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San José study session.

>> Mayor Reed: Good afternoon. I'd like to call the San José city council study session into order. We're here to talk about our foreclosure mitigation efforts that are under way. And have been for some time. But since the foreclosure crisis keeps getting worse, we keep having to do additional things. Our staff has been working on this problem for a very long time. We've got a great collaboration with professionals in our community to help us deal with the problems. But I know it's of great interest to the County council and great interest to the community on how we get engaged and what we can do. And so this study session will help bring us up to speed and help reaches the community because one of the messages is, there is help, help to the people that are facing foreclosure. But the sooner we can get to them the more easy it is for us to help them. And the less likely they're going to be taken in by scam artists or other people that are charging them a lot of money for services that can be provided at no charge, many times, by our staff and our volunteers, and the organizations that work with us. There are opportunities to help people, not have their home foreclosed on. Keep them in their home. That's a good thing. Then if we're unsuccessful, there are ways we can help them so they don't become homeless and when the house is empty, we don't want it to be abandoned, destroyed and be a problem for the neighborhood. There are a number of things we can do with the help of community organizations and we'll hear from a variety of them today. Just to put it in context, at any given time somewhere around 2% of our homes are in foreclosure. You're going to hear that data from Leslye Krutko. We've had thousands and thousands of houses in foreclosure, at one time or other. 14,000 in 2008. And they keep rolling forward and I know we're not out of this because you can look ahead and see a large number of mortgages are going to reset, on variable rates, over the next year. And so we have to continue to worry about it and continue to work on it, which our staff is doing. So with that, I'm going to turn it over to Leslye Krutko who will start the presentation.

>> Leslye Krutko: Thank you mayor. I'm going to give a couple of opening remarks and hand it off to the first panel. The purpose is to educate the council and the community about what is happening with foreclosures in our community, its impact on our residents and also on our neighborhoods and also to highlight the tools and programs that are available to help them. It's also the opportunity for the council to ask us questions, and to have us think about other things we might consider and work on. One of the things you'll see with the panels that we have before us is that this is a problem that needs many people and many solutions. It's not something the city can do alone. I think our main role is to help facilitate and coordinate and also to help with outreach and education. But we have a lot of professionals who we're working with as part of this partnership that are working directly with people who are impacted and who have access to a lot of the tools and programs we'll talk about. What we're going to do today is start out with a discussion of the current state of foreclosures, and to talk about statistics, to talk about impact on various communities, and to talk about what -- whether or not the services are adequate. Then the second panel will go into stabilizing neighborhoods, talk and having folks from our strong neighborhood initiative and code enforcement from our strong private partners and talking about the impact we're having there. Lastly we're going to talk about prevention and intervention programs that are available from the state, the federal government and also locally. And what we're doing with the campaign we call foreclosurehelp which brings all of these parties together in an effort to save the foreclosure situation. We've set it up to have council feedback and questions after each panel and at the end, it may be helpful for you to not hold your questions. We'll have the planners give their comments and have you ask your questions. I'm going to have Wayne Chen start the presentation.

>> Wayne: Thank you thank you very much. Honorable mayor and councilmembers. Thank you for the opportunity to show the impact on the household of San José. My name is Wayne Chen with the housing department.

>> I'm Carl Lee, president elect for the Santa Clara County association of Realtors.

>> I'm Martin E.ichner, the director of housing counseling for project sentinel, a division of HUD.

>> We do expect Rebecca gallegos to be here. If we can discuss parts of her presentation we will, hopefully she will be here. Clearly, the economic recession induced by foreclosures an the housing downturn is a major issue confronting cities around the country. How did we get here? While there is no single starting point, it is instructive to begin with the dot-com bust in early 2001. At that time, stock of houses reached uneuphoria of the economic. When that collapsed, the federal funds rate was lowered from 6% in 2001 to 1.5% at the end of the year and ultimately to 1% in June of 2003. The low cost of money increased the cost of capital in the marketplace and it needed somewhere to go. At the same time investors looked for safe haven to put their money and considered housing to be that safe

haven. Subprime lending provided home buyers to purchase homes where they otherwise could not have. They stated negative income and amortization loans. It took extraordinary creativity to make homes otherwise unaffordable be affordable. Mortgages were made primarily between 2003 and 2007. A period that began not coincidentally with the low interest rate reached in June of 2003. By 2006, mortgage defaults and foreclosures began to rise due to adjustable rate mortgages going reset. All this was fueled by Wall Street's collateralized innovation. What it accomplished was spreading the risk to it factored everyone. In the fall of 2007 housing prices peaked, shortly thereafter, the economy as most economists agree began its recession. By 2008 it was apparent we were in the midst of a housing crisis. SB 11 in California provide in other provisions a moratorium for foreclosure and the housing and economic recovery act at the federal level which provide local moneys to address the foreclosure cries. The city has applied and received federal moneys and have worked hard to provide responses to the community which our other panelists will discuss in detail. SB 47 and subsequent moratorium has thus far delayed but not stopped foreclosure. The continuation of mortgage resets, will be the primary factors leading to foreclosures. The degree and duration of foreclosures going forward however depends on how effectively governmental programs and the housing and banking industries can work together to stabilize the housing market. I will now cover the places where foreclosures have most significantly impacted the nations, California and San José. First just a quick note that the foreclosure process of three stages of filing, the notice of default, auction sale and REO or real estate owned while the three stages are collectively known as the foreclosure process own the REO stage represents a true foreclosure where the bank repossesses a home. The key to foreclosure prevention takes place before the auction sale and preferably before a household even enters the foreclosure process. This maps shows the most highly impacted areas nationwide in terms of the percentage of homes having received a foreclosure filing. The darker their color the greater the impact. While California is fourth in this regard, it had the highest absolute number of homes in the foreclosure process of any state in the country, followed by Florida, and Arizona. In California, 838,000 properties received foreclosure filings. To refine this a little bit more we'll go over the top 10 metro areas in 2008 in the country out of the top 100. Stockton, Las Vegas, Riverside, San Bernardino, Bakersfield, Phoenix, Mesa, fort Lauderdale, Miami, Sacramento and Detroit. Of the top 100 metro areas, the San José metro area ranks number 32. Note that California cities such as Stockton and Riverside are foreclosures at the center because these regions experienced the housing booms to meet the demand of housing where people could not afford housing in Los Angeles. Looking just in California, here are the top -- there are 12 metro areas out of the top 100 metro areas nationwide that are in California. Again in order of the highest impacts. Stockton, Riverside, San Bernardino, Bakersfield, Sacramento, Fresno, Oakland, San Diego, Ventura, Orange, Los Angeles, Long Beach, San José, Sunnyvale Santa Clara, and San Francisco. There is a wide range between the highest and the lowest. For Stockton, that rate is about 9.5%. For San Francisco, just under 1%. San José we're about 2 to 2.5%. Now, focusing just on the city itself, while San José is 11th or 12th in California. When you look at the areas of concentration within San José in 2006 there were 2,000 total foreclosure filings citywide. In 2007, that number jumped to 5800 filings for a 290% increase. Finally by 2008, that surged to 14,000 filings, another 240% increase over 2007 levels. The primary areas of foreclosures as you can tell are concentrated on San José's east side and down the Monterey highway. Specifically, the most impacted citizen codes are 95127, 95116, 95122 and 95111. These comprise approximately 45% of the total foreclosure filings yet they comprise only 18% of the total housing stock. Stretched to buy a home during the housing boom. With that that concludes my portion of the presentation. I'd like to go ahead and turn that over to Carl Lee who will provide additional insights into the housing crisis. Thank you.

>> Mayor and council, thank you for the opportunity to give you insight from the industry standpoint that we're seeing on the ground. There is some good news on the marketplace right now. There are some indications in the market dynamics that we're actually seeing a bottom. However we have to be cautious with that. If we don't continue the stabilization to slow down the foreclosures it could reverse course. I thought what I might do is first give you an overview kind of the trends over the last several years and then into what's going on year-over-year and then currently. The looking at the five-year trend, as Wayne was saying 2007 was where our market in San José peaked from a price standpoint. And 2008, and this is March for each one of these years, in 2008, we had a very low number of transactions. Only 392 transactions closed in San José, and this consists of everything, all the information I'm giving you consists of single family homes, town hoses and condos, and I use the RMLS as a source. There are other information that is not on the data that is pretty indicative of what we are seeing. Our average price is now \$395,000. And what we're seeing right now is, we have an extreme increase in transaction volume. March

2008 to March 2009, we're also again, we have the increase in sales volumes. It is actually higher than the rest of the county. Our sales increase increased 58% while the county increased about 25%. The inventory is slightly, decreasing at a slightly higher rate as well. San José represents about 60% of all the homes in the marketplace of the county. It looks like what's going on in the marketplace is at least in San José, sales have been increasing since January, that's where we bottom out from a transactional standpoint but we are still seeing a decrease of average sales price. And this is due primarily due to the transaction happening in the lower end of the market, and particularly purchase of bank owned homes. Now, looking at -- what I did here is I highlighted six of the zip codes that have, as of yesterdays, the most number of properties on the market. Foreclosed or distressed properties on the market, including short sales. And you'll see that about 42% of the homes on the market are in contract, that is the positive indicator in the market. Usually if we see about 25% of homes on the market in contract, that's an indication of an active market. So we have a very active market right now. In fact we're seeing a lot of multiple offers. Now, the down sides is the distressed properties represent more than 50% -- I'm sorry, 19 of the overall zip codes in San José, we only -- I only highlighted the six top here. But we actually have 19 out of 34 zip codes in San José with over 50% of what's on the market, as distressed homes, short sales, or bank owned. 25% or more represented by distressed homes it's about 26 out of 34 zip codes. You'll see it's a pretty widespread problem in the city. It's not just concentrated on these top six. You can see, you'll see properties in the million dollar range as well as down in the very low property value. 42 -- 40.92% of everything on the market are short sales. Bank-owns represent 28%. And the bank owned properties are actually what's attracting offers. There's a perception they're at a discount. 60% of bank owned are in contracts. There is a disparity of what's actually getting in contract and what's on the market. The next slide here is looking at the sales activity over the last three months. And can you see here, bank owned properties are, I think one of the reasons that bank owned properties are selling quicker besides the public perception, it's starting to see an efficiency in its process. Again 62% of all sales in the last three months are bank-owned properties. The time to close is shorter, so the time on market is also shorter. And the sales price, if you look at that time last column on the bank-owned, you'll see that most of the sales price, compared to asking price, is either at asking, or little bit below, and in a couple of cases actually higher. So that space is actually finding some efficiency in the marketplace. The flip-side is on the short sales, all the numbers are down. We saw that most of the short sales, most of what's on the market is the short sales. But what's actually selling is a very, very short percentage. I believe about 12% of everybody that is sold in the last three months was short sales versus bank owned represents about 62% of everything that was sold. And basically, the other point I wanted to make on short sales is they also have a high probability of falling through and going back ton market. So there's a lot of problems with short sales. We are sensing that the banks are getting a little bit better in that area but there's still a lot of inefficiencies and issues with short sales. The other area of concerns that we have with bank-owns even though they are selling, a lot of the contracts that we're seeing are basically created by attorneys for the bank out of state, and they don't really follow the general practice that we have in California, which provides buyers with a lot more protection and information. So some of it is the legal requirements but some of that is the process and because of the demand and the competition for bank-owned one of the things we're concerned about is down the road we're going to have issues with those properties, as well, with buyers getting in without a lot of information and being pressured into that transaction. The -- so again, to summarize what I'm hoping to communicate here is, the marketplace is actually having some efficiencies. It's actually finding a bottom right now. But we obviously still have the foreclosure issue. And if things don't stabilize we can go the other way. We believe the foreclosure issue will be with us, best-case scenario, one year and most likely another two to three years. So we're not through it yet. We need ways to work together and stabilize things, keep people in their homes, move past the market and then we'll be able to stabilize this issue. Thank you.

>> Good afternoon, everyone, I'm Rebecca gallardo. I'm thankful to say I'm the immediate past chairman of the board of Hispanic real estate professionals. Back on a local pendulum rather than traveling the country. You asked me a couple of questions specifically at the Hispanic market. And I can share some things with you in regards to the Hispanic market and how that's really going to help support the recovery. Because truly what we're talking about here, while the short sales are continuing, and we're having a moratorium right now or foreclosures, and we're waiting for probably what is the inevitable to occur, is that those -- that moratorium is going to lift and those foreclosures are going to occur. The emphasis of this is deregulation in '94. It opened up Pandora's box and allowed these exotic products to come on the marketplace. And basically, mortgage loans are just paper. They're security and sold on the

secondary market. They were rated based on no foundation. And so we created this variable in the marketplace that really had no substantiation. So the subprime market took a hit and a lot of folks lost their homes and a good majority of those forecast still trying to do loan modification and we just haven't been able to persuade the banks that that's the feasible thing to do. So you heard the numbers. It's not really something that the banks are doing. And part of it is because they're currently holding a great degree of toxic assets on their portfolio right now. And so in Washington, D.C., there is conversation about how we are going to mitigate those toxic assets and how much more money can we put into the banks because essentially they're insolvent. This is before my time but NRT is where the federal government formed a secondary institution to buy some those and house some of those assets. And we're not there yet. The stimulus package provided by the treasury some good ideas in terms of what the plan is but it's incremental. It will take a while for it to hit the local markets. But there are a lot of things we can do here locally to help improve the market. So subprime mortgage foreclosure crisis basically hit the community, the Hispanic community more specifically, people of color, Latino Americanos and African American market substantially more than white Americans. You can go in Southern California at Diego college and the numbers are there for you to review. Why, part of it I believe is lack of education. We opened up Pandora's box and allowed people to have no skin in the game. And now, unfortunately the pendulum has swung, we have a declining market and people who went into Alt-A approximate products and interest-only products are thinking about handing over keys because their values are not there. Provide mitigation or go through foreclosure. I think most borrowers are making the decision to go through the foreclosure. In the past Latinos have continued to buy homes, and the statistics also point out that Latinos do stay in their homes. And they have, in terms of the subprime market, there's also statistics that point to the fact that they held onto their homes a lot longer than other folks. But you know, it's going to take all of us and I know that's why we're here today, industry professionals to try to mitigate this situation. Now, the good news is, the silver lining if there is any good news, is that the cure will also come from the market segment of people of color. It will come from the Hispanic market and it will come from the African American market but the preponderance will be from the Hispanic market and simply because of our age and our demographics and the number of people in the population segment. And that's not just speaking to here in the Bay Area, that's speaking across the nation. We're a very young electorate. We're a very young body. And we're going to be the first time home buyer in the next ten years. We will have first position in that regard. And if you go to the California association of Website, you will see in the top names you will see Nguyen and Garcia and Mendosa, a majority is the Latino Sur names and very few others. It speaks for itself. An average year of Latino buyer is 34 and over 20 years, Hispanics are expected to make up 20% of all home buyers. That comes from the Harvard joint study of housing studies. Hispanics prefer to speak with a real estate professional who speak their own language. They are not banked, they are the nontraditional credit, FHA credit that exists that is allowing this segment to buy and purchase in this arena with sound counseling. Now the guidelines are so tight that nothing gets through without double or triple audits. Approximately 1.5 million Latino households will buy homes by 2010 but another 17 million Latino households could become homeowners if the industry offered bilingual outreach. That is the key. Providing trusted people who are knowledgeable. It is a key to the resolve that we are having in our marketplace here and specifically here in the City of San José, we have unfortunately a handful of asset REO brokers who are handling the brokers and the majority of them are not bilingual and they don't speak Spanish and they don't speak Vietnamese and I'm not sure how they offer occupants cash for keys and allow them to walk away in a, I don't know, gracious manner if you will, because there is very little of bilingualism out there in the marketplace right now. So the impacts are great, but there's a lot of partners out there. So for example, we met with Chase in Phoenix, Arizona, at our marketing conference this last October and we put together a foreclosure prevention event, and to have occurred already in California. And so Chase put 100,000 up and the Hispanic chamber of commerce as a partner of this and NARF is a partner of this and REO, which is the Asian American real estate association and we are all collaborating to have a prevention conference. You may have heard about it it was phenomenal in that there were 3,000 people there. Excuse me, 1700 people. I'm thinking of another one. That was NCLR in San Diego. I think there were at least 500 families served. Some the banks are doing the loss mitigation right there on site. The majority of them are not. There was a Riverside event. Unfortunately the penetration in the market did not take place as it should, there were only 300 people there. Riverside is the second ground zero than Stockton so there should have been a lot more people. San Diego is next weekend, on Saturday and Salinas will be following and then San José. I've seen score do one event where they actually had a direct mail through I believe one of the

utilities, PG&E or water or something, and it really did bring out a very large audience. And so I think that is something we can partner on and try to bring in more folks on. What can we expect in the future? Well, not to sound trite or anything, but more foreclosures. And the prediction are 2010 and 2011. And part of it is because there are so many people who have been affected through declining market is when you live, I went to show a property yesterday, there are multiple offers going on, lot of investors, lot of cash buyers now in San José. But there's just a lot of inventory right now. And it's stuck in between the loan modification or the person who hasn't even talked to their bank, the loan modification, the inventory of short sales that is driving down the pricing because there's too many of them in the marketplace. And then the REOs. And then there's a myriad of issues in between all of that. But the inventory is beginning to sell in our specific area. There's plenty of inventory out there, but it's a declining market. And when people realize that the home next door, I showed a home yesterday that you know, I would have sold three years ago for 1.2, \$1.5 million off of Rosemar and the opening auction bid, off Fleming and Rosemar is going to be \$300,000. So it really, really tells a very huge story. And the unfortunate thing is there's a whole market segment that we're not sure is going to stay in their homes. Those are the ones that have lost confidence in the American dream and may decide to hand over their fees. Walk away and owe \$700,000 when your home is worth \$200,000. There is discussion around the care of these properties and I think the Realtors are stepping up to the plate and trying to take care of and do maintenance of these properties to beautify the city and make sure that there is not a big mess out there but there's a huge gap between the time the bank assigns the property to the asset management company and then the asset management company assigns it to us. But it's the duty of the asset management company to maintain the property. If there's a sign and a lock box key on it, we have responsibility for it. I suppose the silver lining is, home ownership is now affordable. So many people who couldn't afford before are able to buy and there's money both from the stimulus package and state that you can tap in to for local. The national community stabilization trust is I'm sure something you're looking at. The gentleman from L.A. is happy to come here and speak to you and to try to acquire some those assets. The state program, there's no money because there's no bonds being sold but they've shifted gears and they've put some money into acquiring projects and they're discounting those assets for first time home buyers. A general market person who buy it at X dollars and a fir time home buyer would be purchase being it for X minus 10%. I'll close my comments and see if there's any questions.

>> I'd like to take one moment to quickly comment on the impact of foreclosures on the Asian community.

>> This will be brief. I don't have statistics. I think one of the reasons is it's sort of by the radar. It is within our culture to keep this stuff below the radar. I know my suspicion is when I do show property, a lot of the short sales have Hispanic occupants and I don't really see them owned by as many Asians.

>> Great, thank you. Now Martin will give his perspective from the nonprofit lens.

>> Thank you, members of the council and Mayor Reed. I want to talk a little bit about what it's like in the trenches. Because we're the agency that's there day in and day out facing the distressed and worried homeowners who clog our office and ask us for services. And we're also the agency that has to deal with the lenders day in and day out and tackle their bureaucracy and sort our way through the many government programs. Project sentinel is actually HUD certified to cover a very wide service area, including all of Santa Clara County, and all of San Mateo county, as well as the City of Fremont and Stanislaus county. Nevertheless, when I looked at some numbers last night, it's interesting that 176 cases were open by our agency for San José residents in the last nine months. And the only way to put that in perspective is to note that in the same period, a year earlier, we only opened 11 cases for San José residents. So obviously more than 10 times as many. And that's typical in fact of our entire caseload. Nine months ago, we -- well, a year ago, we opened 63 cases in our entire agency for foreclosure counseling. So far this year, we've opened 676, again, more than ten times as many cases coming into our office. If you look at the numbers for our clients, they match what you've heard from some of the other speakers. But I just want to emphasize one important statistic when our client base in San José. 56.8% are either in the very low or low income categories. That means, family households below, considerably below the AMI for this area. And these are people who have bought homes and are trying to hold onto them. In addition to the issues of sheer numbers, we face the fact that the government programs are changing constantly, and we have to retrain our staff every time there's a new government bailout. And then we also have to sort through the reality versus the press releases. Many of the programs that are announced and touted in the national media are illusory. The most famous of which is the hope for homeowners program which in the entire country helped a minuscule number of people despite the press

releases. We have to deal with lenders who are constantly being merged or bought out. We may be talking to countrywide one week and then it's Bank of America the next week with a whole new staff and a whole new set of policies. Many of the lenders again despite the press rests make it very difficult for us to reach them. You can see my staff on hold for 45 minutes to an hour just trying to reach somebody in loss mitigation. So that's another serious burden on us. So what does this mean for the people we work with? First of all, despite the fact that we've expanded our staff from 1.5 full time position to eight full-time positions in our agency, doing nothing but mortgage foreclosure, clients are still waiting 2 to 3 weeks to even get in to see us on an initial visit.

We just can't do any better than that and we are constantly on the phone explaining to people that we are just too backed up to get to them any sooner. So as somebody's office has pointed out, too often the result is that homeowners who can't worry or wait for this situation, they turn to alternatives, particularly the unscrupulous foreclosure rescue folks. By the time the average clients calls our office and comes in to see us, they've had 3 to 5 solicitations from a fee-based service. So they're being bombarded by fliers, and direct sales calls to hire these folks. And again, given their inability to get in to see us, and I have to mention that, since we have a statewide organization of similar agencies, the numbers I've given you for the waiting period and the difficulty getting into a HUD agency are typical if not worse for most of the other agencies in the entire state. So they are being bombarded by sales and market agencies. I'll give you an example. A home other than, by the way who didn't even know he had lost his house, paid a total of \$15,000 to three different rescue agencies with absolutely no results whatsoever. In fact they didn't even tell him he lost his house and the last payment was made to one of these agencies after the house had already been sold. This is an extreme example but typically clients have paid three to \$5,000 on worthless services by the time they come to see us. Everyone has mentioned this is not going away and the people that give us guidance have given us a two-year time frame as a minimum for the scope of how long we are going to be in this quandary and under this pressure.

>> Thank you, Martin. With that we are open to take any questions you may have.

>> Mayor Reed: Okay, let's see if we have some questions. We'll do questions after each of these presentations. We do have a few. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. Having been in the real estate community many years ago, back in the days when it was double digit interest rates, I must tell you that this, as Yogi Berra says, it's déjà vu all over again. In reference to the scalpers out there, the disreputable people who are taking advantage of the people who have little left to take advantage of. But according to "Time" Magazine who has done a little summary over the years in the last three decades of what has happened, let's begin in the 1970s. Housing starts fell 21% in one year called the deepest slump since the 1930s. There's not much more in the '70s but then when we get to the '80s they point out that creative financing pioneered in California, has led to some of the problems, only about 10% of California households can afford to buy the median priced home of \$105,800. That was in the 1980s. Moving on to the 1990s, the United States is slogging through a painful recession. Last week, the administration issued one of the most dismal housing reports since the depth of the 1982 recession. And then finally, the return trip from recession to recovery in the housing sector occurred three times in the prior three decades. And each time, the same factors were at play. One, it was the worst recession since the prior one. Two, characterized with excessive pent up doom and gloom, let loose with low interest rates and spending, led by an amazingly fast recovery. This is déjà vu Yogi Berra. The surprising thing to me ask the charlatans are off in the Caman islands or wherever with the money they have made up front and there is no culpability. My question to you Rachel -- Rebecca, I'm sorry -- is there any talk about anybody going after these unscrupulous monsters?

>> Essentially the Department of Real estate has shifted 95% of their staff to enforcement. And so basically, that is -- there's a double edged sword. There's the folks that perpetrated this. And yes, some them have paid penalties, and there is prosecution. And you know, the FBI has gone directly in to certain cities. And there's huge cases in San Diego and other cities throughout California. There just was so much of it. And the volume was so large, you know, I have to be frank and I've said this before. I said, you know, we all have a responsibility and had a responsibility in this, knowing certain players like century 21 Su Casa on Story Road who did an egregious, egregious offensive throughout the Eastside community. And you can see specifically the zip codes and yet the District Attorney's office and law enforcement somehow couldn't get their arms arounds it. And the only reason they're out of business and put out of business is essentially century 21 who is part of Rilogy the mother company found something to sue them on and they lost in court and he sued them again and he lost his shirt on the second lawsuit. So

essentially that's why he was put out of business. It wasn't because the county real estate division the fraud division was able to bring them down or anybody else. But yeah, there are some cases, not enough. The volume is just beyond our comprehension. So from a criminal justice standpoint, from a fraud standpoint, et cetera, the real double edged sword now is that those predators have simply changed stripes. And now they are charging the fee for services. I don't think we have enough disclosure out there or enough communication to the community that they don't -- they shouldn't be paying their money. Now, Realtors can only charge a fee for service if they have authority under the Department of Real estate. The difficulty with that, and Jus Davi the commissioner and I have had this conversation many times, they get a fee for service, and they do the modification and when they can't do the modification, then this transitions over to the short sale. I spoke to him very candidly and I said this is a conflict of interest. Attorneys can do the fee for service. So every attorney firm that could possibly do it anywhere from -- I mean I was home, you know, last week, because my son was sick. And I'm not on the do-not-call list, and I must have gotten at least a call or two an hour for whole day I was home for a modification. People are desperate and they're look for a solution but that's not it. Because the overwhelming response by the banks is that they're not doing the modifications. So it's just money that's being taken from people who don't have any money.

>> Councilmember Pyle: I'd like to tell my strawberry story. It was in "Time" magazine, I can't say when, but in the last six months, and it told the story of a Realtor who submitted a package, she said it was a young couple, they have their own business, they make 100,000 a year, yada yada. They got the property, when indeed they were migrant workers, strawberry pickers. This is the depth of crime that is going on right under our most noses. And to take advantage of people who number 1 don't understand real estate language and I know it's up to 25 pages now per transaction, is a lot of legalese and it takes some hands-holding to get through all of it. It breaks my heart that people are being taken advantage of so badly. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor, for set ago side the time for us to learn from other folks, the housing department, folks from real estate industry and nonprofit industry. I'm sure you have other things you can be doing in this stressful time. I thank you for coming out and lending your expertise. I have a couple of questions, one is in regards to outreach. I know with all your different hats on you do outreach to the community, trying to get the word out to everyone, can't get the word to everybody. I'm sure we'll do what ecan to help in those efforts. Is there anything that you think we can do better from our -- from our position, in outreaching out into the neighborhoods, when I come as to whether there is some kinds of foreclosure event happening in the particular district, or maybe the housing department has something going on and to outreach, what would you suggest that we could do?

>> Actually, I think this foreclosure help program is a good first step. And one of the issues we've had is, both in addition to all of the scams that are out there, all the information that's in the radio, on the radio, TV, what have you, there's been a lot of foreclosure events all over the place. Open a state, federal, local level and we really need to get on the same page. And that's why I think foreclosure will help because we can work together, coordinate our efforts together and make sure the right information's getting to folks. In terms of the scams, I think one of the things we're going to do as part of this effort is to make sure people understand what is legal, what is not, and in what circumstances can a fee be charged and what are your odds? And Rebecca touched on it. No matter who is doing it the odds are small. We shouldn't sell to anybody, the things are other than an effort. If we keep our communications tight, people are less confused but we need all our efforts to get the message out.

>> Councilmember Kalra: That is great. At least I would find it helpful as these discussions are happening, whether our council office are CCed on it, as early as possible, because a couple of these zip codes are either entirely or partially my district. I'd like the neighborhood groups to know about it so they can reach out to their neighbors. They're going to know more than I am which neighbors or homes are at risk. I appreciate the collaborative effort. The other question I have is in regards to numbers, in regards to project sentinel that indicates 63 foreclosure counseling session all last year.

>> 63 in the same nine-month period a year earlier versus 676 in the last nine months going back from today.

>> Councilmember Kalra: Wow. And how much, I don't know what kind of data you might take when these cases are opened or when these counseling sessions occur. But how much of that could be attributed to better outreach or better collaboration, maybe either government agencies or Realtors, directing people to your agency?

>> I guess our concern is not that we're not getting enough clients, or enough contact. Our concern is, we can't meet the need for the services. And frankly, doing outreach means that if you bring people to a fair, or fuzzi reach out to them in some other way, there has to be a legitimate service for them. In our group we talked a lot about the fact that when all is said and done, there will never be HUD counselors in this area or in the most impacted area. What help can we provide for the people who do come and respond to the outreach? We're talking about ways to provide that help. But outreach by itself is almost cruel because then people come, and you get 1200 people come, and 800 of them sit there and nothing happens for them. So it's got to be the other side to that.

>> Councilmember Kalra: And I ask the question to see if there's some way at all of gauging it, in order to better supply the help, to get a better idea if you do X amount of outreach, if there is a proportionate response, to increase the number of folks calling in as it is.

>> I'll be honest to you, our agency does no outreach whatsoever. We are still two to three weeks behind. All of our case come to us from lenders or from people in the industry, and we can't keep up with those. So we frankly stopped doing outreach about eight months ago.

>> Councilmember Kalra: I just wanted to address the shortage of counselors issue. One of the things that this coalition is looking to experiment or explore is the possibility of the industry site with the mortgage brokers and Realtors providing the initial I guess intake or we have been calling it triage, so we can get the first step of the case and prepare it to go to the counselors so we can streamline their process. But it really is a moving target so hopefully it will work. But we're exploring those avenues.

>> Councilmember Kalra: Thank you.

>> I just wanted to share a comment. I think any outreach can you do is beneficial. And specifically around the fees that people are paying for loan modifications. Because ultimately, if they're not going to get the housing counseling because the market place is just too impacted and they're going to lose their home then ultimately you want to try to protect their overall interest. So if they're borrowing \$15,000 against a credit card then that could be something they could use to get into a rental. And it just continues to exasperate everything that's connected to it, mental health, shifting children, everything that's connected to it.

>> And one final note: The City's foreclosure prevention task force has taken all steps, there is a foreclosure fair, and we have marketed that and ensure there's accordance with council offices and going forward with other events as well.

>> Mayor Reed: We will be coming back to these topics, stabilizing, intervention and prevention. I still have councilmembers that have questions, I don't know how much more time we have on this section. I think we should go ahead and take the questions now and we may circle back on some of the topics. We'll see what councilmembers have on their mind. Councilmember Campos.

>> Councilmember Campos: Thank you. Some of my questions may be for the other panel, so if they are, just let me know. First of all, Leslye, I'm not sure if this question is for your department or for you personally or for the panel. But I know that we've been able to secure \$5.6 million from the neighborhood stabilization program. And in the memo, it kind of gives an outline of where some of the money may be used. But how do you foresee of where we're going to be targeting this money? Councilmember Campos, I think that will be covered by the second panel.

>> Councilmember Campos: For this panel I'd like to get your insight. We know that some of these scam artists, for lack of a better word, are going to some of our neighborhoods that are part of the strong neighborhood initiative and they're doing presentations. I think the fortunate thing is that we've had staff at some of these meetings so they've been able to foresee that they're scamming some of the community members and have been able to intervene. How do we work to gather so that there is cohesive communication, because I'm sure that new techniques are going to be evolving as time comes, once they know that we're catching on to the current scam. What do you foresee us doing so that we continue to keep our city staff engaged with what the trends are that you foresee coming in the future?

>> Again, I'm going to go to foreclosure help. I think that's going to be the point on all of these issues. And as we get information from the Department of Real estate, from other sources and what's going on with these scams, we will be updating that information on our Website for foreclosure help. So I would look to that Website to be the best source of information. Staying on top of it however is not going to be easy because these things are constantly evolving.

>> Councilmember Campos: Thank you.

>> There's an 800 line for the Department of Real estate. And when it comes to communication and information, that's really where the community is -- where there's a gap. They're not getting the pertinent

information that they need. So I think Councilmember Kalra made a point, and that is, that we need to create a ten-point rules of foreclosure information, so people understand do not give your money to a fee-for-service company, just don't do it. Because by the end of the day, it is not going to create the mitigation they're looking for. It just is not. And then secondly there's a form of collaboration, if you can perform through PG&E or the water company, get that message out. When we did the NCR-NARA collaboration for their national conference I found a lot of buyers come in. It was ironic, they felt it was safe harbor. We need to create that safe harbor. It's overwhelming for project sentinel so we have to create that place where people can go and get answers to their questions.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I really appreciate the panel coming today to educate us, Carl, Martin and Wayne, really important information you're bringing to us. I have a lot of thoughts about this, and as Councilmember Kalra and other folks on here, I have members of my own community that are in some of these zip codes. And I've been holding meetings out in my district just to get my face out there and to listen to some of these issue. When I first started to run for office a year ago, it was traffic. Now I have people coming up to me, asking me how they can stay in their homes, I've lost my job, my husband has lost his job. I understand what Councilmember Kalra speak about the need for outreach. These are people in my district, and I'm sure it is a reflection arounds the community. Some of these are homeowners who have come into foreclosure, some of these are renters whose owner is an investor. I have compassion for everyone who is going for foreclosure. But I have an extra bit of compassion for homeowners who are now in foreclosure, find themselves in a situation where they're trying to preserve their home. This also affects school districts who are losing ADA money, and are not able to reach out to these people when they are losing their homes. It has a ripple effect. These renters through no fault of their own, are in a situation where the home is foreclosed upon and now about to be evicted. A person wanted some help from foreclosure mitigation, it became clear she had already been foreclosed upon. They are fighting to stay in their home. They have effectively become renters in their once-owned home. I guess I'm bringing up a lot of issues here but I would like you to comment on, those folks in the most vulnerable situations, the one time homeowners, the ones that are probably reaching project sentinel, I'd like to see some kinds of triaging where they focus on those folks, first, and I certainly don't want to give home to reckless homeowners, and want the hope to go to where it deserves to be gotten.

>> I think that's a good point. Tenants are almost innocent victims. Under current law they receive no notice that the home is in foreclosure until this trustee sale date is set. And as I think you know, that's the last step of where the home is lost. So tenants can be in these properties for several months, not realizing that there's a foreclosure hanging over the property. And they have no way currently to receive notice of status of the property. And then once the sale occurs, they can be evicted on 60-days notice. That's actually an improvement over SB 1137 over the old rule. But 60 days' notice particularly if you have a lease which now becomes void is not very much time. And even worse, we over and over again, anecdotally find out, the security deposit is almost always lost because the former owner has used the security deposit to try to hold onto the property. Quite often the banks are Realtors who take over the property don't maybe it them for the tenants who stay. And there was a time when they were cutting off the utilities. There's a new state law that prohibits that. The tenants get entirety crunched in the process, have no alternative, but a cash for lease, and if they stay in the property and the new other than files an unlawful detainer against them, they're black listed from renting in this vicinity in the near future because landlords and owners won't rent to you on the wrong end of an unlawful detainer.

>> Councilmember Herrera: These folks may speak a different language. I have people speaking to me in Spanish and asking me what does this mean. I have one more question. In terms of the numbers and I noticed in the report that we not only are dealing with this foreclosure crisis right now, I think it's unfortunate that we're -- it's great that we're getting on top of it but I wish we could be a little more proactive in kind of seeing how this is going to unfold. I would like the city and all the agencies we're talking about to really put a United front. Here's my concern, what's going to happen in 2009 and 10 with the new resetting of mortgages and more job lows, you know. I'm afraid we are looking at more possible foreclosures. So I would like to see us really get our arms than in a very unified fashion. It's great we're having this foreclosure seminar at the fairgrounds. But I would like to see some real effort in the most affected areas with the most vulnerable populations, doing things at the schools, the schools know where people live. There's a comfort level, especially when we're talking about different languages that are

spoken. I would like to really look at how we do this in neighborhoods and work with our council office because we also have outreach into that. Thank you.

>> Leslye Krutko: Councilmember Herrera hopefully the next panel will respond to some of those concerns.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, Mayor Reed. This question is for Carl Lee. You had some slides up there discussing the amount of transactions that have happened in the current environment. My question to you is, how are these neighborhoods changing? Are the purchasers of these homes owner-occupied or non-owner-occupied and is there demographic difference between the old buyers versus the new occupants?

>> Actually, we had discussion in the other panel. It is hard to find, that information is not readily available. My sense was in the more affected areas, that it was more first-time buyers. It is in reality 50-50, there are more first time buyers in all of the neighborhoods. And the bank-owned properties especially, there's either at best a lot of deferred maintenance, so there's a lot of responsibility to pick up and I think that's one of the issues for a first-time buyer. They can get into if house but can they fix the house up to a livable condition as well? That may deter some buyers and if there's a way we can figure out how to help them get into that, we can try to get a more stable neighborhood by having more homeowners there than investors.

>> Councilmember Oliverio: Thank you.

>> I just wanted to respond to that. That's national data that's collected from the 1099s and it goes into a report, it is a HUDMDA report and it is national data and I don't think we'd see those numbers for some time. But I can't leave what councilmember has said, and that is that the real, real innocent victims here are the tenants. They don't have enough information. They're paying rent on a foreclosure. And then they have landlords that are saying, go to countrywide, they'll give you your deposit. And I literally and I've spoke with the housing department and I have another referral for project sentinel but just this week I had a person call me and tell me, go to countrywide and they'll pay it. He tried to buy the property directly from me before it hit the marketplace. He's my poster child, if you will. But the tenants are really taking a huge hit and losing money and because a lot of them are not here legally, they speak Spanish, they're very humble, they are not willing to go against the landlord and they will not take a referral by any resource to be able to get help. They walk away and take the loss. They are the innocent victims in all of this. And the good news is, if there is any, is that while countrywide officially goes away on the 28th of this month, Bank of America has the initiative of hitting that next wave. The first wave was subprime and the next wave of foreclosures, they're doing voluntarily modifications through Bank of America.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: I thought the situation that Councilmember Kalra brought up was a good one. When you talk about Mr. Lee the possibility of streamlining the program so you would have the people do the up-front work and be a little more prepared for the end-run is that something that volunteers could help with?

>> Yeah, actually, we're starting with -- actually we did an event a foreclosure prevention event in August. That was the first test. We learned a lot from the first process. The idea was to train industry volunteers to do some of that work.

>> Councilmember Pyle: Oh, great.

>> But there is a lot of logistical issues. We're having a lot of communication with the counselors but I think it's going to be trial and error.

>> Councilmember Pyle: Keep us posted. Thanks for this opportunity.

>> Mayor Reed: Okay, I think we now need to turn to the next subject matter. The stabilizing neighborhoods item. We have a shift of people. And staff. And staff members are people, too but -- at least a shift of people. Okay, Leslye.

>> My name is Jackie Morales brand. This next panel is going to be focusing on the neighborhood impact of foreclosures. As you know, we can't deal with this whole foreclosure crisis as a city without our partners. This panel is to give you flavor of the diversity of partners. From nonprofits to the city, and to neighbors, as well, it's important that we all work together to look at this problem. So here today, we have from the strong neighborhood initiative, Sal Alvarez. We also have from the neighborhood housing services Silicon Valley Jaime Ongulo. Margie Marquez and I'm be wrapping it up to give you the city's perspective on the funding we've received.

>> Good afternoon members of the council, my name is Sal Alvarez, team member from the strong neighborhood initiative. Early last year we began hearing from our field staff that there was a -- more foreclosures happening in the neighborhood. We actually then began meeting with code enforcement and San José police department, along with senior agency staff and City Manager's office staff to talk about along with housing to talk about sort of what we can do and how the City's set up to do that so really, when we went back to the community, our main two talk points were if you see a foreclosed property, call code enforcement. And if you see someone who shouldn't be in a vacant home, call the police department. So those are the first two sort of messaging we're giving out to residents at the time. Right now we're actually in the process of developing a strategy to outreach to leaders, and using the broad sense, those are resident leaders. And then for example faith-based organization leaders to get our message out. Our primary message is that it affects everybody whether they think it does or not. And then secondly that one of the talking points we talked about earlier is who should they be seeking help from and really getting the message out that they should be HUD certified counselor or a city partner like the people we're sitting with now. Recently, Councilmember Campos alluded to one of our NAC meetings we actually had someone saying there's a foreclosure prevention counseling session going to happen. I looked up on the Website for NHS our city partner, looked up their schedule because it was at the Mayfair community center, and thought maybe it was at the Mexican heritage center. Because that's where they're holding their classes. Looked up the Website, there wasn't a class schedule to be in the area. And so it turned out that these were two individuals who were -- did a presentation from the NAC, they talked to the NAC president, said we want to do a counseling session for your community, and it sounded good to them. So they were essentially soliciting between five and \$7,000 from residents to get help, with the caveat that, it's a small price to pay for losing your home. So as Councilmember Campos alluded to, city staff were there, and just peppered the presenters with, it's not a fee that people need to charge really talking about what the process should be, and essentially trying to close that presentation as early as we can. So one of the things that we're going to be doing is going about and talking to our NAC leaders so they're not solicited and our association leaders so that they're not solicited to go to a larger audience of people who are really desperate for help. Most recently we actually conducted a tour with the mayor's office, taking them through a more affected area in 95112, we went to the Santee neighborhood, KONA neighborhood, and Johnson on this street who essentially said they were looking at vacant properties across from their home, long time residents. They won awards for how they kept their home, clearly they care about their neighborhood and it actually turned out that there were six vacant properties across from the home, once we sort of walked the street and figured out what was going on. There was one of the neighbors in the process of actually packing to leave as well. So I know that a lot of the coverage has been sort of the gang graffiti on homes and things like that. If you drive through neighborhoods it's not that apparent, but they've expressed to us that they feel, whether the home across the street or next door, was affected or not, they've not seen as many foreclosures in their neighborhood. We've gotten crime prevention activities going on, coupling it with a dumpster day cleanup, you'll get a dumpster to clean up the neighborhood and as a morale booster. We're identifying what we would consider traditionally illegal dumps in neighborhoods, they are foreclosed, I got a call from D.O.T. last week, essentially saying that the efforts by our partner with the conservation corps, we have to figure out that as well and how the city is impacted by that. And then same thing, even though homes are vacant the residents are still feeling overcrowded. I think it's because people are now -- more people are living together to deal with sort of the fact that they lost their deposit, the fact that they can't find housing right away and so we're still seeing the same types of densities in neighborhoods of the past of overcrowding, it's a different kind of overcrowding now and I think that summarizes my comments on what I think I'd like to say about what's going on in the neighborhood.

>> We'll turn it over to neighborhood housing services and Jaime Ongulo.

>> Thank you for the opportunity, mayor, vice mayor. My name is Jaime Ongulo. There are two handouts you received, one is the chairperson of the presentation and the other one is the narrative. So if you join me. This is great that these efforts are being put together. We had been seeing, in neighborhood housing services, it's not that we have the wisdom both in front of us but we saw this coming in the year 2002. We started looking at all this subprime lending products and we said uh oh, something is going to happen. We have been successful in the families that have used our services because basically none of them has gone into foreclosures regarding use of these type lendings because we don't provide that type of lendings. We don't provide them. We provide 30 year fixed rate and that's it. We stick to the old time regulations that were there even though we were finger-pointed by not using those subprime lendings

when the time it was there. But we were successful to drive through those pressures and be happy with it. At this point, we are implementing more and more programs. But ace mentioned it on my narrative here, the housing location program for strong neighborhood initiative that started in 2007, I think that's when we really decided to hit the ball and instead of having people coming to our doors, we started to go out to the neighborhoods with the strong neighborhood initiative program. So basically, what had happened is, and if we go to slide 3, we have been educating and educating people through this process. And we believe that education is the key of everything regarding to avoid these kind of situations. So we have been doing more and more classes, the situation is that things are changing as we speak. At the beginning, when we were counseling a few people, that this is beginning of 2007, we were counseling one on one, with one counselor, then we had to add a second counselor. Things started skyrocketing. Now we are seeing that the program is so big that we cannot even have the one-on-one counseling which we love that because basically our counselors were turning into social workers. Listening to stories and kind of calming down the people and telling them, you know, there were a way to look at this. But now, we cannot, because every counselor is dealing with a backlog of two months now. And so we're changing the trend. We are moving into massive classes, with 50 attendees, 60 attendees, sometimes 80 attendees at every class. And that's basically what is happening. So we are joining all other nonprofits in the city in these efforts. How we're preparing now, and if you go to the narrative of slide number 4, basically, what we are doing is, we're launching neighborhood stabilization initiative with San Jose State university and what we call the housing literacy and neighborhood stabilization program which is slated to the change environment of the neighborhoods as they adapt to the foreclosure environment. We have one student in KONA East Evergreen, East vale San José. This community initiative decided this was so important that one student also is devoted to work on the 5-1 area where they operate. Basically the review that I wanted to present to you on this is, on October -- and this is all I'm talking about education. In October 2008, well, last year in August, we were fortunate to go to the Chicago neighbor America -- neighborhood training institute and we invited some people from the city and the strong neighborhoods initiative to join us and see what other cities were doing. And after that, we came with a clear mind that we needed to start working on this. So, after the October 2008 leadership institute, and having leaders from all the cities joining us here in San José for that, they learned that there were things that we needed to do as a community. And we had been meeting with those leaders that joined there from the strong neighborhoods, and we are preparing for a better understanding, better planning on this plan of stabilization. The idea of the task force, when it was created, and we celebrated the housing department for doing it, is to develop a county wide strategy for effective delivery of services for communities affected by foreclosures. We think that's a good description of the work. Basically what we're trying to do, and if you slide to minority from slide 6, we are planning with this group of leaders, what we call the neighborhood stabilization action plans. And the idea is to develop a strategy and responses to the creeping blight and other negative impacts that foreclosure can bring to neighborhoods. But the most important thing is we're bringing people together. And that's the bottom line for us. We need everyone to understand, that is not his own problem. For those who have not faithful situation, we see this coming every day to our doors, they say I'm not in foreclosure yet, but I'm very concerned. My brother is living with me. If I lose my house it is not only my family, it is my brother's and by the way I have a cousin who is living with another cousin. It is a multiplying effect and that's the critical mass. We are trying to educate these leaders, these community institute to become advocates, to become part of neighborhood housing, to become part of this, to get as many leaders to educate themselves and be in the neighborhood those ones that deliver this message. Those three initiatives that we are planning on working on monthly meetings with these groups, one was the SNI bus tours, let's connect one among each other, visit other SNI areas and learn what they are doing. Then have a promotional video presentation, an interactive video presentation for people to learn from one another what's going on and react to the foreclosure mitigation. In October we plan to start an educational program, with asset based community strategy which is something that we learn that has been there in community organizing for a long time. On the community revitalization efforts on slide 7, what basically we're doing is, we're joining this time to increase our potential, San Jose State University an all day of service on paint-a-thon that will be on May 8th. And we have a neighborhood week in June, first week of June and a national safety week in October. What we're planning is during those events to be able to deliver a big message to the whole City of San José regarding that. All these activities were designed just to be able to educate, like I said, more and more people. On slide 8 kind of being my last slide is the recommendation to work on obstacles to community engagement, you we have detected obstacles to

getting community residents who are not in foreclosure to care about their neighbors and no credibility in the neighborhood you're organize. And the best way we would recommend of -- as of today, and this is -- this list can be increased is the elected officials coming forward to show that it's a public official not a private one, public officials can provide pressure on institutions. Researching communities most impacted by foreclosure, we are doing it. Research on impact in the community then education to move neighbors into action, victories, cares by case modification, neighbor testimonies, and we applaud the last press conference the mayor put together, we were sorry to hear that somebody was kind of trying to cut it off. But it was a great press conference and we were very happy. Then on the last page, I just put a report on the registrations and attendance to the classes. This is the number of people calling, and is not showing here at this point, we need to go almost every time we go to classes that are 50 or 60 people that want to and basically any class over 50 persons is hard for one person and we are doing our best.

>> Thank you Jaime. We are trying to educate neighborhood leaders to get the word out of our community. Our next presenter is Jamie Matthews code enforcement.

>> Yes, mayor and councilmembers, I wanted to give you a brief overview. I know many of you are aware of the efforts that code enforcement is going through, one component of this recovery and we kind of stand in breach to protect not only the victims that were there that we hope to prevent but also those that are left in the neighborhoods that are subject to the blight and additional unsafe conditions that are caused by vacant neglect of the buildings. Redevelopment agency has been able to put out two code inspectors that are dedicated to, brief statistics so you have in this area that has about 9500 homes we have identified 411 structures, many of those that weren't listed because the list that come out on the real estate list comes out at the end of the month. So during each day that's subsequent to the end of the month there's additional homes that may become vacant that we'd be unaware of if we weren't out there in our proactive activities. We have issued 31 citations just since March so we're very aggressive in addressing those issues. The bank-owned which is the majority, we will take an aggressive stance. If they are owner occupied properties, which has been lost because of some tragic issue, we'll work with them. We're very proud to work in collaboration with the housing department and our community partners, take a holistic approach to this issue because we really do need the community to step forward and to identify these properties for us so that the police and code enforcement can ensure that these properties remain safe and that's our primary concern at this time.

>> Great, thank you. We're going to move on to Margie Marquez who is going to be speak to us from pact and giving us a perspective what's happening in neighborhoods.

>> My name is Margie Marquez and I'm the co-chair of pact, people acting in community together. I'm also a member of most holy trinity local organizing committee. Our church sits right in the middle of 95122 zip code. As you all know it's the highest rate of foreclosure in San José. In other neighborhoods in San José, you might have noticed one or two vacant houses and maybe they had a sign in front of them and you thought they were for sale. You're not sure they're foreclosed or not. In our neighborhood, you know they're the ones that are foreclosed, they're the ones with the mattress in the front yard, the clothes the trash, you know they're used as party houses, drug houses, we have a high school right across from our church which has 100 absences a day, a lot of those highways are used during the day by the students that are missing school. They're used at night for parties. We've had members of our community tell us that one house on sea view has been empty for a year and that house has been used over and over again during the day, and in the evening, and they've called code enforcement several times. They've called the police several times. The house remains empty. Some of the people are a of afraid to call the police. I have a neighbor across from me, a neighbor directly across from me, one of them saw lights in the house, another one saw someone in the house. And they went out to investigate. But the people in the house saw them, so they were afraid to call the police because they thought there might be some kind of retaliation. So they didn't call. But they let me know about it and I called code enforcement. When they told me about it, that same day code enforcement was out there. And they have the house on the list, now. But a lot of people just will not call. So we need organizations like pact, or the KONA neighborhood association, to be the go-between. A lot of people are afraid of the gangs in the neighborhood who have tagged the houses. And so they just stay away from them, don't report anything. But I've been to houses where, as you walk up the front door, you can smell the rotten clothes, furniture, food, everything that's dumped on the yard. And I would not like to live next to those houses. I didn't even want to walk up to the house. But that's what's happening. The work that we do, our goal, really, is to keep people in their homes. People that are living in these homes, I'm talking about over 4,000 homes in San José, you wouldn't have these situations. So we want to stop preventable foreclosures, and we think the way we can

do that is by putting pressure on the banks. And the City of San José is looking into SB 1137. They cite them on the first day. SB 1137 gives them 30 days to comply. City of San José is going after them now. We need more than two code enforcement officers for this situation. How long do you think it's going to take them to go to 4,000 homes and see which ones are really bad, and then go back again to see if the bank has complied with the fees, and with the cleaning of the house? I want to say that we've been working on this for quite a while now. Pact had a large community meeting at trinity cathedral on December 3rd. We've also had some workshops with the neighborhood housing services of Silicon Valley. We talked to code enforcement. We talked to our councilmembers, Madison Nguyen and rose Herrera. Rose Herrera's office got us in touch with code enforcement. Madison Nguyen brought us up to speed on SB 1137. Rose Herrera has told us about what has been happening, I want to thank all of them. We had a press conference on ash Wednesday. We got things going, we got people to notice what's going on. Ace said if you're in different parts of the city you might drive by an empty house and not know what it is. In our neighborhood, we know. Jennifer Wood Taylor is one of our organizers at pact. She has something to say about the national organization that's working on this.

>> Good afternoon. So following up with code enforcement feels like it's just the beginning of our grass roots effort around the foreclosure issue. We feel like the city, code enforcement especially, has really done an exceptional job, after we highlighted the issue at the February 25th press conference of taking action, following up make huge steps on the foreclosure task force. So now I thought we would just share with you what comes up in our national organization, PICO. We have 52 other sister organizations that work on grass roots situations, and a majority of those are working on foreclosure. We meet with them by conference monthly or biweekly. I thought I'd share a few ideas of what they're doing, because you know, at the national level I think we tend to think the Obama administration has not figured this out so how are we going to make strides, right? But in one of our organizations for example, at Cisco in Contra Costa County over a fourth of their leaders are in foreclosure. So when forecast in a situation they tend to find solutions. And it looks like the best, from my estimation is best work is done when the localize affiliate figures out how to work with the city or the county. So I'm just going to mention a few ideas and maybe you're aware of and working on a lot of them. So they're working on foreclosure. Foreclosure tenant protection programs which keep families paying rent in their homes. Especially families that have been, I think, maybe Councilmember Pyle said this, the victims of predatory lending. Trying to pass legislation to require banks to disclose predatory lenders, job training programs to rehabilitate homes and Mr. Mayor you might appreciate this, and make them green through energy efficiency and sustainable building materials. Also identifying lenders with which the majorities of homeowners hold loans, and especially subprime loans, put pressure on them, the city can also just, with which ever lending institution they have their -- they do their lending they can find out how many subprime loans do they hold. And then they can put pressure on that bank, even divest from the bank. Create a local revolving loan fund. They passed a policy to create a face to face requirement when lenders want to foreclose on the homeowner, they have sit down with the home other than to do that. It just creates this -- this really difficult situation, and so banks want to sit down with homeowners because -- or they want to keep them in their homes because they don't want to sit down with homeowners. And there are a couple of creative situation at the county level that stop evictions and cities can work with counties to do that. So in short I think some of the best practices across the PICO network are taking place when local affiliates work together with what the city or county are able to win local agreements, bring banks to the table, to win cooperation that we haven't been able to win at the national level. And I think we can lend each other a lot of expertise and clout that we may not be able to wield alone. So I don't know if that spoke to that.

>> Great, thank you for giving us the perspective of both on the national level and local level about how community members are working together to look at this issue. Our last comments are from the housing piece, in terms of the housing department receiving sell federal funds that can be used in the neighborhoods, from the neighborhood stabilization program we were awarded \$5.6 million from HUD, with the primary goal unfortunately not of keeping people in their homes, but those properties which have already gone into foreclosure. So the department has been advocating for two different strategies, one is a land banking, acquisition of rental properties in targeted neighborhoods. We're in the process of partnering with the RDA to look at neighborhoods that are distressed, what we might be able to purchase, more than one but rental properties that are located in close proximity, and again we are working with the redevelopment agency to make that happen. We have seen prices for example in the Santee neighborhood for four-plexes for high, were sold for almost \$900,000, and we weren't able to make progress there. Now they're being sold for \$500,000, set and we feel we can make some headway. With

1.5, that's not really a significant amount to make much of an impact, and so really there, we're just looking at helping individuals. One of the challenges of the program is that we do have to purchase the house for 15% below the appraised value so that does make it more challenging here. Because as you've heard earlier that some of these are actually having multiple offers on them and so they are going more quickly than expected. For future funding, the state has received approximately \$36 million which is going to be offered competitively, and we are looking at seeing how we can position ourselves to apply for that funding, and then the federal government is releasing another \$2 billion again for foreclosed properties and we will look at how we might position ourselves to acquire more funds to help with this initiative. The targeted income ranges that we're looking at assisting are folks who earn \$88,000 to \$126,000, and then on the rental, people who earn 45 to \$50,000 a year who would gain assistance from the land bank and who could rebuild rental housing in exchange for those dollars. So we are looking at ways we could make impacts in those neighborhoods. But the other issue for us is the challenge of lack of funding in a high-cost area, it makes it more challenge to make an impact in a high-cost area. We are looking of ways to do so. So again, I will open it up to questions from the panel.

>> Mayor Reed: Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. First of all I would like to thank the panelists today for being here and sharing your perspective of the foreclosure crisis. The midst of the crisis which has hit the community in very stressful ways, I want to thank the agencies such as project sentinel and other projects in the city and faith based agencies in the city such as pact, for mobilizing people and getting movement on a citywide basis to address and provide information we can do to help alleviate some of the problems we have to deal with, with this crises. So I just properly thank some of those organizations for being here. I wanted to follow up with Councilmember Herrera's question regarding tenants who fear displacement due to foreclosure on the property that they're currently renting. I know in the Santee area our office has received countless phone calls from some these tenants, asking what are their rights, what are the cities doing with regards to providing education. I guess my question is, what is it we're doing now to assist educating individuals in tenant rights, when they come to find out that landlords might be foreclosing on the property?

>> I think we would be handling it in two different ways, by partnering to our nonprofits, who do education with leaders, highlighting the tenant portion I think is very critical and then the second piece is that we're hoping to launch a hot line and also a one-stop where folks can get information regarding foreclosure and how it impacts them. And so those would be the two different strategies that we're using to educate folks. And also, I think a third piece is to do a Website that ensures that people understand what their rights are.

>> Councilmember Nguyen: Right. Those are some of the things we can do to provide the education. But my question is specifically, I assume that tenants do have certain rights. And when, you know, a landlord comes and tells me that this property might be foreclosed in 30 days or 60 days, do they have certain rights that they said well, you know, have you to give me more notice. My question is a little bit more specific than providing education.

>> Can I say something? My daughter found out that the house that they were renting was being foreclosed on first part of December. And they said it was going to auction on December 20th. They had no idea that it was in foreclosure. They were paying their rent every month. They didn't get a letter from the bank or anybody else telling them this house was in foreclosure. They found out and they had three weeks. They didn't know if they had to be out, when that house was being sold, or if they had time. No one told them that. Because I am in pact and we are working on this foreclosure, I knew the answer. As a matter of fact, she told me that news ace was walking out the door to go to trinity cathedral that night, for their foreclosure meeting with the community. So no, people do not know their rights.

>> Leslye Krutko: Councilmember Nguyen also, SB 1137 has a 60 day requirement to keep tenants, but it's just 60 days.

>> Councilmember Nguyen: Okay, thank you. And then a question about the efforts that code enforcement office has been doing. Jamie, you talk a little bit about the efforts in the 95127 area. And the work that the department has done and you think it's great that we're being more proactive. How do you prioritize which areas of the city to go out first?

>> Actually I misspoke. We started in the 95122 zip code, because that was the majority of the area that we had calls from single family residents. The number was slightly smaller but very affected on areas where we had large numbers of single family residents because those of course caused the greatest concern for us because people can get into the backyards and people can get inside the homes and they

would create a very unsafe situation for people remaining in the neighborhood. The way we're prioritizing is we're moving through the four affected areas that were identified, those are our first priority. All of our code enforcement officers citywide are look for these obviously vacant and foreclosed homes. We have a code enforcement officer for the area that is not CDBG eligible or SNI, because we have funding limitations to be able to respond to those. This is citywide, although there are areas that have a greater effect, we want it important to note that we want people to contact us. As our drive ways teams are trying to locate blight, we have quite a few inspectors with the eyes on the neighborhoods but nothing will take the place of the neighbors contacting us.

>> Councilmember Nguyen: Thank you. Just a few questions for Jaime from neighborhood housing services. It was mentioned in the previous panel that in the Asian American communities people tend to keep a low profile, for people going through the foreclosure process. What is the nature of the situation, in regards to the nature of the services that your agency provides?

>> Thank you for the question, Councilmember Nguyen. We have always had in-house the, especially for Vietnamese community, we have people in-house and they have been communicating with them. We have been in touch with them. We see that the Asian community is more careful or more private on their decisions and more wise when they take the step to home ownership. Actually we have a big rate of homeowners, Vietnamese homeowners that have bought through our program. And none of them have gone through this situation. We are concerned about something that is not happening yet, that we may oversee in the next few years and our colleagues from the real estate panel, they mentioned it, is that as the price of houses they appreciated, people are going to start asking for help, and we hope that the help that the government is providing will at least level up a little bit. But we're very concerned because we have been receiving calls and people are coming to our doors asking us, well, I live in district 1, I live in district 6 but I have my cousin moved in with me or my brother moved with me, and if I lose my home, this is going to be a double, triple jump into it. So that's what we want to communicate, also that in the Vietnamese community, we are preparing a document in Vietnamese what is the polished by the Palo Alto legal services, how to face foreclosures here in California, actually. We are preparing for classes in Vietnamese also that we're going to put together during 2009-2010.

>> Councilmember Nguyen: I wanted to conclude my comments by saying my office is here to help as well. If there are things you want me to translate or if you want me to go on public radio and notify the residents of the services you provides, we're more than happy to do that.

>> Thank you very much.

>> Mayor Reed: Councilmember Chirco.

>> Councilmember Chirco: Thank you. I just had a question about the federal funds, the 5.6 million. And you had made the comment that with multiple offers coming on properties, that it was becoming increasingly difficult to meet the requirement that it be 15% below the appraised value. I was just wondering, what are the requirements of this funding? Does it stand to be returned or do we have a time to spend the dollars?

>> That's a good question. We have 18 months in which to spend the dollars. We feel because of the relatively higher cost here, the 5.6 I calculated we would be able to get the 11 to 18 properties, yes, we believe we can expend the funds but the impact in terms of being on a neighborhood panel when we are thinking about how do we really impact as many neighborhoods as possible is limited given the amount of funding we have.

>> Councilmember Chirco: And then, if you give us a concern, you know, if you reach the point where the 18 months is kind of slipping buy and we're seeing the continued pressure on the low prices. Is there any way we could look at legislative -- trying to get change in legislation so that high-cost areas, it's just a thought because I know that's something we have a lobbyist in D.C. And I know, I continually talk about federal poverty levels.

>> Sure. Actually, I stand corrected that we have 18 months to commit and the four years to actually expend it.

>> Councilmember Chirco: Okay, that's a little better.

>> Yes.

>> Councilmember Chirco: Okay, thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you. I think one of the things we're seeing with Stockton, I wanted to use Stockton as an example, we talked about that as being ground zero and it certainly was at the top of the list of many of the lists you were speaking of. When they got foreclosed in Stockton a lot of the

families came back to this area to live with families. So I just want to echo the concern that we're seeing a lot of problems that are increasing. And I think I asked when I came many weeks ago when I first came on council I asked that question of the housing department, what's the impact of folks that are coming back from foreclosed properties in those areas, what is the impact going to be in San José, what is the domino effect, I'm still very concerned about that. I hear kind of a gap in services here for the renters who still are the most vulnerable population in this whole scenario. I'm wondering, is there any requirement of the bank to provide the notices in different languages? Is there a requirement for that? I'm just trying to think of anything we can do as a policy, I'm not saying council can do this but things that don't necessarily cost money but could help, help those folks that are being affected by this so that they at least can know what's going on? I have a question, do they have to provide notices, does anybody know about that, I think they should, but I know we are talking about the stimulus package, yes, I think we should be looking at that because every dollar we should be able to squeeze out of the national government or state government to come over and help us. But the banks have received a lot of money through the tarp or federal bailout program. I think they have some responsibility to come to the table in this scenario. I'm wondering what we can do on a local or city level to help those banks come to the table. I'm very intrigued about what the pact representative talked about, I'd be very interested in having staff explore what we can do from a local level. I think we have to work every level, federal, state and local in terms of ways to help ameliorate this crisis. And I also want to thank pact, I want to add that to the thanks that has already been given for excellent work in forcing us, bringing us to look at these issues. And also, project sentinel. I still didn't get my question answered that I asked earlier, and that is, how many new foreclosures, and maybe we don't know, do we anticipate as a result of the adjustable rate reset and job losses which we unfortunately are forecasting, do we have any idea how big this is going to be in 2010 and 2011? How can we address those most vulnerable in the programs we're looking at? How can we take the meetings that we're scheduling out to the community so they can get the one-stop right where they live and that means the schools, too, the schools? And also, then, what's this other wave? Those are my questions. Thank you.

>> Leslye Krutko: Councilmember. Responding to a couple of your comments. One relating to tenants. I think the next panel may speak about this. We also received about \$4.1 million in stimulus funding that's intended to be used for housing assistance and rapid rehousing. And it was specifically a program that was created because of the concern about the potential for homelessness as a result of foreclosure. So one of the things that we are going to propose using those funds for is for temporary rental assistance, moving assistance, utility assistance, you know, first-time rent and security deposit for tenants who are displaced as a result of foreclosure. And we're intending to do that through our program right now for the homeless. We have the structure there. These people are not homeless yet. We want to make sure they don't become homeless. We do have that one small tool that we plan to use. And secondly with regard to the bigger question of what do we see going forward, I'd like to have the opportunity to come back, unless any of our experts today know that, to provide what we made think the future will be. We're obviously hopeful that some of the new programs that have been put in place are going to respond to that, and limit the foreclosures. Right now we're facing a whole series of folks who are beyond the help because these programs were not available before. They are beyond, hopefully they will catch many of these people, but hopefully we can come back because I think it's a very good question.

>> Mayor Reed: Please come on down to the microphone, the lower podium here should be good.

>> We're looking at another million nation-wide, those are the projections. As far as language criteria, the only law on the books for the state is with regards to rental properties. So certain documents under rental properties have to be done in a second language. Spanish being the primary, Texas is the only state in the country that does contracts, purchase contracts in Spanish. In California, if you don't understand the Spanish language, or another language, then you're supposed to provide an interpreter. In many cases that interpreter is the 12-year-old son or daughter. It's not going to be pretty, folks and it's going to get worse before it gets better. And the likelihood is that there's a very good likelihood the banks are going to be taken over, they'll continue to operate. But you said something that's really clear and that is, that we really do have to put pressure on the banks. The money that was taken in basically is being used as reserve, because they still have the toxic assets on their books. So until they know what's going to happen with that volume of paper, they really can't just, you know, parlay the money out. But they're beginning, I mean the FHA product is really, really very important. How does HUD make a difference at the end of the day in moving this Internet? They're doing everything they can in Washington, D.C. for the FHA products to be used here, but the threshold used to be 25, 35,000. Virtually none of the

condominium complexes in our city are approved for FHA. So you have deals being put together and you're trying to move the inventory. You can't certify the documents so you get the properties approved for FHA. So there is a lot of little things we can attempt to do and your relationship in Washington, D.C. is really very critical. But I do believe that putting pressure on the banks is something that every municipal and county and state leaders could be doing in having those conversations.

>> Projected foreclosures for 2009 are 462,100, and the projected foreclosures to be lost in California, 1,538,600 and that comes from the center for responsible lending.

>> Councilmember Herrera: I don't know if now is the right time but at some time if we can take some action I would like to put a motion for staff to address this concern of our banks and if we can do anything as council.

>> Mayor Reed: We can certainly take some action. Hold it to the end and we'll talk about what additional action we want. I'll come back to you then Councilmember Herrera. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I wanted to follow up on Vice Mayor Chirco's question on the money, how that money might be used to acquire distressed properties. I recall some emphasis on rental and some emphasis on home ownership. , community organization or something like that, come in, buy the property, rent it out, knowing rents remain fairly high, and can afford a fairly high amount of financing, so that the city can get its property off books and use the money to go acquire other properties to give to responsible landlords like a community nonprofit organization or other community organization that wants to get involved. Is that something we're doing already or is that possible with the federal money with strings attached?

>> What we're considering is lands banking at this point until we can do a more substantial rental development that would really provide more impact in the neighborhood. We are considering whether we can do a small revolving loan funds, the 1.4 on some sort of single family program. We've had conversations with some nonprofits who are interested in acquiring some of the single family to do rental for their particular targeted group. But probably not in the ways that you're thinking of.

>> Councilmember Liccardo: Okay. I know on the East Coast there seems to be -- the nonprofit community seems to be more focused in creating HDCs and CDCs or things like this. Do we have partners out here that --

>> Sure. I think the interesting things on the single family, it's just the managing of that dispersed housing is much more challenging. And so we tend to encourage our nonprofits to do more larger scale development because they are more cost effective and more efficient and they're easier to manage. But we have been looking at littler nonprofits who would acquire those sites long term for their own usage. And so we have talked to a couple of them for smaller scale developments.

>> Councilmember Liccardo: Okay, thank you. Basically it doesn't make sense in terms of cost to be that dispersed in management. Okay, thank you. I also know from what we're hearing from some of our colleagues, in other parts of the country, particularly cities like Cleveland, Detroit, which have a very much smaller demographic, those cities are shrinking as ours are growing, isn't there some way of restoring areas where there had been an overexpansion of sorts, neighborhoods were overbuilt, given the environment constraints, building for too lows to riparian corridors, and structures were not in good condition, essentially they were tearing them down and allowing the land to simply be vacant, believing that that was superior alternative than allowing the structure to be vacant over a lengthy period of time, knowing the impacts of blight on a neighborhood. Are there situations or are there neighborhoods in this city where that actually becomes the better alternative than simply keeping these structures standing?

>> Yes. We are looking at places where that may be the best next step, is to actually acquire the sites and land bank them, tear down those sites to see long term if there are better potential redevelopment opportunities into the future. So we are looking for some neighborhoods for that, as well.

>> Councilmember Liccardo: So that's for actual development then?

>> Long term development but holding as vacant land.

>> Councilmember Liccardo: Great. And then in the February 20th memo on page 8 there is a reference to a lenders meeting. And that's just a task force investigating the potential for investors meeting with major banks. Is that happening or is that likely to happen soon?

>> Currently, we are having discussions with the lenders to bring them to the table. I do have to say that Chase has come to the table as far as the prevention task force is concerned. We have talked to Wells Fargo, they're very interested as well as Citigroup. The one bank that we have not been successful with, and I don't know if my partners here have had any success has been Bank of America. But we are bringing them to the table in relation to the activities of the foreclosure prevention task force.

>> Councilmember Liccardo: Greats, San. I appreciate your willingness to reach out to Chase and see if they had interest in partnering with the city on loan workouts and modifications. I understand you guys have a lot of balls in the air right now and a limited bandwidth to deal with a lot of different ideas to chase after in terms of this problem. But I want to turn to your attention for the moment to that effort which was, we were talking to Chase because we knew with their acquisition of WAMU that there were a number of mortgages held in that situation. If we could engage them that the city could leverage their ability as a consumer of investing funds with particular banks that those banks in exchange, engaging in contracts with the city, could commit to a certain amount of workouts or loan modifications. And specifically I'm talking about some those kinds of loans that don't qualify under the Obama plan that came out in February, particularly jumbo loans, a lot of situations where families are actually facing foreclosure as opposed to more stable situations. And I understand that there are some constraints and legal issues that we have at this point. I was wondering if you or Leslye could articulate what those constraints are, what those obstacles might be, just so we have a marker of sorts. And I know we have another meeting coming up with Chase but I would think we all would be helped by understanding what the issues are.

>> I would say Chase has been very active, and they just recently opened up their Chase home ownership center, which was -- they opened up nine in the state. And this is particularly for loan modification, loan workout center. So they have revved up here locally to assist their clients with the help that they need to mitigate foreclosure. This is not a plug, but they're located in Westgate valley fair. So it is serving all of the county. But they have very actively started to go out and do a lot of outreach. So Chase is there. As far as the legal ramifications, I really can't speak to that.

>> Leslye Krutko: Councilmember, I think that what we were looking at, when we first started talking about this, it was before the Obama legislation came out, we weren't really sure who it would impact. I think if there is a way for us to structure this, to hope those who are not eligible for the loan modifications under that package, that the issues that we still need to work out are with our investment policy, as far as how we might structure a relationship with any individual bank to have that kinds of relationship. I think the City Attorney wants to --

>> City Attorney Doyle: Councilmember, and I haven't heard of this since about a month, I think, it's been about a month and a half, and the initial concerns, obviously there was a concern about the City's investment policy. And part of that is as to state law, limitations on investment. Even though it's a charter city, we sometimes take the view that we can have a broader investment policy, the guidelines under any investment policy are prudence, safety, liquidity, there are minimum credit ratings that are required of any CD, any bank that we purchase the CD, there's minimum amounts that we hold, we can't exceed 25% of our portfolio. And so all those things need to be factored in. We have never done that as sort of a quid pro quo, a condition of if you do this we'll invest with you. It's been sort of the prudent investor standard that we follow. But those things I think the conversation needs to be continued.

>> Councilmember Liccardo: Okay, thanks Rick. And I just want to get this issue out, in case there is some hope in moving out in this effort. Because it seems to me that some of the institutions we're talking to are certainly, at least relative to other banks in the banking world, relatively stable institutions that should be able to meet our minimum credit ratings and other standards. And I'm hopeful I know that you know, we're working on a lot of different cylinders here. But I'd like to believe there might be a way for us to be able to help a lot of homeowners who are not going to qualify under the Obama plan. I understand, I believe it's 105% LTD requirement is the cap which obviously is much better than it was before. I just suspect there are many, many homeowners who are far above 105% LTD that won't be eligible and it just seems like there's a considerable arena of people we need to help or hope to help who aren't going to be helped by the federal government and that's where I think we need probably a more creative approach.

>> Leslye Krutko: Hopefully our next panel will touch on that and the eligibility under the Obama plan.

>> Councilmember Liccardo: Great, thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor, I know time is precious right now. So I will just follow up on my two questions earlier. First of all, Sal, thank you for clarifying what measures you will now put in place, so that we don't have a situation like that where our neighborhood leaders and our SNI leaders are not aware of, that this is going on. And so I appreciate that. My second question is to the housing department. As I've been listening to the questions that my colleagues have been asking, you've been answering them, so it's -- I'm under the assumption that we are already looking at properties currently in the city and we have a log of what are potential properties that we as a city could purchase in an area, correct?

>> Correct. We have identified a neighborhood, Santee, that we are looking at individual sites right now.

>> Councilmember Campos: Thank you. And then the other question is regarding the single family homes. How are you going to tailor that so that we have the most impact in neighborhoods?

>> That's the piece that is most, considering the home price it is less likely that we can make the most impact in the neighborhood. We're probably going to do something that is more scattered. We're trying to find a partner who will try to help us implement that piece.

>> Councilmember Campos: Will you be looking at certain areas or zip codes?

>> Yes. The legislation required that we spend the majority of the money on the most impacted areas. So the areas we have talked about today -- those are the priorities. And the legislation asks us to invest mostly in those neighborhoods.

>> Councilmember Campos: And Jamie Matthews, thank you for the work you and code have been doing. I think you've heard the cries from the community. And you know also that we're targeting the communities that the individuals that are losing their homes, but as I think you heard from the leader in fact, is also the people that are still in the neighborhoods that are finding this very difficult as well. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. In regards to neighborhood blight, and I know Jaime, you had mentioned that one of the issues in regards to engaging the community, getting the residents who are not in foreclosure to support their neighbors. The issue is really the empty homes and the bank owned homes and dealing with those homes, there is not much sympathy as the there necessarily should be, to see a home that is Bank bank owned, in disrepair, and weeds that are four feet high. In regards to doing that Jamie, what success have you really had in dealing with the banks? It seems like they're victimized, and have let down the families as well.

>> Well, every vacant home is a dream that was lost. So I know each one of us feel that very diem deeply when we see it. Those left in the neighborhoods, those are ones we try to protect and maintain their security values, to the best we can, to make sure these properties don't become so blighted that they demoralize the neighborhood. The way we've handled it with the banks have been very aggressive. It's paid off. These banks are very quickly turning these over to banks and real estate agencies. That is very helpful to us. We will continue to be aggressive with bank owned properties. We have some hope, I'm an optimist, I have to be in my line of work. I'm always an optimist. I'm seeing a little trend as far as the responsiveness of things that are vacant, turned over to local agents and brokers. We're very hopeful of that. As far as cleaning up the properties, that's always a challenge. We'll go in there and force the properties to be maintained. They do have property management. But I'm looking at leveraging some of our faith based community resources this year. For our beautiful day this year, we're looking at organizing a massive beautiful day, cleaning from curb to curb with volunteers. You'll be hearing about that more in June, I'll be reaching out to the council offices for other volunteers and people acting in community together. There are things we can do to address the high weeds and blight and making the area more attractive for sale and rehabilitation.

>> Councilmember Kalra: I'm assuming it's with financial hammers or --

>> They don't want to have liens on the property to complicate it so they want to make sure that they address things quickly so there's no additional cost because it cuts into their bottom line.

>> Councilmember Kalra: Thank you.

>> If I just want to add a comment, Councilmember Kalra. What we're encouraging in all our classes, we're telling people to get to know their neighbors. Because sometimes, what we see is that people isolated, and now with this it seems like there's a reaction to, okay, I'm not affected by this crisis. So I will try to survive myself, to protect my family. But people don't rely, that's an issue that affects everybody especially in the neighborhood you are. So we can see it from our perspective. We're trying to encourage and show that that is. But we encourage everyone to talk to the neighbors, even if they don't know. And that's why through these efforts, even if they are small effort, paint-a-thons, we're trying to invite everybody to pitch in and be part of it.

>> Mayor Reed: We need to move to the next topic now, I think, so let's shift the panelists and the staff. Next topic is prevention and intervention programs for homeowners.

>> Mayor and councilmembers, thank you for this opportunity to share with you foreclosure helps prevention and intervention programs for homeowners. I would like to mention first of all that J.P. Morgan will not be able to present today, however I would like to recognize them as an active partner in the foreclosure help effort. I am Sandra moody with the housing department and I'm the city's point person on

the foreclosure task force. I'd like to introduce our first speaker, Cheryl Menua she will be discussing President Obama's make home affordable program.

>> Honorable mayor and city council members, thank you for having the opportunity to speak to you today. I've been asked to mention a few of the issues of the program that came out in February of this year. I think Councilmember Liccardo, he's coming coming back, wanted to speak to your question, Councilmember Liccardo. I think there is a misconception out there, that this plan isn't going to help anybody in our specific neighborhoods. So hopefully, ace speak to that a little bit, we can see that. I think there will be -- nothing is going going to be a fix-all for everyone but I do think this is going to help some people in our Bay Area here. And one of the things to point out too is that on the refinance program there are some lenders that are starting to accept applications. On the modification there haven't been any lenders that have yet signed on. They are expected to be -- some of the major servicers have said they will be signing on to the program. But like a lot of things with government, there is a lot of red tape and things to sign and they have to make sure they're going to follow things correctly so it isn't going to be immediately. The make home affordable Website, and financial stability Website has financials details on it. So it is a program that is going to have some teeth in it. What I wanted to point out is that his particular program, there's a few things, there's the home affordable refinance program for responsible homeowners that are responsible for falling home prices. There's probably the one we're going to be more interested in, is a comprehensive \$75 billion home affordable modification program. This loan modification plan is hoping to reach up to three to four million homeowners. It's a shared effort with lenders to reduce mortgage payments and there's incentives to servicers and borrowers to participate. One of the most important things to me is that there are clear and consistent guidelines to loan modifications. People have gone out there trying to go to these rescue places even with HUD counselors, everybody's been kind of shooting in the dark. You just hope that you can put something out there that maybe the lender's going to agree to. It's just very case by case. It is very difficult to try to do anything without guidelines. So there have put out clear and consistent guidelines on a federal level. There is required participation by financial stability plan participants. The modifications, there's some guidelines of home mortgages during bankruptcy. It strengthens hope for homeowners, and supports local communities and helps displaced renters. And then the third peeves it is supporting low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac. In regards to -- I want to spend most of the time speaking about the modification program because I think again the home affordable refinancing, those borrowers are going to be people that are for the most part, I mean their employed. They're going to be somebody who is going to qualify for a loan and probably aren't very underwater, because they can't be more than 105% of their veil. But even still we are going to have some people in the inthis valley who are going to qualify. I spoke to a lender, sun trust bank, I asked the loan officer there, in the last several years, so prior to about two years ago, when like Carl had mentioned we were like the heart of market, how many loans did he think were made in that Fannie Mae number, the 417,000 below? And just in the Concord processing center alone, in that three-year period he said they did about six to \$7 billion worth of loans. In the Concord office. 35 to 45% were originated with Fannie Mae. You can see that was about \$2 billion worth of loans serviced or made through Fannie Mae. In that number sometimes what's a little bit confusing, of course we see that we're more or less a jumbo market but it's not totally our market. And a lot of loans were put together through combination, with a first and second combination. Where the first loan was a Fannie Mae loan, that fit those guidelines. Then there was a second mortgage that actually made it now into a jumbo price range. So I think again there's some misconception that everything here is jumbo, which really is not the case at all. And then, in regards to the modification program, I think what's really great about this program is that a borrower does not have to be late. What the goal here with this program is really to get to prevent foreclosures. There's people who already know that they're on the edge. They're doing everything possible to not be late. And I think they should do that. Their home should be their priority. But they're seeing that some things might be happening, that are going to put that in jeopardy. And there are people that are worried about being laid off. I can't stress enough that to me the clear and consistent guideline is really going to help out. Because with people having -- if everyone's on the same page and everybody's looking at reducing down what the goal is, is that the lender is going to have to reduce the mortgage payment to 38% of the gross income of the household. What the lender is going to be looking at, the borrower is going to have to document their income, and the documentation is going to be required from all of the signers that were on the original transaction. And that 38% is principal, interest, taxes, insurance of any kind, if they have flood insurance required, and homeowners dues. Then, the federal government's participation is to try to then get that down to 31%. So obviously, it does require

participation from everybody. It's going to require participation from the bank. It's going to require participation from the government. And participation from the borrower. Because it does have to be something that the borrower can repay. And they're going to be able to document a hardship and they're going to have to be able to document their ability to repay. The plan is that they were going to do a trial basis. There will be three months of trial to see if the people can make the payments. Then if they're successful in that, then this will become a permanent type an agreement. The -- like I scheduled there is no cost to the borrower for this. And I think one of the hopes, I know a lot of people talked about how do we outreach into our neighborhoods. What I would really like to see is that maybe in every district, we can do some type of workshops, where it can be really kind of a do it yourself. Because I think it's just -- you know, unrealistic to think that our HUD counselors can probably take on much more, and that there -- we can do anything to really ramp that part of it up. Which basically means that people are going to go elsewhere and if it means paying somebody even if they're going to be sold a bill of goods, they're going to try to do that. And people are going to try to come out and say take advantage of this government plan, I can help you with this government plan and they're going to want to charge a fee. I think as much as we can get people to do it yourself, now that there are consistent guidelines, if we've got volunteers, people who can man your one-stop foreclosure shop, then we can help people to put that package together to present to their lender. And the lender is having guidelines, if they're given a package that makes sense, they're going to work on that package. People call up a lender but the lender says, I asked the people well what's your balance or they ask them questions and then they say, excuse me, I have to get that from another room or they're shuffling and canned finds papers. They're really not presenting a case that anybody wants to listen to. And as loan people we are perfect people to -- it's like putting a loan package together, on a different level. One thing I wanted to address in regards to the HUD counselor, this comes up in all foreclosure things that I go to, people say why don't we get more HUD counselors, they work for free to the client. Certainly, it is something he people may be able to learn to do, there are a lot of out of work loan officers who could do that, but there isn't money for that. If the person is going to have a nonprofit sponsor them and takes them on and pays their salary, and from Martin from project sentinel, they've taken on some people but they don't have funding to take on more. Even if there were people who could do the job, there isn't funding for that. I think in regards to the community whatever we can do to empower people, which is our consumers, which unfortunately I mean I was part of the don't borrow trouble Silicon Valley group and we wanted to empower people not to take out bad loans but a lot of people don't want to hear it. It does take work. It's effort on the consumer's part to participate. Whether it's getting their loan, getting their modification. It's not going to somebody, handing it off and say, rescue me. It has to really be, you know, a group effort. I know the nonprofits that I've heard speak have mentioned that a lot of their counseling that they do when they come in is really teaching the people responsibility, financial literacy, many of the people just don't have it. Some people when they meet with them, they figure out three really don't want to keep the home, that there's too much responsibility for home ownership, and some people may choose to walk away from that aspect, as well. But one of the things in regards to the government program, is that if someone comes to the lender, and they do meet the qualifications, they must do a modification for them. If they participate, they cannot pick and choose. There are different ways that they may end up modifying. Like I said, the rate they may have to take the rate down to as low as 2% to make it work. They may increase the term to 40% -- 40 years. They may reduce some of the principal. That maybe part of it. I don't think that you're going to see the majority of cases have the reduction of principal but that may take place in some case. Also people that have second liens, this is not -- program is not going to combine first and second mortgages. But there are incentives for the second lien holder to either go away or to participate with some lower payment, as well, to get this down. So I'm really -- I'm hopeful that once the servicers come on board, that we can help a lot of people. But it is a lot of getting the word out and not having the people go to, you know, to people and pay money. I think we really need to make that clear, that people shouldn't be paying money. There are going to be cases that people can't be helped. Maybe they need a short sale or other legal remedies such as bankruptcy, we know of cases of mortgage fraud. There are times where people need to see somebody different, they need to see attorneys or there may be other action that people need, the modification may not always be the answer. Let's see if there is anything other that I didn't mention. This program does also require -- some people might wonder, what about qualification, what if a person's debt to income ratio is too high. If their debt to income ratio exceeds 55%, there is a mandated HUD counseling. Project sentinel, everyone they see is over the 55% debt to income ratio. Some people may think, then, how are they going to be able to afford it? But there are a lot of people out there that have

additional income in their family that is not documented and also, there may be signers, or members of the household contributing to housing, that did not sign on the loan. I think that that may also be something common that you see. So therein, the counseling would ferret out to see if counseling would make sense. I think another misconception is that it was only going to help borrowers that only had Fannie Mae loans. This modification program is not limited to a Fannie Mae loan. It is for borrowers who have property, loans up to \$729,750, the key is that the servicer has to agree to participate in the program. And one thing to note, too, is that the top five servicers in the nation hold two-thirds of our mortgages. So and of course they become bigger. We know that all this consolidation of lenders they become bigger and bigger. I think that you're going to see that a lot of people are going to fall within one of these major mortgagors.

>> Mayor Reed: We need to move this along a little more quickly. I know we've got at least one more panelist to make a presentation and council is going to have a discussion.

>> Thank you. My name is Angel Babar, director of governmental affairs of the Santa Clara County association of Realtors. Where Cheryl was focusing on the Obama program, I'm going to give you an overview of all the stuff going out there nationwide statewide locally. And I'm going to do it in some sort of chronological order. Hope for homeowners was a program that the U.S. government tried to do on its own to help people out of facing foreclosure. This is an example of how this collaborative effort that foreclosure help is doing, works only in the collaborative way. Because hope for homeowners failed I should say miserably because it helped one person modify their loan. And that's where all parties have to come into the table, and really tackle this problem jointly. And that's where we come into hope now which is an organization that has been around for a year or so. But what they are, they're an alliance between HUD approved counseling agents some and other mortgage participating assistants. Pointed to their results they've actually helped more than 3 million people. So it's this collaborative effort really targets the program more effectively rather than the U.S. government going in and trying to force the banks to do something. You may have heard about the American recovery and reinvestment act. Under that, HUD got about \$13 billion for different programs. Specifically, as has been mentioned before, the neighborhood stabilization program got about \$2 billion and as you know San José got 5.6. There's going to be a part 2 to NSP. Its rules will be released in May, and it will be up for application that are due in June. And how this will differ is that instead of San José or any city or state getting a direct check into their bank account, it will be competitive. The cities would have to compete or at least, you know, to compete for those grant moneys and it would be given on a competitive basis. I should note that part of the NSP part 2 is open to nonprofits as well. So it's not all city -- it won't be directed to all to city and states. Kind of on the state level or before I go -- kind of on the state level, part of the big budget mess we had in California, a couple of positive things came out of it, believe it or not, some of you may have heard about the \$10,000 credit to people buying a new home. In addition to that, on the foreclosure side, they added a 90-day foreclosure moratorium. Which takes effect after -- on May 22nd. And currently, lenders have to wait three months from the filing of the notice of default before providing a notice of sale. This effectively adds another three months to the process extending that out six months. Which is great for those who can actually do a work-out, do some kind of loan modification to keep them in their home. I should note that this is a -- it would be -- it's only good for those who actually can have a chance of saving their home and obviously not all should take advantage of that just for the sake of staying in the home for six months. Next I wanted to talk about a custom programs that are in the private arena. CAR, the California association of Realtors, developed a prom where it set aside roughly about \$1 million, which doesn't sound like a lot. But it set aside about \$1 million to help with folks who might be losing their homes. And it gives them some kind of assistance in make their mortgage payments. Now, people who are eligible for this program, people who have lost their jobs to layoffs can receive up to \$1500 per month for a period of six months. And if there is a cosigner or a co-buyer on that loan they can receive an additional 750. This is not really intended to secure the mortgage -- foreclosure crisis but it does help to bring some confidence for those who are just kind of wanting to take that step into buying a home and here is a program that in case something happens there is something assistance out there to help them through that gap between employment. One other thing on the state level, it's a bill that hasn't actually passed yet, but it's in the committee process. There is a tax credit available, they're working on a tax credit for those who buy foreclosed properties, AB 902 by Torrez. It's still in the committee process, so I don't know where it is now but it's been proposed and they're working on it. It is a tax program for buying foreclosed property. Finally, locally, there are a lot of things going locally that we feel will help the foreclosure process. It is true that there will be some people in the state, especially in the Bay Area and the South Bay that might be able to

be helped with the Obama program, the president's program, but not all. So part of what we're trying to do here is fill in that gap, those that are not being helped by the presidential program and kind of see where we can fill in that gap of assistance. So you know, one of those major steps is a foreclosure prevention event next week. And in addition to that, the Santa Clara County Association of Realtors have their annual home fair this year on May 16th and part of -- what we tried to do with that home fair is not only educate buyers about how to buy a home but be aware of in past years we've kind of focused on predatory loan scams and this year we're also going to be focusing a lot on the foreclosure crisis. It's just another way to get the word out. As Sandra mentioned, Chase home ownership centers, just one bank is really taking the lead on mitigating the foreclosure problem. And we're hoping that some others will follow in their example. The national association of Realtors through its various local associations are also trying to help with this problem. They've set aside some money for the local associations to really do some work in the foreclosure arena and trying to provide grant money in getting those programs started, just getting the programs started to provide us with assistance. In summary, as Councilmember Kalra had mentioned, what can we do, I think what the council should do and can do if they can is really make the dissemination of the information a critical part of every part of your outreach. It may sound bizarre, but even if you're talk about the environment, throw in home ownership, throw in foreclosure education. It's the only way we can really get the information out to the masses through your network, through your e-mail groups. We're not going to get everybody on every event and it may be a great amount of overlap. I think it's incumbent upon us to get these resources out in any way we can and I feel if you guys can do it, we would be more than happy to get it to you in some short and concise manner. Thanks.

>> Thanks, angel. I know we only have a few minutes left but I want to share with you all that the efforts that our partners, city partners, nonprofits and real estate industry partners have contributed in this foreclosure help program. In January, late January we convened the foreclosure prevention task force and developed a strategy, a comprehensive strategy to provide prevention, intervention, restabilization, and outreach. Talking to the nonprofits, they shared with us what their greatest needs were. And one of them was assistance. Again, ten counselors is not sufficient for the county. They needed assistance. So we had many conversations, and are creating through the foreclosure help and the one-stop, a local repository of information and resources that can assist individuals in the foreclosure process. Sharing information that there are resources, budgeting resources if you get an inkling that your job may be at stake, that's the time to come in and have these discussions. The intervention is when you're already in foreclosure and not sure what your next steps are. We have people who can help you with that, understand that because it's really important. But of course what we're looking at is trying to get the information to prevent the foreclosure or to give them as much information up front in order for them to understand what they may need to go through. Restabilization. Some of these folks, some of these families are not going to be able to keep their home. So where do they go after that? And as Leslye mentioned, the 4.1 million in homeless prevention and rapid rehousing funds from the federal stimulus package, some of those funds will be used for this to provide short term and mid term financial assistance, rental assistance, rental deposit, utility, even for those who have to move out, helping them move and store their belongings until a home is found. Outreach, there is a lot of outreach that is going to start here, as of April 8th, thank you mayor, for the press conference. We have had discussions with superintendents, to try to use the school system, to deliver information. We are working with the faith-based organizations also to deliver information. And just with all of the nonprofit partners, or all of the partners, we'll be disseminating this information. I would, once again, like to reiterate that the city cannot do this by themselves. We cannot do it by ourselves. So our partners have been very, very critical in this whole process. And I personally would like to thank them all for being part of this. Because we have gone -- we have come a long way in these two short -- two and a half months to get this going. And as Angel was saying, the 23rd will be the fair, the 24th will be the one-stop, not only with a temporary individual but our partners are providing the volunteers that have the skills that can help do an intake of these individuals, and save the HUD counselors that time. It will save them about two hours of their time by having these volunteers participate, so that the HUD counselors can do what they do best, which is work with the banks, and help the consumer navigate the foreclosure prevention process. And with that, we're open for questions. Thank you.

>> Mayor Reed: I had a question. I just want you to repeat. In case people watching it didn't get it the first time. Thursday, April 23rd, 12:00 to 5:00.

>> 12:00 to 5:00. At the county fairgrounds.

>> Mayor Reed: That's the foreclosure help workshop. And you'll get a notice out to us so we can spin it out to our contact list as well. And the foreclosure help one-stop center is going to open the 24th.

>> 24th.

>> Mayor Reed: Is that still a little iffy?

>> We are securing a staff person to be there on a full time basis. And working at that very quickly.

>> Leslye Krutko: We do have the location. We have the phones. We have the computers, and really, it's the staffing issue for us, right now. We also, I should say, have a Website that went up this weekend. And Sandra, do you have the address? It's foreclosurehelp SEC.

>> It's's foreclosurehelpSEC.org.

>> Leslye Krutko: We have already received phone calls. We are not wanting to publicize that number but we will give you that information as soon as we make sure it is adequately staffed. Because we are concerned that there may be quite a number of phone calls come in and we want to make sure that we can handle the volume.

>> Mayor Reed: When you get that information ready to go make sure you send it to councilmembers so we can all help disseminate it. Because getting the word out is a key part of this. Other questions? I'll come back to Councilmember Herrera who wanted to discuss what direction we might give staff to do some additional work.

>> Councilmember Herrera: I just wanted to ask, where is one stop going to be located? Isn't that publicized yet?

>> Leslye Krutko: I'm worried people might show up.

>> Councilmember Herrera: No problem.

>> Leslye Krutko: I can tell you. We are locating it adjacent to the Work2Future offices. Which is really an opportunity because a lot of people facing foreclosure also have employment issues. We have worked with the county, the county has some funds that are coming through the stimulus as well. We are looking to see if we can partner with them because we are concerned that we have a lot of nonsan José residents who are seek our service as well and are talking to them about the possibility of a south county office. So this is really a partnership. It also includes our neighboring cities and counties as well.

>> Mayor Reed: Okay. Councilmember Herrera, you want to talk about a motion?

>> Councilmember Herrera: I want to thank the staff and you mayor for leadership on this and all my colleagues for all the input. I think we've got a good start here and I think the collaboration is absolutely essentially. I want to thank Angel and the program for assistance in counseling, that helpings out the HUD staff and I think that's great. I think any time we can continue to utilize that partnership, we have a great trained resource in all of the real estate professionals out there. I want to make a motion and hopefully my colleagues will support this. To ask staff to report back on the lenders meeting. I'm trying to figure out a way here to tie in banks in a positive manner here. I don't think the lenders' meeting has been held. So I'd like a report-back on the lenders meeting, back to council, I'm thinking the CED committee would be the appropriate one, on significant issues that come out of that, to address the gaps for homeowners who might not qualify for the federal program, for renters who are caught in this situation, and any other initiatives that would address this and I would ask staff to report back after that meeting and involve council offices.

>> Second.

>> Mayor Reed: Okay, we've got a motion for directions, for additional work to staff. I have one request from the public to speak. I'll do that before we close up here. Gina Gates.

>> You're just trying to get me not to speak. Good afternoon, I'm Gina Gates. And I owned a home in Evergreen up until December 7th so I am a victim of all of this that has been going on. There is something you can do to help. I have become a nonprofessional expert at this topic. Basically having to study, read online, calling from senators, Congress people, from D.C. to L.A., assembly member Lou, I think he may know me personally, I've called the White House, everywhere. And it has been very, very difficult to get any information. I can tell you that I am now in litigation against my servicer. And we lost our case to have our case, our unlawful detainer and our case consolidated and I went ex parte not once but twice, on how Sb 1137 is being brought here. I did go to an unlawful detainer case, and the judge, judge Pierce was there and my attorney was there who just by the grace of God happened to be my son, back from D.C. and able to help me at that point. The judge we found out was using a 2006 benchmark guide. And that's the laws that the judges use and how they apply them. And he kind of chuckled because he says to Elias, wow, you got a 2009 and I'm using a 2006. I'm, ah, please, give me the laws that went into effect in 2008. Because I know SB 1137 had provisions to help meet out. So he took it under consideration and

after a few days wrote to us and basically ruled against me so I have an unlawful detainer on my record. So --

>> Mayor Reed: Sorry, your time is up.

>> Okay.

>> Mayor Reed: Others that wish to speak? Only card I have. Back to the motion, we have a motion made by Councilmember Herrera to get some additional staff work on the lenders. All in favor? Opposed? None opposed? That's approved. Leslye Krutko and staff, anything to say about this?

>> Leslye Krutko: I think we will be returning to you over time. This is not the last time to talk about this topic. We will also come to Rules for new priorities for legislation that is going through, there is a significant amount of legislation on the state and federal level on this issue. We'll continue to stay active, we'll keep you informed about the various events and activities that are happening so you can inform your constituents, as well.

>> Mayor Reed: Thank you, good job, thank you, everybody who engaged with us trying to solve this problem that threatens our entire community. Thank you very much and we are adjourned.