



***For The Record:
The Struggle Over Foreclosures and
Loan Modifications in the Immigrant
Community of Watsonville, Ca.***

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March 2012

Agradecimientos:

La documentación de la lucha contra los embargos en Watsonville no hubiera sido posible sin el apoyo incondicional del grupo de Casa de la Cultura, mi querido profesor John Borrego, mi familia, amigas y amigos. A todos ustedes les dedico esta tesis.

Particularmente le debo la tesis a Borrego quien ha sido una guía académica y personal desde que llegué temblando a su seminario como estudiante de primer año. Desde entonces hemos dialogando juntos y revisado mi trabajo en Watsonville un millón de veces, gracias por su tremenda paciencia. Gracias también por compartir el amor tan grande que le tiene a sus estudiantes y a la gente de Watsonville. Sin Borrego, no hubiera tesis.

Le agradezco a Lauro y Yolanda Navarro quienes me compartieron corazón en mano la fe en la lucha social y la pasión de ayudar a la comunidad. Mil gracias a Yolanda quien citando la larga historia de Latinos en Watsonville me enseñó que “nuestra lucha esta en el corazón.” En igual medida, le extiendo las gracias a Don Mario, Don Ernesto, Alicia, y Don Gilberto quienes pacientemente redactaron la historia de su embargo una y otra vez hasta asegurarse que había entendido todo el proceso.

A mis amigos quienes soportaron dos años de teorías abstractas hasta que concrete la tesis. Sin el apoyo y la comida de Cristal Olivas, el café de Chris Chavez, la música y platicas de Dominic Prado, y las risas de Dorani Pineda este proyecto jamás hubiera madurado al escrito que hoy termino.

Leslie López también fue una fuente de inspiración y apoyo que me acompañó por todo este camino, y que al igual que Borrego, fue una de las maestras que me inicio en el camino de

Estudios Latinoamericanos. Igualmente, sin el apoyo de los Border Stompers quienes desarrollaron la base visual para la tesis este trabajo no hubiera sido posible.

A Claudia Rivas, Ruth Ríos, Anthony Díaz, y Alejandra Jiménez con los quien viaje a Watsonville a entrevistar a gente que perdía su casa mucho antes de saber que terminaría escribiendo esta tesis.

Finalmente, le agradezco a mi madre, quien vivió a mi lado las crisis emocionales que me traía la investigación y quien escucho cada detalle de mi proyecto sin siquiera haber conocido la Casa de la Cultura.

Y mas que nada, con mucho amor y cariño, para la comunidad de Watsonville y futuros estudiantes de LALS. Espero que no olviden el poder de la investigación colaborativa con sectores de la comunidad.

Con amor y cariño a todos ustedes,

Aleshia Barajas, Agosto 2012.





Pictured above: Outside of Casa de La Cultura.

From last page: Top, Don Mario sitting in his living room. Bottom, participants inside Casa de la Cultura on a Thursday night.

Photos by Jasmine Avila

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Preface

International financial flows and speculation appear to be irredeemably universal, abstract, and delocalized. By contrast, housing appears to be irredeemably local, impacted, and granular.
-Herman M. Schwartz,¹

Con dinero baila el perro/With money even the dog dances
-Popular Mexican saying

Since the onset of the seemingly isolated subprime crisis the world economy has evolved into a complicated and deeply interrelated financial crisis that has brought entire countries to their knees and global communities revolting against the subsequent sabotage of their wages, savings, and ways of life. The fact that foreclosures stand at the center of the ongoing financial crisis is of utmost importance because it is the story of a displaced peoples pushed to the margins of American society by financial institutions that will not be held accountable for sacking the savings of millions of families. To remember their story, then, is to not forget the causes of the financial crisis and the tremendous transfer of wealth from the working and middle classes to the financial class occurring in America.

Before 1980 subprime lending was relatively obscure, small and largely relegated to Saving and Loans associations until the Depository Institution Deregulation and Monetary Control Act erased “distinctions between loans made to buy a house and loans, like home equity loans, that were secured by a house.” Two years later the Alternative Mortgage Transaction Parity Act legalized creative mortgages, such as Adjustable Rate Mortgages (ARM) mainly

¹ Herman M. Schwartz. Schwartz, Herman M. Subprime Nation: An American power, global, capital, and the housing bubble. Ithaca: Cornell University Press, 2009.Pp. 1

responsible for subprime defaults.² By the early 1990s, the Savings and Loans industry was selling mortgage-backed securities initiating a complex process of loan securitization which was described years later by Russell Jedinak from Guarding Savings and Loans as, “if they have a house, if the owner has a pulse, we’ll give them a loan.”³ Loan securitization completely changed the rules of finance by allowing banks to sell loans they owned to capital markets. According to Herman M. Schwartz in Subprime Nation: An American power, global, capital, and the housing bubble, “this allow[ed] banks to originate yet more loans while earning the bulk of their income from fees. This contrasts with the pre-financial liberalization model, in which banks held mortgages to maturity and made money from the interest rate spread between deposits and loans.”⁴ In other words, the securitization process allowed banks to shift the risk of fluctuating interest rates to whoever bought the loan from them, yet, not all risk is shifted away from the banks because banks are sometimes required to guarantee the underlying mortgage.⁵

Following the liberalization of securitization, discussed above, the U.S. witnessed a radical change in investment characterized by the rise of real estate and mortgage-backed securities. In part, the change was encouraged by lowering the interest rate on U.S. municipal bonds, a policy adopted by the Federal Reserve, which resulted in global hedge funds and investors of all sorts to speculate on the American housing market. In effect, from 2000 to 2006,

² Bethany McLean and Joe Nocera. All the Devils Are Here: The Hidden History of the Financial Crisis. Penguin Group. New York: NY. 2010. Pp. 29.

³ Ibid.

⁴ Schwartz, Herman M. Subprime Nation: An American power, global, capital, and the housing bubble. Ithaca: Cornell University Press, 2009. Pp. 102

⁵ Ibid

global reserves tripled from 36 trillion to 70 trillion in only six years—a great portion resulting in profits reaped from the U.S. real estate market.⁶

With time the idea of speculation transformed the real state market into an ideal secure investment given that assets were backed by a security—the house. Indulged by the large profits of the housing sector, even the most conservative investors—foreign and local— bought securities for the promised stream of payment over time.⁷ According to a joint study by the U.S. Department of Housing and Urban Development, HUD, and the Treasury Department from 1994 to 1999 the dollar volume of subprime mortgage originations increased from \$35 billion to \$160 billion.⁸ By 2003, \$4 trillion were written off into new mortgages, which resulted in an upsurge in demand for houses in the next two years and a price hike of nearly double. Schwartz estimates that “Approximately one-fourth of U.S. homeowners have a HELOC [home equity line of credit] or similar housing-related debt, amounting to just over \$1 trillion, or a bit over 10 percent of total U.S. mortgage debt. The bidding-up process combined estate equity from roughly \$6.5 trillion in 1991 to over \$20.5 trillion in 2005.”⁹ Subsequently, speculation skyrocketed housing prices in Watsonville and across the nation.

In order for the mortgage market to become a profitable business for international investors, private and federal establishments flooded money into U.S. private and public lending agencies. The Federal National Mortgage Association (Fannie Mae), a stockholder-owned and

⁶ This American Life. “The Giant Pool of Money” produced by Chicago Public Media and distributed by Public Radio International on May 9, 2008.

⁷ KC Fung, 02/6/2009, personal interview

⁸ Bethany McLean and Joe Nocera. All the Devils Are Here: The Hidden History of the Financial Crisis. Penguin Group. New York: NY. 2010. Pp. 35.

⁹ Schwartz, Herman M. Subprime Nation: An American power, global, capital, and the housing bubble. Ithaca: Cornell University Press, 2009. Pp. 98

government-sponsored enterprise, lent out a vast amount of money for struggling homeowners. This, coupled with other major private lenders, such as Countrywide Financial, who restructured mortgages to make them more “affordable,” facilitated taking out a loan for anyone interested in owning a home.

Consequently, securitization established a crucial process that altered the banking structure and dramatically increased the use of derivatives, bundling, and other newly created financial mechanisms. The invention of securitization processes and mortgage-backed securities revolutionized the role of banking into “originate to distribute”. That is, a bank originates the loan but distributes the risk of default to investors through mortgage-backed securities and collateral debt obligations. Banks transformed their traditional role as lenders into “servicers” of loans. In this new model, banks function as a branch of bigger financial institutions—they are the face of a really complex system. Hidden from the public eye, financial institutions such as investment banks or hedge funds, are not subject to the same regulations as banks, therefore, have the “flexibility” to develop new mechanisms to manage capital.

For those issuing mortgages, securitization means they are not required to hold loans to maturity in the traditional 30-year period. The loan’s physical statement, the deed of trust, is sold in the market just like any other commodity. Bill Purdy, a local tax lawyer experienced in foreclosures, notes, “[Loans] are bundled and sold like rice. When they started they called this securitization. Those were then bundled, made into securities and sold to Wall Street. So it was said, ‘We need more loans, we need more loans!’ It’s like, ‘Produce more oranges! We need

more pork bellies!''''¹⁰

In an upsurge of unorthodox financial policies financial institutions became interested in developing new methods of securitization, complex derivatives, and other related processes. Mathematicians, theoretical physicists, and other PhD professionals were hired to develop complex models for investment banks and rating agencies. The theory behind their complicated models reasoned in the most unlikely of events five percent of homeowners would default, which in effect followed home loan default rates, according to the rates at the time.¹¹ However, the models did not account for the various fraudulent loans that were offered to homeowners in massive numbers or the targeting of low-income communities with no income to service the loan in the long run.

Mathematicians and physicists were hired to generate complex equations and models to evaluate and assess two main concerns: the mortgage loan business and mortgage backed securities at a national level. These mortgage-backed securities derived their value from mortgage payments and housing prices, enabling financial institutions and investors around the world to buy into the U.S. housing market. Purdy affirmed, "You'd get a home loan and it would get sold three, four times to different people before it went to Wall Street... They would put it [the loan] inside this huge trust with thousands of others and then investors would buy portions of this pool of loans. That's called securitization. The process of doing that made homeownership through lending really a part of the stock market transaction. It was no longer anything people could relate to or even understand."¹²

¹⁰ Bill Purdy, 10/29/2010. Personal interview.

¹¹ KC Fung, 02/06/2009. Personal interview.

¹² Bill Purdy, 10/29/2010. Personal interview.

Along with securities, derivatives are another instrument used to spread risks. At its core, derivatives are the financial mechanism designed to spread the risk of loan default away from the lender and into the hands of multiple investors. Rating agencies classified mortgage-backed securities into different categories according to the quality and the risk associated with the loan and the borrower labeling prime loans—those most likely to be repaid and with the best credit scores—AAA, or subprime loans, CCC—those with the worst credit scores and a high default probability— to be later bundled with other lettered loans.

To spread risks, mortgage backed securities from various geographic locations are bundled. In this process, banks divide mortgages and bundle a portion of the loan into consolidated debt instruments combining multiple mortgages from across the country. In the words of Watsonville City Manager, Carlos Palacios, “[Banks] would divide these mortgages up, so let’s say you had a mortgage of \$600,000 from Watsonville. They would often divide it up into \$100,000 segments and they would put what they would call consolidated debt instruments and they would sell that so they’d take a piece of the Watsonville loan like \$100,000 out of that and combine it with a loan from somebody in Stockton, which was combined with a loan from somebody in Utah, and they would put all that in one bond and then they would sell it. And the idea is that it would reduce the risks because they were taking pieces from all over the country and they thought, ‘Oh, that way the risk is spread around if anyone is foreclosing.’ But in reality it didn’t work, right?”¹³ In this way, the security of investors rests on the theory that if one

¹³ Carlos Palacios 2/9/09. Personal interview.

mortgage defaults the investor would only lose a portion of the loan. However, there is no security when thousands of mortgages default across the continental U.S.

UCSC Economics Professor K.C. Fung offers another way to look at the process of bundling by comparing it to health insurance. He describes how health insurance companies make a profit by, “Bundl[ing] up people who are sick, people who have preconditions, with people who are young and healthy and then together you sell [a] whole package. Then the insurer sometimes will lose by having to pay a lot to people who are sick, really sick, but then there are a whole bunch of people who are healthy.”¹⁴ In mortgage terms, healthy AAA loans were combined with BBB and subprime loans all thrown into the mix. Healthy and risky loans were pulled in and bundled together throughout the entire nation. In the end, the idea was that mortgages were backed by some kind of security and that the houses had some equity in them since real estate prices were so high. This in turn equals having securities backed by assets.

The creation of Adjustable Rate Mortgages, ARM, played a crucial role in increasing the default rate of subprime borrowers. As the name suggests, ARM loans have a variable interest rate. At the beginning the lender offers a low interest rate—a teaser rate—that resets after a trial period. Before 2007, most ARM loans had on average a starting interest rate of 4.25% jumping to 7% after the trial period.¹⁵ To illustrate the importance of ARM loans in subprime lending consider the following: 80% of mortgages issued to subprime borrowers were adjustable rate loans.¹⁶ In an article for Portfolio Magazine on November 2008, Michael Lewis cites the

¹⁴ KC Fung 2/6/09. Personal interview.

¹⁵ Bajaj, Vikas and Ron Nixon. "Re-Refinancing, and Putting Off Mortgage Pain." The New York Times. July 23, 2006.

following numbers, “In 2000, there had been \$130 billion in subprime mortgage lending, with \$55 billion of that repackaged as mortgage bonds. But in 2005, there was \$625 billion in subprime mortgage loans, \$507 billion of which found its way into the mortgage bond.”¹⁷

The fraudulent nature of subprime lending surfaced towards the end of the housing bubble when the industry introduced loans such as the No Income No Asset (NINA) and the Liar Loan. At some point, lenders began making loans without considering whether or not people could repay them. Purdy explains the lender’s mentality, “[They] started making loans based on what this property is worth so that if they don’t pay us [the bank] we’ll just take the property and we’ll get paid that way.”¹⁸ In reality, the industry had moved to equity based lending and the Liar Loan was the perfect example of it. NINA and Liar Loans don’t require the borrower to present any documentation. All you have to do, maintains Purdy, “[is] fill out this little statement saying that you make this much money or you could make this much money. Not that you do, but there’s some potential for you to do that.” This process is called a stated income loan, “Meaning this is what I’m stating my income is and the bank says, ‘Ok,’” Purdy shivers, adding, “It’s like the military. We won’t ask and you won’t tell. If you send that in, they give you a loan because they didn’t really care what’s in there or what not. What mattered to them is they would have that property appraised and make sure that they made a loan that was never more than 80% of the value of the property, so if you didn’t pay, well, they just sell their property and make their money. But that only works until the foreclosures start happening.”¹⁹

¹⁷ Lewis, Michael. "The End." Portfolio Magazine. Nov. 11, 2008. < <http://www.portfolio.com/news-markets/national-news/portfolio/2008/11/11/The-End-of-Wall-Streets-Boom/>>

¹⁸ Bill Purdy 10/29/10. Personal Interview.

¹⁹ Ibid

Chapter 1. ¡Llegaron los embargos!

The Foreclosures Are Here!

One morning in the middle of November of 2007, a letter arrived at 3943 Cabrillo Way²⁰. A three-word message on the surface of the envelope prescribed its contents: Notice of Default. After three years of backbreaking work in construction and twelve hour shifts at the canneries to pay their mortgage on time, the Navarros involuntarily joined the 39,992²¹ foreclosure filings reported in California during that month summing their household to the 405,000²² homes foreclosed nationally by the end of the year.

The number of foreclosed households in Santa Cruz County has been steadily increasing over the past years. The latest available data shows that from 2007 to 2010 about 5000 families entered foreclosure and according to the Santa Cruz Record, a legal publication, 1,500 families received a notice of default in 2011²³. Meanwhile, housing prices dropped 35% between 2006 and 2011²⁴. As a result, the county estimates a total loss of \$26 million in property taxes due to foreclosures. Between January 1st and March 22nd of 2011 lenders in the county originated 330 Notices of Foreclosure.²⁵ The next month 1,984 homes registered in the process of or in foreclosure.²⁶ Following these trends, 1 out of 208 houses were estimated to foreclose in Watsonville throughout 2011.

²⁰ Not the Navarro's real address.

²¹ SocketSite. "RealtyTrac Reports: November 2007 Foreclosure Activity In California." Dic. 19, 2007. <http://www.socketsite.com/archives/2007/12/realtytrac_reports_november_2007_foreclosure_activity_i.html>

²² Christie, Les. "Foreclosures Up 75% in 2007." CNN Money. Jan. 29, 2008. <http://money.cnn.com/2008/01/29/real_estate/foreclosure_filings_2007/index.htm>

²³ Gumz, Jondi. "Santa Cruz County median home price jumps to \$562,500." Santa Cruz Sentinel. Aug. 23, 2012. <http://www.santacruzsentinel.com/localnews/ci_21387359/santa-cruz-county-median-home-price-jumps-562>

²⁴ Dwire, Patrick. "Foreclosure Notice." Santa Cruz Good Times. April 6, 2011. <http://www.goodtimesantacruz.com/good-times-cover-stories/2357-foreclosure-notice.html>

²⁵ Ibid.

²⁶ RealtyTrack.com; entered Friday 22, 2010.

Nationwide, households from all ethnic and racial backgrounds are directly affected by this crisis. However, in California 48% of foreclosures are issued to Latino families, a group that only owns 21% of homes in the state. In Santa Cruz County, 24% of foreclosures are located in the City of Santa Cruz, while Watsonville, a city with a Latino majority, holds 32% of the foreclosed homes in the county.²⁷ The existing gap in foreclosure figures between Latinos and other ethnic, racial, and/or cultural groups begs the question: why are Latinos disproportionately represented in foreclosures in the state and what systems were employed to target them?

The Thesis

This thesis is the result of three years of collaboratively foreclosure research with grassroots organizations in Watsonville, various students groups at UCSC²⁸, and the author's independent research. The analysis discussed here is drawn from ethnographic research in Watsonville at-large consisting of formal and informal interviews, and over fifteen months of participant observation with Grupo de Justicia Social at Casa de la Cultura, a grassroots organization formed to offer foreclosure, modification, and short sale advice to and from community members in the processes of foreclosure, most of them Mexican immigrant families.

The years leading to the financial crisis saw an upsurge in Latino homeownership. The methods used to accomplish this were often corrupt with false promises, lack of transparency, and fraudulent processes involving global hedge funds, international banks with their local

²⁷ Percentages based on foreclosure listing on RealtyTrac.com on April 22, 2011.

²⁸ The author was involved in a group project investigating foreclosures in Watsonville for LALS 126A "Global Capitalism" in the Winter of 2009, as well as co-directing "Un Robo Legal" (Spring 2010), a documentary on the experiences of Mexican immigrant families facing foreclosures in collaboration with Border Stompers, a media organization at UCSC.

counterparts oftentimes in agreement with local loan officials, brokers, real estate agents, and lawyers.

Watsonville offers an interesting case study on the struggle for shelter and the consecutive dispossession of housing by financial institutions after the 2007 crisis. Following a forceful struggle against transnational capital for higher wages from the 1970s to 1990s, well-paid jobs at the canneries allowed Latina/o families to buy houses in Watsonville. These were well-established families in the community that by the late 1990's refinanced their 30-year fixed mortgage. A majority was deceived into signing a negative amortization loan, resulting in foreclosure two decades later. Other families employed in lower wage jobs in the agricultural, construction, and service industries were presented with the opportunity of buying a home for the first time. Given their low-incomes, the families were offered adjustable-rate mortgages with a low initial interest rate, which they could afford. Few understood that ten years later they would only be paying interest rates without covering the principal of the loan. Because they could only afford the lowest payments that never included principal payment, the cost of the house increased with every payment resulting in a vicious cycle that would never end in homeownership. The majority of Watsonville's foreclosed families fit in between a mixture of the two profiles described above.

There have been various quantitative studies reporting the particular economic grievances faced by Latinos undergoing foreclosure in California (Perkins, 2008; Estrada, 2009; Bocian, et al, 2010; Gordon 2010). Given the macro, national, and state approach of the studies, none investigate the discrepancies that exist between various information sources, local non-profit agencies, private businesses – lawyers, real estate, accountants—, and mainstream media, which repeatedly overlooks the confusion and uncertainty lived by these families. The constant state of

disorientation of families develops from the distinctive cultural context held by Mexican immigrants regarding housing, finances, and legal frameworks. Even the most obvious factor, language, is often overlooked when delineating the complexities of a home mortgage. As I later explain, most of the people I interacted with have low English reading levels. When bank letters are sent in Spanish they are written in complex and formal Spanish making them difficult to understand.

There are many incongruities among the information used for governmental policies and experience of Mexican immigrants in regards to housing and foreclosures. The first one is that a home for a Mexican immigrant family is not solely a property or an investment; buying—as opposed to renting—a home signifies a step of stability into American society. To understand these components, I will draw from formal interviews and informal meetings where families alluded to the cultural context of owning a home.

To detail the processes mentioned above, I am mainly concerned with the organization of community members in Watsonville after the financial crisis was clearly underway in early 2008. Under great pressure from financial institutions to service their home loan or face foreclosure community members organized *Comite de Justicia Social*, a space to share their frustration, anger, and coping strategies. Evolving to a space of free-of-charge loan modification consultation, scam prevention, and emotional sharing, this grassroots organization serves as the center of this thesis.

Chapter 2. The Grounded Crisis

In this first section I discuss the contextual information for understanding the unfolding of the crisis in Watsonville with a specific emphasis on the involvement of Mexican immigrants in the housing market. In other words, how was the financial crisis transformed into a housing crisis locally and in what context can we understand this not only as a consequence of the global economic meltdown but also as result of Watsonville's own economic and demographic shifts?

A soft shade of light gray undermines the brightness and warmth radiating from the sun and for a quick minute the sky reflects Watsonville's treasure chest and the strawberry grower's paradise: a temperate weather. At one o'clock the mist has disappeared unveiling Watsonville's cultural heart: the Civic Plaza. Men in their late fifties sit on the wooden benches assembling the perimeter of the park. Indirectly, the older generation gapes into the future as a young couple of Oaxaqueños chase after their five-year-old child. Unwilling to see and admit the growing population of Oaxacan immigrants, the older men joke around claiming Watsonville has become, "Un pequeño Jalisco" [A small Jalisco]. Then, a tall man of mixed background but light skin adds in a prideful tone, "Por aquí puro Michoacano" [Around here we are all from Michoacán].

Even though Watsonville is home to various ethnic backgrounds, the majority of the families interviewed for this research migrated from small towns in the countryside of the Mexican states of Michoacán and Jalisco. Driving through town, one might encounter dozens of delicious restaurants and small markets named after these states: "Taqueria Michoacán" or "Mi pequeño Jalisco," among many others.

The older generation that migrated in the 1970's-80's left Mexico due to the economic crises confronting the country, as well as, the industrialization of agriculture through the "Green Revolution" policies which forced many to move into the cities or immigrate North. Today, the younger generations—the son's of brothers and sisters that stayed in Mexico—migrate to the United States due to the violent war the Mexican President, Felipe Calderon, has declared on the drug cartels; and especially because La Familia, one of the most prominent cartels is located in the Michoacán-Jalisco area.

As a city surrounded by rich agricultural land, Watsonville's main industries are: agriculture, service and construction. For the most part—with the exception of construction—these sectors offer low-paying jobs. At its best, stable agricultural workers earn around \$20,000 a year while service sector jobs usually pay minimum wage. As usual across the cities in the sunshine state, immigrant workers fill the majority of these jobs.

In 2007 the local economy suffered major recessions affecting the construction and service industries the worst. As the men employed in construction saw their paychecks dramatically reduced or cut off completely, the women of the family— the majority employed in the service sector, agriculture, or canneries— were unavoidably asked to step forward. Paycheck in hand, the women's salary alone supported entire households. In this occasion many families were forced to choose between food or mortgage payment. The long journey for many families was barely starting. The dirty secrets hidden somewhere on the fine print of their mortgage contracts quickly crept out to the surface as ARM loans reset to higher interest rates. At this point, there was really not much a family could do or say, technically they had agreed, even if tricked or lied, into this loan. Many revised time and time again the incredibly boring wording of

the loan documents only to discover time and time again the black ink stained at the bottom of page seven, thirteen, and thirty five was linked to their personal bank accounts and no white-out was allowed to correct the contract.

Alongside hundreds of cities across the United States, Watsonville experienced a gruesome intensification of foreclosures starting in 2007. Before the real estate market bubble burst, housing prices ranged anywhere from \$500,000 to \$750,000 for a modest 2-3 bedroom home. Speculation inflated prices as a result of Watsonville's location within the Central Coast; pleasant weather, proximity to the beach and high paying jobs in the Silicon Valley. However, the high cost of living contrasts with the main industries of the county—tourism and agriculture—“which are very service level low-wage jobs,” cites City Manager Carlos Palacios.²⁹

As a city, Watsonville has suffered from a lack of affordable housing predating the massive migration of Mexicans hired as field workers through the Bracero Program in the 1940s. The shift from a predominantly Chinese and Filipino laboring class to Mexican field workers greatly impacted the housing dynamics of the city. First, the immigrant field workers were housed in overcrowded and unsanitary camps outside of the city. Then, Braceros began settling with their families within the city limits facing a huge discrepancy in housing standards due to the racism of the older Anglo inhabitants and a shortage of housing within the city.

Today's foreclosure crisis accentuates the lack of truly affordable housing, which given the county's high living standards is still unreachable by service and agricultural workers. Before the start of the housing bubble, many of these workers rented, shared rooms, or garages in single-

²⁹ Carlos Palacios 10/27/10. Personal Interview.

family homes. Older neighborhoods housed long time residents who worked in those fields and owned their property.³⁰ However, the crisis affected both economically stable immigrant workers and new homebuyers.

The mechanisms used to persuade working class families into buying a home or refinancing their old mortgage are interconnected with their status as Mexican immigrants. As a group, most of the families I interviewed are solely Spanish-speaking with a low level of formal education. Locally, Hispanic or Latina/o real estate agents and mortgage brokers accessed these populations through a system of familial networks or by exploiting the concept of “*confianza*” (literally trust). The following are samples from interviews where families, lawyers, and the non-profit sector describe how families were approached by those selling houses and providing credit; how the loan agreement was explained to them; the lack of appropriate and honest translation of documents; the use of familial networks within the Latina/o population to sell and buy houses and the abuse of “*confianza*” by different actors connected to the market.

An agricultural worker in charge of overseeing strawberry production in Watsonville, Mario Rincon earns around \$2,300 a month during peak season and \$1,700 when harvesting is low. Somehow his wife and he manage to pay a mortgage of \$3,500 a month. Together, they have struggled for more than one year trying to modify the loan.

Sitting on the doorstep of his home I asked him why he bought the house, question to which he responded, “Había una revolución de casas y las casas se estaban vendiendo rapidísimo y de un año a otro las casas valían casi \$100,000. Uno la iba hacer en grande. Ya calificaste y

³⁰ Here I am referring to the families employed in the canneries between the 1970s and the early 1990s, whose working class wages allowed them to buy a house at the time.

tienes tu casa. No miro uno el papeleo y ese fue el problema./There was a housing revolution and houses were hastily sold. From one year to the next houses cost \$100,000 more. You were going to make it big. You qualified and then you have your house. One didn't read the paperwork and that was the problem.”³¹ Acknowledging that he is in part responsible for not carefully reviewing the loan documents he adds, “En ese tiempo los bancos en cierta forma tenian mucha culpa porque no investigaban mucho. En mi caso a mi esposa le pusieron que hasta ella no trabajaba en el field, que ella hacia otra cosa para que se mire mas firme en los papeles./At the time the banks were somewhat heavily responsible because they didn't investigate much. In my case, they wrote that my wife didn't work in the fields that she was employed somewhere else so our paperwork would appear stronger.”³² Whoever financed Don Mario's home lied about his monthly income and his wife's occupation.

Don Mario's case, however, is the standard for a town like Watsonville, where most of the population is employed in the agricultural and service sector. Under normal circumstances these families would probably never qualify for a \$750,000 loan with a \$22,000 yearly income. When Don Mario, and many others, entered the housing market the crisis was soon to explode and the securitization of loans was unfathomable and faintly regulated. At this point, the finance industry's goal was to generate as many loans as possible at any cost. The economic rewards were immediate but the consequences were not yet clear.

Don Ernesto, a retired accountant and now a volunteer home modification counselor, is in constant contact with families who were lied to by real estate agents and mortgage brokers. Reflecting on the many stories he has witnessed, Don Ernesto explained, “La responsabilidad

³¹ Mario Rincon 04/25/2010. Personal Interview.

³² Ibid.

aquí varia. Esta a cargo de los real estate que le dijeron que la persona podía calificar porque digamos al principio pagaban un interés mas bajo y si mientras estaba mas bajo la persona la podía pagar, pero muchas veces no le avisaban que después de 5 años el pago se iba a duplicar, iba tener que pagar un interés mayor, o porque ahora también tenía que pagar el principal—empezaba a pagar la casa—y entonces la gente miraba y decía, ‘a pues con eso yo me la puedo arreglar, nos ajustamos, eliminó gastos de acá y de allá, alquilamos una habitación y vamos a comprar la casa./Here the responsibility varies. On one part, it’s the real state agents who said the person could qualify because, let say that, at the beginning they [the person or family] would pay a low interest and while it remained low the person was able to pay it, but many times the agents didn’t inform them that after five years the payment would double, that they would have to pay a higher interest rate, or that they would start paying the principal balance too (instead of only interests) and really began paying the home. At that moment people thought about it and said, ‘Ah well I can pay that. I will manage, we will adjust [by] cutting expenditures here and there, we’ll rent out a room and we will buy the house.’³³ In this way, families were not informed about the nature of their loan. In fact, many received an ARM loan without knowing it until years later when the interest rate reset.

Don Ernesto continued unraveling the context in which families found out their mortgage payment was now double the original amount because of increasing interest rates. He noted, “Pero [la familia] no se preparo para este gran salto./The family did not prepare for the great jump.”³⁴ Meaning that families were already at their maximum paying capacity with the lower payment—they rented rooms in their house and more than one person contributed to the

³³ Don Ernesto Muñoz 10/21/10. Personal Interview.

³⁴ Ibid.

mortgage payments. When the loan reset, families had to decide between eating and paying their mortgage.

Don Ernesto is not clear as to who's responsible for generating these fraudulent loans, but it is obvious to him that the families were tricked and misled to sign a document without the proper explanation and that there is someone benefiting from this transaction. Speaking of another case, he said, "Yo tengo un [cliente] que me dijo, 'Si. Yo me entere que el real estate...puso que [la persona] hacia \$120,000 al año!/I had a client who told me, "Yes. I found out the real estate agent... wrote [the person] had a salary of \$120,000 a year!"³⁵ However, the man's income was only \$20,000 a year. Don Ernesto ended, "Pudo haber sido el real estate, pudo haber sido el mismo comprador, pudo haber sido el broker que es el que consigue el préstamo que cambia los números, o pudo haber sido el banco./It could have been the real estate agent, could have been the buyer, could have been the broker who secures the loan that changed the numbers, or it could have been the bank."³⁶

The process of originating loans in Watsonville was for all of the families I interviewed fraudulent. In the end, the forgeries and falsifications surfaced causing many families to default on their mortgage payments. A principal cause of this was the language difference due to their limited English skills. Families trusted someone to help them with the paperwork they themselves were unable to read or understand. Don Mario who is a monolingual Spanish speaker asserted, "Uno no ve, todos los papeles están en Ingles ¿Te imaginas para ver hoja por hoja y todos los términos que hay en los contratos y todo eso?/One doesn't read, all the documents are in English. Can you imagine reading page by page all those terms in the contract

³⁵ Ibid.

³⁶ Ibid.

and all that?”³⁷ Then he adds, “Es bien difícil. Así que en esa forma ellos hacen las cosas a su manera./It’s very difficult. In this manner they do things their way.”³⁸ In this last statement, Don Mario was referring to mortgage brokers and their sponsors, the banks. He relates the painful truth. In between pages and pages of fine print the banks are able to manipulate or change whatever verbal agreement was first settled.

Language formed a huge barrier for immigrant homebuyers in reading and reckoning the complexity of their loan agreement. On the other hand, language and lack of proper translation were ways in which private market forces were legally allowed to ascribe a misrepresentation of the product, that is, of the loan. I say this mechanism was legal because financial institutions are not forced to present the client Spanish translations as these services are considered a bonus.

Sitting outside his peach-like color house, I ask Don Mario if they offered the loan forms in Spanish. “No” is his answer. In my mind this didn’t make sense, since Mario does not speak English. I ask him if there was someone to translate the paperwork. “Ellos te traducen, pero nomás los documentos mas usuales, por ejemplo los documentos que se mandan al condado y cosas así. Yo se que es imposible. A lo mejor se los pidiera uno y yo no lo he hecho y no he oído que alguien lo ha hecho porque es tiempo que ellos pierden./They translate, but only the most notorious documents, for example the documents sent to the county and that sort. I know it’s impossible [to translate every document]. Maybe if one would ask, but I have not asked and I have not heard of anyone who has either because it’s time that they loose.”³⁹

³⁷ Mario Rincon 4/25/10. Personal Interview.

³⁸ Ibid.

³⁹ Ibid.

Don Mario regrets not asking for a second opinion before signing the loan. “Lo que me pregunto yo que porque no fui con otra persona para que revisara todos los documentos/What I ask myself is why I did not consult with someone else to revise all the documents,” he said, adding, “A lo mejor si hubiera tenido esa precaución yo no hubiera tenido esta casa. Porque yo hubiera encontrado trampas y los fraudes/Maybe if I would had have that precaution I would not have this house because I would have found the frauds and errors.”⁴⁰ Feeling cheated, Don Mario observes that a second opinion would have sufficed to prevent him from buying the house. However, the language used in these documents is even hard for a lawyer to understand, as tax attorney Bill Purdy explained later on. Continuing our conversation, Mario noted, “No miramos eso porque no tenemos la necesidad, y se nos hizo fácil aceptar./We didn’t read carefully because didn’t have the necessity and we found it easy to accept.”⁴¹ Mario, and many other families, had a need for housing and it was verbally offered under terms that were at the time seemingly favorable to him, so he accepted.

Even the breakdown of the loan was not explained. Mario, like all of the other families I worked with, were given two loans. The two loans were repeatedly explained to me by families as “el préstamo grande y el prestamos chico/the big loan and the small loan.” The big loan (80%) usually had a standard interest rate while the little loan (20%) had a ridiculously high interest rate. The average I saw for the little loan was 10-15%, sometimes as high as 25%.

Still not understanding why the bank broke down the loans into 20%-80%, I asked Don Mario. He answered, “Los bancos trabajan así y como las casa están muy caras supuestamente un banco no te puede dar un préstamo así por eso te dan una línea de crédito y el otro es el

⁴⁰ Ibid.

⁴¹ Ibid.

principal. Hay veces que participa otro banco, a veces el mismo banco te financia. Por lo regular casi siempre son dos bancos, en mi caso nomás es un banco en el de América (Bank of America)./Banks work in this manner and because the houses were too expensive presumably the banks can't give you a loan that why they open a line of credit and the other is the principal. Sometimes another bank participates as well. Other times the same bank finances it all. Regularly it's two banks, in my case it's just one bank—Bank of America.”⁴² Later on I consulted Ana Reynoso from Neighborhood Housing Services in San Jose, Ca, a metropolitan city an hour northeast of Watsonville. According to Ana, if you look at the history of the mortgage lending industry homebuyers started with 30% as the initial down payment. Following this, banks developed a mortgage insurance to protect them from high-risk homeowners in case of a default or missed payment. The homeowner is responsible for paying this insurance. However, Ana clarified, “What we are seeing that's happening is that people did this two loan thing because if you did not come up with 20% down [payment] into your mortgage you had to pay this thing called mortgage insurance, also known as PMI. That could be an extra hundred a month that people didn't want to pay. So people got creative and made this 80/20 loans, meaning we'll do a first loan that is 80% because that way you have to pay PMI and we'll get the second one that is 20% and call that your down payment.”⁴³

Up to this point I've discussed the use of lies or lack of explanations to sell houses and what rationale homebuyers utilize to explain or justify this. These lies were enabled through language and the targeting and manipulation of a population that are monolingual Spanish speakers. These two, combined with the opportunity families saw when credit was finally

⁴² Ibid.

⁴³ Ana Reynoso 10/29/10. Personal Interview.

extended to them point to the first factors that help explain the foreclosure crisis at a local level as immigrant families experienced their initiation into the housing market.

Next I want to describe two aspects that are crucial to understand how the foreclosure crisis in Watsonville is particular to Mexican immigrants: familial networks and the concept of *confianza*.

Throughout the housing bubble immigrant families shared advice on financing a house. By word of mouth, families suggested other friends and family members to go to a certain real estate agent or mortgage broker that was somehow related to them. That is, if a nephew had started working at a real estate office the family consulted and worked with him or her on obtaining a house transforming the traditional custom of *confianza* into a networking strategy. By consulting a trusted family member of a relative or friend, the person interested in buying a house felt in *confianza* through a language, regional, or cultural connection.

Marco Torrez is a private modification counselor. After long months of feeling frustrated with the bank's unwillingness to modify thousands of incoming loans, Marco quit his job at a bank's modification office and now works at a real estate office in Watsonville. As such, he constantly hears the stories of how working class families ended up with huge loans they could never service with their low income. He explained the way familial networks were established. According to him, families would say, "Hey my nephew's cousin got me this loan, he can get you a loan too. Come with me, he'll make it happen. 'I don't have a social [security number]' it's

no problem, he'll make it happen. And then they did. They got loans and everyone feel together.”⁴⁴

The rationale at the time encouraged families to compare paying rent to servicing a loan. In Watsonville, people were approached by a family member or friend who explained that they had gotten a loan and were paying less than the cost of rent. Most of these families were not aware their loan would soon reset. Nevertheless, well intentioned persons saw how they were personally benefiting from buying a house instead of renting and looking after other family members passed on the advice. Marco illustrated this point, “During the boom everyone said, ‘Why are you paying rent when you can buy a house? I can get you this house and your payment will be \$1,000.’ And in fact, the payment ended being a lot more.”⁴⁵

Yolanda and Lauro Navarro, the couple that organized the group at Casa de la Cultura, have at this point been foreclosed; however, they are fighting till the last minute to keep their home by appealing their case to a state court. In an interview on May 2010, Yolanda clearly outlined the concept of *confianza*, a cultural value they themselves employ in their organizing principles. After describing her experience dealing with the banks and realizing the fraud engrained in her loan she softly reflected, “Pienso que mas que nada como nuestra cultura nosotros confiamos en la gente porque nosotros no somos capaces de hacer eso. Yo puedo decir de Lauro que el no es capaz de hacerle un mal a otra persona. Yo creo que como cultura no creemos que otros nos van hacer algo que nosotros no vamos hacer...Entonces ellos tomaron ventaja de eso, de la confianza y de nuestra cultura que confiamos en la gente./Most of all in our culture we trust people because we are not capable of doing that [cheating other people]. I can

⁴⁴ Marco Torres 11/2/2010. Personal Interview.

⁴⁵ Ibid.

say that Lauro is not capable of doing wrong to another person. I believe that as a culture we don't believe that others will do unto us what we would not do [unto them]... Then they took advantage of that, of trust and our culture of *confianza*.”⁴⁶

The concept of *confianza* interrelates with the formation of social networks used by many of the families interviewed. In the context of the participants in Comité de Justicia the concept was socially enacted and understood through their religious background. Nevertheless, *confianza* was co-opted by Latinos that understood the cultural and religious character of *confianza* and manipulated it to avoid clarifying the complete dimensions of the loan agreements and defraud homebuyers into signing loans without explanation of the details behind the interest rate or negative amortization principle.

⁴⁶ Yolanda Navarro 5/1/2010. Personal Interview.

Shooting Fish In a Barrel

“You probably never shot fish in a barrel but if you put fish in a barrel and shoot at them they don’t have anywhere to go. It’s easy.”

-Bill Purdy

The first time I saw Bill Purdy I could not help thinking how ridiculous he looked. It was a Thursday night at Casa de la Cultura and he was scheduled to give a presentation on the foreclosure process. Dressed as a cheap cowboy and speaking very gringo Spanish he admitted that was not how he usually dressed. Of course not, I thought to myself, you’re a lawyer and charge \$450 an hour. That was probably his Halloween costume. Nevertheless, Bill Purdy is an extremely passionate lawyer who after hearing the same case of abuse and fraud from his Hispanic (he’s favorite term for Latina/os) clients, became active in informing the community about the foreclosure process and its alternatives.

Bill explained how fraudulent practices were implemented and operated to the obscene extreme in the Hispanic community. “I have had 200 hundred people sitting in your chair saying things like, ‘I can’t understand it, he was one of us!’ Supposedly it means good Mexicans do not screw over other Mexicans, or Hispanics don’t do that. And I said to them, ‘what you needed was a gringo because the people you trusted cut your throat!’ And I probably heard that at least people said, ‘Well, he said he was from my village.’ And I go like, that guy is not from your village! He is probably from Tijuana if he’s from anywhere, but he is definitively not from your village.”⁴⁷ Being from Tijuana myself, I personally did not appreciate the comment. However, he moved on to explain, “Time and time again you look at the bottom and whoever it is that did that loan that filled out their loan application was Hispanic. Every single time! Every single time!

⁴⁷ Bill Purdy 10/29/10. Personal Interview.

Every single time,⁴⁸ he repeats overcome by a raging feeling that turns his courteous semblance into a menacing expression.

Bill Purdy grows increasingly emotional as our conversation progresses. “You find that there’d be an \$80,000 bank account listed on their financial statement and I ask, ‘Do you have a bank account with \$80,000?’ And they go, ‘Do we? Do we have that?’ ‘Well, that’s what it says here in your thing [loan document]’ ‘Well I didn’t know that!’ ‘Do you have that?’ ‘Well, I don’t think so.’ They put that in! His broker put that in saying that they had phony bank accounts, phony assets they don’t have, income they don’t have, employers they don’t have.” He immediately turns to describe how real estate and mortgage brokers took advantage of language. “In the Hispanic community where you had people that didn’t speak English you could give them a loan application and say, ‘Firme [sign] at the bottom.’ They couldn’t read it or understand what it was anyway! They said everything will be fine, this is the way you do it, and so they did it. And so in that community the focusing of all those types of abuses was focused absolutely to the maximum.”⁴⁹

However, Bill Purdy clarified that these abuses were not particular to the Hispanic community and to low-income immigrants. “I don’t want you to think that’s the only area [Watsonville] where it occurred, but in that area what they found was that there were a lot of Hispanics that worked really hard to get loans and they had low interest rate, 30 year mortgages they could perfectly afford. ‘We’ll lower your payment for you. You’re paying \$2,500 now. I can lower your payment to \$1,000 a month!’ ‘Oh, lower payments!’ But when you get that lower payment with a negatively amortizing loan, each month that you make the \$1,000 payment

⁴⁸ Ibid.

⁴⁹ Ibid.

you're not paying all the interest so that loan was getting bigger. They never told them that!"⁵⁰

To assure me that he was not lying he added, "That I believe because they come to me. 'They told me it was 30 year fixed and this was my payment!' And they couldn't read those documents. I can barely read it and I know what I'm doing! This is just like shooting fish in a barrel. You probably never shot fish in a barrel but if you put fish in a barrel and shoot at them they don't have anywhere to go. It's easy!"⁵¹

Purdy carried on, "So if you have English as a second language or English not at all you had no hope, you had no chance! And so they could line these people up. Some of these brokers made \$250,000-\$300,000 a month! I don't know why anyone would think about selling drugs. I don't see any reason to do that as long as you didn't mind slitting the throat of your neighbors. You could see when you went into certain neighborhoods in Watsonville and Salinas the entire population, they just got them. One way or another. Sooner or later. They got them all! Because they told their friends, 'Hey I lowered my payments you can lower your payments too!' By the time they figured out what they meant they got them all."⁵² At the end of the interview, Purdy's eyes were tainted red, tears rolling down his cheeks, his gaze fixed on the documents in his left hand with a sense of exasperation and frustration built up from the past couple of years.

To summarize this chapter, I've discussed how the Mexican immigrant families were integral to the financial crisis by sharing key dialogues from interviews with families, non-profit agencies, a home counselor and a lawyer. In other words, by examining and outlining the local context of foreclosures I described how families in Watsonville were drawn into faulty loans by

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

mortgage brokers through the exploitation of certain characteristics particular to Mexican immigrants: language, low formal education levels, and cultural understanding of *confianza*.

Chapter 3. Comite de Justicia & Casa de la Cultura

“Esta casa es el patrimonio de mi familia, de mis hijos./This is the patrimony of my family, of my children,” says Lauro Navarro, his voice breaking down at the mere thought that his dream will soon be foreclosed.⁵³ A tear swiftly travels down Yolanda Navarro’s cheek, she doesn’t look at me, instead she is holding Lauro’s hand staring intensely at his eyes. For the past three years, Lauro and Yolanda have been battling the bank for deceitful practices that are leading to their foreclosure. Embarking on bankruptcy two times, hiring multiple lawyers, arguing in local courts, and receiving letters in support from Congressman Sam Farr, the Navarros have fought tirelessly with whatever resources they could assemble in their crusade to keep the house.

The third Sunday of January 2010 we schedule our first meeting. A week before, Professor Borrego—the Navarro’s longtime friend—approached me with the news that a couple friends were organizing a group of families confronting foreclosure to collectively sue the banks. Withholding the details of such an immense project, Borrego passed me Yolanda’s phone number.

A brief introduction over the phone leads to our first meeting. “Nos vemos el próximo domingo./We’ll see you next Sunday,” Yolanda assures me, “Y hasta desayunamos juntos./We can even have breakfast together.” On that day, I sit on the 71 bus to Watsonville. Upon arriving to the metro station I hire a taxi to Yolanda’s house. She mentioned her house was on the outskirts of Watsonville, but where exactly, I had no idea. The yellow cab drives through Main

⁵³ Lauro Navarro 5/1/2010. Personal Interview.

Street, passing the Pajaro River into Highway 1 South. We turn left in the middle of strawberry fields and head for the hills. The taxi driver and I engage in a conversation on the financial crisis. He argues the markets collapsed but the money couldn't just disappear. "Where is all that money?" he asks deeply confused, "The government still has it, but will not tell us that." After a couple of minutes on a windy road the driver finally announces we have arrived to our destination.

A modern house, bigger than I imagined, sits in front of me. A substantial piece of land surrounds the house and four cars are parked outside. How much could they really be struggling, I thought to myself, if they afforded a house and plot of land this big? Reading the confusion in my face, the taxi driver who seems to know the Navarros, assures me this is the right house. Dismissing the internal questions rumbling in my mind I pay the taxi driver \$15. I head towards the door, "Knock knock." I hear various voices muffling inside before perceiving footsteps towards the door.

"Hola, mucho gusto, yo soy Ale. Hablamos por telefono./Hello, nice to meet you, I am Ale. We spoke on the phone." I do my best attempt to smile. "Hola mucho gusto Ale. Yo soy Yolanda, te estamos esperando. Pasale, estamos desayunando./Nice to meet you Ale. I'm Yolanda, we are waiting for you. Come in, we are having breakfast." We walk into a hallway leading us to the kitchen table. Lauro is sitting in the table sipping coffee. "Mucho gusto, Ale," I say in my least nervous voice. "Ale, mucho gusto, Lauro. Nos hubieras llamado y nosotros íbamos por ti./Ale, glad to meet you, Lauro. You shouldn't have called us and we would have picked you up."

After a few minutes of introductory remarks, we all sit down around the table surrounded by a portrait of La Virge de Guadalupe, a Mexican market calendar, boxes, and a baby's walker. Lauro offers me coffee and pancakes while Yolanda relates the story of their home. Asking where I'm from, I respond my usual answer. From a lot of places, but I grew up in Tijuana but my family moved to a small border town in Sonora. With a surprised face, Lauro shares he's been to Tijuana and Mexicali in the past, two border towns home to my extended family.

Leaving our personal details behind, the conversation shifts to my research and academic connection with Professor Borrego. At this point I'm aware they are facing foreclosure. I do my best to share the information gathered on mortgage lending and how it led to the financial crisis. I want them to know how unjust it is for them to be undergoing foreclosure by explaining the structural scheme of finance and housing. Somehow I feel like I'm doing a presentation for a university class and I start confusing myself with the complicated terms I use. I describe mortgage bundling, securities, and derivatives explaining how the banks created horrible loans with high interest rates and how much international investors benefitted from them. After twenty minutes of talking and talking I finally shut up. Lauro sizes my silence as an opportunity to explain how the banks manufactured risky loans to target specific people, many of them monolingual Spanish speakers with very little formal education, transforming and grounding my analysis to concrete experiences lived in Watsonville.

“Ale, en esta mesa hemos escuchado de todo! De todo! Todo esto no fue nada mas que un fraude, y nosotros somos los que tenemos que pagar./Ale, in this kitchen table we have heard everything! Everything! All of this was nothing but a fraud and we are the ones who have to pay

for it.” Yolanda and Lauro continue sharing stories of the cases they’ve heard. At this point I realize I’m making a fool of myself by trying to indoctrinate them. I studied all of this, but they were living it. If someone in the room needed to listen and learn, it was me.

After two pancakes and three cups of coffee, our first meeting is coming to an end. Before I leave, Lauro mentions the idea of organizing a collective lawsuit against the banks. Describing her frustrations with the banks, Yolanda, full of hope, adds her view of what a collective lawsuit could look like. For the Navarros, it is their right to sue the banks for the fraud that is consuming families with pain and anxiety. It is time for the banks to be held accountable for *los platos rotos* [broken plates] of the foreclosure crisis. We end our conversation agreeing to meet again next Sunday and promising to invite more community members interested in joining the collective lawsuit.

At ten o’clock next Sunday, I knock on their door once again. I walk in and a woman in her thirties is already sitting on the kitchen table drinking coffee. After my usual introduction—“Hello, nice to meet you. I’m a student at UCSC and I’ve been doing research on foreclosures”—the lady shares her bit, “I’m a teacher here in Watsonville. Like Yolanda and Lauro, I’m also facing foreclosure.” As our conversation evolves and more voices fill the room, a penetrating smell of coffee surrounds the table. Fifteen minutes pass by before the next “knock knock” is heard on the side door. A short light skinned woman and a slightly taller dark man, both in their forties, walk in with the smile usual of Sunday mornings. No more than seven people sit around the unstable light brown kitchen table. In between commentaries on the injustices they themselves were facing in regards to their mortgage contract, Yolanda’s teenager girl runs into

the room chasing her baby nephew. Ignoring the high pitch laughter and the running steps resonating on the second floor, the people present make plans to hold a general meeting putting a call out to the community at large to join and participate in this collective process. After a quick review of a page with annotated scribbles some might refer to in other times and places as an agenda, the group reaches a general consensus for general meeting to be held at Taller de Ciencias on Second Street in three weeks.

Meanwhile, Lauro, Yolanda, and I keep meeting every Sunday. In between coffee shops and their home kitchen I learned their story. I quickly memorized Yolanda's sweet dark eyes and the radiant glow on her face when talking about her experience coming to Watsonville from a town far away from this land in the Mexican state of Guanajuato. Before I knew it, I recognized the frowning of the eyebrows every time Lauro passionately reenacted the 1970's cannery strikes. Slowly, I started appreciating Watsonville's history through their eyes. I began understanding their passion for helping out other families facing foreclosures in the community. Their knowledge of the events unfolding in Watsonville stemmed from a long history of struggle against evolving stages of capitalism—including the flight of industries to Mexico—not particular to the Navarros, but to the Watsonville community as a whole.

After our meetings, the Navarros usually offered to drive me back to Santa Cruz. Twenty-something long miles in which I could not help but feel guilty for perhaps abusing our relationship since they were the ones struggling in bankruptcy, but they were kind enough to spend a few extra dollars on gas to drive me home. In between the twenty miles separating the two cities, they shared stories from when Luis Alejo (now a California State Assemblymember

representing the 28th district) was a young teenager starting the Brown Berrets. “Me pedia la oficina de la union de campesinos (UFW), y pues como yo sabia que era un buen muchacho se la prestaba, pero nadie sabia asi que hacian las juntas ya en la noche./He would ask to use the UFW's office, and because I knew he was a good boy I would let him use it, but no one else knew so he would have the meeting at night,” Lauro would tell me. I also learned about the internal struggles within the organizing efforts during the cannery strikes, the conflicts between the women, and the making of Jon Silver’s documentary, “Watsonville on Strike.”

At the age of 17, Lauro immigrated to the United States from a little town in Jalisco, Mexico. Growing up close to the Catholic Church, Lauro was raised with the doctrine of liberation theology which would transcend borderlines influencing his worldview and commitment to social justice. Upon arriving to Watsonville, Lauro started working on the strawberry fields and later became involved with the UFW. At the outbreak of the cannery strikes he formed part of the organizing and planning of the events. Repeatedly he shared stories of Berkeley and UCSC students who drove down to Watsonville in support of the cannery strikes and participated in civil disobedience acts. With glittering eyes and a passionate frown, he stated multiple times, “Ale, los estudiantes venian desde Berkeley! ¿Ahora donde están los estudiantes? Necesitamos un movimiento social y los estudiantes siempre han sido la chispa que enciende la flama./Ale, students would drive down from Berkeley! Where are the students now? We need a social movement and students have always been the spark that ignites the flame.”

Growing up in an impoverished town in the Mexican countryside of Guanajuato, Yolanda migrated North in the 1970s. At the time she was a young, beautiful morena with small black

eyes, the kind that inspire trust, who arrived to a small Watsonville in the middle of apple orchards and with a predominant white majority. She moved to Watsonville, and the cool wind, cloudy sky, and a growing Mexican population did not leave time to miss her precious Guanajuato. After arriving, she married Lauro and together raised five children.

Their limited experience with formal education—Yolanda attended school until the third grade while Lauro holds a GED—does not define their commitment to social justice. Witnessing struggles in their community and globally—capital flight, NAFTA, at-large elections—and their own affirmation in the Catholic Church deeply influence their politics. By the time foreclosures became a predominant issue in the community, organizing families was not an abstract idea, rather, it became a calling.

In the middle of 2009, the Navarros and many close friends members of Iglesia de la Asunción were undergoing foreclosure. All kept private and silent their situation due to the shame and social stigma vested in people facing foreclosure. This view was promoted by mainstream media which portrayed them as irresponsible buyers and the driving cause for the financial crisis. Silence, then, was preferred by families in Watsonville even though a large number of families at Iglesia de la Asunción were losing their house. Eventually the Navarros heard news of fellow friends undergoing foreclosure by word of mouth, not always directly from the affected family. Personally living the familiar tension and financial stress arriving with a foreclosure notice, Lauro and Yolanda agreed to organize a meeting for couples to share their stories and experiences with foreclosures. The Navarros announced the meeting at Sunday mass. The next week, more than thirty church members joined Lauro and Yolanda in an emotional

encounter where even the most macho of the husbands shed tears admitting this was the first time they had told anybody about their situation. For the first time, couples broke the silence withheld for months sharing the pain and frustration bottled up due to their inability to service their mortgage payments.

Following this meeting other church members started approaching Yolanda and Lauro with their own foreclosure horror stories. On one occasion an undocumented woman, a farmworker, shared her story. A lawyer charged her \$25,000 promising to save her house from foreclosure. Desperate to keep her home, the woman raised money by borrowing from family members and friends. The lawyer, who after cashing the check did not move a finger to aid her case, threatened to deport her if she sought help from anybody else. In another instance, a woman went up to Yolanda and Lauro with her own heartbreaking story. In between sobs and a pool of tears, the woman explained she was facing foreclosure. At this point Yolanda and Lauro were not surprised at all. The lady carried on with her story. Unable to deal with the pressure of foreclosure her husband fled to Mexico abandoning the family and leaving her alone with the problem. What is more, the woman was diagnosed with cancer. She was promised cash-for-keys and after a rigorous cleaning of her house the bank refused to grant the promised money. Furthermore, no rentals were willing to take her in with her daughter and baby, and two cats. Another story, more common amongst the people of Watsonville, is a family who dutifully paid their mortgage on time for eight years, however, still owned the same amount in the balance payment. Paying interest only without being fully aware of it, the family had only paid off \$15 of their total debt. I met the family and the dad showed me the documents; for five years the couple

had sacrificed the majority of their total monthly income to pay \$3,300 a month for a house they would never own. At the time the man was employed as an agricultural worker and the woman was a cashier at a Mexican food restaurant.

Out of the first meeting emerged the idea of forming a group that would meet regularly and would serve as a space for sharing the emotional difficulties of a foreclosure, as well as, organizing documents to apply for a modification. Since that day every Thursday night at 6 PM the group comes together at Casa de la Cultura armed with their own experience and a wider understanding of bankruptcy law, short sales, and foreclosure after having consulted so many lawyers and non-profits.

The main people involved are not trained activist. As they say, they learn as they go. Because they're the most constant members, Yolanda, Lauro, Mario, Gilberto, Raul, Lorena and Don Ernesto are the main people discussed in this thesis. Other ones who were more active before my introduction to the group, like Mary, attend meetings more sparingly but still form part of the "Comite de Justicia" network. For security and privacy purposes the names of some of the members are undisclosed or changed.

Tired of renting for most of his life here in the United States, Don Mario bought his house seven years ago. With a glorious smile he signed the deal that would house his family for the upcoming years. He decided on buying a house to invest in something that his children would eventually benefit from. As a *mayordomo* for a company that grows strawberries in Watsonville, Don Mario earns a salary of less than \$20,000 a year. The tag price of his house was \$700,000,

but he bargained a discount of \$25,000 for the repairs that were needed. Being a handyman due to necessity, he figured he could save that money to do the repairs himself. After his loan reset, he was no longer able to finance his mortgages. Early on he entered the struggle at "Comite de Justicia" to learn more about loan modification processes.

Don Gilberto is a medium stature, tanned, black-eyed man, who often wears a smiling stare and a humble smile. With a modest income of a construction worker, Don Gilberto, a father of three children—two girls and a boy—bought a house for his family. When the construction industry slowed down due to the financial crisis he was laid off. Neither his wife's salary nor his were enough to service the mortgage payments. At a point, all of his family's total income was spent on the mortgage. The bank pegged his wages directly from his paychecks, leaving him and his family with an empty fridge for the month. Tired of working overtime to pay the mortgage and being left with very little for food, Gilberto and his wife started fighting among themselves due to the pressure from the banks and the emanate threat of foreclosure. Eventually, because of the tension in their marriage his wife walked out leaving him alone to take care of the house and the family. Gilberto is now struggling to receive a modification from the banks.

Don Ernesto is a retired accountant. Invited to the initial meeting at Taller de Ciencias he witnessed the distress and frustration families undergoing foreclosure held against the banks. He then volunteered to become a modification counselor and Citizens Organized for Relational Power in Action, COPA, financed his training with U.S. Department of Housing and Urban Development, HUD, to become a certified modification counselor. In January 20th 2011, he stated that up to that point he had helped 27 families obtain a final modification, 20 were in the

trial period. With 120 modification started, his success rate is of 35%, above the average of regional and national non-profits.

Don Ramon is a real estate agent that now and then participates at the Thursday night meetings. As a graduate from San Jose State University and native to Watsonville, he started his own real estate company. After seeing how banks preyed on people he started volunteering with the group offering his services as a real state agent and advising on short sales.

Most of the members involved are men. Women sometimes accompany their husbands, but very seldom do women show up alone. There are many reasons for this. Most men feel providing shelter for their family is their responsibility, so they are in charge of dealing with the banks. Another reason is that in a lot of the families women are employed while the men are not, so the responsibility of attending the meeting falls on the men. Alicia's husband, Jose, is a clear example of that. On an interview in January 20th, Alicia stated that she was too tired from work to go to the meetings. As I was explaining the different modification programs I asked her if Jose had described them to her. She said he hadn't. We did not discuss the reasons for this, but I can imagine that after waking up, lunching, and dinning with housing problems all day events related to foreclosures were the last thing they wanted to talk about.

On a regular night twelve participants sit on metal chairs gathered in a circle. During the first hour, the members share personal struggles with foreclosures or applying for a modification. In the second hour the group breaks up into smaller groups. On a collaborative effort, members or volunteers that know the modification process revise documents with other members in the process of applying. However, as the members became more constant, the meetings slowly

evolved to discussing scams and updating personal cases. Many times Don Ernesto informs the group on regional or national events related to foreclosures and the discussion will tend to be about politics and political strategies that organizations around the country are embarking on.

“Hagale la lucha y tenga fe,/Don’t give up and have faith,” members advice newcomers. First comers arrive to the meeting from an extremely isolated experience dealing with foreclosures. When sharing their stories, they often blame themselves and many times deny being scammed. As the personal story progresses regular members starting nodding their head in acknowledgment of the difficult and often treacherous road of trying to rescue a home, reaffirming the newcomer’s struggles and pitfalls. Many times new people are in denial staunchly believing that paying \$5,000 to a “modification specialist”—99% of the times a scammer—will halt the foreclosure process. With the patience of someone who once walked through the same dark hallways, the participants listen how the newcomer hired a specialist who promised a modification forbidding them to call the banks themselves. “Claro, porque si le hablaste se entera que no han hecho nada./Of course, because if you call them yourself, you’ll find out they haven’t done anything,” Don Ernesto repeatedly adds. The group, then, has to assure the newcomer they’ve partaken in a scam, just as all of them have in the past. More than often, the person will respond in an alarmed manner, refusing the advice. After reviewing their case many times and hearing the testimony of the others present, the newcomer is more receptive to advice and help. In the end, Don Ernesto will add, “Para poder ayudarlo necesito mas información, haga un cita con mi asistente./To better help you I need more information. Make an appointment with my assistant.” Breaking the tension and emotional stress of the session, someone adds in a

commical manner, “Nomas le cobra dos mil dolares/He only charges two thousand dollars,” which is the starting price of anti-foreclosure “professionals”. After a group laugh someone will finally comment, “No lo espantes, no es cierto./Don’t scare them, it is not true.”

Even though the members have heard a great number of scam stories, it is hard for them to identify real help from a scam. For this reason, before paying a lawyer or a real estate agent guaranteeing help, the members consult Don Ernesto who will surely add, “Claro, yo lo entrevisto. Pero traerlo aca no porque les habla bonito, los entusiasma y luego van ustedes con el./Of course, I will interview them. But don’t bring them into the group because they will sweet talk you and then you will want to go with them.” Repeatedly members hear stories of modification miracle workers and suggest inviting them to present at the Thursday night meetings, an action Don Ernesto is stubbornly against. “Aca se viene a aprender y compartir historias./Here we come to learn and share from our stories,” Don Ernesto repeatedly states, “No se viene a vender./We don’t come here to sell.”

It’s four o’clock in the morning and Don Wally wakes up covered in cold sweat, his eyebrows twitching from what appears to be a bad dream. Earlier that day he received a letter from what used to be Wachovia, now Wells Fargo, stamped on red crude letters. Not understanding the message impressed on the outside of the envelope’s white surface, he placed it on top of the crooked kitchen table dismissing the contents of this pivotal letter.

Don Wally sits on the red plastic couch a few meters behind the slanting brown kitchen table failing to shrug off the feeling of impotence delivered by the red letters of the white envelope.

His mind erupts into a maze of infinite unanswerable questions and a fear of the unknown—of the uncertain future of his house—welcomes a sour feeling of anxiety.

Spanish is Don Wally's first language and Mexico his home country. From childhood he worked in agriculture. But migrating North, finding a lovely partner, raising a large family left him no time to continue his education since stopping in second grade. Feeling the frustration of not comprehending the red letters painting the contour of the envelope, Don Wally opts to throw it away. Walking out of the warm kitchen, he stops for a brief second before the black trashcan to discard the cause of his grief. A sight of relief and he moves on with his day.

However, a trace of worry remains. Looking through his ragged black wallet, Don Wally spots Lauro's phone number.

“¿Como que tiro la carta Don Wally?!/What do you mean you threw away the letter Don Wally?!” asks Lauro in a tone of cynical skepticism, sort of laughing to himself because this is not the first time he hears this story or that Don Wally calls him in an act of desperations due to red letters.

“Si, pues. Ya saves, si no la abro es como si no la lei./Yeah well, you know if I don't open it, it's like I never read it,” assures Don Wally.

“No Don Wally! Asi no funciona aqui. Desde el momento en el que el banco le manda ese carta ya es como si usted la alla recibido./No Don Wally! That's not how it works here. From the moment the bank send the letter it is assumed you received it!”

“Oh, pues. Yo pensaba que me podia librar de esta como ni se que dice la carta pues major la tiro, ¿no?/Oh, well. I thought I could walk away from this one since I don't even

understand what the letter is reporting I rather just throw it away, no?” responds Don Wally, half joking half serious.

Don Wally, just like the majority of the participants at “Comite de Justicia,” is disoriented by bank mail. Also like the majority of the members, he associates throwing away the mail unopened with legal protection.⁵⁴

Central to understanding the affects and internalization of foreclosures by Mexican immigrants is the legal framework they are familiar with (Mexico) compared to the one they are unacquainted with (U.S.). Given that most families are more or less informed of the general structure of the U.S. legal system it is interesting to note how they function with the ideas of the “legal” that exist in Mexico.

For example, regarding mailed letters from the banks, families would rather rip them up and toss them into the trashcan unopened than reading them. They conclude “If I throw the letter away then the bank can’t really say anything because I never knew this was mailed to me.” Or, “Si no la abri, nada pasa aqui./If I don’t open it nothing happens.” This is both a mechanism of coping with foreclosure and protecting themselves against foreclosure. Tossing away unopened bank mail is terribly common among immigrant families.

When a new member confesses not opening a letter from the bank, the meeting stops for a brief minute to joke about this common mistake. In between that brief minute, Don Wally will laugh remembering how he too refused to face the bank at the beginning by throwing away the

⁵⁴ Don Wally reenacted this short monologue at a Thursday night meeting.

mail. Then adding, “Pero la tienes que abrir porque aquí [en los Estados Unidos] el banco dice que desde que te la mando ya es como que la recibiste./But you have to open it because here [in the US] from the moment the bank send the letter they assumed you received it.”

A home is a home is a home or “letting it go”

"Let it go," is the first and (many times) only advice lawyers, real estate agents, or home councilors offer families seeking their help. Mexican immigrant families frequently contest this piece of advice. Understandably so, however, the context in which the majority of the families at "Comite de Justicia" value their house is not appreciated by the advice giver who fails to understand the cultural context and importance of owning a home for the advice seeker. Rationality embodies the central argument, yet, what is rational for a lawyer may be utterly irrational for a homeowner and vice versa. In fact, it came to my attention on repeated interviews that the families who received the famous "let it go" advice would not even thank that person for the (perhaps) lack of adequate advice. Homeowners question the lawyer and real estate's true commitment to aid their case. Contrary to public opinion, true help and advice requires questioning and challenging conventional notions of real estate, property investment, and finance. Perceptions and approaches to avoid foreclosure vary but one key element is pivotal: the members of "Comite de Justicia" want to keep their house and they will fight against the bank until exhausting every single option available to them. Instead of judging these families as irrational I argue that they come from a different cultural understanding of housing that given their status as immigrant changes how they react to a foreclosure. I believe the following values

intervene and help explain the appreciation of the effects a foreclosure has on an immigrant family: cultural, economic, legal, and local.

Don Gilberto explained to me why he was persistent on keeping his home by repeatedly applying for a modification, “Yo quiero arreglar la situación de la casa porque no quiero irme a otra parte que no sea de uno porque cuando ellos [el/la casero/a] quiera te pueden echar para afuera. Te piden el apartamento o la casa donde estas viviendo y otra vez a navegar./I want to fix the house’s situation because I don’t want to go somewhere that’s not mine because whenever the landlord wants it, she or he can kick you out, and then it’s time to navigate again.”⁵⁵ Stability for Gilberto is having an unchanging address. It is also providing stability for their children—attending one school compared to multiple ones if the family is constantly moving. Furthermore, the stability of owning a home is tangent to “*hacendando raíces*” [taking root] in the United States.

Lauro and Yolana constructed their own dream home. Their project was building a huge house so that when their married daughters and sons had somewhere to live. If the house was not enough, their sons-in-law or daughters-in-law could build adjacent rooms to the house given the spacious terrain that came with the house.

Looking up and down the tall white walls contrasting with the colorful family pictures, Lauro’s eyes are full of emotion. I can tell he is extremely proud of his home. “Es un sueño que nosotros tuvimos. Pienso que la mayoría de las personas que compramos una casa tuvimos un sueño de lograr poder tener un lugar donde nos sintiéramos pues agusto, proteger a nuestra

⁵⁵ Gilberto 04/24/10. Personal interview.

familia y vivir bajo un techo digno para la familia./It's a dream we had. I think the majority of us that bought a house had a dream of owning a place where we would feel comfortable, protect our family and live under a roof worthy of our family," he remarks.⁵⁶

I asked Alicia, a longtime Watsonville resident and UCSC Dining Hall Worker undergoing foreclosure, why she bought the house because one of my close friends argued it was irrational for anyone to buy a \$700,000 home. "¿Que le diria usted Alicia? ¿Porque compro la casa?/What would you tell him Alicia? Why did you buy the house?" Alicia replied, "Para darles un hogar limpio y nuevo para mis hijos. Para vivir bien. No la compre por negocio sino para vivir./To give my children a clean and new home. To live good. I didn't buy it for business. I bought it to live in it."⁵⁷ Just like Alicia, a lot of immigrant families bought their home to live, for its use value, not for its exchange value.

Don Mario illustrates another point. He noted, "Uno siempre ah sido pobre, ¿no? A uno no le cae muy extraño ¿verdad? Ni se espanta tampoco. Osea uno se adapta fácil a estos sistemas [explotativos]. No, no hay problema. Si uno compara con la vida que hace uno aquí y la vida que es en México, pues de todos modos es mucho la diferencia./One has always been poor, no? This is not strange for one, right? I doesn't scare us either. We can easily adapt to these [exploitive] systems. No, there is no problem. If one compares the lifestyle we have here to the one we had in Mexico there is a huge difference."⁵⁸ In this sense, a lot of the families have a binational reference to their situation. Comparing how life is here and how it would be in Mexico, they prefer to struggle here given that their living standards will never be the same if they were still in Mexico. Don Mario's comment could potentially be read as, "If here I have to struggle and work

⁵⁶ Lauro Navarro 05/01/10. Personal interview.

⁵⁷ Alicia Perez 01/2011. Personal interview.

⁵⁸ Mario Rincon 4/25/10. Personal Interview.

overtime to afford my house, that is fine, because in Mexico I would probably not be able to own a house this beautiful, big, or well accommodated.” (Note: I am not using this example to justify how these families have to pay in everyday life the decisions of the big banks. Rather, I am attempting to show the families reason for trying to keep their home as long as they can..

Instead of judging families as ignorant, uneducated, or irrational, I want to revise a few aspects that are not usually taken into consideration. The first one was already mentioned: housing is more than an investment for a lot of these immigrant families. Outsiders need to understand that in the value system of the families the irrational decision is to let go of the house. The final, and perhaps most important aspect, has to do with “la lucha” or “la fe” and perhaps both combined: struggle and faith.

Don Mario commented about the fact that Lauro and Yolanda have been in foreclosure for two years, yet, still have their home. “Por ejemplo el señor Lauro tiene dos años sin mandar los pagos de su casa y sin embargo la tiene porque el nunca se venció y le hechen ganas. Fue a cortes pero salio adelante. No le ganó el banco. Es por eso que le digo a la comunidad que le hechen ganas. Hay muchas maneras de negociar con los bancos y si los bancos no entienden hay muchas maneras de hacerlo entender y hechenle ganas!/For example, Don Lauro has two years without sending the house payments, nevertheless, he still has it because he never gave up and keeps fighting. He went to court but he struggled on. There are many ways to negotiate with the banks and if the banks don’t understand there are various paths to make them understand and keep fighting!”⁵⁹

⁵⁹ Mario Rincon 4/25/10. Personal Interview.

In sum, the members at “Comité de Justicia” organize around foreclosures drawing from their own experiences with lawyers, real estate agents, mortgage brokers, and non-profits. “La lucha y fe” [struggle and faith] are mobilizing terms constituting their efforts at preventing foreclosure and obtaining a loan modification. Sharing a common cultural background, the members are able to better inform one another on common mistakes and the best alternatives to foreclosures, as well as, provide a space for dialoguing the personal effects of losing their home.

Chapter 4. Modifications

This section aims to describe the concerns running through the mind of a participant undergoing loan modification. By drawing direct quotes from conversations with struggling homeowners, modification counselors and assistants, lawyers, real estate agents, home counselors and non-profits, all of which are directly and indirectly connected with the group at “Comite de Justicia,” I seek to show the discrepancies between what is said by the banks and mainstream media about the willingness, easiness, and availability of a modification from the mainstream banks and the actual process of how people are treated or struggle against these institutions. I start with a picturesque description delineating how members of the Thursday group see and internalize a modification. Then I illustrate how a modification transforms into everyday life and how the members of the group organize for the modification process. Finally, I shift into the technical details and advice promoted by outside help.

Casa de la Cultura

Under the glimmering yellow light a circle is formed with twelve metal chairs with brown cushions. The twelve participants, most of them in their middle forties with the exception of Don Ernesto who is around seventy years old, sit in silence. For a quick minute they meditate on today’s topics before initiating the meeting with prayer. Just five minutes before Lauro calls the attention of everyone to start the meeting, the men around me joke about the happenings of the week. Others discuss their employment status and recommend places to look for a job. The classic, “Si valla a buscar ahi, vera que encuentra./You should seek employment there, you’ll find something,” never fails to come up in one of these conversations. Don Wally, a man well into his 60s, goes off with his usual extravagant stories of working in the field. Today he relates

the time he had to pass as a doctor to give birth to a random woman, a grin playing with his lips as he concludes, “Y eso me pasa por mentiroso!// And that happens to me for being a liar!”

The room is not too big. A simple rectangle with a worn out blue carpet and wooden brown walls is the home base of the group. The minute before the starting of the meeting reminds me of the quick seconds of pure concentration runners have at the start line. In here there is no physical race but a competition to the finish line against humongous modification departments and never ending phone calls with infinite numbers of “let me transfer you to this other department” within the bank before finding the right “hello” at the other end of the line. The people at the meeting know very well what’s at stake: their home.

After an initial prayer the members update their case while the rest offers advise, tips, and encouragement. Even though the group revolves around foreclosures the hot topic of the day is modifications since most members are in the process of applying or receiving one. For many this is the golden opportunity to rescue their house from foreclosure. The following section describes my conversation with various members helping me understand how they view a modification.

Don Gilberto

When someone applies for a modification they are very conscious of the threat of foreclosure. Usually, after defaulting on mortgage payments for two months a household receives a letter from the bank explaining their options for modification. As the white envelope sits unopened on the kitchen table, families are trying to reason what is happening to them and many have no idea of how to proceed. Where to go at a time like this? At the same time, the radio is playing and the TV is on. A local radio station runs an add for a miracle program that guarantees a modification and the first consultation is free. The family, confused, trusts that the

radio only plays truthful information and decides consulting the agency doesn't hurt anybody. Often, families are tricked by scammers who have no one's interest in mind but their own. Unfortunately, many of them charge exaggerated amounts, up to \$5,000, to do nothing. Through word of mouth or public announcements at the Sunday service at a few of the local Catholic Churches, families hear about a group that helps with foreclosure and provides resources for obtaining a modification. That was the case for Don Gilberto.

We first met a Thursday night in April 2010 with the usual suspects present at Casa de la Cultura. As I walked in, I immediately recognized a new face in the group, but before I could introduce myself Don Lauro pulled me to the side. With the muffled sound of the various conversations happening behind us, Don Lauro whispered that I should talk to Don Gilberto, the new comer, because he had a good story. By good story, Don Lauro was alluding to a very tragic story, one that as a researcher I might be interested in. The meeting was already starting leaving me no time to approach Don Gilberto.

Every time I stared, his round black eyes were bright red. It seemed like he was constantly on the brink from crying, a false step and surely a river of tears would crawl down his light brown cheeks. At the time the group was organized into two one-hour sections. The clock on the wall marked the start of the second hour and I took advantage of the shuffling of chairs to talk to Don Gilberto. Around us the group was breaking up into pairs—a volunteer with modification experience and a member with their modification documents. Being neither, I approached Don Gilberto asking what brought him to the group. The answer was obvious; he was facing foreclosure.

Early on he mentioned his wife had left him with his two teenage girls and younger boy. The reason for the separation was the house they could no longer afford after the construction

industry stopped in the area. With no stable job at the moment, he worked at random gigs— anything to feed his children. His eyes started clouding when he shared his sense of desperation with his situation, a term he used to refer to his case. Soon the interest rate would reset, leaving him homeless with three children. Searching for help to modify, he had already been to a scammer that charged him more than \$1,000. After a few quiet seconds I added, “Pues no se desespere, siga viniendo aqui. Los bancos hicieron mucho fraude, algo tiene que pasar./Don’t lose hope, keep coming. The banks were involved in a lot of fraud, something has to happen.” Two crooked lines formed in his lips. It must have been his best attempt at smiling. “Si, voy a tartar de estar viniendo aqui por mis hijos. Ni modo que nos quedemos en la calle. Voy a hecharle muchas ganas y hacerle la lucha. Haber que pasa./Yes, I will try to come here for my kids. We can’t be thrown into the streets. I will try my hardest. We’ll see what happens.”⁶⁰

A few weeks later, we did a one-on-one interview. Eager to know how certain people ended at Casa, I asked him why he had attended the group a few weeks back. He answered, “Fui porque un señor, Don Lauro, me invito porque ellos estaban ayudando a modificar unos prestamos pero yo andaba desubicado porque a mi me llamaban y me iba con este [scammer]. Me decían que me cobraban \$1,500 y me iba con otro y me cobraban \$2,500 y no allaba que hacer. Yo no tenia mucha seguridad con Lauro porque no entendía porque estaba ayudando gratis si estos que son profesionales estaban cobrando./I went because a man, Don Lauro, invited me because they were helping to modify loans but I was lost because I would receive calls and I would go [with a scammer]. They told me they charged \$1,500 and I would go another one and they charged \$2,5000, and I didn’t know what to do. I wasn’t too sure about Lauro because I couldn’t understand why they were helping free of charge if these professionals were

⁶⁰ Don Gilberto 05/2010 at a Thursday night meeting in Casa de la Cultura.

charging.”⁶¹ In other words, Don Gilberto described the typical cycle people at Casa follow before going to the meetings. His first reaction was to pay a “professional” to modify his loan. Like the other lucky ones that find “Comite de Justicia” he then realized these “professionals” were just tricksters posing as modifying agents to rob desperate people of their money.

Don Ramon continued, “Pero me estoy dando cuenta que acá [las personas que cobran] es pura mentira. Están queriendo robar a la gente porque hay unas oficinas que se establecen por un rato y luego después ya no están. Con Lauro esta la organización COPA, y pues ya investigue es una organización muy grande, no juega con nada y esta ayudando a la gente para que no pague y que no le robe. A mi por poco y me roban pero dije, ‘No! Son 2,500 dólares ¿Como los voy a dar?’ Ya Lauro me dijo, ‘Aquí no pagas nomás es el trabajo que vas hacer aquí, llenar los papeles, y tu cobro va hacer que le ayudes a otra persona como nosotros te estamos ayudando a ti. Tu tienes que ayudar a otra persona y ese es tu ayuda lo que vas a pagar.’/ I’m starting to realize that over there it’s all lies. They are trying to rob people because there are offices that they establish for a while and then they are not there. Lauro is with COPA, and I investigated and it’s a large organization, they don’t play around, and they are helping people so they don’t have to pay and get scammed. I almost got robbed but I said, ‘No! It’s \$2,500. How am I going to pay that? Lauro told me, ‘Here you don’t have to pay, you only have to fill out the paperwork and your contribution will be to help someone else as we are helping you now. You have to help somebody else and that is what you are going to pay—helping other people.’”⁶²

To most participants at Casa de la Cultura, Gilberto’s situation is all too familiar. They too once consulted a scammer and were dubious about receiving free help. In fact, many Mexican immigrants are skeptical of and about free services reasoning that paid services involve

⁶¹ Gilberto 04/24/10. Personal interview.

⁶² Ibid.

a form of professionalism and accountability. They rather trust an “expert” that claims a title on the issue than do the process themselves who are not formally educated on the topic.

Ana Reynoso from Neighborhood Housing Services explains why homeowners first seek help from people who turn out to be scammers. “People want to hear, ‘Yes somebody can guarantee me a loan modification’. They want that promise so scammers provide that security for clients. They tell the client what they want to hear. They want to hear, ‘Yes, I’m going to guarantee you a modification, don’t worry about it.’ The other thing that makes scammers very appealing is that they say, ‘Don’t worry about anything. I’ll take care of everything.’ Meaning the homeowner doesn’t have to do anything. To a lot of homeowners that’s appealing. They don’t want to deal with the issue. They would rather hand it out to somebody else and have them take care of it. Another issue is that a lot of people are under the impression that they get more if they pay for it. I’ve had clients tell me, ‘Well, really? How valuable is your service, you’re not charging? People get what they’re paying for. If I pay for nothing then that means that you’re giving me nothing.’”⁶³

It’s important to understand this aspect given that at the ground level scammers are the first to appear when a disoriented homeowner seeks help to modify. After paying someone to receive no help Don Gilberto understood this. He shared, “Y por eso estoy [en el grupo], pero yo estaba indeciso en [ven]ir. Yo con Lauro tengo desde Enero queriéndome meter con el pero yo no le creía. No creía. Digo, ‘¿Como gratis?’ Ya me fui involucrando mas y mas. Tu mismo puedes hacer [la modificación]. No necesitas que alguien te ayude porque lo mismo que vas hacer tu es lo mismo que te va hacer el que te va ayudar. Y tu vas a estar [hablando] directamente con el banco y acá con ellos [otras personas] va hacer un riesgo... [Tu] no vas hablar con el banco, ellos van hablar con el banco y te van a traer que si que no, que te falta esto

y esto y esto. Y así tu sabes lo que estas hablando con el banco. Por eso estoy con él [Lauro]. Estoy yendo a la Casa de la Cultura para mas información y pensé que se me hacia mas dificil así y el día que fui me dicen, ‘No pues ya casi todos tus papeles están en regla. Te faltan dos que tres y tu paquete se va./That is why I’m in [the group], but I was very indecisive about coming. Lauro started inviting me since January but I didn’t relieve him. I didn’t. I thought, ‘How can the services be free?’ Then I became more involved. You can do [the modification] yourself. You don’t need anyone to help you because you are doing the same process that a “helper” would do. You will be talking directly with the banks, and with other people you run a risk... that you will not be talking with the bank, they will be speaking with the banks and they’ll keep saying that yes that no, that you need this and you need that. This way you know what you are negotiating with the bank. That is why I’m with him [Lauro]. I’m going to Casa de la Cultura for more information. I thought it would be hard but the day I got there they told me, ‘No, most of your papers are correct. You still need one or two more and your modification package is off [to the bank].’⁶⁴

In fact, many scammers confuse homeowners about the modification process making it seem difficult and complicated. More than complicated, a modification is time consuming. Most scammers will not dedicate the more than 20 hours needed to complete a package and follow up.⁶⁵ This is one of the main reasons why the affected party is more efficient at gaining a modification because they are more willing to spend long hours waiting on the phone to be transferred to the right department than someone paid by the hour.

⁶³ Ana Reynoso 10/29/10. Personal Interview

⁶⁴ Gilberto 04/24/10. Personal interview.

⁶⁵ Don Ernesto estimated that per client he spends twenty hours filling out the modification forms, collecting the necessary documents, and calling the banks.

Perhaps the two most complicated aspects of a modification are finding all the proper documents and talking to the banks. Don Ramon explained he initially thought the process was extremely complicated and laborous because it involves dealing with the banks directly and filing a great number of required official documents. With help of other group members, Ramon collected the proper paperwork and learned to deal with the banks directly. In spite of numerous obstacles, he insists on fighting for his modification.

In the previous pages I discussed the specific case of Don Gilberto. Once skeptical about free help, Don Gilberto joined Casa de la Cultura and is now directly involved in applying for a modification. Similarly, I touched on the role of scammers, which for most struggling homeowners is the first step in the modification process. In the following section, I seek to explain how a modification transforms into everyday life for the group. I describe the role of Don Ernesto and his helpers, Yolanda in specific, in aiding participants compile their modification package.

Yolanda and Don Ernesto

Al principio dijimos con que otros se benefician.

Pero a veces digo, “Ay diosito no te olvides de nosotros.”

Yolanda Navarro

Completing a modification at “Comite de Justicia” is dependent on several meetings with Don Ernesto. A few months ago, reviewing documents and calculating a tentative financial analysis were tasks done the second hour of the meeting. Yolanda and Mary, as well as many others not attending the meetings regularly, are particularly the most experienced and knowledgeable on the subject and many participants seek their help outside of the meeting space.

On any given Saturday or Sunday, Yolanda sits on the wooden light brown kitchen table with a calculator on her right hand, a pen and a stack of papers on the left. In front of her will sit one of the many people she helps with screening the modification package in order to ensure all the required documents in order, signed with the proper date, and most important of all, that the modified mortgage payment is exactly 31% of the monthly income.

Each case is unique demanding an individualized and burdensome process of collecting the precise documents required by each bank. The procedure ends up being incredibly time consuming as most participants keep no copies of bills or store all of their documents in a huge box mixed with hundreds of other receipts. Often, families are paid under the table for any reason—not necessarily because they are undocumented—and have no proof of income. The task for Don Ernesto and Yolanda is to be creative with the documents families do have. Experience enables them to find creative alternatives for lost or inexistent documents.

One cold February morning I'm running late for an interview with Yolanda. As I furiously bike to the Second Street Café, I quickly review the purpose of my interview, which is understanding the modification process at the ground level. After locking my bike, I open the crystal door and see Yolanda wearing a gray sweater, sitting with a pastry and coffee on the table. I greet her and apologize for the tardiness. I turn on the voice recorder and she immediately jokes about how many interviews she's done with students in the past. "Ya hasta era mi trabajo de medio tiempo cuando estaba lo de la caneria./ It almost was my part-time job when the cannery strike happened," she says with her sweet voice followed by a giggly laughter.⁶⁶

Sitting in front of her I ask, "Me podia describir ¿Que es lo que pasa atravez de la mente cuando una familia esta modificando? ¿Cuales son sus preocupaciones o esperanzas?/Can you

⁶⁶ Yolanda became the "poster child" during the cannery strikes by constantly appearing in local newspapers and in the cover of Fortune magazine. Yolanda Navarro 2/9/2011. Personal Interview.

describe, what's goes through the mind of a family applying for a modification? What are their worries and hopes?" Reflecting for a minute before turning to me with an answer she says, "Las preocupaciones de ellos es siempre que no van a tener suficientes ingresos [para calificar]. También cuando uno les sugiere que pongan ayuda de alguien o que renten un cuarto temen decir, 'No pues si por eso estamos donde estamos porque no presentamos ingresos reales, verdad? Es lo mismo que el real estate decía, 'Ponga esto o ponga lo otro.' Entonces eso es lo que les preocupa que a lo mejor les van a investigar o sienten miedo de caer en el mismo error. Hasta la fecha de hoy todas las personas no nos sentimos tranquilas hasta que de veras es una [modificación] permanente./Their worry is always not having sufficient income [to qualify]. Also, when one suggests stating someone is helping them or that they are renting a room they fear saying, 'No well, that's the main reason we are here, because we didn't present real incomes, right? That's the same thing the real estate agent said, 'Write this or that.' Then that is their biggest fear that maybe they will be investigated or fear of repeating the same mistake.'"⁶⁷

A devoted aide, Yolanda witnesses the fears and anxieties of many families undergoing a modification. Being personally familiar with the process she shares, "Yo también al principio dude mucho de tomar esta posición de poner ingresos no reales. Pensaba lo mismo que ellos pero ya fui viendo los números y vi que el 31% de los ingresos [por ejemplo] de \$7,000 vas a pagar nada mas \$2,200. En este caso si es beneficioso para las personas porque van a poder quedarse con un pago accesible para sus bolsillos./At the beginning I also doubted stating untruthful incomes. I used to think like them, but then I saw the numbers and I saw that 31% of incomes

⁶⁷ Yolanda Navarro 2/9/2011. Personal Interview

[for example] of \$7,000 you would only pay \$2,200. In that case it is convenient for people because they are able to keep their home with an accessible monthly payment.”⁶⁸

Yolanda is alluding to the fear of falling into the same trap of reporting a false income to the banks. At a point, she was the person sitting in front of Don Ernesto being asked to make the same decisions as the people she now helps. She also doubted writing a false income, i.e. stating she rented two rooms in her house instead of one. The reality is that banks only account numbers, not personal stories. If the stated income is not exactly 31% the time and effort dedicate to filling and submitting the paperwork is futile. In this sense, “a white lie”—so to speak—allows the homeowner to qualify.

At the time of modification families experience a number of emotions. A sense of injustice overwhelms homeowners who feel their bank is obliged to modify especially because the homeowner has already paid a great part of the debt. For example, Alicia reasons her bank is deceiving her by not modifying the mortgage payments because she has paid the current value of the house. In the past years she has paid a total of \$240,000, \$120,000 as down payment and another \$120,000 of two consecutive years of paying \$5,000 for the monthly mortgage. Originally the house cost her \$660,000, but since the crisis the value decreased to \$300,000. Alicia argues she already paid the bank the value of the house and still the bank refuses to modify.

A strong believer that banks should account not only for numbers but for the family’s well being, Alicia comments, “Es que si fueran justos vieran a la familia. Si quiera que lo vieran a uno pero ni eso ni te escuchan./ If they were fair they would look at the family. If they would only look at us, but not even that. They don’t even listen.”⁶⁹ Alicia’s oldest son is an employee at

⁶⁸ Ibid.

⁶⁹ Alicia Perez 01/2011. Personal interview.

a Chase branch in Portland, Oregon. On numerous occasions she asked her son to connect with someone inside Chase to help them obtain a modification to which he replied, “No, no mami. Lo que pasa es que los bancos nomás quieren números. Si mi papa no trabaja, olvídate./ No, no mom. What happens is that the banks only want numbers. If my dad is unemployed, forget it.”⁷⁰ As mentioned in a previous chapter, Alicia’s husband is unemployed, a huge factor in the bank’s refusal to modify. In the midst of all this Alicia quietly reasons, “Ya se las pague [la casa] y me voy a quedar sin nada./I paid [the house] already and I’ll end empty handed.”⁷¹

Negotiating with banks is the greatest obstacle and fear of Comité de Justicia members who feel personally unequipped to deal directly with those institutions due to their limited English skills. Nervousness, the fear of misunderstanding, or delaying the modification by stating wrong information that will negatively affect the process restrains the majority from speaking comfortably with the banks. To this extent, Don Ernesto constantly encourages and trains members to directly administer their modification process—calling being a crucial step.

In February 2011, Yolanda discussed the progression on dealing with the banks directly that participants undergo. She shared, “Viendo de las otras gentes he visto un cambio tan grande. Hay personas que al principio ni quieren hablar con el banco porque le dicen a Don Ernesto, ‘Hable usted. Hable usted!’ Y luego ya despues Don Ernesto dice ‘Hablen [ustedes] y si se sienten atorados yo entro.’Y bien diferentes a la primera llamada. Ahora estan llame y llame [al banco]. Ya cuando estan cuatro, cinco, seis, o siete veces hablando ya les hablan con confianza./Observing other people I have seen a huge change. There’s people who at first don’t even want to talk with the bank because they tell Don Ernesto, ‘You talk for me, you talk!’ And then it’s very different from that first call. Now they [themselves] call and call [the bank]. After

⁷⁰ Ibid.

⁷¹ Ibid.

four, five, six, seven times speaking with the banks they begin talking with confidence.”⁷² Initially Don Ernesto speaks directly to the bank, but slowly the families take over learning from Don Ernesto and developing their own assurance and strategies for dealing with the banks. He describes his experience with members calling the banks for the first time, “Por lo general están muy nerviosos la primera llamada. Pero después se dan cuenta de su capacidad, de que ellos pueden hablar con un banco y pueden negociar. Lo hacen conmigo y yo les ayudo, pero ellos pueden ser parte de la negociación. También ellos en ultima instancia tienen que decidir y eso es difícil para mucha gente./Generally they are very nervous the first call. Later they realize their own capacity that they can talk and negotiate with the banks. They do it with me and I help them, but they are part of the negotiation. Also, ultimately, they have to make the decision and that is difficult for a lot of people.”⁷³

To all, Don Ernesto is the last stop in a series of meetings before sending the modification package to the bank. In many ways Don Ernesto is the group’s most valuable asset. As a trained home modification counselor by the Department of Housing and Urban Development, HUD, his credentials facilitate negotiations with the banks, plus the knowledge and experience gained in more than a year helping families modify is extremely valuable in developing strategies.

At the meetings, Don Ernesto always appears clothed in brown tones. Light brown pants, a white dress shirt, a woolen vest with triangle pattern, and brown tennis shoes. In a cheerful spirit, he relates the latest happenings at the national level and then answers more specific questions from his audience. As sweet as he looks, Don Ernesto’s unbendable ideology secretly shapes his spirits. When the occasion calls for it, he speaks directly and concisely, always

⁷² Yolanda Navarro 5/1/2010. Personal Interview.

⁷³ Don Ernesto Muñoz 10/21/10. Personal Interview.

defending his point of view relentlessly. In the following pages I will explain Don Ernesto's role in the group and his helping methodology.

Don Ernesto describes his role as mostly educative, sharing, "Todas esas personas se largaron... a comprar casas por un valor para el cual ellos no tenían suficientes ingresos. Entonces, la labor mía es que la persona aprenda primero que no debe confiarse en una persona que le diga, 'Ah, usted déme los papeles y yo me hago cargo de todo, no se preocupe.' Yo le digo, 'No, acá vamos a hacer el análisis juntos y usted va a decidir si hay posibilidad [para modificar]./All those people went off... to buy houses for a price they didn't have sufficient income for. Therefore, my labor is first that the person learns not to trust anybody who tells them, 'Ah, you give me all the papers and I'll deal with it, don't worry about it.' I tell them, 'No, here we'll work on the financial analisis together and you will decided if there is a possibility [to modify].'"⁷⁴

With the patience of someone who has lived through desperate times, Don Ernesto shares his point of view calmly. There are a few moments, however, where his skin tone turns a bit more pink and his hands start moving more than normal. Often, this happens when talking about scammers or the homeowner's lack of action.⁷⁵

Describing his methodology he adds, "Cuando yo tomo la información de ellos tengo un proyector que proyecta lo mismo que estoy escribiendo en la computadora y ellos miran todo lo que escribo. Si me equivoco ellos me dice, 'No. Mire se equivoco con este numero.' Porque también puede haber errores y ellos lo califican./When I take the information they give me I have a projector showing everything I'm writing in the computer and they see all that I write. If I

⁷⁴ Don Ernesto Muñoz 10/21/10. Personal Interview.

make a mistake they say, ‘No. Look you are wrong with this number,’ because there could be errors and they revise it.”⁷⁶ Even though most people would rather have Don Ernesto do the whole process for them, he strives to work transparently and collaborate as much as possible. Contrasting his methodology with that of other people who charge to help he comments his voice slightly aggravated, “Cuando llamamos al banco por lo general el profesional que hace una modificación le pide todo los datos [al cliente] y a veces les dice, ‘Ni se le ocurra hablar con el banco porque entonces me va a arruinar.’ Desde entonces ellos toman a cargo y la persona realmente no sabe que esta pasando. Si alguien les pregunta [ellos responden], ‘Ni se preocupe que todo va bien.’ Yo en cambio, cuando se llama al banco estamos los dos con el speaker phone y ellos entienden toda la conversación. Entienden todo lo que esta pasando con el banco. Y lo que no entendieron yo se los explico después./Generally speaking, when we call the bank the modification coucilor that works on the modification asks [the client] for all the data, and he may say, ‘Don’t even think about calling the bank because then you’ll ruin the process.’ Starting there, they take charge [of all paperwork] and the client may not know what is happening. If they are question [about the process], they answer, ‘Don’t worry because everything is working fine.’ With me, on the contrary, we are both on the speaker phone when we call the bank and they understand the entire conversation. They are aware of everything that is happening with the bank. What they couldn’t understand, I’ll explain afterwards.”⁷⁷

Don Ernesto’s transparency with his clients is very unique in the modification business. In Watsonville there is no other modification counselor willing to spend many hours explaining the process, translating, and answering questions. Don Ernesto explained that most non-profits

⁷⁵ Don Ernesto confessed feeling frustrated with the people he helps who won’t press charges against the real estate/mortgage brokers/ “home modification agents” who tricked/scammed them, even though he recognizes that might not be the family’s main preoccupation.

⁷⁶ Don Ernesto Muñoz 10/21/10. Personal Interview.

⁷⁷ Ibid.

only dedicate two to three hours to helping a client with a modification due to limited resources. In the end, HUD certified agencies have to prove efficiency and turn numbers to justify their grants and existence. On paper, Don Ernesto's number of successful modifications looks bleak. His main purpose, however, is not necessarily obtaining a modification *for* the homeowner; rather, he collaborates with them in an educative process regarding modifications. Don Ernesto cooperates with the families on a long process he notes takes in between 10-15 hours with him, plus the time spent with Yolanda and looking for documents. Don Ernesto shared that during a HUD training conference other participants advised him not to spend that many hours in one case. Fortunately for the Casa de la Cultura group, he is a committed freelance modification counselor.

Note that this process is not easy for either Don Ernesto or his clients. As I mentioned before, homeowners look for a sense of security. They crave the sacred promise of "I can guarantee a modification." Homeowners would rather hand the problem to someone else. In many instances, they are used or feel more comfortable following other people's advice, even if that person secretly holds vested interests. In other instances, homeowners feel unequipped to take the right decisions, since the house was "a bad decision" from the start. Don Ernesto captures this feeling in the following quote, "Yo veo gente que terminan diciendo, 'Bueno pero al final que me conviene, ¿esto o lo otro?' Y yo les digo, 'Mire yo no se mas que usted. Todo lo que yo se sobre su situación ya se lo he dicho. Si usted toma esto tiene ventaja y esto es conveniente. Y si usted escoge lo otro esta es la ventaja y esto es lo conveniente. Así que usted tiene que decidir.' Y a veces es muy difícil pero tienen que aprender porque van a venir también decisiones muy importantes en sus vidas esta no es la última./I work with people who end up asking, 'Well, but at the end what benefits me: this or that?' And I tell them, 'Look, I don't know

more than you do. I have told you all I know about your situation. If you take this option this is the advantage and that's convenient. And if you choose this other option, this is the advantage and this what's convenient about it. You have to decide.' Sometimes it is very difficult, but they have to learn because there will be other important decision in life, this is will not be the last one."⁷⁸ Don Ernesto illustrates the trouble families face when weighting their choices whether it is once the bank offers a modification, or if they are barely inclined toward a modification as opposed to a shortsale.

The first real step in a modification is taking the decision to modify. In other words, is it worth it for the family to modify? The answer is weighted in between the pros and cons of a modification. Don Ernesto clarifies this by pointing out in Watsonville housing prices dropped 30%, which is not as devastating compared to Salinas, where housing dropped more than 50%. In his peculiar Argentinian accent, he describes the decision making process and the benefits of modifying in the following way, "Una persona que tiene una deuda de \$500,000 y el valor de la casa bajó a \$250,000 tiene que pensar muy seriamente aun cuando saque una modificación y pague menos por mes, ¿Vale la pena quedarse con la deuda de \$500,000 por una casa que vale \$250,000? En general en Watsonville como los valores [de las casas] no bajaron tanto a mas gente le conviene hacer una modificación que digamos en Salinas. En los casos que yo he visto las modificaciones han sido realmente muy conveniente. Terminan pagando lo que seria una renta y aun a veces menos de lo que les costaría rentar una casa así similar y en realidad están comprando la casa aunque sea por un periodo de 40 años. Entonces, yo he visto que aceptan cuando se les ofrece una modificación./A person with a \$500,000 debt and a home with a value half of that, \$250,000, has to seriously consider that even with a modification and a smaller

⁷⁸ Don Ernesto Muñoz 10/21/10. Personal Interview.

monthly payment, is it worth it to stay with a \$500,000 debt for a \$250,000 house? In Watsonville in general because housing values did not decline as much as in Salinas, it is convenient to modify. They are in a better position to modify. In the cases I have seen, modifications are truly convenient. They end up paying the equivalent of rent but in reality they are buying the house even though it's for a 40-year period. In the end, I have seen that people accept a modification when it is offered.”⁷⁹ In Watsonville, families will accept a modification based on renting prices. As Don Ernesto mentioned, it happens that sometimes the modification payment is less than rent allowing families to stay in a stable home. It is then that the white lies written on the modification application pay off.

Up to now I have reviewed the role of Yolanda and Don Ernesto in helping participants at Casa de la Cultura. I have illustrated the road to a modification and many of the obstacles homeowners struggle with. Furthermore, I have hinted at the thought process homeowners undergo when making the decision to modify or even trust the people at Casa de la Cultura. I will like to shift gears now and discuss the struggles families undergo with receiving a modification after they send the first package.

The technicalities

On August 2010, 3.2 proprietary modifications⁸⁰ were offered while the government sponsored HAMP had only facilitated 470,000 permanent modifications.⁸¹ For the participants at “Comite de Justicia” HAMP signifies a second chance at homeownership. However, with only 500,000 permanent modifications the program lingers behind the necessary rate needed to

⁷⁹ Ibid.

⁸⁰ “These loan modifications are “in-house” plans that can vary greatly depending on the lender and the individual home owner’s financial needs. These loan modifications may have adjustable terms that can increase payments in the future.” Definition from: <<http://calljoey.com/proprietary-loan-mod.asp>>

alleviate the foreclosure crisis nationally and locally. Julia Gordon notes some of the short falls of HAMP:

Worse, many families encounter an incompetent or even predatory mortgage servicing system once they apply to the program, experiencing delays or denials that are inconsistent with the promise of the program guidelines. Hundreds of thousands of people who received trial modifications during HAMP's initial phase have ended up in a worse financial situation as a result of their participation in the program if they do not get converted to a permanent modification; during the trial period, they are reported as delinquent to the credit bureaus and late fees and interest continue to accumulate, resulting in large arrearages due at the end of the trial modification.⁸²

What is more, the guidelines written for HAMP at the national level do not account for the local climate of foreclosures.

After sixteen months of attending meetings at Casa de la Cultura I have witnessed the testimonies of families that have submitted modification packages more than eight times. The first time the homeowner receives a phone call or a letter from the bank is asking for a missing document. Such document, which perhaps was mailed in the initial package, is mailed back to the bank. Weeks or months later another phone call asks for the same documents and the story becomes a vicious tug war between the bank and the participant. The two sides engage in endless phone calls and mail letters. To a bank's employee this might be routine but to the homeowner this is "it"—home or street.

At a quarter to nine the last goodbyes are being said. I catch of a glimpse of Don Mario's light blue jacket turning into the hallway towards the exit of Casa when I call him back. More than nine-months have passed since our last one-on-one interview and I'm curious to know

⁸¹ Gordon, Julia. "Testimony of Julia Gordon, Center for Responsible Lending Before the Congressional Oversight Panel." October 27, 2010. Pp 3. < <http://www.responsiblelending.org/mortgage-lending/policy-legislation/congress/testimony-julia-gordon-10-26-2010.pdf>>

⁸² Ibid.

what's the latest status on his modification. "Todavía sigo luchando, Ale. ¿Como la vez?/ I'm still fighting for it, Ale. Can you believe it?"⁸³ I'm surprised to hear how little his case has advanced especially because he is one of the main participants in the group. For a moment I feel the bank needs to modify Don Mario's loan because of how dedicated and persistent he is.

Don Mario pressed on, "Pues si ya le mande mi paquete al banco como unas seis veces y me siguen llamando que necesitan mas cosas y pues yo se las sigo mandando./I've send the package about six times already, and they keep calling saying they need more documents and I keep on sending those documents"⁸⁴ He outlines the details of his modification noting time and time again he has faith God will help his case.

As hopeful as the members of Casa de la Cultura are statistics show that only 20% of applications end up in a permanent modification. Torres, who is a home counselor at Casa Latina Reality, argues that in June 2010 1.3 million people started a HAMP trial plan, yet, only 400,000 where converted into a permanent modification. Analyzing these numbers, he adds, "What that tells us is that there is almost a million people that started paying the banks for months, at least three months [which is the modification trial period], and never got a final modification."⁸⁵ The people who prequalify but don't receive a final modification often reason the bank cheated them so they would make the payments, yet receive nothing but a foreclosure notice at the end of the trial period.

Torres hints towards a crude reality. Banks start families on a modification trial plan that usually lasts three months. At this point, the family has stopped paying the mortgage for at least two months sometimes as long as six to nine months. All of a sudden the bank asks them to make the trial payments for three months, yet, at the end of this period they are foreclosed. To the

⁸³ Mario Rincon 05/11. Quote from memory.

⁸⁴ Ibid.

homeowner, who was given false hope after months of struggling with the bank to obtain the modification, this is an insult. To them, the trial plan was the bank's last stretch to squeeze money out of their pocket even to the last minute.

I've heard stories of homeowners who receive a modification over the phone, yet, at the end of the trial period are foreclosed.⁸⁶ Because the arrangement was carried out through the phone, the homeowner is left with no documentation to complain or prove their case. At the meetings agreements in paper have become a golden rule, yet, this mistake is often repeated by newcomers trusting banks will keep their word.

Torres, however, argues the original problem with modifications in Watsonville begins with the fraudulent nature of the loans. He said, "When they ask for a modification the original problem starts when someone got a fraudulent loan. They lied on their loan. There was some fraud or they work in the fields and only make \$17,000 a year, yet, they qualified for a half million house. Even with a modification they wouldn't be able to afford the payment on this half a million house with the income they had. It had to do with the loan that they got that allowed them to pay a minimum payment of \$1,000 or \$1,200 for two, three, four, five years before the loan reset and all of the sudden they had to start paying principal and interests."⁸⁷

(Torres' argument contends Don Ernesto's, who maintains that it is generally beneficial for the majority of Watsonville homeowners to modify. This tension will be discussed later on, but for now it is important to keep these two outlooks in mind.

To finish this section, I will like to turn to the technicalities of modifications. Most modification plans given to the people at Casa are step-rate. These are technically reserved for adjustable rate mortgages where homeowners gave minimum payments that did not cover

⁸⁵ Marco Torres 05/2010. Personal Interview.

⁸⁶ Personal stories shared at Casa de la Cultura

principal or interests. In a step rate modification the mortgage starts with a 2% interest rate for the next five years, then it increases to 3% for one year. The next year it jumps to 4% for twelve months and then it will be fixed at the rate of the day. It is called step rate because it reduces the payment shock over the course of seven years allowing the payment to increase gradually. Step rate modifications also include insurance, taxes, principal and interest compared to interest only. Torres explains, “Before when they were doing these bad loans in order to get someone to qualify for their monthly payment they would not include the taxes and insurance so that their payment was less but they still had to pay taxes and insurance separately.”⁸⁸ At the end of the year the family would be surprised with a billing statement for taxes and insurance they were not prepared to pay.

To summarize this chapter I discussed various aspects of modifications. I started by describing my experience with Don Ramon who consulted various scammers and was dubious about receiving “free help” from the group. Then I analyzed how a modification transforms into everyday life by illustrating the process of looking for the required documents, meeting with Yolanda and Don Ernesto, and talking to the banks directly. Finally, I exposed the struggles with receiving a modification by focusing on the disorganization within bank departments and outlining counterposing arguments to Don Ernesto on the viability of modifications in a town like Watsonville.

⁸⁷ Marco Torres 11/2/2010. Personal Interview.

⁸⁸ Ibid.

Chapter 5. Foreclosures

*They call and call and call and call and call [saying],
'Got to have a payment by tonight. We'll arrest you, deport you,
turn you over to immigration services.'
-Bill Purdy*

Even though foreclosure is the focus of this thesis it is only a small portion of the subjects discussed here. However, a foreclosure is the central theme—the cause—between a modification, short sale, Casa de la Cultura, and Watsonville. In this section I will detail the process of a foreclosure in California and the legal consequences—mainly taxes—overlooked by families. In this sense, a foreclosure is not a static occurrence; it is one of many steps in the process of being foreclosed. In other words, a physical foreclosure is a small linkage uniting various processes, and as this section shows, it is neither the beginning nor the end.

California is a non-judicial foreclosure state meaning a homeowner is not taken to court and a judge does not decide on the foreclosure. Please note this is detrimental in the way banks foreclose in California. The rest of the states are judicial foreclosures and the bank does have to sue the homeowner in court with the judge as the third party involved.

In California a homeowner will receive a notice of default stating the homeowner has to pay “X” amount to get rid of the notice of default. In fact, the amount asked reflects all the missed payments and fees. That is, a notice of default, also known as NOD, marks the beginning of the foreclosure process. It usually takes two months after defaulting on the loan for the bank to mail the NOD. The confusion created with the huge number of loan defaults in some cases pushed back the number of months before receiving the notice. There are also other details like not sending the full payment that might defer the NOD a few months. Generally speaking a NOD is mailed 2-6 months after default.

Ninety days of silence follow the notice of default. No other mail stamped in red letters comes from the bank and the police or any other institution does not knock at your door. According to Bill Purdy, this creates a false sense of security in the Hispanic community given that there are no immediate consequences. Many of his clients ask if *la migra* or the police will arrest them. Purdy stares directly at my eyes, as if confused, and then screams, “That’s not how it works here!”⁸⁹ Feeling a great pain for his Hispanic clients who are many times more confused than his Anglo clients, Purdy carries on outlining the process of foreclosure.

At this point, not sure of what is happening, many Hispanic homeowners assume the bank has forgotten about their case. Others live in fear those three months they’re not paying the mortgage waiting for the day the bank comes to kick them out. After the ninety-day period, the homeowner receives another letter on the mail. It reads, “Notice of Trustee Sale” marking the second step in a foreclosure, and it basically informs the home-occupier the bank will sell the house on the courthouse steps on the given date. That date has to be 21 days passed the first 90 days after the NOD.

However, the bank might not record the notice right away. Many times the bank prefers to wait weeks or months before actually selling the house, yet, the homeowner only gets one notice of trustee sale. If the homeowner is not constantly calling the bank to check if the sale is postponed, there is no other way of knowing.

These two notices—notice of default and notice of trustee sale—are basically the only two steps before a physical foreclosure. However, as described above, the notices are not clear and do not reflect when the foreclosure will happen. Purdy discusses that the practical time right now for a foreclosure is nine months from the time the bank sends the NOD to the actual selling of the house. The process, however, can also be as fast as 110 days.

⁸⁹ Bill Purdy 10/29/10. Personal Interview.

Before moving on to the tax consequences I want to explain the difference between the first and second lien. When homeowners bought a house they were give two loans the 80-20 phenomenon I discussed in Chapter 3. The first lien is the 80 and the second the 20. Homeowners who refinanced also have a first and second lien on their loan. First and second liens are crucial to understanding the consequences of a foreclosure, short sale, or bankruptcy. There are many technicalities, which will be discussed later, around the first and second lien. For example, when a house is foreclosed the first lien keeps the house, but the second lien still hasn't been repaid and may seek legal recourse. This shows that a foreclosure in itself is not the end of a journey but a step in a long process.

After all the emotional and financial stress, homeowners conclude they are done with their house after foreclosure. In reality, home-related business will shadows homeowners for some time, especially those that are particularly uninformed about tax consequences.

The following is an example of the complete opposite of a foreclosure. However, it illustrates how homeowners can be overwhelmed by house affairs. At a regular Thursday night meeting, Hugo's⁹⁰ turn to update his case came around. Of all the participants in the group, Hugo was the first one to receive a modification and still attends the meetings for moral support. This time his tone of voice was a bit reserved if not shy. Sitting in his light blue jeans, black sweater, and Cal cap, he starts "Bueno yo les queria platicar algo. Estoy decidiendo si quedarme con la casa o rentar./Well, I wanted to share the following with you. I'm deciding whether to keep the house or rent." Hugo explained he was tired of the calls by the banks and that even with the modification the house payments were still a lot of money. Returning to Mexico was his master plan, and he couldn't save up with the house payments.

⁹⁰ Hugo. Memory from quote.

Hugo might be an exception more than the norm but he illustrates the following point. After years of struggling with a house, fighting with the banks, being scammed by strangers, paying high fares to lawyers and real estate, and suffering the emotional consequences, stress and anxiety that impacts families so much, homeowners are just plain tired of the problems the house brings. This is why after a foreclosure families think they are done with the house. At this point families are ready to throw the towel. Due to the emotional stress of a foreclosure families are not willing to deal with the after consequences of a foreclosure.

Tax

Bill Purdy explained after a foreclosure the first lien gets hold of the house, and the second walks away empty-handed. Given that in California foreclosures proceed in a non-judicial fashion the banks cannot chase the homeowner for the amount owed. That is, if a foreclosure sale happens and no one buys the property—which is usually the case—the bank buys it. For example, the homeowner now has a line of credit of \$400,000 towards their \$600,000 debt. The counterpart to the quick fashion of non-judicial foreclosures is that the bank cannot chase the homeowner for the rest of the money. Speaking of this process Purdy explained, “The second [lien] did not get paid anything. They can chase the homeowner and they will routinely do that. That’s the fourth or fifth plague that struck all the homeowners, especially Hispanics. If they had lines of credit on their homes and they were foreclosed upon they no longer got a home. They got a foreclosure and they’re getting called by the second holder after the foreclosure saying, ‘You owe me buddy.’”⁹¹ Slowing down he finished, “They may or may not owe that, there’s some other rules that apply.”⁹²

⁹¹ Bill Purdy 10/29/10. Personal Interview.

⁹² *Ibid.*

Another common mistake is ignoring the tax consequences related to the first loan. Hispanics in specific have no idea that this could turn into a problem or that they could even owe taxes on a loan after foreclosure.

However, most of the trouble stems off the second loan. Purdy described the process by which the second holder harasses homeowners. Usually within four weeks of foreclosures, the second holder will start calling them. Purdy shares, “If you are lucky nobody knows where you live so it takes a while but you would be surprised how fast debt collectors figure out where they are.” The debt collector company begins calling the homeowners various times a day pressuring them to make a payment. Most of the times they claim they need a payment by tonight. Purdy continues, “If they’re Hispanic [the collection company will say] ‘I noticed your last name is Martinez. Really we would be forced to contact the immigration services if we don’t get a payment in here tonight.’ They’ll call you 35-40 times a day. Forty times per day! Everyday! Forty! Several times an hour from 9 AM till 9 PM. They are not supposed to do any of that but they do. Who’s going to arrest them? You? Not me! They’re in another state. They call and call and call and call and call [saying], ‘Got to have a payment by tonight. We’ll arrest you, deport you, turn you over to immigration services.’”⁹³

The collection agency will relentlessly call the homeowner applying more and more pressure to make a payment. After a time, the second holder will turn over the loan to a bottom feeding law firm that will file a lawsuit. Basically the lawsuit will state “You owe us the money. We’ve asked for it. You haven’t paid us. We are now suing you.” Then they sue the homeowner. Purdy summarized what happens after, “In the case of many families that are immigrants are just scared they’ll get the lawsuit and they throw that away. ‘You know if I don’t keep that around me it won’t hurt me, right?’ Then the lawsuit day will come up and they won’t answer the

lawsuit and they will go in and get what is called a “default judgment” meaning they sue them and they didn’t answer so now they’ve admitted they’ve lost. They get a judgment and record it. They go to the sheriff and they start attaching their wages or whatever else they can find.”⁹⁴

This is a sad process. After losing the house homeowners are harassed by collection companies and then sued. Many times their wages are garnished for months before anything is done or indefinitely if no legal aid is sought.

In summary, I discussed the timeline of a foreclosure starting with the notice of default and ending with the notice of trustee sale. Due to financial and emotional stress homeowners want to believe they are done with the house after a foreclosure. Purdy, however, illustrated the actual foreclosure is just a step on a longer road. Often, collection companies representing the second holder harass homeowners into paying. If they identify the homeowner as Latino or Hispanic, the collection agency will threaten them with deportation. The agency then files a lawsuit, which is commonly ignored by the homeowner. In the end, the homeowner’s wages are pegged for an indefinite time.

⁹³ Ibid.

⁹⁴ Ibid.

Chapter 6. Short Sale

Short sale is an alternative to foreclosure after a modification is denied. The process of short sale is complicated and involves a lot of dialogue between the banks, real state agents, and homeowners. Recently the Obama administration created the Home Affordable Foreclosure Alternatives (HAFA) Program, which is an alternative to regular short sale and provides the homeowner with \$3,000 in relocation assistance. A short sale gives the homeowner the opportunity to receive financing to buy another house within two years and has a less negative effect on their credit. In this section I'll describe how the members of Casa de la Cultura deal with a short sale, the positive and negative effects of a short sale, possible biases, and the loopholes within short sales.

For the members of Casa de la Cultura, short sale is frequently the next option after a modification is denied. When rightfully done, shortsales are a viable option that allows homeowner to walk away from their house with clean hands. However, this is not guaranteed and many times homeowners end up with a deficiency, which is the money owed from the remaining balance of the loan that was not covered by the house sale.

The topic of short sales opens a series of old wounds with the members of Comit e de Justicia. The tension is between modifications and short sales, and Don Ernesto and Don Ramon. Don Ramon is a real estate agent related to Don Lauro that occasionally attends the meetings and shares information about the national state of foreclosures such as the Robosigner scandal. However, given that Don Ramon is a real estate agent, Don Ernesto acts skeptical towards his advice. In our first interview, Don Ernesto mentioned the sort of biases and vested interests real estate agents have when advising clients to go for a short sale instead of trying to modify.

Don Ernesto pointed to the case of a client that was advised to short sale her home after a supposed financial analysis was done. “Ella vino, yo le hice el analisis financiero y le dije, ‘Mire me parece que aunque la casa este en short sale usted todavía califica. ¿Porque no llamamos al banco?’ Y hicimos una llamada al banco y el banco lo que hace primero es toma toda la información en el teléfono y hace un precalificación. Le dice, ‘Bueno, ¿Cuanto gana usted?’ Y como yo tomo toda la información financiera siempre lo hago eso en el speakerphone, los dos estamos hablando y sabiendo que es la conversación. Entonces se le da los datos, cuanto tienen de ingreso, cuanto tiene de gastos y el banco le dice, ‘Si, parece que usted precalifica, le vamos a enviar los formularios para que llene.’ Cuando terminé la conversación la mire muy enojada, [y me dice], ‘Esta señora del real estate me dijo que ella había hablado con el banco y le dijeron que yo no calificaba para una modificación y por eso la saque short sale.’ Ya tenía ella lista los documentos de venta, y ahí el real state iba a ganar unos \$10,000 o \$15,000 dólares de comisión. Ese numero, te digo no es seguro, pero de seguro el real state gana una comisión de la venta, ¿si? Es un negocio. Y entonces yo le dije, ‘Bueno, valla y dígame que es lo que esta pasando acá’, y ella habla y la persona del real state le dijo, ‘No, ya encontré una compradora, y la compradora ya ha hecho un deposito, usted no se puede echar atrás, le va a costar tanto.’ Y la mujer no se pudo echar atrás y perdió la casa./She came to me so I did the financial analysis and told her, ‘Look I think that even though the house is in short sale you can still qualify. Why don’t we call the banks?’ We called the bank and the first thing they do is they record all the information and do a prequalification through the phone. They asked her, ‘Well, what’s your income?’ And because I take all the financial information we always do this on the speakerphone, so both of us are talking and following the conversation. We gave them all the data, the income, expenses, and the banks said, ‘Yes, it looks like you prequalify, we are going to send the paperwork for you to

fill.’ When the conversation was over I saw the lady was very mad. She explained the real estate woman had told her that she had called the bank, who said her client didn’t qualify and that’s why she was not short selling. The agent had the selling contract ready, and she was going to gain a commission of \$10,000 to \$15,000. I’m not exactly sure that is the correct figure, but the real state agent was going to walk away with a commission. It’s a business. And then I told her, ‘Well, go and tell her you qualified for a modification,’ and she called her and the real estate agent replied, “No, I found a buyer, and the buyer has made a deposit, you can’t back out, but if you do, it’s going to cost you so much.’ And my client couldn’t back out of the shortsale and she lost the house.”⁹⁵

Whatever vested interests Don Ernesto says real estate agents have on a short sale Don Ramon argues the contrary. He references that as a real state agent he knows more or less if his client is going to qualify for a modification based on his budget. He said, “For example, I had this client that bought a home for almost one million dollars. When he applied for the loan they wrote that he was self-employed: a landscaper that has his own company and made \$15,000 a month. When I saw his tax-returns he makes less than \$15,000 a year. Again those are the liar-liar loans. The reason he qualified for a purchase price of almost one million was that he refinanced his other property. He cashed out almost \$300,000 and he put that money towards the down payment... right now he wanted to modify that house so I told him, ‘How can you qualify? You make less than \$15,000 a year!’ Now, they have to qualify based on their income there is no way he could qualify but he still tried.”⁹⁶

Both have cases to back up their opinions. The following is the transcription of an intense conversation between Don Ernesto and Don Ramon. I keep the names of two participants

⁹⁵ Story shared by Don Ernesto at a Thursday night meeting. Quote from memory.

⁹⁶ Ramon Fuentes 10/25/10. Personal Interview.

anonymous on purpose. Don Ramon was arguing that banks don't care to modify and advised that only with bankruptcy banks looked at modification packages. The conversation goes as follows,

Woman #1: "Como él [Don Ramon] dijo si ellos [los bancos] estan haciendo negocio entre mas duren en hacer foreclosure, ¿verdad? Pues ellos no tienen la culpa... / As Don Ramon said, if they [the banks] are benefitting from enlongating foreclosures, then they are not to blame..."

Woman #2: "¿Que significa eso?/What does that mean?"

Woman #1: "Osea ellos no tienen prisa, a ellos no les importa si lo hacen pronto o no./Meaning they are in no hurry to foreclosure. They don't care if it's sooner or later."

Don Ramon: "Un ejemplo.../An example..."

Don Ernesto: "¿Entonces porque dan la modificación si dicen que ellos nos quieren dar la modificación? ¿Entonces porque la dan? Yo tengo ya mas de 20 personas que ya la tiene./Then why are they giving modifications if they are saying they don't want to modify? Then why give modifications? I have more than 20 clients with permanente modifications."

Woman #1: "Si, pero duran../Yeah, but they take their time..."

Don Ernesto: “Entonces no es cuestión de decir que no la quieren dar porque eso puede desanimar a una persona, ‘Bueno, ¿para que hago el trabajo si no me la va a dar? Entonces yo tengo que vender la casa.’ Eso es desorientar a una persona./ Then it is not a matter of saying they don’t want to modify because that can discourage someone. ‘Well, why do all the paperwork if they are not going to modify? Then I should just sell the house.’”

Woman #1: “Pero por eso hay que hacerle la lucha./ That’s why he have to keep on fighting.”

Don Ernesto: “Entonces no hay que decir ala gente, ‘Mire los bancos no quieren darla,’ porque eso es decirles no se moleste venda su casa, valla hacer la quiebra. Yo cuando hago la entrevista le pregunto a la persona....Y yo hasta ahora, las personas siempre me dicen, ‘Quiero pelear por la casa.’/ Then we shouldn’t tell people, ‘Look the banks don’t want to modify,’ because that would be telling them not to bother, to sell the house, to declare bankruptcy. When I do the initial interview, I ask the person... And up to now, they always respond, ‘I want to fight for the house.’”

Don Ernesto addresses Don Lauro: “Tu la estas peleando hasta el final, tu la estas peleando y eso es lo que has decidido, y si hay un momento donde no puedas hacer otra cosa bueno es la decisión que tomaste.../ You are fighting for your home until the end, you are fighting for it and that is what you have decided, and if you reach a moment where you can’t do anything else, well, that is the decision you took”

“Pero [la gente] comienza a pedir la modificación para ganar tiempo. Una cosa es vender la casa en un mes, o dársela al real estate para que cubra el negocio y otra cosa es poderse quedarse 6 meses, 8 meses, 1 año./But people start asking for a modification to gain time. One thing is selling the house in one month, or leaving it to a real estate to do all the business, and another is being able to stay in the house 6 months, 8 months, 1 year.”

“Cuanto llevas tu?/How long have you stayed in your house [after the initial foreclosure notice]”

Don Lauro: “No ya no les digo porque me da vergüenza./I don’t tell you all because I’m ashamed.” Everyone laughs.

“Ya nomás falta que el banco me paguen para que me quede ahí/The last thing I’m waiting for is for the bank to pay me to stay in the house”

Don Mario: “Pero en realidad esto nos sirve de mucho. La mayoría de las personas que estamos aquí es gente luchona. Es gente que se mueve en la raya, pero tenemos que dialogar, tenemos que sacar las armas que tenemos porque si no pues.../In reality this is useful information. The majority of the ones present are people willing to fight. We are people who will not back down, but we have to dialogue, we have to take advantage of our weapons if not, well... ”

This example shows the manners in which dialogues are balanced in the group. Even though it’s not perceived in writing, the tone of voice of Don Ernesto and Ramon was tense. While the other was talking, they stared intensely at each other sometimes portraying a face of

disapproval. On the other hand, there was Lauro and Don Mario, who lightened up the vibe by joking about their situation and affirming to both Don Ernesto and Ramon that their opinions were valued to the group.

The following meeting a similar dialogue ensued, intensifying with time. Don Ernesto was furious at Don Ramon for advertising lawyers and agencies that help with the foreclosure process and restoring credit. His eyes twitching, Don Ernesto raised his voice and finally said, “Como dijo Jesus, sacad a los mercaderes del templo. Aca se viene a apoyar y a oir, no ha vender productos ni ir encaminado a las familias para el short sale./As Jesus said, take the moneychangers out of the temple. Here we come to support and listen, not to sell products or push families towards short sale.”⁹⁷ For the next thirty minutes the vibe got dense. The tension between them still persists to this day.

Bill Purdy describes loopholes in shortsales as similar processes to how lenders harass homeowners after foreclosure when there is deficiency after a short sale and pursue the homeowner. He explained, “In many cases in which, let’s say the borrower did a short sale and they had two loans and they got letters from both lenders saying we’ll accept this amount of money and we agree to forgive the rest of it. We’re not going to pursuit you for it. They still sell those loans after the short sale to a debt buyer anyway! Even though the loan says they can’t go after them anymore, they sell it because the debt buyer pays them \$1,000! One thousand dollars is one thousand dollars! The debt buyer will call them and try to convince the homeowner that they still owe the money. Now, if you got a non-English speaking homeowner that doesn’t understand a short sale they may or may not know that they don’t owe that money anymore. So

⁹⁷ Don Ernesto. Quote from memory.

it's a great idea to call them and tell them because they may pay even though they don't owe it."⁹⁸

However, lenders don't stop there. Purdy continued, "Or they [homebuyers] can go through bankruptcy and get a discharge and then they absolutely don't owe it, right? Because bankruptcy court said so. Year and half later debt collection agency calls them, 'Hey, we're here to collect this debt, you still owe us.' 'No, I don't. I went through bankruptcy.' 'Well we think you do. We're going to sue you.' They'll sue them even though they are not entitled to it. No body shows up in court. They'll get judgment even though they shouldn't and they'll start collecting on it. The other thing that will happen, and this happens a lot in the Hispanic community, is they'll have someone get on who speaks Spanish, 'You know, where are you from?' 'Well I'm from this place.' 'Well I am too, and it would probably look better to your friends and family if you try to make a payment on this loan, just one or two will show better on your credit.' This is after bankruptcy, right? Which is like... They think, 'Well I want to do that, I want to do the right thing.' But when they make that payment, there's a provision that says that if you make a payment on a discharged debt that will revitalize that debt and cause that debt to come back into existence."⁹⁹

This is a repeated cycle occurring to Latinos. They are constantly harassed by means of culture and ignorance of the U.S. judicial system. Different actors manipulate cultural understandings to take advantage of key values that are especially important to some populations like honor—"It will look better to your friends and family" mentioned above—or as in the case of foreclosures by manipulating fear of deportation.

⁹⁸ Bill Purdy 10/29/10. Personal Interview.

⁹⁹ Ibid.

Short sales are a complex process unique to each homeowner. At Casa, short sales signal different meanings to everyone. To Don Ernesto, a short sale is a profit-making mechanism. To Don Ramon, it is the reality. To the participants, a short sale is the other side of the coin, once a modification is definitely not possible. In the end, there are extra steps occurring after a short sale especially if the homeowner ends with a deficiency difference. Often, collection companies pressure homeowners into paying the loan by manipulating cultural concepts. Many times, Hispanic homeowners' wages are pegged for years due to this deficiency and lack of a better understanding of the U.S. judicial system.

Chapter 7. Conclusion

When society subordinates its humanity to maximized revenues at minimum cost, then that society is well on the way to becoming lost, falsified, and in fact inhuman. If we are serious about combating selfishness and promoting compassion in the world, then is it not vital that we develop the tools of intellectual self-defense to deal with these assaults on our minds and hearts? The solution must lie in reversing the priorities, in subordinating dead things—money, capital, profits—to life: people, animals, the planet.

-David Edwards

Historically, economic ruptures have been essential processes in the expansion of capital accumulation by creatively destroying old systems to generate opportunities for new profits in reconstruction efforts. The dimensions of creative destruction rest on natural disasters, human wars and human engineered economic frameworks driven by the profit motive. Given this framework, the 2007 financial crisis was the result of one of the greatest capitalist expansionist periods thereby creating an opportunity for enormous profits and laying the foundation for future greater financial crises. Currently, the Obama administration, under tremendous pressure from financial institutions, has set the agenda to return to business as usual, simultaneously ignoring the suffering caused by the foreclosure crisis and repeating the greatest lesson of all: by establishing a general consensus of “too big to fail” banks can effectively argue a massive economic catastrophe will be unleashed if not bailed out.

As we witness the Obama administration neglecting the opportunity created by the financial crisis to demand banks prioritize safeguarding people’s liquid income, financing trade and commerce over financial trading, perhaps the single most important element of the financial crisis is the bailout’s impact on the public’s psyche. As the national economic agenda gears more towards returning to pre-2007 days, Wall Street has returned to risky profit making mechanisms by intensifying financial derivatives and collateral debt-obligations, consciously knowing that if they fail once again the U.S. government will bail them out effectively transferring the cost to the

U.S. public. Integral to reinforcing this lesson was the federal government's unwillingness to hold these institutions accountable thereby limiting its position to demand that they modify home mortgages. Furthermore, the administration's voluntary programs have fallen short of its goal to modify three to four million troubled loans.¹⁰⁰ As servicers, the banks are only in charge of collecting payments and managing defaults and refuse to increase modification because they "make more from fees and charges on defaulted loans than on modifications."¹⁰¹

Jamie Dimon, JP Morgan Chase chief executive, recently spoke at a Chamber of Commerce event stating, "To people who say the system would be safer with smaller banks doing traditional banking, well, the system would be safer if we also went back to horse and buggies."¹⁰² As one of the chief defenders of banking's status quo, Dimon made more than \$20 million last year betting on homeowners' money in what Robert G. Wilmer, M&T bank's executive, calls "a virtual casino." Banks make most of their money trading and not lending—last year six of the largest holding companies made \$56 billion in trading revenues out of a combined \$75 billion in revenues. Apart from encouraging CEO's to take higher risks because their bonuses were based on the trading bonus profits, "these derivatives and other securities really had nothing to do with the underlying purpose of banking," says Wilmer. One of the few bankers to openly state that the Glass-Steagall Act, which separated commercial and investment banks, should have never been abolished and that derivatives need to be regulated, Wilmer argues, "It doesn't need to be studied for two years. I would put derivative trading in a subsidiary and tax it at a higher rate. If they fail, they fail."¹⁰³ Big banking institutions consider returning to

¹⁰⁰ Editorial. "As Housing Goes, So Goes the Economy." New York Times. May 24, 2011.

¹⁰¹ Ibid.

¹⁰² Nocera, Joe. "The Good Banker". New York Times. May 30, 2011.

¹⁰³ Ibid.

traditional banking as blasphemous because it neglects their sole focus on increasing institutional profits.

Conservative commentators argue that only by selling all foreclosed homes and effectively flushing them from the real estate market will the nation get beyond of the financial crisis.¹⁰⁴ If the banks finish processing foreclosed homes, the housing market will stabilize and housing prices will return to “profitable” standards releasing a chain of investment to once again start developing and building new homes. This will foster employment through construction and stimulate business through housing-related expenses. In other words, the consensus is to return to business as usual by processing all foreclosed homes. This is a double edge sword. On one edge, the number of foreclosures has stalled in the past months as banks keep properties off the market until prices recover. On the other side, the housing market would completely plummet if all foreclosures are released into the market, further flooding the economy with housing. The oversimplification of an incredibly complex national and even global situation merits much more thought and invites critical analysis of returning to business as usual.

The first issue to arise is the non-monetary costs of flushing out all foreclosed homes—that is, the human cost—and even more, the willingness of the financial class to pursue profits by increasing the emotional suffering of homeowners who lost personal lifetime savings with a foreclosure. The intention of bankers and real estate developers to return to pre-2007 standards is so absurd that it points to the increasing disconnect between the people proposing these policies and the real victims of the crisis who will be left homeless, pension-less, and jobless. *Similar arguments that simplify the true dimensions of flushing foreclosures out of the market privilege profit over the struggle for shelter and normalize the systematic sacking of people’s savings and*

¹⁰⁴ PBS Newhour. “Housing Market Still Plagued by Foreclosures, Mortgage Woes, Tumbling Prices.” Aired May 17, 2011. <http://www.pbs.org/newshour/bb/business/jan-june11/housing_05-17.html>

income through the deceitful fabrication of negative amortization loans and tax payers' money through the bailout. As the nation enters a dialogue under the pretense of stabilizing the market, the people's history of the past four years becomes oblivious for the sake of profitability and economic growth. The stabilization of international financial markets does not reflect the continuous uncertainty and economic suffering occurring in everyday life at the community level.

Not one of the current proposals to stabilize the market and stop the foreclosure crisis enters a dialogue to analyze the fundamental causes of the crisis. In public discourse profit is treated as the golden cow inviting the public to normalize and accept certain anomalies—such as homelessness and poverty— as facts. For example, CEOs, investors, and brokers reaped millions of dollars in profits due to deceitful home mortgages that were, in fact, designed to be defaulted from the start. At the ground level, homeowners question the legality of those processes as they are being criminalized for buying a home at an inflated price lending institutions assured they could afford. In effect, propositions to clear the market of foreclosed homes reveal the prioritization of profit over people.

The high emotional and financial costs of foreclosures serve as evidence that the nation is vested in following a capitalist logic where literally everything is sacrificed for profit. Ignored is the price of foreclosures in families, which ranges from divorces, separations, alcoholism, and drug abuse to domestic violence, heart attacks, and even suicide. Because these impacts are not systematically collected and considered, they are often brushed away as the side effects of the everyday life of people, not as a systematic ravaging of profits at the expense of human suffering. Foreclosures are consuming the very human fabric of communities and society in

general. It is only until we start appreciating foreclosures for the human casualties instead of its economic profits and costs that we will find an honest response to the crisis.

A result of the crisis is the pillage of all sorts of communities—White, African American, and Latino— through the foreclosure of their homes. It has caused enormous waves of people not considered poor to become poor and the poor to end poorer than before. Bill Purdy asserts this crisis will lead to more and more people who view the system as illegitimate. To illustrate his point, he shared a story of a client, a U.S. soldier whose parents lost their house via foreclosure: “I went and fought in Iraq for three years and I came back and my mother and father didn’t have a home anymore. What happened to them? What’s up with that shit!? Where’s my mom and dad’s house? Who’s fixing that?”

As more and more families are pushed into the streets a core number of community members approach the bottom line. How are they to fix the “legal” ravaging of their life’s savings at the ballot box when millions of families in the U.S. population are directly affected by foreclosures, yet, the federal government deliberately refuses to deal with the financial crisis as a housing-foreclosure crisis? Purdy shares, “Honest good people by the millions have been cheated and lost everything they have...There’s a lot of people now who have the ability to say, ‘Don’t tell me about working through the system and trying to do it, I tried all of that. My family was robbed of their home and no one stopped it. No one cared! We lost everything and no one helped us.’” A sour feeling of disillusionment and frustration is accumulating in the foreclosed community.

The surmounting injustices provoked by the financial class, yet condoned by the Obama administration, foreshadow a vague and obscure future for foreclosures. The vagueness of foreclosure stems from the complicated future of the real estate industry exemplified by the fact

that banking institutions will not return to holding thirty-year mortgages. The obscureness is engrained on the repetitive cycles of capitalism and the newly founded globalization of home mortgages and properties. Projections estimate that in the most favorable of scenarios the foreclosure crisis will expand through 2012, estimating 9 million foreclosed homes between 2009 to 2012.¹⁰⁵ Currently more than one third of homeowners in California are underwater, meaning they owe more on their mortgage than the value of the property.¹⁰⁶

We have only seen the beginning of a crisis that has the potential to grow and increase for a couple more years, especially due to the Obama Administration's ineffective policy attempts to create a sustainable route out of the economic recession through concrete job creation—infrastructure being a suitable venue— instead of reverting to growth by constructing homes at surperinflated prices. In the end, the spineless policies and recommendations enacted nationally mask the true dimensions of the financial crisis through which the financial class employed legal mechanisms to effectively dispossess the U.S. population from their right to shelter.

In May of 2010, California Attorney General, Kamala Harris, created a 25-person task force to target mortgages fraud of any size.¹⁰⁷ After four years and thousands of mortgage horror stories it is good that the state is paying attention to the issue. However, Harries pretends that a 25-person task force can single handedly litigate thousands if not millions of mortgage fraud cases against the industries and peoples—real estate, mortgage brokers, lawyers, and local and global banks—that structured and developed one of the worst financial crisis in U.S. history. The Attorney General's ultimate goal might not be to bring justice to all peoples in California who have been repeatedly scammed since the moment they signed or refinanced their mortgage.

¹⁰⁵ Center for Responsible Lending. "Soaring Spillover: Accelerating Foreclosures to Cost Neighbors \$502 Billion in 2009 Alone; 69.5 Million Homes Lose \$7,200 on Average." May 2009.

¹⁰⁶ Russel, Frank Michael. "Biz Break: 1 in 3 California home loans 'underwater'; are lenders stalling on short sales?" Mercury News. March 9, 2011. <http://www.mercurynews.com/census/ci_17566271?nclick_check=1>

¹⁰⁷ Lazo, Alejandro. "California Creating Mortgage Fraud Task Force." Los Angeles Times. May 23, 2011.

Instead, Harris's team will handpick the institutions that will receive a hand slap but again, this will not suffice.

Just last week at Comite de Justicia, a woman shared that she had consulted a local real estate agent who promised he could get her a modification. He required that she send all mortgage payments to his office and to change her mailing address so his office received all bank mail. For the past twelve months, the real estate agent kept the home payments and charged \$5,000 to "modify."¹⁰⁸ The woman arrived to the meeting frantic and in desperate need of help. The previous day she received a notice reporting her home would be sold next week. She had no idea her house was even in foreclosure.

Two new participants arrived expressing their deep frustration with the systematic deceitful practices employed by every single lawyer and real estate agent they consulted the past two years. The couple paid more than \$20,000 to a law firm in Los Angeles who committed to save their home from foreclosure. Two years passed by and the firm only asked for more money in order to keep the case open but showed no results, so the couple decided to end business with the firm. As they tried to pay a purchase with their credit card at Sears two weeks ago, the couple found out they had apparently filed for bankruptcy. After much inquiry, they discovered the lawyer firm had filed bankruptcy for them without notifying the couple and even more, falsifying their signatures. Now the couple will enter into more financial debt as they hire new lawyers to clarify the bankruptcy procedures, sue the other lawyers, and still attempt to save their home from foreclosure. The couple is entering their early 60's and earns working class wages.

Another woman commented she also fell pray to unscrupulous lawyers. In an attempt to pressure the bank to modify her home loan, the woman filed for bankruptcy. The lawyer charged her \$1,000 for six months, assuring her that by the end of the bankruptcy the judge had to force

the bank to overlook her case. Concerned about her house, she asked the lawyer if she could attend the court date with the bankruptcy judge. The lawyer lied and replied that was not possible. Later, she learned the lawyer had not pushed for a modification. Next month the bankruptcy term ends, and the bank is preparing to sell the house. Additionally, the woman has applied for a modification three times already. Every time she is denied because the bank will not accept the income of her legally married husband to count for the monthly mortgage. As a consequence of years of constant stress and pressure, the woman developed diabetes and series of ailments caused by the stress of foreclosure.

The line of foreclosure horror stories goes on and on. Every week, new families appear at the meetings disoriented and utterly frustrated with the bank, real estate agents, and lawyers who rob them of time and money. Local organizations, such as *Comite de Justicia*, are unique in their approach to servicing community members. Through a common background in language and culture, the members construct a dialogue around their personal experiences with lawyers and real estate agents, different approaches to a modification, or the timing of a bankruptcy. The result is collective support on the emotional consequences of a foreclosure and a better understanding of their position (in foreclosure) within a larger framework of mortgage lending malpractices.

Nevertheless, this is not an easy fight. By the end of my research in May 2011, 127 properties appear listed as “default” adding their figure to the total 648 pre-foreclosure, bank-owned, and foreclosed houses in Watsonville. One of those homes is Yolanda and Lauro Navarro’s, who were foreclosed out of the city and now rent a house in Capitola. Don Mario has not surrendered his faith of receiving a modification, yet months pass without a formal response from the bank, while Don Gilberto entered the modification trial period. Don Ernesto continues

¹⁰⁸ It is not clear if (or how) the real estate agent cashed the mortgage payments.

to advise the participants at Comite de Justicia, while Don Ramon very seldom attends the meetings anymore. Considering the state of foreclosures is constantly fluctuating it becomes increasingly difficult to retain old members and advice new ones.

At the community level, the fight against foreclosures chronicled in this thesis show the impunity exercised by the financial institutions has yielded a new class of disposable people who find themselves jobless, homeless, and hopeless. As long as the struggle over foreclosures and loan modifications is shunned by the federal government in favor of creditor-friendly policies the country will not step out of the economic recession and families will keep losing their houses, and with them, their dreams and hopes for economic stability.

LIST OF INTERVIEWS

*The following is a list of one to two hour personal interviews conducted in Watsonville in the past three years. The information from each interview opened a small window to understanding foreclosures at the ground level from at-risk homeowners to local government employees, non-governmental organization activists, local lawyers, real estate agents, and private and non-profit home counselors. The interviews conducted from January 2009 to April 2009 were done in collaboration with a three other students—Renee Copper, Jacky Rios, and Madeline Moore—while working on a research project for LALS 126A: Global Capitalism and Community Restructuring taught by Professor Borrego. The interviews realized from March through June of 2011 formed part of a documentary project, *FinePrint: Un Robo Legal*, filmed with the Border Stompers Collective at UCSC where I was Co-Editor and Producer. This last batch of interviews would not have been possible without the help and critical analysis of Anthony Diaz, Alejandra Jimenez, Geraldine Porras, Evelyn Lara, and Maritza Luna. I am solely responsible for the interviews and transcriptions from June 2010 to May 2011.*

It is worth noting that this is a partial list of all interviews conducted for this thesis. Not included are the informal meetings, phone conversations, and random talks occurring in between working breaks and every Thursday at Comite de Justicia for the past year. There was a period between January and March of 2010 when I was a Teaching Assistant for LALS 126A (mentioned above) where I first met Yolanda and Lauro who introduced me a number of families undergoing foreclosures and with whom I continued doing individual informal interviews.

Marty Ackerman, Director of Redevelopment and Housing at City of Watsonville
October 27, 2010

Ramon Fuentes, Real State broker in Watsonville, employed in mortgage financing since 1999.
October 25, 2010

KC Fung, Economics Professor at UCSC
February 6, 2009

Don Gilberto, Casa de la Cultura Participant
April 24, 2010

Mama Lupe, Foreclosed Homeowner
May 2010
October 2010

Lola Maldonado, Administrative Analyst at City of Watsonville
October 27, 2010

Don Ernesto Munoz, Loan Modification Counselor, COPA
May, 2009
October 21, 2010

Lauro & Yolana Navarro, Comite de Justicia Organizers, Homeowner
April 24, 2010
May 1, 2010

Yolanda Navarro, Comite de Justicia Organizer, Homeowner
February 9, 2011

Carlos Palacios, Watsonville City Manager

October 27, 2010
April, 2010
April, 2009
Alicia Perez, Homeowner at risk of foreclosure
February 2009
January 2011
March 2011
Ana Reynoso
May 2010
October 29, 2010
Mario Rincon, Comite de Justicia Organizer, Homeowner
April 25, 2010
May, 2011
Bill Purdy, Tax Lawyer and Foreclosure Advocate
October 29, 2010
Marco Torres, Private Home Counselor
May, 2010
November 2, 2010

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