

# Subprime mortgage crisis goes beyond U.S.

By Marc H. Morial  
Special to Sentinel-Voice

With news of lending giant UBS taking a \$10-billion hit as a result of the U.S. subprime mortgage meltdown hanging in the air earlier this month, the National Urban League joined a coalition of civil rights groups, labor unions and housing activists on Wall Street to trumpet the cause of millions of Americans struggling with troubling adjustable-rate, high interest and/or high-cost subprime mortgages.

The rally, interestingly enough, attracted a substantial amount of foreign press, from Japan to Germany to England, demonstrating that the crisis has grown from one of domestic significance to one of global significance. Subprime woes in the United States threaten to cause major disruptions in both domestic and international credit markets, as well as throw the U.S. and world economies into a tailspin.

But worst of all, they threaten to devastate urban communities, where subprime lending helped millions of hardworking middle class Americans into their own homes for the very first time, propelling homeownership rates, especially among minorities, to historic levels.

Americans have lost jobs, become temporarily disabled, incurred unexpected medical expenses or have been forced to choose

between paying the mortgage or repairing the car that transports them to the job that pays the mortgage. It is a vicious cycle exacerbated by inconsistent state laws on mortgage default and foreclosure and inconsistent policies of mortgage lenders and servicing companies in the way they approach delinquent borrowers.

That is exactly why the NUL unveiled its Homebuyer's Bill of Rights earlier this year in the first place. At the Wall Street housing rally on December 10, the league also unveiled a new and improved version that includes one more right — The Right to Fair Treatment in Case of Default — in addition to the six original ones.

The NUL believes that, in the case of default, homebuyers struggling with their mortgages should be afforded the following:

- the opportunity for loan restructuring that includes the conversion to fixed-rate loans for those determined to be onerous;
- fair and unbiased counseling, and
- accessibility to reasonable workout plans that promote home preservation to the greatest extent possible and resort to foreclosure when all other options are exhausted.

Moves by lenders to amend their approach



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to dealing with delinquencies have given hope to some homeowners teetering on the brink of default. That combined with a Bush administration proposal to freeze interest rates for some adjustable-rate mortgage holders represent small but promising steps to address the crisis.

President George W. Bush described the effort as a "sensible response to a serious challenge."

According to the White House, as many as 1.2 million Americans stand to benefit. Industry experts, however, have revised that statistic downward to between 250,000 to 400,000. U.S. Treasury Secretary Henry Paulson played a major role in brokering the agreement with lenders and conceded that it was "not a silver bullet" but would give the nation a "chance to work through a housing cycle."

In other words, it buys select borrowers time or, in the words of Rep. Barney Frank, "kicks the can down the road."

Paulson assumes that an improved housing market in five years will enable borrowers struggling to make payments to sell their homes off at a profit than not. But we need more than good intentions from our leaders. What we need is a giant leap forward to keep

the subprime cancer from spreading to other parts of the U.S. economy and elsewhere.

Even as the average interest rate on a 30-year fixed-rate loan fell last month to less than 6 percent, subprime borrowers with adjustable rate mortgages will still have trouble refinancing under the Bush administration's proposal.

That's largely because the qualifications are strict: borrowers must live in the home and can not have missed more than one payment in the past 12 months.

"Investors may have thought that Bush and Treasury Secretary Henry Paulson stuck their fingers in a hole in the dyke, thus forestalling disaster. But given the rising tide of bad debt across the economy, today's actions are more like throwing a sandbag into a rising Mississippi River," observed Daniel Gross, a columnist for *Slate* magazine.

"That awful smell in Midtown isn't from the horse-drawn carriages carrying tourists around. It's the distinctive odor of debt going bad."

That's not just mortgage debt. All kinds of debt. We'd be fools to assume that the subprime fiasco is an isolated and contained situation. Just ask the foreign press. There's a reason why the rest of the world is watching what happens here.

Marc Morial is president and CEO of the National Urban League.

## Everyone must know: Giving Christmas' real gift

By Marian Wright Edelman  
Special to Sentinel-Voice

Christmas is a festive time when many families come together, homes are decorated with trees hung with ornaments and lights, and sumptuous dinners are prepared. Christmas also can be, for a variety of reasons, a time of stress.

One source of stress is the oppression of the shopping list. The longer the list, the greater the anxiety: What shall I get for this niece or that cousin or friend? How do I avoid giving a gift that's too similar to what I gave last year? And, of course, there are the demands of children who want the latest video game or electronic gadget. Bending to the pressure, many of us join the legions of shoppers hunched over and weighted down by bags full of holiday things.

Amidst it all, we lose sight of the meaning of Christmas. We forget to tell our children why we give gifts in the first place — the story Christians believe about the first Christmas' gift to the world of the Prince of Peace.

When He walked on the Earth, He spoke to us of the gifts that really matter: "For I was hungry, and ye gave me meat; I was thirsty, and ye gave me drink; I was a stranger, and ye took me in; naked, and ye clothed me; I was sick, and ye visited me; I was in prison, and ye came unto me." This message of giving speaks to what's good in and required of all of us.

Christmas is a time to enrich the lives of our children by sharing with them the joy and gift of giving. This can be done in many ways. While shopping with your children, have them select a toy to give to a poor child.

Sometime during the Christmas season, take your children to a homeless shelter or soup kitchen and volunteer to help prepare or serve food. Bake together a few dozen cookies and take them to your local children's hospital or nursing home to brighten the day of someone less fortunate.



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There are many in need, not only in our own communities but in our global community. I'm reminded of the wonderful children's story of "Beatrice's Goat" by Page McBrier; about a young Ugandan girl whose dream of going to school seems out of reach because her family is poor. But things change for Beatrice when her family is

selected to receive a goat from Heifer International, a program that provides livestock to those in need around the world. After months dutifully tending the goat and selling its milk at the market, Beatrice finally has enough money to pay for books and a school uniform. Then one day, dressed in her new school uniform, after taking the goat's milk to market, Beatrice makes her way to her first day of school.

You can participate in the Heifer International program by giving a struggling family in another land the gift of a goat, alpaca,

camel, cow, donkey, horse, llama, pig, sheep, a water buffalo, yak, honey bees, a school of fish or a flock of chickens, ducks or geese. The lives of the receiving family will be improved economically by the wool, eggs, milk or honey provided by the animals. Information is available on their website, [www.heifer.org](http://www.heifer.org).

In exchange, the receiving family promises to pass the first offspring on to another family — it's called "Passing on the Gift." This living chain of giving is a dynamic and sustainable approach to grassroots economic development.

The gift of a dairy goat, for about \$120, can supply a family several quarts of nutritious milk a day, yielding about a ton of milk a year. Extra milk can be sold or used to make cheese, butter or yogurt. Goats can thrive in extreme climates and on poor, dry land by eating grass and leaves. Because goats often have two or three kids a year, Heifer partners can help lift themselves out of poverty by starting small dairies that earn money for food, healthcare and education.

Geese, for about \$20 each, are easy to care for. They don't require much shelter and can adapt to most climates. They can lay up to 75 eggs a year providing a ready source of protein and income. My grandchildren picked the animals they wanted me to give in their honor with great excitement!

This year, I'm also buying my grandchildren three banks each for Christmas: one for saving, one for spending and one for sharing. I hope this will teach them the value of thrift and how to share their good fortune with others. I also hope this will help them understand the true meaning of Christmas.

Marian Wright Edelman is president of the Children's Defense Fund and its Action Council.

## Clingman

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Additionally, since we are talking about that train, we certainly would not have to worry about it running us down — we'd own it! The thousands of you who will read this column and those who have read other columns I have written, please don't sit back after reading them and simply say, "Man, that was right on the money," or something to that effect. If these words make you "feel good," then allow them to make you "do good," as well.

These words are not new words; I have borrowed them from many great Black brothers and sisters. They have been recycled more

times than we'd like to count.

So when are we going to heed them? When are we going to act?

Some say information is power — but I say information is only power if it is acted upon. If you have been reading this column, you have the information. If this is the first time you have seen it, you will get more information in future articles.

Either way, it is up to you to act. It is up to you to find your niche and do what you can for our people. It is up to you to be an active participant in collective economic empowerment.

In the 1950s, Cincinnati hotel owner and

then President of the National Negro Business League, Horace Sudduth, admonished us: "Economic freedom is the greatest cause before the Negro today." In the 1960s, Martin L. King said: "The emergency we now face is economic." In 1912, Booker T. Washington said: "Let us act, before it's too late — before others come from foreign lands and rob us of our birthright."

The key word is ACT. Please do not allow the words of our predecessors to go unheeded.

James Clingman is an educator and author of a Black economic empowerment book series.