New Labor Forum
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New Labor Forum 2013 22: 81 originally published online 24 July 2013
DOI: 10.1177/1095796013496983

The online version of this article can be found at:
http://nlf.sagepub.com/content/22/3/81

Published by:
SAGE
http://www.sagepublications.com

On behalf of:
Murphy Institute, CUNY

New Labor Forum
22(3) 81–85

DOI: 10.1177/1095796013496983
nlf.sagepub.com

Mobilizing to Hold Wall Street Accountable

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Keywords
capitalism, community organizations, corporations, democracy, equality, labor, politics, racism

On Sunday, April 21, more than five hundred leaders of National People's Action (NPA), a nationwide network of community organizing groups, descended on Ed DeMarco's home in suburban Maryland carrying fifteen-foot puppets of DeMarco and signs reading "Save Our Homes" and "Dump DeMarco."

The following week, President Obama announced that he was removing DeMarco, the Bush-appointed acting director of the Federal Housing Finance Agency (FHFA). FHFA regulates Fannie Mae and Freddie Mac, the bailed-out mortgage financiers who together own or guarantee 60 percent of the nation's mortgages.

Obama's decision was a victory for a broad coalition of community and advocacy groups who, for over a year, had waged the "Dump DeMarco" campaign because of his stubborn refusal to help troubled homeowners avoid foreclosure by requiring banks to modify "underwater" mortgages that are higher than the market value of the homes. Under orders from DeMarco, both Fannie Mae and Freddie Mac have not allowed banks to write down mortgage principal on the loans they own for underwater homeowners. He called such write-downs a "free lunch."

The activists' demand is not a request for charity but a way to reverse the economy's freefall. If mortgages were reset to the fair-market values of homes, this would not only fix the foreclosure crisis but also pump $71 billion into the economy annually and create more than one million jobs a year.

The anti-DeMarco campaign is part of a broader movement to hold Wall Street banks accountable for crashing the economy, destroying the housing wealth of millions of homeowners, and refusing to help families facing foreclosure.

Across the country, families facing foreclosure and homeowners with "underwater" mortgages are fighting back. The resistance takes many forms—homeowners refusing to leave when the sheriff arrives with an eviction notice, community groups engaging in civil disobedience at bank offices and stockholder meetings, and lobbying campaigns to get city, state, and federal officials to enact protections from banks.

Occupy Wall Street provided Americans and the media with a new framework for explaining the nation's economic hard times—the "1 percent" versus the "99 percent." But veteran community, union, and faith groups know that to hold big banks accountable, they need to target the specific banks (and top executives) and elected officials.

This crusade has been led by an array of community organizations, consumer groups, MoveOn.org, and unions under the banners of the New Bottom Line, the Home Defenders League, the Campaign for a Fair Settlement, and Americans for Financial Reform. At a time of growing public anger against Wall Street, the movement has won some important stepping-stone victories and gained momentum, despite the banking industry's political power and increasing consolidation.

Since 2006, almost five million families have lost their homes, and millions more are at risk of foreclosure. About fourteen million homeowners

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are underwater. The total amount of underwater mortgage debt is $1.2 trillion.

Almost all these troubled homeowners are in this predicament through circumstances far beyond their control. The Wall Street–induced economic crash increased unemployment and reduced housing prices nationwide by a third between 2006 and 2012. Families have lost nearly seven trillion dollars of wealth due to falling home values. Local governments have lost about two trillion dollars in property tax revenues, according to a study by the Home Defenders League and other groups.

The Home Defenders League and Occupy Homes brought hundreds of underwater homeowners from across the country to Washington to demand immediate action to reset mortgages.

Foreclosed homes in a neighborhood have brought down the value of other houses in surrounding areas. The neighborhood blight is much worse in African-American and Hispanic areas, because these groups have been almost twice as likely as whites to lose their homes to foreclosures, in large part because they were the biggest victims of predatory lending.

Despite Wall Street's culpability for this crisis, Attorney General Eric Holder told Congress in March 2013 that some banks were too big for the Justice Department to prosecute because "it will have a negative impact on the national economy, perhaps even the world economy." His remark triggered a public outcry. The Campaign for a Fair Settlement, and other consumer and online groups quickly organized and delivered a petition signed by 333,000 Americans and sent to the Department of Justice offices around the country, demanding that the Obama administration repudiate Holder's statement.

Senator Elizabeth Warren (D-MA) challenged Holder, pointing out that

> It has been almost five years since the financial crisis, but the big banks are still too big to fail. That means they are subsidized by about $83 billion a year by American taxpayers and are still not being held fully accountable for breaking the law.

In late May, the Home Defenders League and Occupy Homes brought hundreds of underwater homeowners from across the country to Washington to protest at the Justice Department to demand the prosecution of the banks and immediate action to reset mortgages.

The movement to hold Wall Street accountable operates on several fronts.

Consumer Protection Laws

Activists pushed for the Wall Street Reform and Consumer Protection Act (commonly known as Dodd–Frank), passed in 2010. Americans for Financial Reform (AFR)—a coalition of 250 national consumer, community, and labor groups—led this fight.

A coalition of 250 national consumer, community, and labor groups led [the fight for 2010's Wall Street Reform and Consumer Protection Act].

The bill included tough new lending and underwriting standards, limited the fees that credit card companies can charge, increased oversight of financial markets and rating agencies, and had greater protection for investors, strict capital requirements on banks to reduce the likelihood that they would collapse, and new safeguards from the risky behaviors that led to the bailout of billion-dollar banks.

The banking and insurance lobbies carved significant loopholes in the bill, but activists nevertheless welcomed the law, including the new Consumer Financial Protection Bureau (CFPB), to regulate the abusive business practices of credit card companies, mortgage lenders, and payday lenders.

"We now have the tools on the table," said Lisa Donner, AFR's executive director. After Dodd–Frank passed, AFR kept up the pressure by monitoring the CFPB and lobbying for strong enforcement of the law's key provisions.

Attorneys General Settlement

Pressured by activists, in February 2012, five major banks—Bank of America, Wells Fargo, JP Morgan Chase, Citibank, and Ally/GMAC—negotiated a $26 billion settlement of the nationwide "robo-signing" foreclosure scandal. The funds were earmarked to keep families in forty-nine states in their homes, with a priority on reducing inflated mortgage principal. The deal was brokered by state attorneys general. Activists persuaded progressive attorneys general Eric Schneiderman of New York and Kamala Harris of California to hold out for a stronger settlement.

The deal grew out of revelations of massive fraud, including banks that evicted homeowners after only a cursory examination and widespread forgery of signatures on legal documents. As part of the settlement, banks agreed to end these and other abusive practices. Thanks to DeMarco's continued obstinacy, however, the banks could not reduce principal on mortgages owned by Fannie Mae and Freddie Mac.

Although the $26 billion would help a relatively small portion of the millions of borrowers facing foreclosure, the settlement was a step forward in holding the banks accountable for their misdeeds. The Home Defenders League and the Campaign for a Fair Settlement have monitored the settlement and criticized the banks for failing to provide information on just which homeowners they have helped and the amounts they have allocated. Housing counselors and groups like the California Reinvestment Coalition have reported that banks have failed to meet their obligations to end dual tracking (foreclosing on homeowners even while they are still negotiating with them), respond to borrowers within required timelines, or accommodate borrowers with disabilities or who do not speak English. In May, Schneiderman announced plans to sue Bank of America and Wells Fargo, and Harris initiated a lawsuit against JP Morgan Chase, over claims that they breached key parts of the settlement.

In his 2012 State of the Union address, Obama announced the creation of a federal-state task force to investigate and prosecute misconduct by lenders who triggered the financial crisis by selling risky residential mortgage-backed securities. But activist groups have criticized the administration for handcuffing the task force and allowing banks to pay small civil fines rather than pursuing the aggressive investigations and prosecutions Obama and Holder had promised. To date, not a single major Wall Street bank or executive has been criminally prosecuted for actions related to the financial crisis.

Principal Reduction

In 2011 and 2012, homeowners and community groups accelerated the pressure on banks, corporations, and politicians. They organized protests at the headquarters and stockholder meetings of Cigna, General Electric, Bank of America, and other corporations with explicit demands for foreclosure relief, fair taxes, student debt relief, and campaign finance reform.

Eventually, the activists focused on getting Obama to "dump DeMarco" as a vehicle to draw public attention to the administration's failure to help troubled homeowners. Again, they organized a series of protest actions around the country. In February 2012, for example, members of the Michigan Organizing Project, a faith coalition, placed signs on freeway overpasses across Detroit, demanding "Obama: Dump DeMarco." In May 2012, NPA led more than one thousand people in a protest at Treasury Secretary Tim Geithner's suburban home to demand that the Obama administration require banks to help families with underwater mortgages. In March 2013, Right to the City Alliance activists disrupted DeMarco's statements before a congressional hearing that was broadcast on C-SPAN.

The protests emboldened political allies to join the call for DeMarco's ouster. Nine state attorneys general urged Obama to replace DeMarco. "Our nation's economy will never fully recover until we address this foreclosure crisis," explained Massachusetts attorney general Martha Coakley at the time.

"We need to be finding ways to keep people in their homes, not kicking them out," said Rep. Keith Ellison (D-MN) at a rally in Minneapolis sponsored by Occupy Homes Minnesota, calling for DeMarco's ouster.

Foreclosure Resistance

In 2005, Rose Gudiel bought a 1,200-square-foot, one-story three-bedroom house in La Puente, a working-class suburb of Los Angeles, where she, her father (a warehouse worker), and her brother cared for her disabled sixty-three-year-old mother. They made steady mortgage payments until 2009, when her brother died unexpectedly. The family lost his income and was two weeks late on the next mortgage payment. When they sent in the payment, OneWest Bank would not accept it, and soon began foreclosure proceedings on Gudiel. "I was the first person in my family to graduate from college, and I worked hard so that I can own a home," said Gudiel. "And now these banks are taking my dream away."

In 2010, Gudiel asked the Alliance of Californians for Community Empowerment (ACCE) for help. Soon, she, her family, neighbors, and others were protesting at the bank's Pasadena headquarters and at the nine-bedroom, ten-bathroom, 22,721-square-foot, $26 million mansion in Los Angeles' swanky Bel-Air neighborhood owned by Steve Mnuchin, OneWest's CEO. They also organized a round-the-clock vigil at Gudiel's house to prevent the sheriff from evicting the family. Gudiel, who had not participated in political activities before, also joined Occupy Los Angeles protests and was one of nine people arrested for engaging in a sit-in at Fannie Mae's regional office. These actions generated so much media attention that in October 2011, OneWest and Fannie Mae agreed to renegotiate Gudiel's loan so her family could stay in their home. Gudiel became an ACCE leader, pledging to help other homeowners facing foreclosure.

In cities across the country, community groups have organized hundreds of people like Gudiel to "occupy" their houses to resist eviction, arguing that families have the right to stay in their homes if their plight was due to things beyond their control.

The activists hoped that the housing crisis would catalyze a widespread resistance movement against foreclosures and evictions similar to what occurred during the 1930s Depression among rural farmers and urban tenants. That did not happen, but civil disobedience actions in major cities have nevertheless generated considerable media coverage, put a human face on the victims, and forced banks, courts, and law enforcement officials to back down, renegotiate loans, and keep families in their homes.

Protecting Communities from Widespread Foreclosure

Despite these efforts, millions of homeowners remain trapped with mortgages they cannot afford and that banks refuse to modify. The failure of the federal government to push intransigent banks to reset loans has also devastated entire communities, especially those with high concentrations of low-income, black, and Latino borrowers victimized by high-risk loans that banks sold to pools of private investors. In this Alice-in-Wonderland world of finance, it is often hard for homeowners to trace the paper trail to find out who actually owns their loans, even in the computer age.

Encouraged by grassroots organizing groups, some cities and countries may soon take matters into their own hands. Based on an idea originally proposed by Cornell law professor Robert Hockett and promoted by Mortgage Resolution Partners (MRP), local government officials are considering a plan to seize troubled properties from bondholders by eminent domain, resell the loans to investors at the homes' current market value, preserve homeownership, and aid their local economies by collecting property taxes. This would circumvent existing investors and short-circuit months or years of paperwork delays. MRP estimates, for example, that a family in Merced, California, who purchased a home for $200,000 that is now worth $100,000 would lower its monthly payments from between $300 and $800.

Local government officials are considering a plan to seize troubled properties from bondholders by eminent domain.

Last year, officials in San Bernardino County—where nearly half of all homeowners are underwater—began talking to MRP about the plan. Then, the lobbyists for the banking and securities industry swung into action, warning local officials that this bold plan would trigger expensive lawsuits. County officials got cold feet.

But dozens of other cities and counties—including Seattle, Richmond (California), Newark, Brockton (Massachusetts), and New York's Suffolk County—have expressed interest in this approach, and community organizing groups are preparing to launch a campaign to persuade local officials to stand up to the Wall Street lobbyists and put the eminent domain plan in action. This is a way to "use government power to do social good," said Steve Meacham, an organizer with City Life/Vida Urbana in Boston.

"Once a few cities or counties show that it works, we will see a lot more of them adopting this approach," said Amy Schur, campaign director for ACCE, which is working in several cities to promote the eminent domain strategy.

The grassroots crusade wants not only to make Wall Street pay for the damage it has done to homeowners and communities but also to prevent the financial industry from driving the country into another disaster. Movement leaders expect to mobilize around two policy strategies in the next few years. They support legislation introduced by Senator Sherrod Brown (D-OH) and Senator David Vitter (R-LA), the Terminating Bailouts for Taxpayer Fairness Act, which, by requiring dramatically higher capital reserves for banks with more than $500 billion in assets, would likely force the biggest banks to break themselves down to size. They also support a 0.03 percent speculation tax on stock, bond, and derivatives trades sponsored by Senator Tom Harkin and Congressman Peter DeFazio—the so-called "Robin Hood" tax—to curb the type of risky investments and loans that caused the economic meltdown. It could generate up to $300 billion a year in revenue that could be invested in infrastructure, jobs, housing, education, and health care. (In 2011, forty countries had a similar tax, as did the United States until 1966.)

"We have a revenue crisis in America," said George Goehl, NPA's executive director, "but the good news is that we know where the money is. It's not in grandma's Social Security check, it's not in our children's classrooms, and it's not in the pockets of working-class families. It's on Wall Street."

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

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Peter Dreier teaches politics at Occidental College. His latest book is *The 100 Greatest Americans of the 20th Century: A Social Justice Hall of Fame*.