between households of different incomes and race.

Presentation

Exploring the Welfare Effects of Subprime Mortgage Lending

Karl Case, Wellesley College, Eric Belsky, Joint Center for Housing Studies and Michael Collins, Neighborhood Reinvestment Corporation

The panel began with a presentation that examined the equity and efficiency implications of subprime lending for social welfare. It explores the shift of the residential mortgage market from a system where credit is rationed to large classes of prime quality borrowers (borrowers with good credit), to a system where subprime borrowers are offered credit with rates and terms more closely related to the relative risk. The presenter believes the potential for efficiency and equity gains from subprime lending and risk-based pricing are real and will result in significant benefits to low-income borrowers and to society as a whole. Because risk is more accurately measured and efficiently priced, households who would have been denied credit can now own a home. It is expected however that some borrowers who received cross subsidies at the margin of the prime market, will end up paying a higher risk premium, and many who enjoy good credit scores and low LTV ratios will receive lower rates. If the risks of subprime lending are underestimated, gains will disappear.

The presenter identifies specific efficiency gains and losses from subprime lending. The gains include expanding or preserving the positive impacts of homeownership and the public benefits that derive from positive neighborhood externalities; the provision of lower cost credit; and a potential boost to the economy from increased access. Efficiency losses include potential higher credit costs as marginal borrowers are moved out of the less risky prime market. There are also equity issues related to subprime, and these are intensified if risk assessment and pricing models are not accurate. Some higher risk borrowers will default and these borrowers are likely to be concentrated in low-income and minority neighborhoods. Since most subprime loans are for refinance and include cash-out provisions that convert equity into current consumption, already low-wealth households could have lower levels of savings from home equity in the future.

In closing the presenter identified several implications for business, community development practitioners and policymakers:

- Accurate and timely information regarding loan underwriting and pricing is key to evaluating subprime mortgage markets.
- Transparency of pricing mechanisms is crucial for borrowers to evaluate products.
- Investors need to understand the credit and collateral risks of expanded loan approvals, e.g. possible concentration of foreclosures.
- Given the higher default rates of subprime loans, strategies must be developed to ease families out of defaulted loans.
- Subprime loans may be an important but temporary tool to smooth income shocks or provide emergency funds.
- There is a need for more analysis to assess impacts of expanded access to credit.

The Changing Industrial Organization of Housing Finance and the Changing Role of Community-Based Organizations

William C. Apgar, Joint Center for Housing Studies and Allen Fishbein, Consumer Federation of America

The second presenter looked at how the changing structure of the mortgage banking industry over the past decade has caused community-based organizations (CBOs) to rethink their roles, programs and activities in mortgage finance. The mortgage industry today has changed significantly over the past ten years. New products and tools (e.g. automated underwriting, credit scoring and risk-based pricing), an increase in the use of mortgage brokers and correspondents, the growth of the secondary market and other changes have combined to give rise to a dual mortgage finance market. In this dual market, low income and minority borrowers are served by different lending institutions using a different mix of loan products—usually government—backed or subprime. And while the dual market has expanded access to mortgage capital to households previously shut out of the market, rising foreclosures and predatory lending practices have fostered new concerns. CBOs have responded to these concerns by restructuring existing operations and initiating new activities and programs.

The presenter points to the misalignment of broker incentives as an important example of market failure—one that can lead to foreclosure and an inability to build wealth. He notes that brokers now serve 42 percent of the subprime market; brokers and correspondents together serve 75 percent of the subprime market. These agents have significant loan origination incentives that are not aligned with the interests of borrowers, nor with lenders and investors. Broker loans are more likely to be priced higher and go into default. And borrowers, particularly in refinance loans, do not get the best loan prices. Unfortunately, as the industry has evolved, even the most sophisticated borrowers experience difficulty in understanding mortgage terms and thereby gaining access to the best mortgage terms and prices for which they qualify. As the presenter notes, “Consumers are not good policers-- just can’t say, ‘Read the documents’.”

What is the role for CBOs in the changing marketplace? CBOs are experiencing new competition from lenders in their communities which challenges both the need for their presence and the efficiency of their operations. But the presenter suggests that CBOs are beginning to respond to these challenges. CBOs are restructuring their lending programs, partnering with private-sector entities and adopting new technologies such as automated underwriting. There are also efforts to combat predatory lending and increase the effectiveness of pre- and post-purchase counseling - taking on the role of “trusted advisor”. But the presenter notes that most CBOs continue to do business as before, reflecting an inability or unwillingness (or both) to adapt. Assisting CBOs to adapt is a challenge for funders, intermediaries, and even regulators.

Refinance and the Accumulation of Home Equity Wealth

Frank Nothaft and Yan Chang, Freddie Mac

The third presentation examined home equity accumulation and the importance of refinance to a household’s accumulation of wealth. Home equity is the largest component of net worth for American families, comprising at least 50 percent of net wealth for one-half of all households. When compared with other types of assets, home equity is held by a broader cross section of families and is more evenly distributed across income groups. It can also provide an important stimulus to household current consumption. Using their home equity, households can increase their leverage (the ratio of unpaid mortgage balance and house value) by taking out additional mortgages. Refinancing converts home equity into cash for current spending and investment, typically for home improvement and consolidation of other debts. The propensity to refinance varies by demographic group and leverage too high might cause concern for financial health. Using American Housing Survey data for the period of 1985 to 2001, the presenter looked at the accumulation of home equity, the changes in aggregate leverage, the likelihood of a household's refinance decision and the impact of this decision on the households' finances. He found that both real home equity and aggregate leverage have increased in recent years. Younger households are more leveraged and more willing to refinance. Education levels, marital status and first-time homebuyer status are also factors in determining refinancing. Significantly, the presenter found that disparities exist between households of different income levels and race. Lower income families have less home equity accumulation, more leverage and a lower refinance propensity resulting in a loss of wealth of approximately $21.9 billion. African-American families also face less home equity, higher leverage and less refinance probability with a loss in wealth estimated at $22 billion. Based on these conclusions, the presenter offered the following policy recommendations:

Borrowers:

- Learn the importance of credit, how to protect credit, and the benefits of refinance
- Shop for the right lender and steer clear of predatory lending
- Pay attention to the market and respond quickly to opportunities

Lenders:

- Increase marketing efforts to low income and minority households
- Improve risk-based pricing e.g. distinguish between "blemished" and "bad" credit
- Amortize up-front out-of-pocket refinance costs and reduce prepayment penalties
- Increase transparency so borrowers are better informed

Regulatory Agencies:

- Facilitate borrower education
- Ensure fair lending practices
- Conduct better oversight and require disclosure for subprime lenders

Secondary Market

- Promote consumer education
- Promote use of automated underwriting systems to better classify borrowers
- Generate liquidity for refinance loans, including subprime

Discussion and Audience Participation

The moderator opened by asking if it was true that lenders have adequate information to accurately price risk. Comments were generally consistent, noting improved predictability, but a continued need to have more buckets and tiers and find other predictors not traditionally used. Discussion then turned to homeowners who find themselves in bankruptcy after refinancing and consolidating their debts. Bankruptcy is of particular concern because bankruptcy rules do not permit discharge of mortgage debt. This can affect the ability of homeowners to keep their homes. The bulk of the discussion however centered upon the importance and roles of community-based organizations in the changing mortgage finance system. Discussants saw an important role for CBOs as objective sources of information and guidance in consumer decision-making, particularly in the area of foreclosure avoidance. They particularly noted the importance of early activation of community support mechanisms in servicing subprime loans. To participate in these activities however, CBOs should be paid to do high value tasks and stop doing others.

Panel Four: Improving Credit Information and Its Use in Mortgage Underwriting

Moderator: Stephen Brobeck, Consumer Federation of America

Presenters: Glenn Canner, Federal Reserve Bank
Hollis Fishelson-Holstine, Fair Isaac
Peter Zorn, Freddie Mac

Discussants: Prue LaRocca, RBS Greenwich Capital
Frank Raiter, Standard & Poor's
Andrea Stowers, Stowers Consulting

This panel focused on the current capture and use of credit scoring information to predict future payment behavior. All the presenters looked closely at the practical implications of inaccurate or missing information, as well as the use of scoring models and automated underwriting to expand access to credit, particularly to low and moderate income households/neighborhoods.

Presentation

Credit Information Reporting and the Practical Implications of Inaccurate or Missing Information in Underwriting Decisions

Glenn Canner, Robert Avery and Paul Calem, Federal Reserve Bank

The first presentation focused on the key role of credit reporting and the effects of inaccurate or missing information on underwriting decisions. Using 1999 credit report data, the presenter looked at how a set of data items, such as the failure of subprime lenders to report the experiences of good payers, influenced credit scores to move up or down. He found that only the failure to report small collection items and credit limits appears to have any impact on credit scores/pricing. As to why, he concludes that credit-scoring models already recognize many of the data quality issues; also, some data issues are actually rare.

The Role of Credit Scoring in Increasing Homeownership for Underserved Populations

Hollis Fishelson-Holstine, Fair Isaac

The second presenter addressed the impact of credit scoring on underserved populations. She argued that credit scoring is faster, fairer, more consistent and more objective than judgmental lending and has increased the availability of credit while also decreasing its price. Because the predictiveness of credit scoring is enhanced by the availability of positive information, the presenter called for creating standardized access to additional sources of data such as rental and utility payments. She also recommended retention of the Fair Credit Reporting Act (FCRA) national preemption provisions (addressed in the next panel) and, echoing the earlier discussion, recommended an increase in the breadth and depth of consumer credit education. “People who go to our web site, come back later after having improved their scores.”

Automated Underwriting: Friend or Foe to Low-Mod Households and Neighborhoods?

Susan Gates, Cynthia Waldron and Peter Zorn, Freddie Mac

Research conducted by the third presenter demonstrated that use of automated underwriting (AU) systems could improve access to credit for low- and moderate-income households and communities by more accurately predicting defaults and increasing acceptance rates. But, the research also found that usage rates, on average, are lower in low and moderate neighborhoods. The presenter noted that if AU is to reach its full potential benefit, the industry must find ways to improve AU flexibility and acceptance rates, which in turn should lead to greater use in the low and moderate income markets and increased access to credit. He suggested that efforts be made to understand and reduce impediments to use by a greater variety of types of lending institutions such as credit unions. He also called for expanded capability of AU to handle "unscorable" loan applications and further improvement in AU acceptance rates. The presenter again raised the need for new homebuyer counseling tools and improved financial literacy.

Discussion

The ensuing discussion focused on ways to improve the quality of credit scoring and the impact of AU on low- and moderate-income households. The discussants agreed with the presenters about the need for more and better information to calculate scores (citing the use of rental and utility payments), but they also raised the problem that there are currently no incentives to report such information. This led to an expanded conversation about the voluntary nature of reporting in general and the limited regulatory oversight to force reporting. "But if the big three credit reporting agencies go together, they could force reporting." Discussants supported the idea of denying access to non-reporters, and one discussant suggested that states consider implementing reporting requirements as part of their licensing activity. (It was noted that Freddie Mac requires reporting.) Also raised here, (and discussed later) was the issue of a model's proprietary information and the need to access data on the model if we really want to improve its predictability. The conversation turned to the role and responsibilities of consumers to understand, manage, and improve their own credit scores, and again, the need for early teaching/financial literacy was cited. There was also general agreement that AU/risk based pricing has become quite sophisticated and has had a positive impact on low and moderate income households. More attention should be paid however to post-loan looks at the credit scores and post purchase models as indicators of trouble and as tools to help move borrowers from subprime instruments to prime.

Audience Participation

During this phase of the panel, participants focused again on ways to improve credit scores and the role of consumers. There was some disagreement about the potential for credit scoring to have disparate impacts on minorities and the need for specialized models for minorities. An important point was made that financial literacy is not enough; consumers need other choices to walk away from predatory products.

Panel Five: Saving and Credit Reporting Solutions

Moderator: Bruce Katz, Brooking Institution

Presenters: Michael Staten, Center for Credit Research
Michael Sherraden, Washington University
Peter Orszag, Brookings Institution

Discussants: Ray Boshara, New America Foundation
Michael Stegman, University of North Carolina.

This panel initially brought participants back to the subject of credit report quality and solutions for improving quality. Reiterating yesterday's discussion, it began with the premise that risk-based pricing is making loans available to a wider section of the population; instead of rejection, higher-risk borrowers now can get a loan, albeit at a higher than prime rate. Because these higher cost mortgage loans can become impediments to low income households building assets, there is a need to minimize credit-reporting inaccuracies. The panel then went on to focus on saving by the poor as an important pathway to asset accumulation. The second and third presentations focused attention on savings policy issues.

Presentation

Does the Fair Credit Reporting Act Promote Accurate Credit Reporting?

Michael Staten, Center for Credit Research and Fred Cate, Indiana University

The first presenter looked at whether the Fair Credit Reporting Act, (which gives consumers rights to access their credit reports and dispute information contained in them), encourages accurate reporting within a voluntary system—a widely debated issue since passage in 1971. After compiling information from available studies, the presenter concluded that despite known shortcomings, U.S. credit files enable creditors to rank borrowers and calculate repayment risk with remarkable precision due to the depth of information in files and the broad participation of furnishers. This has generated significant benefits for consumers. He stated that while there is room for improvement in report accuracy, it is not demonstrated that doing so will make them better predictors of a borrower's ability to repay a loan. This information is useful because it suggests that solutions to credit quality problems need to be weighed against the imposition of burdens and costs on both the furnishers and consumers, which in turn can discourage participation in the system. Two solutions holding particular promise are:

a. Measures to encourage greater consumer involvement in the inspection of files;

b. Measures to enhance the quality, timeliness and comprehensiveness of the information furnished.

Moreover, the presenter argued that greater furnisher liability for inaccuracies, new responsibilities and more stringent reinvestigation timelines are all likely to accelerate movement toward "feel good" reporting and decrease participation by furnishers.

Institutions and Inclusion in Saving Policy

Michael Sherraden, Washington University, and Michael Barr, University of Michigan Law School

The second presentation considered the extent to which institutional arrangements influence savings by the poor. The presenter offered data about the lack of access by many low-income families to institutional savings vehicles such as an employer-sponsored savings plan, regular bank savings accounts and tax benefits for pensions. He emphasized the enormous regressivity of our tax policies with their focus on asset accumulation but without means testing. In looking at the savings performance of participants in the IDA demonstration, the presenter found that while higher match rates and direct deposit are associated with being a “saver”, only financial education is associated with increased savings. He also found that low-income families would save when the institutions (such as 401(k) plans and the government’s Thrift Saving Plan) are right. The presenter concluded by offering seven means to improve institutions for saving. These include: low-cost, electronically-based products; employer-based products such as direct deposit and savings plans; EITC refunds; use of IDAs; financial education in the schools and workplace; the inclusion of savings plans in the Community Reinvestment Act services test; progressive saving and pension reform.

Progressivity and Government Incentives to Save

Peter Orszag, Brookings Institution and Robert Greenstein, Center on Budget and Policy Priorities

The third presentation provided a more in-depth look at progressivity and government incentives to save. The presenter began by looking at the current direction of pension policy and finds that the bulk of policy changes enacted or considered in recent years move the pension system in the wrong direction: they provide disproportionate tax benefits to high-income households who would save adequately for retirement even in the absence of additional tax breaks, and do little to encourage low and moderate income households to save more. He also took a close look at asset tests found in means-tested programs such as SSI and Medicaid. The presenter calls for a substantial change in direction which should include reform of the saver's credit; reform of the asset tests in means-tested benefit programs and encouraging firms to change defaults/adopt a Save More Tomorrow-type approach. He believes this issue will be a focus of attention in 2004.

Discussion and Audience Participation:

Several interesting points were raised during this portion of the panel. Participants identified the need for new savings policies that reflect both the multiple needs for savings for emergencies, durable goods and asset accumulation, and the potential for an automatic savings program. Tensions, including the trade-offs between progressivity and long-term cost impacts, and the balance between individual asset accounts and achieving social goals by restricting asset choices, were also identified. There was substantial discussion on the issue of progressivity and the ease of pension policy reform, "it's not rocket science!" but looks impossible given current politics.

Panel Six: Preventing Credit Problems and Loan Losses

Moderator: Ken Wade, Neighborhood Reinvestment Corporation

Presenters: George McCarthy, Ford Foundation
Roberto Quercia, University of North Carolina
Amy Crews Cutts, Freddie Mac

Discussants: Geoffrey Cooper, MGIC
Heidi-Anne Loughlin, Maine Family Development Account Program

Substantial challenges exist to both increase availability of, and funding for, financial literacy efforts. But given the substantial benefits that flow from these efforts, why is this so? The lack of logic becomes even more apparent when considering the substantial cost savings resulting from foreclosure avoidance programs. As recent research confirms, loan workouts and home retention plans can reduce home loss among low-income borrowers by up to 68 percent.

Presentation

A Critical Examination of Financial Literacy Education

George McCarthy and Kathryn Gwatkin, Ford Foundation

The first presentation examined financial literacy education (FLE), its evolution in the consumer finance marketplace and the challenges posed in permanently supporting the financial literacy education industry. This issue has grown in importance as consumers try to negotiate and conform to the needs of financial service providers (the supply side), and as the far-reaching benefits of FLE become more fully realized. The presenter began by posing a value proposition: If we can save lots of money by preventing foreclosure (estimates range from $30,000 to $80,000), and it costs CBOs an estimated $3000 to counsel borrowers, and there is a 50 percent success rate, why we cannot (we do not) support CBOs to do this? The presenter offered several reasons for the failure to adequately fund FLE. He noted that demographic shifts, a changing policy environment, new technologies and competitive pressures have influenced the evolution of the financial services industry which, in turn, has led to significant negative externalities and overall market failure as evidenced by predatory lending. New institutions arose to provide consumer education and training, but the evolution of this "industry" is also disjointed and imperfect. After looking specifically at the homeownership education and counseling and the consumer credit counseling industries, the presenter found that both exemplify the failed delivery of public goods: undersupplied and underfunded.

The presenter concluded that significant benefits from FLE flow to a diffuse set of stakeholders who are not paying for the good—know as the "free-ride" problem. He called for the intervention of a third party (usually public) broker to develop and maintain the public good and increase awareness of FLE as a valued commodity for which stakeholders should pay a market price. He also supported tax and other subsidy provisions to support these industries.

The Cost-Effectiveness of Community-Based Foreclosure Prevention: A Preliminary Examination

Roberto Quercia and Spencer Cowan, University of North Carolina

The second presentation reported the results of a study that examined the cost-effectiveness of community-based foreclosure prevention services using time to resolution and recidivism as indicators. The presenter looked at a dataset of borrowers served by the mortgage foreclosure prevention program in Minneapolis-Saint Paul. The preliminary findings suggest that these services are cost effective by at least one measure. Looking at time to resolution, the study found that the number of days to outcome in the program is considerably shorter (205 days) than the number of days (365) reported for the industry as a whole. Moreover, the number of days that it takes to resolve cases has steadily declined from 2001 to 2003. Looking at the rate of recidivism, the study found that 73 percent of borrowers assisted by the program avoided foreclosure and remained current after 12 months; also that not receiving an assistance loan is associated with a higher incidence (about 50 percent) of recidivism. The presenter cautioned that these results are preliminary and additional research is being conducted.

Innovative Servicing Technology: Smart Enough to Sustain Homeownership Gains?

Amy Crews Cutts and Richard Green, Freddie Mac

The third presenter focused on new and innovative servicing technology as tools to help people avoid losing their homes. She began by looking at foreclosure rates during the 1980 – 2003 period and found that foreclosure rates today are below 1998-1999 levels despite continued job losses - this is not an interest rate story. Interestingly, this decline corresponds with the rapid growth in the late 1990s of the use of home retention workouts in the servicing of problem loans. The presenter also found other new tools (such as Freddie Mac's Early Indicator program) to have a high degree of accuracy in identifying borrowers most at risk. This tool is important because it allows servicers to not waste time on borrowers who will cure their default without intervention. And, to underscore the importance of early interventions, the presenter found that fail rates increase and cure rates decrease as delinquency status increases from 60 to 90 to 120 days.

Other information provided echoes previous findings: that unemployment, illness/death, excessive obligations and marital difficulties are the leading hardship reasons among delinquent borrowers. The presenter concluded, “Workouts Work.” Loans in repayment plans or other home retention workout plans are up to 80 percent less likely to fail. Similarly, among low-to-moderate income borrowers, home retention workouts reduce the incidence of failure by up to 68 percent.

Discussion and Audience Participation

The discussion picked up on the use of financial literacy education to modify risk, noting the increasing roles for Fannie Mae, Freddie Mac and mortgage insurers. Several comments cited strict servicing guidelines and foreclosure prevention tools developed by GSEs for use by their servicers in preventing foreclosure. It was also noted that for CBOs to play a greater role and be seen as credible partners, they must have demonstrated capacity, quality and consistency of service delivery, and a presence in the market. The conversation then turned to the need for new products and tools for non-prime borrowers who have a five percent default rate versus a .5 percent rate for prime borrowers. Post-purchase tools such as “Skip a Payment” were cited as important examples.

Panel Seven: Getting Law and Regulations Right

Moderator: Governor Edward Gramlich, Federal Reserve Board of Governors

Presenters: Michael Barr, University of Michigan Law School
Margot Saunders, National Consumer Law Center
Duncan Kennedy, Harvard Law School

Discussants: Cathy Lesser Mansfield, Drake University
Malcolm Bush, Woodstock Institute
Rchard Riese, Office of Thrift Supervision

Regulations can help markets operate more equitably and more transparently. However, many of the current laws designed to protect the right of consumers and encourage equal access to credit were passed decades ago. Changes such as the rise in predatory lending and issues of disparate impact raise questions about whether current regulations are up to the task of protecting consumers in low-income communities and providing them with an adequate flow of credit and basic banking services on fair, safe and sound terms. As noted in the presentations and discussion that follow, the responses to these questions vary considerably.

Presentations

Democratizing Access to Capital

Michael Barr, University of Michigan Law School

The first presentation looked at federal laws enacted to help overcome barriers to credit for low and moderate income and minority borrowers (democratizing access to credit). For purposes of his analysis, the presenter divided these laws into five types. First, *disclosure laws* that permit regulators to take enforcement action against discriminatory lending practices (e.g. Home Mortgage Disclosure Act – HMDA) or that require the disclosure of information to consumers (e.g. Truth in Lending Act - TILA). Second, *negative prohibitions* that bar discrimination (e.g. provisions of the Equal Credit Opportunity Act - ECOA). Third, *affirmative obligation*, such as the Community Reinvestment Act, (CRA), that requires depository institutions to lend in their service areas. Fourth, *regulation of products* to address abusive lending practices (e.g. Home Owners Equity Protection Act - HOEPA). Fifth, *provision of subsidy* through the GSEs, insurance (FHA), tax (credit and deductions) and grant programs. The presenter then compared these approaches. He discussed the theory or reasons behind the laws and the evidence as to their effectiveness. He also identified on-going concerns that suggest areas for additional research and legislative action.

In conclusion, the presenter set forth several ideas to improve effectiveness of these approaches and thereby further reduce the barriers to access. These are:

- ECOA and fair lending: Greater clarity of information and disclosure of racial data; bar yield spread premiums; increased analysis of disparate impacts.
- HMDA/TILA: More price disclosure and RESPA (Real Estate Settlement Procedures Act) reform.
- CRA: Examine bank affiliates for performance context and upstreaming subprime borrowers; improve the service test.
- HOEPA: Improve broker supervision and licensing; bar yield spread premiums; and disclose rate sheets.

- GSEs: Better match public and private goals through enhanced supervision and raising affordable housing goals.

Federal Regulation of Credit – The Cause or the Cure for Predatory Lending?

Margot Saunders, National Consumer Law Center

Taking a different perspective, the second presentation also looked at federal regulation of credit and its effect on predatory lending. She began her presentation with the central proposition that: "with the important exception of the federal Consumer Credit Protection Act, federal regulation of credit has so degraded the traditional protection of consumers through state law, that it has created and supported the advance of predatory lending in this nation." The presenter pointed to specific laws that have deregulated protections and caused foreclosures to skyrocket. These include banking laws that allow the exportation of interest rates or preempt state consumer protection laws and changes to the tax code that encourage debt consolidation under the guise of smart financial planning. She posed that access to credit may not always be a good thing, especially if it is the kind that is unaffordable or strips equity or results in loss. States have passed laws to combat predatory lending and prevent access to certain forms of credit and the federal government is now preempting these laws. In conclusion, the presenter proposed that federal laws should preempt state laws that are not as good as federal protections and allow states to implement more restrictive provisions.

Cost Benefit Analysis of Debtor Protection Rules in Subprime Market Default Situations

Duncan Kennedy, Harvard Law School

The third presentation focused on debtor protection rules in subprime market default situations. He speculates that there are both "high road" and "low road" business strategies in subprime foreclosures. The high road strategy is based on making money through loan performance rather than through default. A low road strategy is based on making money both through loan performance and through foreclosure (appropriating borrower equity). Low road lenders and strategies benefit from predatory terms. Enforced non-waivable debtor protection rules will likely significantly increase the costs of low road lenders (and reduce post-default profits), and thereby require low road lenders to charge borrowers more up front. High road lenders already operate as the debtor protection rules require, and therefore will not experience a significant decrease in profits. This should lead to shifting market share from low to high road lenders and possibly putting the low road lenders out of business. In turn, this shift should reduce predatory lending as well as adverse neighborhood effects through a reduction in default and foreclosure rates. Finally, the presenter proposed abolishing the holder-in-due-course doctrine as an important debtor protection reform.

Discussion and Audience Participation

During this portion of the panel, the moderator asked each discussant to comment on one of the papers presented. In discussing Michael Barr's paper, the first discussant argued that several laws are actually less effective than indicated. He particularly cited the continued lack of transparency and disclosure of information on the part of the financial services industry. He also took issue with Barr's contention that CRA is working and cites several areas for further review.

In answering the question posed in the title of Margot Saunders' paper, the second discussant concluded that preemption is neither the cause nor the cure for predatory lending. He sees a continued role for the states to act despite federal preemption and suggests that federal and state government courses of action as well as private rights of action be employed. The discussant also suggested an expanded focus on other non-supervised suppliers of credit in combating predatory lending. This comment was echoed later in the discussion.

The third discussant commented on Duncan Kennedy's paper. She noted that predatory lending is largely a refinance issue and what consumers really need are two types of loans—for purchase and to make repairs. She argued that market forces are not working to minimize the number and activities of the low roaders and maximize the high roaders and wondered if such market forces even exist? And, if using the market to address predatory lending fails, we must be prepared to regulate such activities. The discussant concludes by pointing out that in addition to the holder-in-due-course doctrine, other problems for our attention are inflated appraisals that prevent a bailout, the use of pre-payment penalties and insurance packing.

The conversation that followed focused on predatory lending practices. It was noted that good lenders do want to put an end to these practices and avoid lawsuits and greater regulatory burdens. But others questioned the good will behind such statements calling instead for greater disclosures and changes in practices such as putting all fees and charges in interest rates. And, while there continued to be disagreement about whether federal or state government should best regulate, it was again suggested that we focus attention on the roles and activities of unsupervised lenders.

Conclusion and Roundtable Discussion

Moderator: Nicolas P. Retsinas, Joint Center for Housing Studies, Harvard University

Discussants: Diane Casey-Landry, America's Community Bankers
Gene Lowe, U.S. Conference of Mayors
William Longbrake, Washington Mutual
Moises Loza, Housing Assistance Council
John Taylor, National Community Reinvestment Coalition

The symposium concluded with a roundtable discussion to identify the implications of findings for business, policy, regulation and advocacy. These comments as well as other implications identified throughout the symposium were summarized in the previous section.

APPENDICES

APPENDIX A

BUILDING ASSETS, BUILDING CREDIT:
A SYMPOSIUM ON IMPROVING FINANCIAL SERVICES IN LOW-INCOME COMMUNITIES

November 18 – 19, 2003

AGENDA

Tuesday, November 18, 2003

10:00 am **Registration**

10:30 am **Welcome**

Nicolas P. Retsinas, *Joint Center for Housing Studies*
George McCarthy, *Ford Foundation*
Edward Golding, *Freddie Mac*
Ken Wade, *Neighborhood Reinvestment Corporation*

10:45 am **Introduction and Overview**

Eric S. Belsky and Allegra Calder, *Joint Center for Housing Studies*

11:15 am **Panel 1:** The Financial Service Choices of Low-Income Households and the Implications for Asset-Building

Moderator: Frank DeGiovanni, *Ford Foundation*

1.1: **Rich Debtors, Poor Debtors, and Non-Debtors: The Use of Psychological Measures to Determine Differences**
Karen Gross, *New York Law School*; Richard Wiener, *University of Nebraska*; Susan Block-Lieb, *Fordham Law School*; and Corinne Baron-Donovan, *Graduate Center of the City University of New York*

1.2: **Financial Services Demand in Lower-Income Areas: A Three-City Survey**
Shelly Herman and Darice Wright, *MetroEdge* and Chris Berry, *Kennedy School of Government*

1.3: **From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers**
Ellen Seidman and Jennifer Tescher, *Shorebank Advisory Services*

Discussants: John Caskey, *Swarthmore College*, Vada Hill, *Fannie Mae*, and Jeff Jaffee, *Citigroup*

12:45 pm **LUNCH**

1:30 pm **Panel 2:** The Provision of Mortgage Services in Low-Income Communities

Moderator: Edward Golding, *Freddie Mac*

2.1: **Hitting the Wall: Credit as an Impediment to Homeownership**
Raphael Bostic, *University of Southern California*; Paul Calem, *Federal Reserve Bank*; and Susan Wachter, *Wharton School of the University of Pennsylvania*

2.2: **Mortgage Choice: An Empirical Analysis Using Data From 2002**
Michael Lacour-Little, *Wells Fargo*

2.3: **Bringing Subprime Mortgages to Market and the Effects on Lower Income Borrowers**
Ira Goldstein, *The Reinvestment Fund*

Discussants: Gary Acosta, *National Association of Hispanic Real Estate Professionals*, Robert Couch, *Mortgage Bankers Association of America*, and Sharon Hermanson, *American Association of Retired Persons*

3:00 pm **Panel 3:** The Social and Community Welfare Implications of the Evolution of Mortgage Services in Low-Income Communities

Moderator: George McCarthy**,** *Ford Foundation*

3.1: **Subprime Mortgage Lending and its Welfare Implications**
Karl Case, *Wellesley College*, Eric Belsky, *Joint Center for Housing Studies*, and Michael Collins, *Neighborhood Reinvestment Corporation*

3.2: **The Changing Industrial Organization of Housing Finance and the Changing Role of Community-Based Organizations**
William C. Apgar, *Joint Center for Housing Studies* and Allen Fishbein, *Consumer Federation of America*

3.3: **Refinance and the Accumulation of Home Equity Wealth**
Frank Nothaft and Yan Chang, *Freddie Mac*

Discussants: Sandor Samuels, *Countrywide*, Susan Wachter, *The Wharton School of the University of Pennsylvania*, and Barry Zigas, *Fannie Mae.*

4:30 pm **BREAK**

4:45 pm

Panel 4: Improving Credit Information and Its Use in Mortgage Underwriting

Moderator: Steven Brobeck, *Consumer Federation of America*

4.1: **Credit Information Reporting and the Practical Implications of Inaccurate or Missing Information in Underwriting Decisions**
Glenn Canner, Robert Avery and Paul Calem, *Federal Reserve Bank*

4.2: **The Role of Credit Scoring in Increasing Homeownership for Underserved Populations**
Hollis Fishelson-Holstine, *Fair Isaac*

4.3: **Automated Underwriting for Low-Income Communities: Successes and Challenges**
Susan Gates, Cynthia Waldron and Peter Zorn, *Freddie Mac*

Discussants: Prue Larocca, *RBS Greenwich Capital*, Frank Raiter, *Standard & Poor's* and Andrea Stowers, *Stowers Consulting*

6:15 pm **Session Adjourns**

6:30 pm **Reception:**
Kennedy School of Government - Allison Dining Room

<u>Wednesday, November 19, 2003</u>

7:30 am **Continental Breakfast**

8:00 am

Panel 5: Savings and Credit Reporting Solutions

Moderator: Bruce Katz, *Brookings Institution*

5.1: **Does the Fair Credit Reporting Act Promote Accurate Credit Reporting?**
Michael Staten, *Center for Credit Research* and Fred Cate, *Indiana University*

5.2: **Institutions and Inclusion in Saving Policy**
Michael Sherraden, *Washington University* and Michael Barr, *University of Michigan Law School*

5.3: **Progressivity and Government Incentives to Save**
Peter Orszag, *Brookings Institution* and Robert Greenstein, *Center on Budget and Policy Priorities*

Discussants: Ray Boshara, *New America Foundation*, James Laffargue, *Union Bank of California*, and Michael Stegman, *University of North Carolina*

9:30 am **Panel 6:** Preventing Credit Problems and Loan Losses

Moderator: Ken Wade, *Neighborhood Reinvestment Corporation*

6.1: **A Critical Examination of Financial Literacy Education**
George McCarthy and Kathryn Gwatkin, *Ford Foundation*

6.2: **Loan Loss Mitigation: The Role of Community Agencies**
Roberto Quercia and Spencer Cowan, *University of North Carolina*

6:3: **Innovative Servicing Technology: Smart Enough to Keep People in Their Houses**
Amy Crews Cutts and Richard Green, *Freddie Mac*

Discussants: James Carr, *Fannie Mae Foundation*, Geoffrey Cooper, *MGIC Investment Corporation*, and Heidi-Anne Loughlin, *Maine Family Development Account Program*

11:00 am **BREAK**

11:30 am **Panel 7:** Getting Law and Regulations Right

Moderator: Governor Edward Gramlich, *Federal Reserve Board of Governors*

7.1: **Democratizing Access to Capital**
Michael Barr, *University of Michigan Law School*

7.2: **Federal Regulation of Credit - The Cause or the Cure for Predatory Lending?**
Margot Saunders, *National Consumer Law Center*

7.3: **Cost Benefit Analysis of Debtor Protection Rules in Subprime Market Default Situations**
Duncan Kennedy, *Harvard Law School*

Discussants: Cathy Lesser Mansfield, *Drake University*, Malcolm Bush, *Woodstock Institute*, and Richard Riese, *Office of Thrift Supervision*

1:00	**LUNCH**
2:00 pm	**Roundtable Discussion:** Implications of Findings for Business, Policy, Regulation and Advocacy **Moderator:** Nicolas P. Retsinas, *Joint Center for Housing Studies* **Discussants:** Diane Casey-Landry, *America's Community Bankers*, James Garner, *President, U.S. Conference of Mayors*, Bill Longbrake, *Washington Mutual*, Moises Loza, *Housing Assistance Council*, and John Taylor, *National Community Reinvestment Coalition*
3:00 pm	**Symposium Adjourns**

APPENDIX B

BIOGRAPHICAL STATEMENTS **OF MODERATORS, AUTHORS, AND DISCUSSANTS**

A

Gary Acosta is co-founder of the National Association of Hispanic Real Estate Professionals (NAHREP). He currently serves as the Chairman of the board. A professional mortgage banker for more than fifteen years, Mr. Acosta has owned and operated SDF Realty Inc. since 1989. SDF Realty originated over $150,000,000 in mortgage loans in 2002. In 2001, he co-founded Emerging Market Technologies Applications (EMTA), a housing related technology solutions company for Hispanic and other underserved markets. Mr. Acosta is the Chairman of Freddie Mac's Affordable Housing Advisory Council, is an appointed director of the National Association of Realtors and serves on advisory committees for JP Morgan Chase and Fannie Mae.

William C. Apgar, Jr. returns to Harvard's Joint Center for Housing Studies and Kennedy School of Government after a leave of absence as Assistant Secretary of Housing/Federal Housing Commissioner at the U.S. Department of Housing and Urban Development. At HUD he administered the FHA single family and multifamily mortgage insurance funds, multifamily rental assistance programs, and grants for the construction of housing for elderly and disabled populations. Formerly, the Joint Center Executive Director, Apgar now is a Senior Scholar at the Center and directs the Center's evaluation of the Community Reinvestment Act, national legislation to promote housing investment and economic development in low-income communities. Other research interests include demographic analysis, housing finance, and housing and community economic development. As a Lecturer in Public Policy at the Kennedy School, Apgar teaches a course titled, "Policy-Making in Urban Settings." The course examines economic development and job growth in the context of metropolitan regions and the emerging "new economy," and assesses federal, state, and local government strategies for expanding community economic development and affordable housing opportunities.

Robert B. Avery is a Senior Economist in the Division of Research and Statistics at the Board of Governors of the Federal Reserve System. Prior to rejoining the Board of Governors in 1994 he was a professor at Cornell University. His work at the Federal Reserve focuses on supervisory issues related to community affairs and bank supervision. Most recently, he was a coauthor of the Federal Reserve's report to the Congress on the performance and profitability of CRA-related lending and several papers related to credit bureau data. He also designed the Federal Reserve's fair lending screening program and was project director of the Survey of Consumer Finances. He has a B.A., from the University of Pennsylvania and a Ph.D., from the University of Wisconsin.

B

Michael S. Barr joined the Michigan Law faculty in fall 2001. His wide experience includes serving as: special adviser and counselor on the Policy Planning Staff of the U.S. State Department, 1994 to 1995; Treasury Secretary Robert E. Rubin's special assistant, 1995 to 1997; and deputy assistant secretary of the Treasury for community development policy, 1997 to 2001. He helped to negotiate final passage of the financial modernization law, and to enact over $25 billion in initiatives for low-income communities. From 1999 to 2001, Barr also served concurrently as special adviser to the President, responsible for the District of Columbia. In the spring of 2001, Barr was a visiting fellow at the Brookings Institution, where he remains a nonresident senior fellow. Professor Barr's current research and teaching interests include financial institutions, community development, jurisdiction and choice of law, and international law. He has written on access to capital, international labor and environmental rights in trade agreements, refugee law, and health policy.

Eric S. Belsky is Executive Director of the Joint Center for Housing Studies of Harvard University and Lecturer in the Harvard Design School. Established in 1959, the Joint Center informs business decisions and public policy debates by conducting research on housing markets and housing finance trends. Dr. Belsky served as Research Director for the bipartisan congressional Millennial Housing Commission in 2000 and 2001. Prior to his Harvard appointment in 1996, he led the Housing Finance and Credit Analysis Group at Price Waterhouse. He has also directed housing finance research for Fannie Mae and served as Senior Economist at the National Association of Home Builders. He currently serves on the Affordable Housing Advisory Council of Freddie Mac, the advisory board of the Nations Seniors Housing Research Center, the editorial board of the Journal of Housing Research, and the corporate board of Champion Enterprises.

Christopher Berry is a Fellow in the Program on Education Policy and Governance, Department of Government, at Harvard University. Dr. Berry's research focuses on the politics of public finance, education policy, and urban affairs. Prior to joining Harvard, he worked for seven years with Shorebank, most recently as Vice President for Research and Development in the MetroEdge division. Dr. Berry earned his Ph.D. from the University of Chicago.

Susan Block-Lieb teaches contracts, bankruptcy, secured transactions and commercial law courses at Fordham Law School, including advanced courses on Corporate Reorganization in Bankruptcy and International Insolvency Law. She is Treasurer and a member of the Board of Directors for the Coalition for Consumer Bankruptcy Debtor Education, a member of the Advisory Board to the American Bankruptcy Law Journal, the co-managing editor for the Annual Survey of Bankruptcy Law, and a delegate from the American Bar Association to UNCITRAL's Insolvency Working Group. Together with Prof. Gross, Prof. Block-Lieb is the recipient of a 2002 New York State Bar Association President's Pro Bono Service Attorney Award. She is a prolific writer of law review and other articles, including most recently: e-Reputation: Building Trust in Electronic Commerce, 62 LA. L. REV. 1199 (2002); Lessons From the Trenches: Debtor Education in Theory and Practice, 7 Fordham J. Corp. & Fin. L. 503 (2002)(co-authored with Karen Gross and Richard L. Wiener); and The Logic and Limits of Contract Bankruptcy, 2001 ILL. L. REV. 503.

Ray Boshara serves as Director of New America's Asset Building Program, which aims to significantly broaden the ownership of assets in our nation. Previously, he was Policy Director at the Corporation for Enterprise Development, a policy advisor at the United Nations International Fund for Agricultural Development in Rome, and a policy aide for the House Select Committee on Hunger. Mr. Boshara is the principal author and editor of Building Assets: A Report on the Asset Development and IDA Field, has testified before Congress, and advised both the Bush and Clinton Administrations, as well as leaders in Europe, on asset-building policies. He has written for The New York Times and The Atlantic Monthly, appeared on C-SPAN, and was selected by Esquire magazine in 2002 as one of America's Best and Brightest.

Raphael W. Bostic joined the University of Southern California's faculty after spending six years on the staff at the Federal Reserve Board of Governors. He enjoyed a very successful tenure at the Fed, having quickly attained the rank of Senior Economist and having received a Special Achievement Award in 2000 for his work supporting a Congressional mandate. Dr. Bostic has done extensive research on consumer banking issues, with a particular focus on mortgage and small business lending, bank branching patterns, and credit scoring and automated underwriting. While at the Fed, he was particularly responsible for studying and advising on fair lending and discrimination issues. He is currently conducting research on the ways in which the Community Reinvestment Act has influenced the behavior of lenders and credit markets. His broad research interests include financial markets and institutions, with a particular focus on banks in community development, the role and effects of regulation in banking, housing and homeownership, urban economic growth, wage and earnings profiles, and policy analysis generally.

Steven Brobeck has been Executive Vice President of the Consumer Federation of America since 1980. From 1976 to 1979 he was a board member and vice president. As a federation of 285 groups with more than 50 million members, CFA is the nation's largest consumer advocacy organization. As CFA executive director, Brobeck frequently testifies before Congressional communities and it interviewed by National news media. He also has co-authored commercially published consumer guides to banking and product safety. During the 1970s, Brobeck held the position of assistant professor of American Studies at Case Western Reserve University. Since then, he has served as a visiting associate professor of consumer economics at Cornell University and as an adjunct associate professor of consumer economics at the University of Maryland. He also has published research on social change, including the first annotated bibliography of the consumer movement and an encyclopedia of the consumer movement, which he edited. From 1990 till 1996, he served as a director of the Federal Reserve Bank of Richmond. Brobeck graduated from Wheaton College (IL) with high honors and earned a Ph.D., in American Studies from the University of Pennsylvania.

Malcolm Bush has been President of the Woodstock Institute since 1992. The Institute is a 27 year-old nonprofit based in Chicago that works locally, regionally, and nationally to promote reinvestment and economic development in lower-income and minority neighborhoods. The Institute engages in applied research, policy development, and technical assistance to promote its agenda. At Woodstock, Malcolm has directed research and policy projects on community reinvestment and economic development; access to capital, credit and other financial services; discrimination in the homebuying process; community development financial institutions; financial literacy; and the economic development potential of social services organizations. From 1987-1992 he was senior vice president of a statewide child advocacy group where he directed research, policy development and implementation on urban educational reform, state tax reform, and child welfare reform. Between 1979-1987 he was a regular faculty member at the University of Chicago, teaching social policy and research methods and writing about child welfare policy. Malcolm is the author of the book Families in Distress: Public, Private, and Civic Response (University of California Press), and has written numerous articles and made many presentations on urban and social policy, community reinvestment and lending discrimination, and other community development topics. He holds a Ph.D., in social psychology and Urban Affairs from Northwestern University.

C

Paul Calem is a senior economist in the Division of Research and Statistics at the Federal Reserve Board. He has a Ph.D. in Economics from Brown University and a B.A. in Mathematics from Duke University. Dr. Calem came to the Board in 1995 from the Federal Reserve Bank of Philadelphia, where he was a senior economist. His policy-related responsibilities include participation in the ongoing process of reforming the international capital standards for commercial banks and economic and statistical analysis in support of fair lending other consumer banking regulations. His current research focuses on approaches to modeling credit risk of residential mortgages and credit card loans; limitations of credit bureau data for assessing consumer credit risk; dynamics of local market house prices; and issues related to community reinvestment and fair lending.

Allegra Calder is a research assistant at the Joint Center for Housing Studies. Previously, she worked as a research assistant in the Planning and Development Department at the Lincoln Institute of Land Policy in Cambridge, MA, as a consultant to the Neighborhood Reinvestment Corporation, and as a biking and hiking guide in Africa, Europe and North America. Her current research relates to the changing structure of the mortgage industry and access to financial services for low-income and minority borrowers. She also coordinates the research for the Joint Center's annual State of the Nation's Housing Report. Calder holds a BA from McGill University and a MA in Urban Design from the Joint Centre for Urban Design at Oxford Brookes University in the UK.

Glenn Canner is a Senior Advisor to the Federal Reserve Board of Governors, in the Division of Research and Statistics. Canner joined the Board of Governors in 1979 as an economist and was promoted to his present position in 1996. His current areas of specialization are home mortgage and consumer lending, with a strong focus on fair lending laws and community reinvestment issues. He also oversees the activity of the Board economists working in these areas. During his twenty-year tenure, Canner has authored and co-authored numerous articles, including "The Role of Specialized Lenders in Extending Mortgages to Lower-Income and Minority Homebuyers" published in the November 1999 issue of the Federal Reserve Bulletin.

James Carr is Senior Vice President for Innovation, Research, and Community Technology of the Fannie Mae Foundation and a visiting professor of urban planning at Columbia University. He is responsible for the Foundation's housing finance and neighborhood strategies consulting unit, its nationally and internationally recognized Office of Housing Research, and its program evaluation activities. He is also responsible for the development of technology tools to promote effective community investment. Prior to his appointment to the Foundation, Jim served as Vice President for Housing Research at Fannie Mae, Assistant Director for Tax Policy with the U.S. Senate Budget Committee, and Research Associate at the Center for Urban Policy Research at Rutgers University. He serves on research or policy advisory boards at numerous colleges and universities including Harvard University, University of California-Berkeley, and University of Pennsylvania. Jim is also a frequent instructor for the Neighborhood Reinvestment Training Institute and former expert advisor to the Organization for Economic Cooperation and Development (OECD) Urban Affairs Project Group in Paris, France. Jim has published and lectured on the issues of housing and urban policy, housing finance, community reinvestment and state and local finance. He has also written and presented on issues of technological innovation and workforce diversity. He is editor of Housing Policy Debate, which received the 1996 Award of Excellence from Washington Ed. Press for editorial excellence. He is also editor of Journal of Housing Research, Housing Facts & Findings and Building Blocks: A Practitioner's Guide to Planning and Financing Community Revitalization.

Karl E. Case is the Katherine Coman and A. Barton Hepburn Professor of Economics at Wellesley College where he has taught for 27 years and is a Visiting Scholar at the Federal Reserve Bank of Boston. He is also a founding partner in the real estate research firm of Case Shiller Weiss, Inc. and serves as a member of the Boards of Directors of the Mortgage Guaranty Insurance Corporation (MGIC), Century Bank and The Lincoln Institute of Land Policy. Professor Case's research has been in the areas of real estate, housing, and public finance. He is author or co-author of five books including Principles of Economics, Economics and Tax Policy and Property Taxation: The Need for Reform and has published numerous articles in professional journals. Principles of Economics, a basic text coauthored with Ray C. Fair, is in its seventh edition and has been adopted at more than 450 colleges and universities. For the last 20 years, his research has focused on real estate markets and prices. He has authored several studies that attempt to isolate the causes and consequences of boom and bust cycles and their relationship to regional economic performance. Professor Case received his B.A. from Miami University in 1968, spent three years on active duty in the Army and received his Ph.D. in Economics from Harvard University in 1976.

Diane Casey-Landry is president and chief executive officer of America's Community Bankers, a national banking trade association located in Washington, D.C. ACB represents the nation's community banks of all charter types and sizes. ACB's diverse membership, whose assets exceed $1 trillion, includes savings institutions, mutual banks, cooperative banks and commercial banks – all which are committed to promoting home ownership and entrepreneurship in their communities. Ms. Casey-Landry took charge of ACB in January 2000. Under her leadership, ACB refocused its emphasis on advocacy, education, and new products and services as well as enhanced staff expertise. With almost 25 years experience in banking policy, Ms. Casey-Landry is a recognized industry expert. Before joining ACB, she was a principal and national director of Financial Services for Grant Thornton LLP where she chaired the firm's National Financial Services Committee and oversaw its financial services practice. Prior to Grant Thornton, Ms. Casey-Landry was Executive Director of the Independent Community Bankers of America. She began her career as a bank examiner with the Federal Reserve Bank of Cleveland. Ms. Casey-Landry was graduated from Miami University, Oxford, Ohio, with an A.B. in Economics and Political Science. She earned the degree of Master of Public Administration from the George Washington University.

John P. Caskey is a professor of economics at Swarthmore College. He received his B.A. from Harvard University and his Ph.D. from Stanford University. His research and teaching focuses on financial markets and institutions. Over the past decade, he has published numerous articles on the use of the financial system by lower-income U.S. households and on community development financial institutions. Professor Caskey has served as a visiting scholar at the Federal Reserve Bank of Philadelphia, the Federal Reserve Bank of Kansas City, the Universidade Nova de Lisboa (Portugal), and Yale University. He has also worked as a consultant for the Filene Research Institute, the Ford Foundation, Pew Charitable Trusts, the Walton Family Foundation, and the World Bank. In addition to his academic work, Professor Caskey serves on the Board of Directors of the Chester Community Improvement Project, a non-profit low-income housing development agency, and the Franklin Mint Federal Credit Union.

Fred H. Cate is professor of law at Indiana Law School in Bloomington specializing in information law issues particularly in the context of digital networks. Cate is director of the Center for Applied Cybersecurity Research and faculty advisor to the Federal Communications Law Journal. He is a frequent speaker and has testified before Congress, directed the Electronic Information Privacy and Commerce Study for the Brookings Institution, and chaired many academic and professional committees relating to these issues. He is the author of many articles and monographs, including The Internet and the First Amendment, Privacy in the Information Age, and Privacy in Perspective, and he writes widely for the popular press and has appeared on CNN, PBS, and many local televisions and radio programs. Some recent publications are: "The Impact of National Credit Reporting Under the Fair Credit Reporting Act: The Risk of New Restrictions and State Regulations", Financial Services Coordinating Council (May 2003) (with Michael Staten); "Financial Privacy, Consumer Prosperity, and the Public Good: Maintaining the Balance", AEI-Brookings Joint Center for Regulatory Studies (Mar. 2003) (with Robert E. Litan, Michael Staten & Peter Wallison); and "Constitutional Issues in Information Privacy", 9 Michigan Technology & Telecommunications Law Review 35 (2002) (with Robert Litan).

Yan Chang has been a senior financial analyst for the Office of the Chief Economist at Freddie Mac since October 2001. In this position Chang is responsible for providing research assistance to economic topics such as economic forecasting and house price index. Most recently, Chang has been working with the American Housing Survey and Survey of Consumer Finances, to study issues such as homeownership, housing affordability, wealth distribution, and household debt burden. Prior to joining Freddie Mac, Chang did financial analysis in the Internet service provider industry for PSINet starting in 2000. Chang holds a Master's degree in Finance from Penn State University.

J. Michael Collins is an analyst for the Neighborhood Reinvestment Corporation. Michael Collins supports community-development organizations in making strategic decisions based on market, economic and policy analyses. Mr. Collins also served as a consultant on homeownership policy to the Millennial Housing Commission -- a Congressionally founded bipartisan task force making recommendations on federal housing issues. Mr. Collins has several published articles and papers on housing economics and policy, and is a frequent instructor and presenter at trainings and conferences. Prior to Neighborhood Reinvestment, Mr. Collins worked as a researcher at Harvard University's Hauser Center for Nonprofit Organizations and the Joint Center for Housing Studies. Mr. Collins previously worked for the Greater Cincinnati Foundation on community development grant making initiatives, managed a jobs program for at-risk youth and taught in public schools. He holds a masters of public policy from the John F. Kennedy School of Government of Harvard University and a B.S. in Economics Education from Miami University.

Geoffrey Cooper is Director of Emerging Markets Initiatives at Mortgage Guaranty Insurance Corporation (MGIC), the nation's leading private mortgage insurer, and Director of Corporate Relations at MGIC Investment Corporation (NYSE:MTG), the parent company of MGIC. Cooper is responsible for MGIC's Emerging Markets initiatives, government relations, media relations, and public policy initiatives. In this capacity, he oversees the Company's development of programs and products that served the "under-housed" populations of non-white households, low-to-moderate income households, single parent households, and households headed by individuals under 35. Cooper is responsible for coordinating MGIC's relationships with Housing Finance Agencies (HFAs) and non-profit housing organizations, and he works closely with lenders and mortgage investors on the development of new Emerging Markets programs. Mr. Cooper joined MGIC in October 1994 after two years of Chief Policy Analyst and Communications Director at the Office of Commissioner of Banking, the agency responsible for the safety and soundness of Wisconsin's state-chartered depository intuitions. Prior to joining the Commissioner's office, he worked as a journalist for six years, specializing in reporting on banking and finance. Mr. Cooper earned a B.A., in journalism from the University of Wisconsin-Madison in 1986.

Robert Couch is president and chief executive officer of New South Federal Savings Bank in Birmingham, Alabama and managing director of Collateral Mortgage, Ltd., also in Birmingham, Alabama, is chairman of the Mortgage Bankers Association (MBA). Prior to joining New South Federal, Couch was general counsel and chief financial officer of First Commercial Bancshares, a bank holding company headquartered in Birmingham. Couch also clerked for the Honorable Lewis F. Powell, Jr. (Associate Justice of the U.S. Supreme Court) and the Honorable John M. Wisdom (U.S. Court of Appeals for the Fifth Circuit) immediately following law school. He then practiced law for several years before entering the banking industry. Couch currently serves on MBA's Board of Directors, the Commercial Real Estate Finance/Multifamily Board of Governors and the Residential Board of Governors. For the past six years, he has served on MBA's Strategic Planning Committee and was a member of the MBA Blue Ribbon Task Force that developed MBA's position on the proper role of Fannie Mae and Freddie Mac in the mortgage industry. From 2000 until October 2002, Couch served as the first chairman of the Technology Steering Committee of the Board of Directors. He has also served as president of the Mortgage Bankers Association of Alabama. Couch received both his bachelor's degree in business administration with a concentration in accounting (cum laude) and his J.D. degree (summa cum laude) from Washington & Lee University in Lexington, Virginia. Couch is a certified public accountant.

Amy Crews Cutts was appointed to the position of principal economist in the Office of the Chief Economist in April 2002, and promoted to deputy chief economist in January 2003. In this position, Cutts is responsible for primary and secondary mortgage market analysis and research, macroeconomic analysis and forecasting. Cutts is also involved in the analysis of affordable lending activities, fair-housing policy and other policy issues affecting the housing industry. Prior to joining the Office of the

Chief Economist, Cutts served as principal economist in the Housing Economics and Financial Research Department at Freddie Mac since March 2001, and as a senior economist from March 1999. Cutts came to Freddie Mac in 1997 after serving as assistant professor of economics and senior researcher in the Maxwell School for Citizenship and Public Affairs at Syracuse University, where she did research on housing policy, income distribution and poverty, specializing in cross-national comparisons. Cutts is a graduate of Trinity University in San Antonio, Texas and holds a Ph.D., in economics from the University of Virginia.

D

Frank F. DeGiovanni is Director of the Economic Development unit of the Ford Foundation's Asset Building and Community Development Program. The unit seeks to make durable economic improvements in the lives of disadvantaged people and in their communities by supporting, through grants and Program Related Investments (PRIs), a set of focused initiatives in development finance, enterprise development, workforce development, housing, and savings and individual asset development. Prior to assuming this position, he was Deputy Director of Program Related Investments at the Ford Foundation, where he was responsible for creating and monitoring a diverse loan portfolio of organizations promoting community and economic development in the United States and internationally. Before joining the Ford Foundation in 1991, DeGiovanni was associate professor and senior research associate at the New School for Social Research in New York City, where he researched and taught graduate-level courses in housing and community development, urban political economy, and policy analysis. From 1985-87, he was department chairperson of Pratt Institute's Department of City and Regional Planning in Brooklyn, where he administered the affairs of the department while teaching and consulting on projects in housing and community development. DeGiovanni has a Ph.D., and M.R.P., in city and regional planning from the University of North Carolina, Chapel Hill.

E

Jeanne Engel provides consulting services in the areas of housing finance, policy and program development, community development and training. She has worked both nationally and internationally, assisting public and private sector clients. Ms. Engel has also held senior positions with HUD and the OCC, the Rhode Island HFA, the City of Trenton, New Jersey, Neighborhood Reinvestment Corporation and the Enterprise Foundation. She chaired the national Affordable Housing Advisory Committee and has served on numerous boards and commissions. She holds a B.A., from the University of Delaware as well as a MCRP degree from Rutgers University.

F

Allen J. Fishbein recently joined Consumer Federation of America as director of housing and credit policy where he leads efforts to work for policies and other initiatives that improve protections and regulatory oversight for homebuyers and other housing consumers. He was previously general counsel of the Center for Community Change and also led the organization's work on community reinvestment, fair lending and other issues pertaining to the expansion of responsible lending and banking services for low-income households and communities. Mr. Fishbein also served at the U.S. Department of Housing and Urban Development as senior advisor for government sponsored enterprise oversight from 1999-2000. During his tenure at HUD, he helped to supervise the department's mission regulation of Fannie Mae and Freddie Mac, including the rulemaking process that resulted in establishment of the current affordable housing goals for the two enterprises. Mr. Fishbein also assisted with the coordination of the activities of the National Predatory Lending Task Force, a joint body established by HUD and the U.S Treasury

Department to further investigate the problem of predatory lending. The Federal Task Force held field hearings and published a final report, Curbing Predatory Mortgage Lending, which serves as a key resource on this topic. Mr. Fishbein is former Co-Chair of the National Neighborhood Coalition and chaired the organization's public policy committee. He was a founder and former officer of the National Community Reinvestment Coalition. He has served as a member of the American Bar Association's Consumer Financial Services Committee and Vice-Chair of the Committee's Access to Financial Services Subcommittee. Mr. Fishbein is a past member of the Federal Reserve Board's Consumer Advisory Council, where he chaired the Legislation Committee. He has also served on the Fannie Mae Housing Impact Advisory Council and the Freddie Mac Affordable Housing Advisory Council. Mr. Fishbein has been called before Congressional panels numerous times to discuss the Community Reinvestment Act and fair lending enforcement, the secondary mortgage market, the Federal Home Loan Banks, and the impact of financial modernization on lower income and minority consumers and neighborhoods. He has also written numerous articles and other publications discussing community reinvestment, government sponsored housing enterprises, subprime and predatory lending, credit scoring, and improving consumer access to banking services. Mr. Fishbein earned his law degree from the Antioch School of Law in Washington, D.C.

Hollis Fishelson-Holstine is Vice-President of Research and Development at Fair Isaac Corporation (NYSE:FIC), the preeminent provider of creative analytics that unlock value for people, businesses and industries. The company's predictive modeling, decision analysis, intelligence management, decision management systems and consulting services power more than 40 billion mission-critical customer decisions a year. Currently she is responsible for the analytic underpinnings of the company's new predictive modeling platform. She has overseen the development of Fair Isaac's creation of Strategy Science, the creation of data mining algorithms for automated variable generation and cluster generation, predictive modelling algorithms, and data-based solutions for Internet fraud detection and e-commerce customer conversion prediction. In her 15 years with Fair, Isaac, she has also contributed to the company's international business development, strategic planning and P&L management. Prior to joining Fair, Isaac she taught computer science and statistics at the University of Alaska.

G

James Garner is the Republican Mayor of Hempstead, New York. He was installed as President of the U.S. Conference of Mayors at the Conference's 71st Annual Meeting on June 10, 2003 in Denver. He plans to use his tenure as Conference President to promote sustainable development in the United States and around the world. His ascension to the Conference's highest office is yet another accomplishment for the four-term mayor of a bustling New York City suburb. Mayor Garner became Long Island's first African-American Mayor when he was first elected Mayor in 1989. Prior to that he served one term as trustee on the Hempstead Village Board. Mayor Garner has been instrumental in strengthening the Hempstead community on both social and economic fronts. He has led the way in providing affordable housing opportunities for area residents, while working tirelessly to revitalize the village's retail/downtown areas. Construction of a new multi-modal transportation center, the addition of much-needed senior citizen and affordable housing, and the redevelopment of dozens of commercial buildings and several large retail properties are some of the major economic and community development projects already completed under Mayor Garner's leadership. His accomplishments have won national recognition and awards from such agencies as the Department of Housing and Urban Development and the American Planning Association. Under his direction, crime has been cut and the number of police officers in the village has increased. To better serve the young members of the community, he has helped to establish a multitude of programs, including the Police Activity League, Drug Assistance Resistance Education, Boys and Girls Club, and Weed and Seed. Proud to have served his country in the Vietnam era, Mayor

Garner holds a Bachelor of Science degree from Adelphi University. Before entering government service, he established a successful pest control company that his family still owns and operates.

Susan Wharton Gates is Director of Public Policy at Freddie Mac. She came to the company in 1990 from the Office of Management and Budget, where she was responsible for the development of the President's budget for the VA home mortgage program. At Freddie Mac, she has held positions as an economist and as editor of Secondary Mortgage Markets, Freddie Mac's research magazine. A former Presidential Management Intern, Susan holds a Ph.D. in public policy from Virginia Tech.

Edward L. Golding was named senior vice president of Freddie Mac's Capital and Economics department in May 2000. In this position, he is responsible for capital management and economic and policy analysis of issues affecting Freddie Mac and the mortgage market. Golding served as vice president of Capital and Economics since 1993. He joined Freddie Mac in 1989 as a senior economist. Before joining Freddie Mac, he was special assistant to a board member at the Federal Home Loan Bank Board, at that time the government oversight agency for the savings and loan industry, the Federal Home Loan Banks and Freddie Mac. Golding has a Ph.D. in economics from Princeton University and an A.B. from Harvard College. He has taught economics at the University of Florida and the Wharton School at the University of Pennsylvania.

Ira Goldstein is Director of Public Policy and Program Assessment for The Reinvestment Fund (TRF). Public Policy and Program Assessment is a department within TRF with responsibility for research into a broad array of economic development issues related to TRF's organizational goals and mission. Goldstein came to TRF from the U.S. Department of Housing and Urban Development where he served as the Director of Fair Housing and Equal Opportunity for the Mid-Atlantic region. In that position, he was responsible for enforcement of all federal laws and regulations under HUD's jurisdiction related to discrimination in both public and private housing. Goldstein is an adjunct faculty member at the University of Pennsylvania where he teaches quantitative research methods for the urban studies program and also at Temple University where he recently taught a course on discrimination in housing. He received his Ph.D. from Temple University.

Edward M. Gramlich before becoming a member of the Board, served as Dean of the School of Public Policy at the University of Michigan (1995-97). He also served as Professor of Economics and Public Policy at the University of Michigan (1976-97), Chair of the Economics Department (1983-86 and 1989-90), and Director of the Institute of Public Policy Studies (1979-83 and 1991-95). Gramlich has extensive governmental experience. From 1994 to 1996 he served as Chair of the Quadrennial Advisory Council on Social Security, a body established to examine the actuarial finances of social security and to suggest policy changes. From 1986 to 1987 Gramlich was Deputy Director and Acting Director of the Congressional Budget Office. He also was Director of the Policy Research Division at the Office of Economic Opportunity (1971-73), Senior Fellow at the Brookings Institution (1973-76), and a staff member of the Research Division of the Federal Reserve Board (1965-70). Gramlich also has a strong research record on a wide range of issues. In 1992 he was the staff director for the Economic Study Commission of major league baseball. His popular text on benefit-cost analysis is in its second edition; he has also written several other books and many articles on such topics as macroeconomics, budget policy, income redistribution, fiscal federalism, social security, and the economics of professional sports.

Richard K. Green is Visiting Professor of Real Estate in the Wharton School at the University of Pennsylvania. He is also Director of Financial Strategy and Policy Analysis at Freddie Mac. In this position, Green leads a group that is responsible for primary and secondary mortgage market analysis and research, and policy issues affecting the housing and mortgage finance industries. In the spring of 2004, he will be visiting Professor of Real Estate at the Wharton School of the University of Pennsylvania. Prior to joining the Freddie Mac, Green was Professor and Wangard Faculty Scholar at the University of Wisconsin School of Business, and Chair of the Real Estate Department at that institution. During that time he published numerous articles on housing, tax policy and commercial real estate in leading journals, and was voted "Teacher of the Year," by the students of the University of Wisconsin Graduate School of Business. His book, A Primer on US Housing Markets and Housing Policy (co-authored with Stephen Malpezzi), was just published. A member of the Board of Directors of American Real Estate and Urban Economics Association, and a Weimer Fellow of the Homer Hoyt Institute, Green holds a Ph.D. in economics from the University of Wisconsin-Madison. He had advised governments at the local, state and federal levels.

Robert Greenstein is The Center on Budget and Policy Priorites' founder and Executive Director. Greenstein is considered an expert on the federal budget and in particular, the impact of tax and budget proposals on low-income people. Greenstein has written numerous reports, analyses, op-ed pieces, and magazine articles on poverty-related issues. He appears on national television news and public affairs programs and is frequently asked to testify on Capitol Hill. In 1996, Greenstein was awarded a MacArthur Fellowship. The MacArthur Foundation cited Greenstein for making "the Center a model for a non-partisan research and policy organization." In 1994, he was appointed by President Clinton to serve on the Bipartisan Commission on Entitlement and Tax Reform. Prior to founding the Center, Greenstein was Administrator of the Food and Nutrition Service at the U.S. Department of Agriculture, where he directed the agency that operates the federal food assistance programs, with a staff of 2,500 and a budget of $15 billion.

Karen Gross teaches bankruptcy, corporate reorganization, financial advocacy, and contracts. She also conducts empirical and historical research on these topics. Professor Gross advocates to preserve and improve the United States bankruptcy system as a safety net, serving as President of the Coalition for Consumer Bankruptcy Debtor Education, an award-winning pro bono organization she co-founded, and as Director of New York Law School's Economic Literacy Consortium. Author of the acclaimed 1997 book, Failure and Forgiveness: Rebalancing the Bankruptcy System (Yale University Press, 1997), which won the Association of American Publishers Business Management Award, and numerous scholarly articles, Professor Gross is a recognized authority on the bankruptcy system, commenting frequently for the media and lecturing across the country and abroad. From 1986 to 1994, she was a director of the American Bankruptcy Institute (ABI), a think tank on insolvency, and served as a reporter for its comprehensive survey of reactions to amendments to the 1984 Bankruptcy Code. Prior to entering academia in 1984, Professor Gross practiced bankruptcy law at Arvey, Hodes, Costello & Burman in Chicago and at Weil, Gotshal & Manges in New York. Gross advocates an approach based on compassion and rehabilitation. She says individuals trained in money and credit management can better re-enter our market-based economy as more knowledgeable citizens. In 1999, she testified before the House Subcommittee on Commercial and Administrative Law on proposed legislation's likely negative effect on women and children. Professor Gross also studied the history of women debtors in the U.S. and coauthored an article, "Ladies in Red: Learning from America's First Female Bankrupts," which was published in the American Journal of Legal History.

Kathryn Gwatkin is a Program Associate in the Economic Development Unit of the Ford Foundation, where she supports two grantmaking Initiatives: "Building Assets through Homeownership" and the global development finance portfolio. Kathryn holds a Masters in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University, where her field of concentration was International Development. After graduating from Amherst College with a degree in political science, she worked for ACCION International as part of a technical assistance team based in La Paz, Bolivia.

H

Shelly Herman is President of MetroEdge where she has led the company's work with clients pursuing opportunities in urban areas. Throughout her career, Ms. Herman has conducted her work in urban markets, from financing new business locations to identifying market opportunities for investment. She has developed on-the-ground knowledge of a variety of communities and cities through the multitude of site visits, active relationships with community players and underwriting of particular properties and businesses. Ms. Herman's experience in market research, consulting and lending includes serving as Deputy for overall management and strategic direction of Shorebank's global consulting subsidiary, Shorebank Advisory Services, and Senior Managing Director for growth and management of the company's National Business Line. In the financial services arena, Ms. Herman was a lender, structuring capital and operational financings for business as well as renovation and construction financings for small urban developers. Ms. Herman has also led the in-depth research of many market and industry projects and publications, in such areas as supermarket development, community lending, and neighborhood market assessments. Ms. Herman received a Master's degree in Management from MIT's Sloan School of Management and a Bachelor's degree in Mathematics and Educational Studies from Brown University.

Sharon Hermanson is currently Senior Policy Advisor in AARP’s Public Policy Institute. She conducts and oversees research and develops policy options for the Association and its more than 34 million older members regarding financial services issues, including banking and lending issues. Her AARP publications regarding financial services include The Alternative Financial Services Industry and Older Subprime Refinance Mortgage Borrowers. She is involved in numerous task forces and initiatives examining the impact of today’s increasingly complex financial system and products -- securities, banking, and insurance -- upon older persons. Sharon’s educational background includes a Bachelor and Master of Science from Iowa State University and a Doctorate of Education from Penn State University. Sharon’s academic background includes research and teaching in gerontology at Temple University and Penn State University.

Vada Hill is Senior Vice President and Chief Marketing Officer of Fannie Mae. He is responsible for the company's marketing of products and services to lenders, including business development segmentation plans; development and implementation of strategy and tactics to bundle products and services; management of market research; and, development of marketing plans and sales tools for the company's single-family mortgage business. Prior to joining Fannie Mae, Hill was chief marketing officer for the Taco Bell Corporation in Irvine, California. He held the position of vice president - brand management for Taco Bell Corporation prior to becoming the company's chief marketing officer. Hill previously was a senior vice president - group account director for BBDO West, Inc., brand manager for The Procter & Gamble Company, and from 1991 - 1993, was Special Assistant to Secretary of Education Lamar Alexander. Hill received a A.B., from Harvard University.

J

Jeff Jaffee is the National CRA/ Fair Lending Director for Citigroup. He has been with Citigroup and predecessor companies for 19 years where he has been a mortgage sales manager, a financial center manager, a project manager and most recently responsible for the CRA/Fair lending Data Analysis Unit for Citigroup in New York. Jeff’s unit is responsible for the CRA regulatory exam process for Citigroup bank subsidiaries. The group prepares the first day letters, the opening presentations and responds to requests for information. He coordinates with the various Citi businesses to set goals, monitor results and develop corrective action plans to ensure “Outstanding” CRA performance, and compliance with all Fair Lending laws. Jeff is a 1982 graduate of Georgetown University where he majored in government.

K

Bruce Katz is a Vice President and Senior Fellow at the Brookings Institution, the Adeline M. and Alfred I. Johnson Chair, and founding Director of the Brookings Center on Urban and Metropolitan Policy. Mr. Katz brings to Brookings ten years of policymaking experience, intimate knowledge of the federal legislative and budget process and a strong understanding of the issues facing urban and metropolitan America. Prior to his appointment at Brookings, Mr. Katz was Chief of Staff to Henry G. Cisneros, former Secretary of the U.S. Department of Housing and Urban Development. From 1993-1996, Mr. Katz served as the Secretary's principal advisor on policy, budget, and program priorities on a variety of administrative and legislative initiatives, including urban economic development, community reinvestment, public and assisted housing, federal mortgage insurance and fair housing enforcement. He also served as the Department's chief liaison with the White House, Office of Management and Budget, and other federal agencies, and played a key role in negotiations with Congress. Mr. Katz also developed solid relationships with constituency groups, mayors and county officials, local practitioners, and the media. Prior to his appointment at HUD, Mr. Katz was senior counsel and then staff director of the Senate Subcommittee on Housing and Urban Affairs, chaired by Senator Alan Cranston of California. Mr. Katz played a key role in the development and drafting of major legislation: the Housing and Community Development Act of 1992, the Intermodel Surface Transportation Efficiency Act of 1991, the National Affordable Housing Act of 1990, the HUD Reform Act of 1989, the Housing and Community Development Act of 1987, and the McKinney Homeless Assistance Act of 1987. From 1985-1987, he was an associate specializing in housing and urban development, real estate and litigation at Fried, Frank, Harris, Shriver & Jacobson in Washington, DC. Bruce Katz is a 1981 Magna Cum Laude and Phi Beta Kappa graduate of Brown University. At Brown, he was a recipient of the Harvey A. Baker Fellowship and attended the London School of Economics from 1979-1980. Mr. Katz graduated from Yale Law School in 1985 where he served as Commentaries Editor for the Yale Law and Policy Review in 1983. He received his juris doctorate in 1985 and was admitted to the New York State Bar in 1986.

Duncan Kennedy is the Carter Professor of General Jurisprudence, Harvard Law School. Kennedy is also on the Faculty Committee of the Joint Center for Housing Studies. He teaches courses on Low Income Housing Law and Policy at Harvard Law School. Kennedy has published on the warranty of habitability in low-income housing markets, privatization of public housing in the post-communist transition, role of legal rules in "informal" us housing markets, and the legal dimensions of limited equity coops. His research insterests are law and third world economic development, left wing law and economics, legal history, legal theory, low income housing, private law theory.

L

Michael LaCour-Little is a Vice President in the Enterprise Risk Management Group of Wells Fargo Home Mortgage, the nation's leading residential mortgage company. He is also Adjunct Professor of Real Estate Finance at the John M. Olin School of Business at Washington University in St. Louis, where he teaches graduate level courses in real estate finance and mortgage-backed securities, and was recently elected Executive Vice President of the American Real Estate and Urban Economics Association. Prior to joining Wells Fargo in 2000, he was Vice President and Director of Financial Research at CitiMortgage, Citigroup's mortgage subsidiary. Dr. LaCour-Little earned a Ph.D. at the University of Wisconsin, Madison, and undergraduate and master's degrees at the University of California. He serves on the editorial boards of several academic journals and has published more than one dozen articles in peer-reviewed journals, including The Journal of Banking and Finance, Real Estate Economics, The Journal of Real Estate Finance and Economics, The Journal of Housing Research, The Journal of Housing Economics, and elsewhere.

Jim Laffargue is the Vice President and Chief Operating Officer of Union Bank of California's (UBOC) Cash & Save Division. During a 40 year career with UBOC Jim has worked in a variety of line and staff positions. In the late 60's and early 70's he managed Operations for the Banks Orange County Region, encompassing 3 Regional Offices with over $300,000,000 in Assets. In the late 70's he managed Operations for the Bank in Southern California and then assumed responsibility for Operations in the Bank's USA Division in the mid to late 80's. More recently he was selected to be the Chief Operating Officer for the Bank's entry into the Check Cashing business with a mission of transitioning clients from Check Cashing products to traditional Bank products and services. Currently the Cash & Save Division has 15 locations with 2 new locations under construction scheduled to open in early 2004. This Division was started in 1993 and has grown to over 160,000 clients with 40% having added a regular bank product or converted wholly to a traditional banking relationship.

Prue Larocca joined RBS Greenwich Capital in March1997. A Managing Director, she is responsible for business development in the mortgage and REIT businesses. Prior to joining the firm, Ms. Larocca was a Senior Vice President in charge of the single-family mortgage business at Lehman Brothers. Prior to joining Lehman Brothers in 1993, Ms. Larocca ran the single family and consumer securitization business for the Resolution Trust Corporation. Ms. Larocca has worked extensively with the entire credit spectrum of residential mortgages and range of originator/issuers, assisting them with operations, finance, secondary marketing and securitization activities. Ms. Larocca has completed over $70 billion of securitizations in her career. Ms. Larocca began her securitization career as an attorney, practicing banking and securities law at both Milbank, Tweed, Hadley & McCloy and Kutak Rock. Ms. Larocca holds a B.A. from Indiana University, and a J.D. from Georgetown University Law Center.

Cathy Lesser-Mansfield is a professor of Law at Drake University Law School in Des Moines, Iowa. She teaches a variety of Consumer Law courses and has been on the Board of Directors of the National Association of Consumer Advocates since 1999. She lectures nationally about consumer law issues. Her publications include "Literacy & Contract", 13.2 Stanford Law and Policy Review 233 (2002) with Alan M. White, and "The Road to Subprime "HEL" was paved with good intentions: Usury Deregulation and Subprime Home Equity Market", 51 S.C.L. Rev. 473 (2000).

William A. Longbrake is vice chair of Enterprise Risk Management for Washington Mutual, Inc., and serves as a member of the company's executive team. Longbrake is responsible for market risk management, operational risk management, compliance, internal audit, security, information security, business continuity planning, insurance risk management and regulatory relations. Longbrake originally joined Washington Mutual in 1982 as executive vice president and chief financial officer, a position he held until his appointment in February 1995 as chief financial officer and deputy to the chairman for finance at the Federal Deposit Insurance Corporation (FDIC). He returned to the company in October 1996 as chief financial officer, a position he served in until October 2002. In 2001, Longbrake was named CFO of the Year in the Driving Revenue Growth category by CFO Magazine. He began his career in Washington, D.C., where he served in various positions, including senior deputy comptroller for resource management for the Office of the Comptroller of the Currency and special assistant to the chairman at the FDIC. He earned his Bachelor of Arts degree in economics from the College of Wooster in 1965, graduating with honors. He earned his master's degree in monetary economics in 1968 and his master of business administration degree in 1969 from the University of Wisconsin. He received his doctorate in finance by the University of Maryland in 1976. He previously served as chairman of the Washington State Affordable Housing Advisory Board, Threshold Housing, the Capitol Hill Housing Improvement Program, and is past president of the Washington State Chapter of Financial Executives International and the Puget Sound Council of Financial Institutions. He is also a former member of the Fannie Mae National Advisory Council and the Thrift Institutions Advisory Council of the Federal Reserve Board of Governors. In the academic sector, Longbrake has taught courses in business administration and finance at the University of Maryland and Seattle University. Currently he serves on the board of trustees of the College of Wooster.

Heidi-Anne Loughlin is the Maine Family Development Account (FDA) Coalition Program Coordinator supporting the coordination, development, promotion, and implementation of the statewide FDA program and monitoring compliance with Coalition policies and relevant state and federal guidelines. Previously, she was the Welfare-to-Work Competitive Grant Program Coordinator working collaboratively among the Maine State Chamber of Commerce and the Maine Department of Labors Career enters. She has also been the Project Coordinator of the USDOL demonstration project promoting microenterprise and self-employment services. She is currently a graduate student of the Edmund S. Muskie School of Public Service in Portland, Maine and an active volunteer in her community. Heidi-Anne is a graduate of the University of Maine.

Moises Loza is the Executive Director of the Housing Assistance Council (HAC), a national nonprofit corporation that works to increase the availability of decent housing for rural low-income people. The organization provides technical assistance, training, and research; HAC has a revolving loan fund with assets of approximately $50 million to serve populations in rural areas, especially the colonies along the U.S.-Mexico border, the lower Mississippi Delta, and American Indian reservations. HAC has loaned over $60 million, which has helped build over 26,000 housing units in 49 states; it also conducts legislative policy, and program analyses. HAC will celebrate its thirtieth anniversary in 2001. Active in rural programs for many years, Loza is active on a number of national boards and committees. He grew up in South Texas as a member of a migrant farmworker family, traveling extensively with his family seeking farm work in the South, Midwest, and West.

M

George McCarthy joined the Ford Foundation as a Program Officer in Asset Building and Economic Development in October. He was a Senior Research Associate at the Center for Urban and Regional Studies (CURS) of the University of North Carolina at Chapel Hill since September 1998. McCarthy is an econometrician with strong interests in housing policy, community development, and the migration of labor and environmental economics. He has applied his background in dynamic econometric modeling and simulation to the study of housing and labor markets. McCarthy has worked extensively with community development organizations and other nonprofits. Recently he was involved in the evaluation of two national homeownership campaigns. He has also evaluated homeownership counseling programs in the United States for both the U.S. Department of Housing and Urban Development and the Canadian Mortgage and Housing Corporation. McCarthy has conducted research in house price appreciation in underserved neighborhoods, the default risk of affordable mortgages, housing affordability in U.S. metropolitan areas, and the construction of indicators for sustainable development. Before joining CURS, McCarthy worked as Resident Scholar at the Jerome Levy Economics Institute; visiting scholar and Member of the High Table at Kings College of Cambridge University, UK; visiting scholar at the University of Naples, Italy; research associate at St. Petersburg State University in St. Petersburg, Russia, and Assistant Professor of Economics at Bard College. He received a doctoral degree in economics from the University of North Carolina at Chapel Hill in 1997. He received a master’s degree in economics from Duke University in 1987 and a bachelor’s degree in 1983 from the University of Montana in the area of economics and mathematics.

N

Frank Nothaft was appointed Deputy Chief Economist for Freddie Mac in February 1988. He is responsible for analyzing trends and developments in the housing and mortgage markets and conducting financial analysis of Freddie Mac's operations. Nothaft is also extensively involved in the research and analysis of affordable housing trends and activities and policy issues affecting the housing industry. Prior to being named deputy chief economist in 1988, Nothaft served as a senior economist for Freddie Mac from November 1986. Nothaft was an economist with the Board of Governors of the Federal Reserve System from 1983 until 1986, where he served in the mortgage and consumer finance section and as the assistant to Governor Henry C. Wallich. A member of the American Real Estate and Urban Economics Association, Nothaft holds a Ph.D. in economics from Columbia University.

O

Peter R. Orszag is the Joseph A. Pechman Senior Fellow in Economic Studies at The Brookings Institution and a Co-Director of the Tax Policy Center, a joint venture of the Urban Institute and Brookings Institution. He previously served as Special Assistant to the President for Economic Policy at the White House, as Senior Economist and Senior Adviser on the President's Council of Economic Advisers, and as an economic adviser to the Russian Government. His areas of expertise include fiscal and tax policy, Social Security, pensions, higher education, macroeconomics, and homeland security. Dr. Orszag graduated summa cum laude in economics from Princeton University, and obtained a M.Sc. and a Ph.D. in economics from the London School of Economics, which he attended as a Marshall Scholar. He is the co-editor of American Economic Policy in the 1990s (MIT Press: 2002), and a co-author of Protecting the American Homeland: A Preliminary Analysis (Brookings Institution Press: 2002). His other recent publications include: "The Process of Economic Policy-Making During the Clinton Administration," (with Jonathan Orszag and Laura Tyson), in Frankel and Orszag, eds., American Economic Policy in the 1990s; "The Budget Outlook: Options for Restoring Fiscal Discipline," (with Alan J. Auerbach and William G. Gale), Brookings Institution Policy Brief Number 100, June 2002; "An Assessment of the Proposals of the President's Commission to Strengthen Social Security," (with Peter A. Diamond), and "State Fiscal Constraints and Higher Education Spending," (with Thomas Kane and David Gunter), Urban-Brookings Tax Policy Center Discussion Paper No. 12, May 2003. Dr. Orszag has testified on numerous occasions before Congress and is a regular commentator on economic policy in the national press.

Q

Roberto G. Quercia is an Associate Professor of City and Regional Planning and a Faculty Fellow at the Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill. He has published numerous articles, primarily on the topics of low-income homeownership, affordable lending and the assessment of lending risks, and homeownership education and counseling. Dr. Quercia has also conducted research on neighborhood dynamics and poverty. He has done sponsored research for government agencies, such as the U.S. Department of Housing and Urban Development, the U.S. Congressional Budget Office and General Accounting Office, municipalities, community organizations, and private entities such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. He has held appointments at the University of Texas, the University of California at Berkeley, the Wharton Real Estate Center (University of Pennsylvania), and the Urban Institute in Washington, DC. Dr.Quercia teaches courses in Housing Finance and Housing Policy.

R

Frank Raiter is a Managing Director in Structured Finance Ratings at Standard & Poor's where he is responsible for residential ratings and mortgage analytical modeling including LEVELS, DACSS and RAMPS. He joined Standard & Poor's in 1995 from Caliber Bank, Phoenix where he served as Treasurer and Chief Investment Officer. Prior to that Frank was Assistant Director with the Securities Transaction group at Resolution Trust Corporation. He has extensive knowledge of mortgage-backed securities and derivatives from the investment management and issuer perspectives. Frank is a graduate of North Carolina State University and holds an M.B.A. from the University of North Carolina.

Nicolas P. Retsinas was appointed Director of Harvard University's Joint Center for Housing Studies in 1998. Mr. Retsinas is also a Lecturer in Housing Studies at the Harvard Design School and the Kennedy School of Government. Prior to his Harvard appointment, Retsinas served as Assistant Secretary for Housing-Federal Housing Commissioner at the United States Department of Housing and Urban Development. President Clinton also appointed Retsinas to serve as Director of the Office of Thrift Supervision. Mr. Retsinas served on the Board of the Federal Deposit Insurance Corporation, the Federal Housing Finance Board and the Neighborhood Reinvestment Corporation. Retsinas received a Meritorious Service Award from Secretary Robert Rubin in 1997. He received the Housing Leadership Award from the National Low Income Housing Coalition in 2001. In 2003, Retsinas was inducted into the National Housing Hall of Fame. Mr. Retsinas also served the State of Rhode Island as the Executive Director of the Rhode Island Housing and Mortgage Finance Corporation from 1987 to 1993. Mr. Retsinas currently chairs the Low Income Investment Fund and serves on the Board of Trustees for the National Housing Endowment and the Enterprise Foundation, the Executive Committee for the National Housing Conference, and the Board of Directors of the Habitat for Humanity International, Shorebank, National Community Capital Association, Community Development Trust, Inc., and the National Low Income Housing Coalition.

Richard Riese is Director, Compliance Policy at the Office of Thrift Supervision. He is OTS's representative to, and current Chairman of, the FFIEC Consumer Compliance Task Force. He has been an Assistant Chief Counsel in OTS Enforcement and a Special Assistant to the Director of OTS. Richard moved to OTS Compliance Policy in the spring of 1996 and became Director of the unit three years later. Richard is a graduate of the University of Delaware and has a law degree and a Masters in Public Policy Analysis from the University of Pennsylvania. Before joining OTS in 1991, he practiced law in Pittsburgh, Pennsylvania.

S

Sandor E. Samuels is Senior Managing Director and Chief Legal Officer for Countrywide Financial Corporation (NYSE: CFC), a diversified financial services provider and member of the S&P 500. He also serves on the Executive Committee of Countrywide Financial Corporation. As the organization's Chief Legal Officer, he oversees the transactional, regulatory and litigation affairs of Countrywide and advises senior management on legal issues. Samuels' previous executive positions at Countrywide include Managing Director, General Counsel and Secretary. He joined Countrywide in 1990. Samuels began practicing law in 1979, when he joined the firm of Munger, Tolles and Olson in Los Angeles. From 1984 to 1989 he was a member of the law department of First Interstate Bancorp, attaining the position of Senior Vice President and Assistant General Counsel in 1988. He also served as Senior Vice President and General Counsel of FIMSA, Inc., First Interstate's loan workout and REO, (real estate owned), subsidiary. In addition, Samuels was Senior Vice President and General Counsel of Fox, Inc. A 1974 graduate of Princeton University, Samuels received his law degree in 1977 from the School of Law at the

University of California, Los Angeles. After graduating from law school, he served as law clerk for U.S. District Judge Irving Hill.

Margot Saunders has been the Managing Attorney of the Washington office of the National Consumer Law Center since 1991. Margot's duties include representing the interests of low-income clients in Congress on electronic commerce issues, predatory mortgages and other financial credit issues, as well as water and energy matters. She has testified on numerous occasions before several Congressional committees on the impact of various proposals on low-income households, and recently completed terms as a member of the Federal Reserve Board’s Consumer Advisory Council, and the American Water Works Association Public Advisory Forum. She is co-author of a number of books, including the Consumer Banking and Payments Law (NCLC 2002), the original and the revised editions of Access to Utility Service (NCLC 2001 and 1996), Energy and the Poor: The Crisis Continues (NCLC 1995), Tenants' Rights to Utility Service (1994), and The Manual on Water Affordability Programs (AWWA, 1998), as well as a numerous articles on consumer and utilities laws as they affect low income people in the United States. Prior to coming to D.C. in September 1991, she was the consumer specialist for North Carolina Legal Services. In North Carolina she represented low-income clients before the state legislature, the appellate courts, and various administrative agencies. She also regularly lobbied the N.C. General Assembly on consumer issues, where for several sessions she was voted by legislators, the press, and other lobbyists, to be among the top twenty most effective lobbyists. She is a graduate of Brandeis University and the University of North Carolina School of Law.

Ellen Seidman is the Senior Managing Director/National Practice at Shorebank Advisory Services (SAS). SAS is the consulting affiliate of Shorebank, the first and largest development bank in the United States. SAS specializes in consulting, research and investment services for organizations working to serve underserved people and communities, promoting positive economic change in the United States and around the world. Ms. Seidman leads the team of consultants working in the United States. Prior to joining SAS, Ms. Seidman served as Senior Counsel to the Democratic staff of the Financial Services Committee of the United States House of Representatives. From 1997 to 2001, Ms. Seidman was the Director of the U.S Treasury Department's Office of Thrift Supervision, heading the 1,200 person bureau responsible for regulating more than 1,000 savings associations around the U.S. Simultaneously, she was a Director of the Federal Deposit Insurance Corporation and the Chairman of the Board of the Neighborhood Reinvestment Corporation. From 1993 to 1997, Ms. Seidman served as Special Assistant for Economic Policy to President Clinton. She has also held senior positions at Fannie Mae, the United States Treasury Department and the United States Department of Transportation. Ms. Seidman holds a bachelor's degree from Radcliffe College, a law degree from Georgetown University Law Center and an M.B.A. in finance and investments from George Washington University. She has also completed the Senior Executive Fellows Program at the John F. Kennedy School of Government.

Michael Sherraden is the Benjamin E. Youngdahl Professor of Social Development at the George Warren Brown School of Social Work. Michael Sherraden works on creating, implementing, and studying policy and community innovations, focusing on the least advantaged, and drawing lessons from historical and international examples. Research on asset building, community and family development, service, productive aging, welfare reform, working poor households, and urban education occurs at the Center for Social Development (CSD) at Washington University, which Sherraden founded and directs. In 1991 Sherraden authored Assets and the Poor: A New American Welfare Policy, which proposed matched savings for the poor in Individual Development Accounts (IDAs). The American Dream Demonstration (ADD) at CSD is a large, eight-year, multi-method research project to test IDAs. IDAs have been adopted in federal legislation and in more than 40 states. In Alternatives to Social Security: An International Inquiry, 1997, edited with James Midgley, Sherraden points out that asset-based policy is expanding in many countries, but typically does not include the poor. Research results from ADD were instrumental in the design of Universal Savings Accounts (USAs), a 1999 proposal by President Clinton that would enable all working people to build assets. Sherraden's work on assets has influenced policy development in the United Kingdom, Taiwan, Canada, and other countries. Sherraden has served as an adviser and consultant to the White House, Department of Treasury Department, Department of Housing and Urban Development, Department of Health and Human Services, Progressive Policy Institute, Carnegie Council, and other organizations. Washington University honored Professor Sherraden with the 1994 Distinguished Faculty Award, and the George Warren Brown School of Social Work presented him with the Distinguished Faculty Award in 1999. In 1992-93 he was a Fulbright Research Fellow at the National University of Singapore, and he has been a visiting professor of the National University of Mexico. In 2001 he was awarded the Flynn Prize, given to a scholar who has connected social work research to other fields or new contexts, creating demonstrable change in social well-being.

Michael Staten is a professor at the McDonough School of Business, Georgetown University. Dr. Staten specializes in the economics of markets for retail financial services. His recent research projects have examined the impact of regulation on credit and insurance markets, the causes and consequences of personal bankruptcy, measurement of household debt burden, and privacy issues related to the collection and use of personal financial information. As Director of the Credit Research Center since 1990, Dr. Staten has designed and conducted projects on a wide range of policy-oriented issues involving consumer credit markets. Since its founding at Purdue University in 1974, the Center has built a national reputation for its analysis of the economics of consumer credit markets. The Center's research product is used by regulatory agencies, legislatures, the credit industry, consumer groups and the court system. The Center moved to Georgetown's McDonough School of Business in 1997. Dr. Staten has presented expert testimony on credit and insurance issues before committees of the U.S. House and Senate and various state legislatures. He has published articles in journals such as The American Economic Review, the Journal of Law and Economics, Economic Inquiry, the Journal of Health Economics, the Journal of Economic Education, and Psychology and Marketing. In 1997 his book Consumer Attitudes Toward Credit Insurance (with John M. Barron), won the American Risk and Insurance Association's Elizur Wright Award for its contribution to the risk management and insurance literature. Dr. Staten is a member of the Board of Trustees for the National Foundation for Credit Counseling and is a trustee for the Education Foundation of the American Financial Services Association. He served as Chairman of the Board of Directors of the Purdue Employees Federal Credit Union from 1995-1997.

Michael A. Stegman is the Duncan MacRae¹09 and Rebecca Kyle MacRae Professor of Public Policy and Business at the University of North Carolina at Chapel Hill, Chairman of the Department of Public Policy, and Director of the Center for Community Capitalism in the Kenan-Flagler Business School, Frank Hawkins Kenan Institute of Private Enterprise. In 1993, President Bill Clinton nominated him and the U.S. Senate confirmed his appointment to be Assistant Secretary for Policy Development and Research (PD&R) at the U.S. Department of Housing and Urban Development. He held that position until June 30, 1997. He also served as Acting Chief of Staff at HUD from November 1996 through April 1997. He is a Fellow of the Urban Land Institute, a member of Freddie Mac¹s Affordable Housing Advisory Council, serves on several national boards of directors, including the Initiative for a Competitive Inner City directed by Harvard Business School Professor Michael Porter; One Economy Corporation, a newly chartered non-profit dedicated to the elimination of the digital divide; and the national advisory board of The Brooking Institution¹s Center on Urban and Metropolitan Policy. He is past Vice President of the Association for Public Policy Analysis and Management and member of APPAM¹s Policy Council and Executive Committee, and has served as consultant to HUD, the Treasury Department, the Community Development Financial Institutions Fund (CDFI), the U.S. General Accounting Office, and Lehman Brothers. He has written extensively on housing and community development policy and financial services for the poor. At HUD, he was founding editor of Cityscape, an important new journal of urban policy research. His most recent books include Savings and the Poor: The Hidden Benefits of Electronic

Banking, (Brookings Institution Press, 1999; State and Local Affordable Housing Programs: A Rich Tapestry (The Urban Land Institute, 1999) and More Housing More Fairly, Report of the Twentieth Century Fund Task Force on Affordable Housing (1991).

Andrea Stowers, a Certified Mortgage Banker since 1991, served Visa, U.S.A. as Vice President for Loss Mitigation from 1996 through 2003, working with bankcard issuers and the bankruptcy community to develop and disseminate financial-management programs for debtors in bankruptcy and consumers in severe financial distress. Prior to joining Visa, Ms. Stowers was Director of Mortgage Credit Policy for Freddie Mac, responsible for affordable housing credit policies and developing innovative risk management techniques for emerging markets. From 1991 through 1993, Ms. Stowers was Director of Housing Initiatives for Fannie Mae, developing and disseminating innovative housing programs for underserved populations such as the low-income, elderly, disabled and inner-city homeowners. Prior to working with national programs, Ms. Stowers served as Director of Homeownership for the Rhode Island Housing and Mortgage Finance Corp., a top-tier housing finance agency, and before that as Vice President for Secondary
Marketing at Bank of New England.

T

John E. Taylor is the President and Chief Executive Officer of the National Community Reinvestment Coalition (NCRC), whose mission is to promote economic justice. With over 820 national, regional, and local organizations, NCRC has led the effort to increase low-income and minority access to credit and capital. During his tenure of 10 years at NCRC, bank commitments to poor neighborhoods have risen from a half billion to $55 billion a year. Mr. Taylor has worked in the community development and reinvestment industry for over 24 years. Prior to NCRC, he served as the Executive Director for a community development corporation (CDC) in Greater Boston for nine years, while simultaneously starting a citywide homeless coalition and serving as a Commissioner on the city's Fair Housing Commission. While at the CDC, he developed affordable housing, commercial projects, and bank commitments in excess of $28 million. He was also elected by his peers to serve as the Chairman of the Massachusetts Association of CDCs for four years. In 2001, Mr. Taylor ran for U. S. Congress 9th Congressional seat for the state of Massachusetts. In 1996, Mr. Taylor received a Presidential appointment to the Community Development Financial Institutions (CDFI) Advisory Board. He is on the Board of Directors and is Chairman of the Executive Committee of America Works Partnership, an AFL-CIO national organization to stimulate job development in poor urban areas. He also serves on the Board of Directors of the National Hispanic Housing Council. Mr. Taylor has also served on: The Federal Reserve Bank Consumer Advisory Council (CAC); The Freddie Mac Housing Advisory Council; The Fannie Mae Housing Impact Council; The National Congress for Community Economic Development (NCCED); National Neighbors, Inc. Mr. Taylor has received numerous awards and citations over the years for his work in economic justice efforts, including the Martin Luther King, Jr. Peace Award, two Congressional Citation Awards from the US Congress, and many others.

Jennifer Tescher is a Managing Director with ShoreBank Advisory Services, the consulting arm of Shorebank Corporation, the nation's oldest and largest community development bank holding company. Her focus is on financial services and asset-building opportunities for low- and moderate-income (LMI) consumers. Prior to joining SAS, Ms. Tescher spent nearly six years at ShoreBank in a variety of capacities, focused primarily on the development and implementation of new financial products and services. She oversaw the operation of ShoreBank's Individual Development Account (IDA) initiative, which she developed and launched in 1998. That led to the development of a program to link the Earned Income Tax Credit with a savings vehicle and has worked with institutions nationwide to replicate the program. She also developed a line of credit product for entrepreneurs who buy and renovate distressed single-family housing. Most recently she has focused on promising financial technologies that present business opportunities for financial services firms to better serve LMI consumers. Ms. Tescher is actively engaged in discussions around asset building at both the state and federal levels.

W

Susan Wachter is Richard B. Worley Professor of Financial Management and Professor of Real Estate and Finance at The Wharton School at the University of Pennsylvania. Dr. Wachter served as Assistant Secretary for Policy Development and Research at HUD, a President appointed and Senate confirmed position, from 1998 to 2001, and was principal advisor to the Secretary responsible for national housing and urban policy. The Chairperson of the Wharton Real Estate Department from 1996 to 1998, Wachter is the author of over 100 publications. Wachter serves as President of the American Real Estate and Urban Economics Association and coeditor of Real Estate Economics, and currently serves on multiple editorial boards, and is Visiting Fellow at Brookings Institution and Fellow of the Urban Land Institute.

Ken Wade is currently the Director of National Programs for Neighborhood Reinvestment where he is responsible for coordinating all national programmatic initiatives for the Corporation, including the Homeownership Campaign, the Multifamily Initiative, the Insurance Initiative, the Rural Initiative and the Resident Leadership Initiative. Prior to his current role he served as the District Director for New England for 8 years. Ken has over 25 years of experience in community development. He has also overseen the development of a number national partnerships on behalf of the NeighborWorks® Network. He participated in the development of the "Community Investment Plan" in Boston established by local banks and the Community Investment Coalition announced in 1990. He has served as a community board member of the Massachusetts Housing Investment Corporation (a consortium of banks that provides financing for affordable housing development); served as the State Attorney General's representative on the Home Improvement Contractor Advisory Panel for the State of Massachusetts (which reviews complaints from Home Improvement Contractors) and he has served on the advisory committee for the Affordable Housing Program of the Boston Federal Home Loan Bank and the Boston Federal Reserve Bank Community Development Advisory Committee.

Cynthia Waldron has been a senior financial analyst for Capital and Economics at Freddie Mac since January 2001. In this position Waldron is responsible for providing research assistance and expertise on topics such as model analysis and fair lending. Most recently, Waldron has been working on fair lending testing and helping to improve Freddie Mac's models and business processes to expand homeownership opportunities. Prior to joining Freddie Mac, Waldron did financial system analysis in the financial services industry for Thrivent Financial. Waldron will graduate in Spring 2004 with a Master's of Business Administration from The George Washington University. Freddie Mac is a stockholder-owned corporation chartered by Congress in 1970 to create a continuous flow of funds to mortgage lenders in support of homeownership and rental housing. Freddie Mac purchases mortgages from lenders and packages them into securities that are sold to investors. Over the years, Freddie Mac has opened the doors for one in six homebuyers and two million renters across America.

Richard Weiner received his Ph.D. from the University of Houston and his Masters Degree in Legal Studies at UNL. He was professor of Psychology at Saint Louis University (1982- 2000) and most recently chair of the Department of Psychology at Baruch College, City University of New York. In 2002 Dr. Wiener joined the Law-Psychology Program (as director) and the Social Psychology Program at UNL. He currently serves as the editor of Law and Human Behavior, the official journal of the American Psychology/Law Society (Division 41 of the APA). Dr. Wiener's research applies theories of social cognition to problems in legal decision-making. Among the topic areas he has investigated are perceptions of sexual harassment, judgments of medical malpractice, and sociolegal jurisprudence. Currently Dr. Wiener applies dual process models developed in social psychology to explain juror performance in capital murder trials and to understand workers' evaluations of sexual harassment claims. Other lines of research examine the way in which affirmative action laws influence perceptions of workforce quality, test the distinction between generic and specific prejudice in jury decision-making, test the role of implicit morality judgments in judges' decisions in child neglect and abuse cases, and examine the role of emotion in judgments made by consumers who have filed bankruptcy. Dr. Wiener teaches courses at UNL on Behavioral Sciences and the Law and Legal Decision Making.

Darice M. Wright is the Director, Financial Services Sector with over 20 years of financial services, marketing, business development and entrepreneurial experience. At MetroEdge, she assists banks and other financial institutions in effectively tapping into urban markets with diverse ethnic and income segments. Throughout her career Ms. Wright, has operated in leadership roles of early stage and start-up projects---spearheading the growth and development of both private, for-profit businesses and not-for profit organizations into solid revenue producing enterprises poised for continued expansion. Prior to joining MetroEdge, as Executive Director of the LaSalle Street Project, Ms. Wright helped leading corporations penetrate emerging domestic markets by facilitating partnerships between them and minority-owned businesses and consumers. Ms. Wright developed and organized the LaSalle Street Project's annual Capital Access Forum, with the widespread support of banks, venture capital firms and other financial institutions interested in financing talented entrepreneurs with solid business platforms. Ms. Wright also previously served as Senior Vice President, Marketing and Client Services for Ariel Capital Management where she was responsible for developing and maintaining the firm's investment management clientele among Fortune 500 companies, state and local governments, and non-profit institutions. While in charge of marketing and client services for Ariel Capital, the firm's assets under management grew from $8 million to more than $2.1 billion. She received her BS in Finance from the University of Illinois-Chicago.

Z

Barry Zigas is Senior Vice President and Executive Director for the National Community Lending Center--Housing and Community Development, of Fannie Mae. Zigas joined Fannie Mae in 1984, serving in various capacities until he assumed his current position in February 1996. He is responsible for leading Fannie Mae's initiatives in community-lending products; developing housing policy and mortgage products; program management of affordable-housing products, CDFI investments, minority-homeowner initiatives and national partnerships, and relationship management with key constituencies, including the Housing Impact Advisory Council. Prior to joining Fannie Mae, Barry was president of the National Low Income Housing Coalition, which is recognized as the foremost national low-income housing advocacy group.

Peter Zorn is Director of Financial Strategy and Policy Analysis at the Federal Home Loan Mortgage Corporation (Freddie Mac). His work at Freddie Mac focuses on mortgage prepayment and default modeling, fair lending, and equal access to mortgage credit with particular emphasis on the impacts of automated loan processing and risk-based pricing. He has recently conducted studies of barriers that minorities face in becoming homeowners, the factors driving borrowers to the subprime market and the difficulties consumers have in obtaining and maintaining good credit. Before starting at Freddie Mac in 1994 he was a tenured associate professor in the department of consumer economics and housing at Cornell University. Zorn received a Ph.D. in economics from the University of California-Davis in 1982 and a B.A., in history from Marlboro College in 1975.

APPENDIX C

SYMPOSIUM MODERATORS, AUTHORS, DISCUSSANTS, AND ATTENDEES

A

Acosta, Gary
Chairman
National Association of Hispanic Real Estate Professionals

Apgar, William
Senior Scholar
Joint Center for Housing Studies
Harvard University

Avery, Robert
Senior Economist
Division of Research and Statistics
Board of Governors of the Federal Reserve System

B

Barr, Michael
Assistant Professor of Law
University of Michigan Law School

Beard, Peter
Senior Vice President of Knowledge
Access and Technology Strategy
Fannie Mae Foundation

Beeferman, Larry
Director, Asset Development Institute
Center on Hunger and Poverty
Heller School of Social Policy
Brandeis University

Belsky, Eric
Executive Director
Joint Center for Housing Studies
Harvard University

Berry, Christopher
Fellow
Program on Education Policy & Governance
Kennedy School of Government

Boshara, Ray
Director, Asset Building Program
New America Foundation

Bostic, Raphael
Associate Professor
School of Policy Planning and Development
Lusk Center for Real Estate
University of Southern California

Bourne, Annette Mann
Program Director
Homeownership Center, Rockingham Area
Community Land Trust

Bradley, Don
Principal Economist
Financial Research Department
Freddie Mac

Braunstein, Saundra
Senior Associate Director
Division of Consumer and
Community Affairs
Federal Reserve Board

Brobeck, Steven
Executive Director
Consumer Federation of America

Buchholz, David
Program Director
Corporation for Enterprise Development

Bush, Malcolm
President
The Woodstock Institute

C

Calder, Allegra
Research Assistant
Joint Center for Housing Studies
Harvard University

Canner, Glenn
Senior Advisor
Federal Reserve Board

Carr, James
Senior Vice President
Innovation, Research, and Community Technology
Fannie Mae Foundation

Case, Karl (Chip)
Katherine Coman and A. Barton Hepburn Professor of Economics
Wellesley College

Casey-Landry, Diane
President and CEO
America's Community Bankers

Caskey, John
Professor
Money and Banking, International Economics
Swarthmore College

Chang, Yan
Senior Financial Analyst
Freddie Mac

Collins, Michael
Campaign Performance Analyst
Neighborhood Reinvestment Corporation

Cooper, Geoffrey
Director of Emerging Markets
MGIC Investment Corporation

Couch, Robert
President and CEO
New South Federal Savings Bank

Cutts, Amy Crews
Deputy Chief Economist, Office of the Chief Economist
Freddie Mac

D

DeGiovanni, Frank
Director, Economic Development
Ford Foundation

Di, Zhu Xiao
Research Analyst
Joint Center for Housing Studies
Harvard University

Diedrick, Anne S.
Senior Vice President
JP Morgan Chase Bank

Drew, Rachel Bogardus
Research Assistant
Joint Center for Housing Studies
Harvard University

Dylla, Doug
National Coordinator,
Campaign for Homeownership
Neighborhood Reinvestment Corporation

E

Engel, Jeanne K.
Consultant
3006 Oregon Knolls Drive N.W.
Washington, DC 20015
(202) 363-8026
jkengel@comcast.net

F

Farris, John
Senior Policy Associate
Center for Responsible Lending
Self Help

Finch, Dermot
First Secretary (Economic Affairs)
British Embassy

Fishbein, Allen
Director, Housing and Credit Policy
Consumer Federation of America

Fishelson-Holstine, Hollis
Vice President, Analytic Science
Fair Isaac Corporation

G

Garvin, Marianne
Executive Vice President and COO
Community Development Corporation of Long Island

Gates, Susan
Director of Public Policy
Freddie Mac

Golding, Edward
Senior Vice President, Housing Economics & Financial Services
Freddie Mac

Goldstein, Debbie
Assistant General Counsel
Center for Responsible Lending
Self Help

Goldstein, Ira
The Reinvestment Fund

Gottschall, Bruce
Executive Director
Neighborhood Housing Services of Chicago, Inc. (NHS)

Gramlich, The Honorable Edward
Governor
Federal Reserve Board of Governors

Green, Richard
Director of Financial Strategy and Policy Analysis
Freddie Mac

Greenstein, Robert
Executive Director
Center on Budget and Policy Priorities

Gross, Karen
Professor of Law and Director, Economic Literacy Consortium
New York Law School

Guerrero, Alvaro Martin
Research Analyst
Joint Center for Housing Studies
Harvard University

Guilfoil, Martina
Executive Director
Inglewood Neighborhood Housing Services

Gwatkin, Kathryn
Program Officer
Economic Development
Ford Foundation

H

Herbert, Chris
ABT Associates Inc.

Herman, Shelly
President
MetroEdge

Hermanson, Sharon
Senior Policy Adviser
AARP's Public Policy Institute

Hill, Vada
Senior Vice President
& Chief Marketing Officer
Fannie Mae

Himes, James A.
Fellow
Enterprise Foundation

I

Innes, Jean
Lead Policy Advisory (Financial Inclusion)
UK Treasury Department
HM Treasury

J

Jaffee, Jeffrey B
Director
CRA/ Fair Lending Data Analysis,
Citigroup

K

Katz, Bruce
Director, Center on Urban and Metropolitan Policy,
Brookings Institution

Kennedy, Duncan
Carter Professor of General Jurisprudence
Harvard Law School

Kui, Christopher
Executive Director
Asian Americans for Equality

L

LaCour-Little, Michael
Vice President, Enterprise Risk Management Group
Wells Fargo Home Mortgage

Laffarque, James
Union Bank of California

Larocca, Prue
Managing Director
RBS Greenwich Capital

Lesser Mansfield, Cathy
Drake University Law School

Longbrake, Bill
Vice Chair, Enterprise Risk Management
Washington Mutual

Loughlin, Heidi-Anne
FDA Program Coordinator
Maine Family Development Account Coalition/
Maine Centers for Women, Work, and Community

Lowe, Eugene T.
Assistant Executive Director
US Conference of Mayors

Loza, Moises
Executive Director
Housing Assistance Council

M

McCarthy, George
Program Officer
Ford Foundation

Mendelowitz, Allan
Board Member
Federal Housing Finance Board

Musser, Philip A.
Deputy Chief of Staff
US Department of Housing and Urban Development

N

Nothaft, Frank
Director, Economic Operation and Analysis
Freddie Mac

O

Orszag, Peter
Senior Fellow
Brookings Institution

P

Park, Jim
Vice President
Freddie Mac

Pinsky, Mark
President and CEO
National Community Capital Association

Q

Quercia, Roberto
Associate Professor
City and Regional Planning
University of North Carolina

R

Raiter, Frank
Managing Director,
Structured Finance, Ratings
Standard & Poor’s

Rappaport, Renee
Director of Government Affairs
Mortgage Bankers Association

Retsinas, Nicolas P.
Director
Joint Center for Housing Studies
Harvard University

Riese, Richard
Director of Compliance Policy
Office of Thrift Supervision

Robinson, Gwen
Program Associate
Family Economic Success
Annie E. Casey Foundation

Roth, Rachel
Research Assistant
Joint Center for Housing Studies
Harvard University

S

Samuels, Sandor
Senior Managing Director,
Chief Legal Officer
Countrywide Financial Services

Saunders, Margot
Managing Attorney
National Consumer Law Center

Scheessele, Randy
Economist
US Department of Housing and Urban Development

Seidman, Ellen
Senior Managing Director/National Practice
Shorebank Advisory Services

Shepelwich, Steven
Senior Program Manager
Corporation for Enterprise Development - CFED

Sherraden, Michael
Benjamin E. Youngdahl Professor of Social Development
Washington University

Silverman, Steve
Director of Communications Citigroup Global Consumer Group
Citigroup

Staten, Michael
Professor
McDonough School of Business,
Georgetown University
Center for Credit Research

Stegman, Michael
MacRae Professor of Public Policy and Business
Center for Community Change
University of North Carolina Chapel Hill

Storo, Rebecca
Interim Deputy Director
Joint Center for Housing Studies
Harvard University

Stowers, Andrea
Stowers Consulting

Stuart, Guy
Associate Professor of Public Policy
Kennedy School of Government

Surette, Brian J
Principal Economist
Freddie Mac

T

Taylor, John
President and CEO
National Community Reinvestment Coalition

Tescher, Jennifer
Managing Director
ShoreBank Advisory Services

U

V

Vaccarella, Frank J.
Senior Intergovernmental Relations Officer
US Department of Housing and Urban Development

W

Wachter, Susan
Richard B. Worley Professor of Financial Management; Professor of Real Estate, Finance and City and Regional Planning Wharton School
University of Pennsylvania

Wade, Ken
Director, National Program Initiatives and Research
Neighborhood Reinvestment Corporation

Waldron, Cynthia
Senior Financial Analyst
Capital and Economics
Freddie Mac

Welch, Carolyn
Community Affairs Team Leader
Federal Reserve Board of Governors

Wiener, Richard
Director, Law and Psychology Program
University of Nebraska at Lincoln
Department of Psychology

Wides, Barry
Director-Community Development
Office of the Comptroller of the Currency

X/Y

Z

Zigas, Barry
Senior Vice President and Executive Director
Fannie Mae

Zorn, Peter
Director of Financial Strategy and Policy Analysis
Freddie Mac