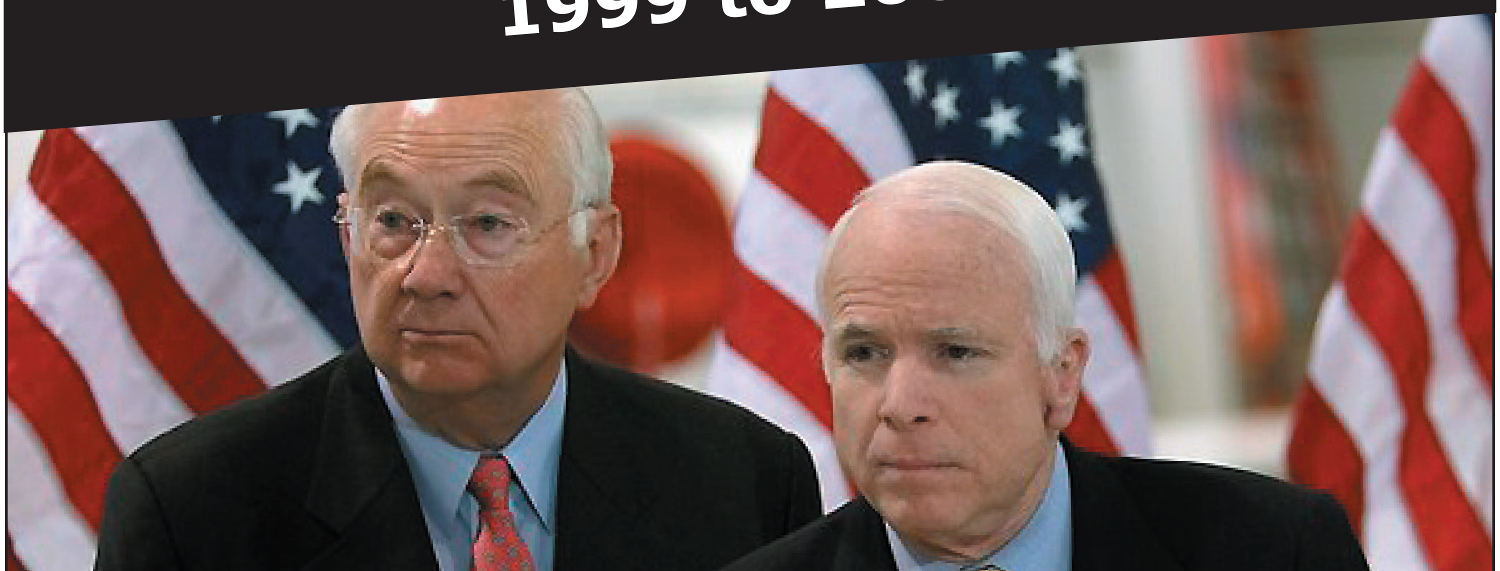
ACORN and John McCain:

The Real Story of the Financial Crisis 1999 to 2008



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EXECUTIVE SUMMARY

This report chronicles and analyzes the roles played by both ACORN and Senator John McCain (R-AZ) over the past decade leading up to the economic crisis that the United States faces today. Although perhaps an odd pairing on the surface, this comparison was invited by the McCain-Palin 2008 campaign when it released an advertisement on Friday, October 10 blaming ACORN for the crisis, claiming, "ACORN forced banks to make risky home loans, the same types of loans that caused the financial crisis we're in today." This ad was the culmination of weeks of punditry from conservative circles that blamed community organizations like ACORN and the Community Reinvestment Act of 1977 for the mortgage meltdown that triggered the broader financial crisis.

It is true that comparing the records of a community organization and a United States Senator will never be an exact science given their different roles; certainly, it is less facile than comparing two voting records. Still, over a ten year period, serious trends emerge that demonstrate each party's engagement with the issue of predatory lending, warnings about the likelihood of mass foreclosures, and an understanding of how a widespread failure in the housing market could undermine other sectors of the economy.

As documented herein, ACORN has a rich and consistent history of identifying predatory lending as a serious threat to borrowers, of warning that massive foreclosures were an inevitable result of widespread predatory practices, and of fighting with every tool at its disposal against those risky and dangerous practices. From working to pass city ordinances and state laws restricting risky lending practices, to protesting and suing lenders, and from lobbying for federal laws and regulations to releasing numerous reports warning of impending crisis, one must conclude that ACORN fought *against* predatory lending. Though this conclusion may appear self-obvious, it is unfortunately counter to the prevailing narrative in recent reporting in most media outlets.

John McCain's history with this issue is more difficult to document, mostly because there is not much history. In a search of mccain.senate.gov, which contains records dating back to 1988, there is not a single mention of predatory or risky practices in lending and only one mention of foreclosure, from a speech this March about earmarks in which he acknowledges that foreclosures are increasing. This level of engagement is far less than one would expect from a Senator representing the state with the third highest foreclosure rate, where one in every 182 households is in foreclosure[1]. By comparison, a search of acorn.org yields 479 hits about foreclosure and 737 hits about predatory lending. Nor is it the case that Senator McCain's website is just lacking information on his work – a search for "earmark" yields 240 hits.

Although by no means dispositive to the question of the work ACORN and Senator McCain have done on this financial crisis, this website test is indicative of engagement. Aside from a generally harsh view of regulation and support for Phil Gramm's financial services deregulation bill in 1999, Senator McCain's record on this crisis is thin, involving only a handful of votes. In casting blame on ACORN, Senator McCain demonstrated a true misunderstanding of the cause of the financial crisis and in so doing belied the notion that he is qualified to solve it. Indeed, in looking at the totality of their work, the only available conclusion is that ACORN fought with all its might for a decade to prevent this crisis while Senator McCain sat on the sidelines and cheered on the deregulation of the financial services industry that paved the way for the nation's economic collapse.

ACORN: *A Decade of Fighting on the Frontlines*

ACORN

1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008

Released study about predatory lending in Philadelphia

Created its Financial Justice Center as a hub for activities to fight predatory lending

Released a study condemning Citigroup

Fought Citigroup's acquisition of The Associates

Urged Bank of America to seriously reform NationsCredit, gets closed down

Began campaign against Household Finance and Beneficial

Fought against the deregulation of the financial services industry and efforts to undermine the Community Reinvestment Act

Mounted first national campaign by community group against subprime lender Ameriquest

Protested predatory practices of The Money Store

Worked with Attorneys General to investigate Household

Released studies on the impact of predatory lending in Colorado and Albuquerque

Released study on the impact of predatory lending in the twin cities

Passed local ordinance banning predatory lending in Philadelphia, Oakland, Los Angeles, and New York City

Released "Separate and Unequal 2002: Predatory Lending in America" Settled lawsuit against households winning $150 million for victims

Reached historic settlement with Household Finance Corporation of class action lawsuit, winning $150 million for victims

Filed comments with the Federal Reserve Board asking for predatory lending regulations

Filed comments to the Office of the Comptroller of the Currency demanding regulation

Released report on predatory lending and foreclosures in Pennsylvania

Passed 2nd-in-nation predatory lending bill in California

Got multiple lenders to stop abusive single premium credit insurance

Released studies on predatory lending in Arizona, Rhode Island, and San Jose

Partnered with HSBC on first of a kind Foreclosure Avoidance Program.

Launched campaign against Wells Fargo with release of "Stop the Stage Coach!" report

Fought for a stronger Reg Z from the Federal Reserve to curb predatory lending

Released "Separate and Unequal 2004: Subprime lending in America", which takes an in-depth look at this in 117 metro areas

Released "Two Lending Laws: Protecting People vs. Protecting Predators" analyzing the Ney-Kanjorski bill versus the Miller-Watt-Frank bill

Released "Drained Wealth 2004" looking at Minnesota foreclosures

Members mobilized to defeat US Rep Bob Ney's bill to preempt all state and local responsible lending laws

Reached groundbreaking agreement with Citigroup, includes Citifinancial best practices

ACORN members lobbied for federal predatory lending protections proposed by Sen. Dodd and others

Released "Foreclosure Exposure II" which shows the losses that could be incurred because of predatory loans in cities across the country

Won landmark predatory lending bills in Illinois and Minnesota

Released "High Cost of Credit in America's Cities – HMDA 2005"

Released "The Impending Rate Shock: A study of home mortgages in 130 American cities"

Released study on predatory loans in Washington State

Launched campaign against New Century Mortgage

Released "Home Insecurity: A set of reports on neighborhoods in trouble due to foreclosures"

Released "Foreclosure Exposure" a study of racial and income disparities in mortgage lending in 172 cities

Released "Stop Foreclosures Now!"

Announced campaign to unite homeowners put at risk by predatory loans

Announced reforms won from Countrywide, in which they agree to modify loans in an automated way

Released State Foreclosure Prevention study in February

Philadelphia ACORN won sheriff's sale postponements; new conciliation conferences cut foreclosures in half

Successfully passed strong predatory lending bills in Connecticut, New York, Maryland, Washington, North Carolina, and California

Fought for predatory lending bills in another dozen states that get killed by anti-regulation and industry forces

Worked to strengthen House bill that addresses mortgage broker duties

Lobbied for bankruptcy shelter for struggling homeowners

Florida ACORN called and won resignation of Saxon, the state's mortgage broker regulator who was asleep at the switch

Released "Attorneys General Take Action" study which looks at best practices and calls for cooperative multistate litigation strategies

Reached agreement with Citigroup on servicing best practices of subprime loans

Reports

Corporate

Legislative

McCain: *A Decade of Standing on the Sidelines*

McCain

1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008

Supports Gramm-Leach-Bliley deregulation act, repealing Depression-Era Glass-Sleagall Act

Supported Gramm's Commodities Future Modernization Act, which ensured that credit defaults swaps and other derivatives would go unregulated.

Acknowledges an increase in foreclosures in a floor speech about earmarks

Calls for tax cuts and voluntary industry moves instead of "bailouts"

Opposes bankruptcy shelter for primary residences

McCain says fundamentals of the economy are strong

1999-2008: Fails to sponsor or co-sponsor a single piece of legislation to regulate predatory lenders, and fails to co-sign any open letters calling on regulators to take action

ACORN: A Decade of Fighting on the Frontlines

Introduction

The Association of Community Organizations for Reform Now, best known by its acronym ACORN, is the nation's largest community organization of low- and moderate-income families, boasting 400,000 members across 1200 chapters in 100 cities. Founded in 1970, ACORN works on a variety of issues of concern to its low-income membership, including raising the minimum wage, comprehensive immigration reform, paid sick days, Gulf Coast recovery, and affordable health care. Chief among its priorities has been affordable home ownership for low- and moderate-income neighborhoods. Seeing a substantial increase in lending practices that set homeowners up to fail and lose their homes and equity, ACORN founded its Financial Justice Center in 1999 to serve as a hub for members' work to correct these abuses.

ACORN defines predatory lending as the practice of mortgage lending in which usurious fees and interest rates, often combined with exotic features and traps, are likely to cause a borrower to default and lose his or her home and equity. Predatory loans have many features, including re-setting interest rates, prepayment penalties to trap borrowers in the loans, and a lack of verification of the borrower's ability to repay the loan over the full term. Predatory practices were strongly enabled by the creation of a voracious secondary market for subprime loans, which carried higher interest rates and therefore higher yields to investors who purchased tranches of subprime mortgage-backed securities. Because mortgage brokers and lenders could still make their small fortunes in fees by selling predatory loans on the secondary market as long as those loans avoided default for six months, there was unchecked proliferation of 2/28 and 3/27 hybrid Adjustable Rate Mortgages with attractive teaser rates and exploding interest rates a few years in. There was literally a decoupling of the lender's willingness to finance a loan and the borrower's ability to pay it back, which characterized the subprime boom in which 90% of subprime loans were securitized.

ACORN identified early on that these dangerous lending practices would have far-reaching effects on families, neighborhoods, and the broader economy. Because the ratings agencies and regulators were asleep at the switch, these risky securities were all rated as extremely safe investments and so the appetite for them boomed, further liquidating the subprime market and encouraging the proliferation of even riskier lending in a vicious race to the bottom. As so many pension funds, municipal governments, investment banks, and others invested in these subprime-backed assets, the fate of homeowners on Main Street became inextricably intertwined with the fate of Wall Street and the economy as a whole.

Today America is facing a record number of foreclosures, a record number of homeowners who owe more on their loan than their home is worth, and a record delinquency rate. These problems have trickled up to Wall Street, and as mortgage-backed assets became impossible to assess in value because of declining housing prices and a glut of REO property, banks and other institutions have all but ceased lending to each other and triggered a credit crisis that is now affecting markets all over the world.

ACORN recognized the importance of stopping foreclosure before they started by encouraging responsible lending and outlawing predatory lending. In fact, ACORN had a long history of working with responsible mainstream financial institutions to open up credit to low- and moderate-income neighborhoods, with its sister company ACORN Housing Corporation brokering thousands of safe CRA loans with incredibly low default rates. An independent study by researcher Lisa Ranghelli estimated the wealth built by ACORN-brokered loans at more than $6 billion[2]. Still, ACORN spent much of the last decade fighting against predatory lending with every tool at its disposal. Below are abbreviated histories of ACORN's work in several different arenas: Enacting state and local regulations to help homeowners, fighting for federal legislative and regulatory protections, battling the lenders directly in the streets and in court, and raising public awareness of the impending crisis with research reports and public education[3].

STATE AND LOCAL REGULATION

ACORN members have fought for regulation against predatory lending in dozens of states and cities. The model legislation seeks to curtail the ability of mortgage brokers and bankers to strip wealth from homeowners through a variety of predatory practices. In particular, ACORN seeks to enact laws that:

- *Ban prepayment penalties that keep borrowers trapped in bad loans*
- *Require verification of the borrower's ability to repay over the full term; a borrower's ability to repay over the full term; a borrower's ability to repay shall be presumed to not have been verified if the total housing debt-to-income ratio (including taxes and insurance) exceeds 45%*
- *Establish a "fiduciary duty" for mortgage brokers so the interests of borrowers and brokers are aligned*
- *Ban the practice of steering borrowers to more expensive loans than those for which they qualify*
- *Eliminate "flipping" and "churning" of loans without a net tangible benefit to the borrower*
- *Cap the total points and fees charged to borrowers*
- *Prohibit "Yield Spread Premiums", the kickbacks that lenders pay to borrowers in exchange for selling higher cost loans*
- *Ban the practice of financing "credit insurance" and other bogus products*
- *Eliminate "call provisions" that allow lenders to accelerate the balance due at their sole discretion*
- *Prohibit balloon payments*
- *Ban negative amortization loans, typically known as "Payment Option ARMs"*
- *Outlaw foreclosure rescue scams*

In 1999, ACORN began its foray into the legislative arena by pursuing local campaigns in cities whose urban centers were the first target of predatory lenders. Widespread predatory lending would not boom nationally for another few years, but it was already problematic in many low-income, urban neighborhoods that were experiencing a type of "reverse redlining". In 2000, ACORN convinced the City of Chicago to pass the first ever city resolution condemning predatory lending and asking the state of Illinois to take swift action. In 2001, ACORN led the charge to get California to pass what was at the time the second comprehensive set of regulations against predatory lending. In the coming years, ACORN would play major a major role in concert with allies in victorious legislative efforts against predatory lending in New York, New Mexico, New Jersey, Massachusetts, Rhode Island. These early legislative efforts built upon each other and produced an evolving model bill to adapt to the increasingly aggressive tactics used by the industry.

In 2007, ACORN successfully won landmark predatory lending laws in Illinois and Minnesota that are among the most aggressive in the nation, and in the 2008 legislative sessions, ACORN pushed similar bills to prohibit predatory lending in more than 20 states. Several major victories won with allies included Washington, Connecticut, Maryland, New York, California, and North Carolina. The North Carolina win was particularly important as it became the first state in the nation to legislatively proscribe the broker kickbacks known as "Yield Spread Premiums." Still, despite the best efforts of allies and elected officials, only nine states in the country currently have a requirement that brokers act in the best interest of the borrowers, and many state lending regulations can and must be significantly improved. Unfortunately undermining many of these victories, the Bush Administration has presided over an enormous power grab of mostly preempting the ability of a state to regulate federally chartered lenders on loans made in the state.

In addition to predatory lending bills, ACORN also worked to improve the foreclosure process and reduce unnecessary foreclosures. In Minnesota, ACORN succeeded in passing through both legislative chambers a bill that would create a nine-month deferment process for distressed homeowners facing foreclosure, which was unfortunately vetoed by Governor Pawlenty. In New York state, ACORN succeeded at passing through the Assembly a bill to provide a one-year moratorium on owner-occupied residential foreclosures, though the bill stalled out in the Senate. In addition to these state level activities, Philadelphia ACORN spearheaded a campaign to stop sheriff's sales, which Sheriff Green ultimately agreed to. Working with the local courts, a new system requires lenders to participate in pre-foreclosure conciliation conferences, and meet a standard of reasonableness in offering modifications. This new process has resulted in modifications for the vast majority of homeowners who attend their conferences, and in cutting foreclosures by more than half has proven to be the nation's most successful response thus far to the foreclosure crisis.

FEDERAL REGULATION

ACORN has been calling on federal elected officials and regulators to take action against predatory lending since at least 1999. In June, 2000, more than a thousand ACORN members marched on the Federal Reserve in Philadelphia to demand that the Federal Reserve promulgate rules under its authority granted by the Home Ownership and Equity Protection Act (HOEPA) to curb predatory lending practices. The Federal Reserve Board did approve changes that redefined single-premium credit insurance as a fee to make it very difficult to sell the abusive product, and lowered the threshold for high-costs loan protections from 10 points to 8 points above the comparable Treasury yield[4]. Unfortunately, this was far too little, as the predatory boom in the subprime market occurred with loans with interest rates between 3 and 8 points above the Treasury yield, and borrowers with those subprime loans were completely without federal protection.

For the next several years, ACORN would continue to press the federal government to crack down on predatory lenders, especially those national lenders chartered with the federal government who were most problematic and able to avoid state regulations. In 2003, ACORN filed comments with the Office of the Comptroller of the Currency and to the Federal Reserve Board requesting further rules to crack down on the predatory lending in the subprime market that was already spiraling out of control. In the 108th Congress, Rep. Bob Ney (R-OH) attempted to roll back some of the gains won by homeowners at the state level by introducing a bill, the mis-labeled "Responsible Lending Act", that would have preempted all local and state protections while also weakening existing federal protections[5]. ACORN members mobilized to successfully defeat this proposal.

In addition, ACORN lobbied for federal legislation in the 109th and 110th Congress that would significantly curtail the risky predatory lending practices that were already flourishing. The bill most sought after to curtail predatory lending was authored by Senator Chris Dodd, the "Homeownership Preservation and Protection Act". The bill would establish minimum standards for brokers, require verification of the borrower's ability to pay, ban prepayment penalties and yield spread premiums in subprime loans, and provide strong enforcement mechanisms for these and other protections. ACORN submitted comments in support of this bill, rallied on Capitol Hill, and worked to add co-sponsors. In the 110th Congress, the House of Representatives did pass a weaker bill that ACORN worked hard to improve by ensuring that lenders and not just brokers would be regulated and held accountable, but the Senate has still not acted.

As the foreclosure crisis spun ever more out of control, the focus of ACORN's federal lobbying effort turned to stopping foreclosures and helping families save their homes. The most important bill that ACORN worked hard to pass was the "Helping Families Save Their Homes in Bankruptcy Act", which would close a loophole that prevents primary residences from being protected in bankruptcy. This provision would not just help those delinquent homeowners who actually file bankruptcy, but would fundamentally change the calculus that mortgage servicers use in deciding whether to offer voluntary modifications. The Center for Responsible Lending estimates that the bankruptcy shelter would assist 600,000 families to stay in their homes[6]. ACORN mobilized heavily around this bill, even staging a huge rally on Capitol Hill, but ultimately was defeated by the powerful mortgage lobby who made defeat of the provision their top legislative priority.

DIRECT ENGAGEMENT WITH LENDERS

While ACORN has been very active in pushing state and federal governments to take action to stop predatory lending and the resulting foreclosures, in particular with a deregulation-crazed Congress for much of the last decade, ACORN and other community organizations have had to step into the void and serve as de facto regulators. ACORN succeeded in doing that by protesting, suing, and winning concessions from the major lenders to change their practices, mostly without any help from the government. This type of direct engagement with the industry has produced tangible wins for families and moved the industry even when regulators refused to regulate. Through its campaigns against lenders, ACORN helped homeowners save $6.2 billion in fees and interest[2]. Below are some highlights of sustained campaigns that lasted many years, though it is by no means an exhaustive list of targeted lenders, leaving out protests ACORN performed against Ameriquest, The Money Store, NationsCredit, SkyCorp, New Century, First Franklin, and many others.

Citigroup
In 1999, ACORN released a study condemning Citigroup for its pattern of makinghigh-cost loans in minority and low-income communities while denying these neighborhoods prime loans. When Citigroup acquired The Associates in 2000, ACORN was in the midst of a campaign against The Associates' predatory practices and fought the acquisition publicly, especially because Citifinancial, the subprime subsidiary, had long used similar underhanded practices. ACORN fought this acquisition in an attempt to force changes in lending practices. Not long after Citigroup acquired The Associates, the Federal Trade Commission charged the Associates with predatory lending in response to complaints.

Under this pressure, Citigroup announced that it would make improvements to its lending habits. In 2001, Citigroup agreed to stop selling single-premium credit insurance, and in 2002 they settled with the FTC for $240 million. Since then, Citigroup has improved with a series of additional reforms, including Citifinancial capping points and fees at 3% for loans made through its branches, and agreeing to limit prepayment penalties in the second year of a loan and eliminate them after the third year. These practices won from ACORN protests put Citigroup in the position of leading the subprime industry away from predatory standards.

Household Finance and Beneficial
ACORN waged a multi-year campaign from 1999-2002 to win reforms from Household, frequently protesting at Household offices, pressuring the company through shareholder resolutions, and pushing regulators to hold Household accountable for its predatory practices. ACORN hit Household from every angle, helping victimized borrowers talk with the media, filing complaints with enforcement bodies, and protesting on the front lawns of CEOs and board members. In 2001, Household announced that it was phasing out single-premium credit insurance, and in 2002 that it would lower the fees financed into the loans.

Eventually, ACORN filed a class action lawsuit on behalf of aggrieved Household borrowers, and we were joined in litigation by numerous state attorneys general. Household eventually settled with both parties, agreeing to some reforms and to pay out $484 million in an agreement with all 50 state attorneys general. In settling with ACORN, Household agreed to further practice changes, and an additional $150 million for borrowers, which funds the Foreclosure Avoidance Program and has helped thousands of borrowers keep their homes and restructure their mortgages.

Wells Fargo

After the victory against Household, ACORN began heavily targeting the predatory lending practices of Wells Fargo in 2003, releasing a critical report, "Stop the Stage Coach!" ACORN demonstrated at local Wells Fargo offices to demand an end to predatory lending, and staged a march with 2,000 people at the Wells Fargo office in downtown Los Angeles in 2004. ACORN also filed three separate lawsuits against Wells over the company's unfair and deceptive lending practices. Although Wells has never conceded their role in predatory lending, they have changed some of their worst practices, reducing some points and fees charged as well as limiting prepayment penalties. Currently, the City of Baltimore is suing Wells Fargo for "reverse redlining" in targeting neighborhoods of color with unsafe loans.

Mortgage Servicers

As foreclosures began to escalate and credit for new home loans dried up in 2007, ACORN shifted its focus from targeting the origination practices of lenders to the servicing practices of mortgage servicers. These companies make the decision about whether to modify a delinquent loan or send it to foreclosure, and despite industry spin to the contrary, far too many unnecessary foreclosure continue without regulation or oversight. ACORN has called on mortgage servicers to use good loss mitigation guidelines that favor modifications over foreclosure whenever that would result in a wash (or better) for the investors who own the loans. The "Hope Now Alliance" has claimed major progress in advancing help to homeowners, but far too many of the workouts they claim have been provided are merely repayment plans that do not address the structural flaws of the predatory loans[7]. ACORN has negotiated directly for improvements in loss mitigation with Countrywide, Citimortgage, Ocwen, GMAC, HSBC, Bank of America, Wilshire, and others, in an effort to reduce foreclosures and halt the economic slide.

REPORTS

Since 1999, ACORN has consistently published innovative and provocative research reports with the goal of prodding policymakers to act to prevent the crisis and educate the public about the dangers of predatory lending. Many of the reports use available data that banks are required to provide to the federal government under the Home Mortgage Disclosure Act, which allows the public to see in which neighborhoods lenders are peddling high-cost loans. These ACORN reports specifically warned of the enormous cost to communities and the economy coming from reckless predatory lending practices.

ACORN issued other reports as well, including some that specifically looked at the bad practices of individual companies, and others that urged governments to enact specific policies. In just the past year, ACORN has released two one-of-a-kind reports, the first looking at innovative state policies to stanch the overwhelming flow of foreclosures, and the second looking at the work of attorneys general in responding to the crisis. This report, "Attorneys General Take Action: Real Leadership in Fighting Foreclosures," analyzed best practices from across the nation, graded the responses of each attorney general, and called for cooperative multistate litigation to win broad relief for victims. ACORN was pleased to see the recent announcement of a multistate settlement with Bank of America that will result in mandatory modifications worth $8.4 billion for several hundred thousand homeowners with unaffordable mortgages originated by Countrywide. This settlement can serve as a model for future litigation to win broad relief for homeowners and stem the foreclosure crisis.

Equity Strippers: The Impact of Subprime Lending in Philadelphia
May 2, 2000

Drained Wealth, Withered Dreams: The Disparate Impact of Predatory Lending in the Twin Cities
October 2, 2001

A Dream Deferred: Predatory Lending in Colorado
January 16, 2002

A Foreclosure Epidemic: The Explosion in Foreclosures from Predatory Lending in Albuquerque
January 30, 2002

Separate and Unequal 2002: Predatory Lending in America
November 27, 2002

Predatory Lending in Arizona
February 1, 2003

Lost Equity: Predatory Lending in Rhode Island
April 1, 2003

Stolen Dreams: Predatory Lending in San Jose
April 1, 2003

Stop the Stage Coach! Predatory Lending at Wells Fargo
May 5, 2003

Predatory Lending in South Central Pennsylvania
December 3, 2003

Separate and Unequal 2004: Subprime Lending in America
March 9, 2004

Drained Wealth 2004: Minnesota
June 22, 2004

Two Lending Laws: Protecting People vs. Protecting Predators
May 13, 2005

High Cost of Credit in America's Cities: HMDA 2005
October 3, 2005

The Impending Rate Shock: A Study of Home Mortgages in 130 American Cities
August 15, 2006

Home Insecurity: A set of reports on neighborhoods in trouble due to foreclosures
June 19, 2007

Foreclosure Exposure: A study of racial and income disparities in home mortgage lending in 172 American cities
August 31, 2007

Foreclosure Exposure II: Losses to cities could exceed $25 billion
October 19, 2007

How to Fight Foreclosures: State Policy Options
February 29, 2008

Attorneys General Take Action: Real Leadership in Fighting Foreclosures
June 10, 2008

McCain: A Decade of Sitting on the Sidelines – and Cheerleading Deregulation

Visitors to Senator McCain's official Senate website (mccain.senate.gov) will see a front page link about the "pork barrel spending" and the earmarks that he often rails against. A search of his website for "earmark" yields 240 separate speeches, press releases, statements, and other work that Senator McCain has done around earmarks, with records dating back to 1988. Do the same search for "predatory" and one will not find a single reference to the risky lending practices that have devastated Arizona and the nation. A similar search of his Presidential website (johnmccain.com) brings up only one article, from the March 28, 2008 *National Review*, which the McCain campaign approvingly posts. The article states that John McCain should be commended for not following others in "attributing too much blame to 'predatory lending'".

Even if Senator McCain does not understand that predatory lending practices led to the foreclosure crisis, one would at least expect that he would acknowledge the foreclosure crisis that has particularly devastated his home state. Arizona ranks 3rd in the nation in its foreclosure rate, with one in every 182 households currently in foreclosure[1]. Yet a search of his entire Senate website only shows one throw-away line in a floor speech in which the foreclosure crisis makes an appearance as part of an acknowledgement that Americans were hurting economically. The speech was about earmarks. By comparison, a search of acorn.org yields 479 hits about foreclosure and 737 hits about predatory lending.

Given the dearth of Senator McCain's words and actions on the predatory lending problem and the resulting foreclosure crisis, there are only a few occasions in which his actions and foresight in the leading up to this crisis can be judged. In each and every one of those instances, Senator McCain stuck to his professed economic philosophy of deregulation. Although in recent weeks his economic philosophy has appeared more erratic and he has occasionally adopted a populist tone, his long tenure in the Senate has been defined by a consistent hostility toward government regulation and favoritism shown toward deregulation.

The most important change in the history of regulation of financial institutions happened in 1999, authored and championed by Senator Phil Gramm (R-TX). John McCain has at various points described Senator Gramm as his "economic mentor" and his "top economic advisor"[8]. In 1999, Senator McCain offered his full-throated endorsement to Senator Gramm's "Financial Service Modernization Act", which repealed many depression-era laws including the Glass-Steagall Act, which prohibited any one company from being both a commercial bank and an investment bank. The repeal of these important provisions paved the way for enormous conflicts of interest as companies that originated mortgages could then bundle and sell them as well, passing off non-investment grade paper as safe investments[9]. In 2000, McCain's economic mentor Sen. Gramm slipped a provision into the Commodities Futures Modernization Act to ensure that highly risky derivatives like credit default swaps would not be regulated. McCain supported its passage.

During the subsequent years in Congress, despite a growing crisis in predatory lending and foreclosures, Senator McCain did nothing. He had numerous opportunities to sign on to bills to regulate predatory lending and to stem the foreclosure crisis, and passed on every opportunity. He further had opportunities to press regulators to crack down on the unbridled flow of capital from Wall Street to predatory lenders and did nothing. For example, a bipartisan letter to federal regulators on December 7, 2006 warning of the impending crisis and calling for swift action bears the signatures of Senator McCain's colleagues Senators Bunning (R-KY) and Allard (R-CO), but not McCain. It was not until a speech in March, 2008 about earmark reform that Senator McCain appears to have even formally acknowledged the foreclosure crisis was sinking the economy and ravaging his state of Arizona.

In the most recent Congress, the single best hope of reducing foreclosures was the "Helping Families Save Their Homes in Bankruptcy Act", sponsored by Senator Durbin (D-IL). This bill would have closed a loophole that prevents primary residences from having their mortgages modified by federal bankruptcy judges. Currently, loans secured by other assets like second homes, yachts, and RVs are eligible for modification by a federal bankruptcy judge, yet the source of most American's wealth – the home they live in – is not. Although missing the vote while on the campaign trail, Senator McCain spoke out forcefully against this provision that was estimated to help 600,000 families avoid foreclosure. In fact, when Gov. Sarah Palin misspoke in her debate and denied that her ticket was opposed to bankruptcy relief for homeowners, the McCain campaign was forced to send out a retraction[10].

CONCLUSION

Comparing the records of both ACORN and Senator John McCain, the only available conclusion is that in the decade leading up to the financial crisis America faces today, ACORN fought with all its might against the predatory lending practices and resulting foreclosures that triggered the crisis, while Senator McCain took no actions to stem the crisis while voting for deregulation schemes that enabled the crisis. His reckless accusation that ACORN is responsible for the crisis shows a Senator who is demonstrably out of touch with the reality of the nation's economic problems. After all, as recently as mid-September, Senator McCain was still arguing that, "The fundamentals of our economy are strong."

Though it may seem intractable, the solution to the nation's economic woes is to dramatically reduce foreclosures through mass modifications of unaffordable, predatory loans into fixed-rate, affordable loans. This can be done in a variety of manners, especially with increased governmental ownership of assets and institutions resulting from the bailout. Reducing foreclosures will stop the glut of REO property that has flooded the market, in turn stabilizing housing prices and enabling the mortgage-backed securities to be properly valued, which would return liquidity to that part of the market where the credit crunch originated. If Senator McCain does not understand how this crisis began and grew, it is doubtful that he is equipped to solve it, but ACORN will always be happy to educate him with its wealth of knowledge and experience on the issue.

ABOUT THE AUTHOR

Austin King is the director of the ACORN Financial Justice Center, the central hub through which ACORN's 400,000 members fight back against predatory lending, foreclosures, payday lending, refund anticipation loans, and other financial abuses. Prior to joining ACORN, King served as President of the Madison, WI City Council.

END NOTES

1. All foreclosure data www.realtytrac.com

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3. Information about all of ACORN's campaigns and reports available at www.acorn.org

4. www.federalreserve.gov

5. http://www.responsiblelending.org/press/releases/page.jsp?itemID=28011707

6. http://www.responsiblelending.org/press/releases/senate-ignores-help-for-homeowners-bankruptcy-change-the-most-effective-solution.html

7. State Foreclosure Prevention Working Group Data Analysis April 2008, September 2008

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10. http://blogs.abcnews.com/politicalradar/2008/10/palin-misstates.html