



*REMARKS BY ROBERT L. JOHNSON*  
*THE HOUSING CRISIS AND ITS IMPACT ON MINORITY COMMUNITIES*  
OTS NATIONAL HOUSING FORUM  
THE NATIONAL PRESS CLUB  
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### Greetings

- Overview of The RLJ Companies -- highlight **Urban Trust Bank (UTB)**
  - Urban Trust Bank, headquartered in Orlando, FL, is a rapidly growing minority-controlled bank with 16 branch operations located in Florida and the Washington, DC metro area; 14 branches are located in Wal-Mart
  - Over \$200 million in assets and no delinquent loans, UTB is building a model minority bank that has grown by over 300% in the first 9 months of 2008.
  - Urban Trust Bank's growth has been careful and deliberate, has been funded through traditional core deposits and, unlike many other minority banks, the bank is very well-capitalized

### Overview: The Housing/Mortgage Crisis: Impact of African American Communities

- I have been concerned with the foreclosure crisis and its impact on our communities for quite some time
- More often than not, low-income, underserved and the minority communities have been disproportionately devastated
- This crisis has been exacerbated by a meltdown in the sub-prime lending market
- The mortgage-foreclosure crisis cuts across all races and incomes, but it has an even more profound impact on the black community, where homeownership is lower and home equity serves as the main source of wealth in black families
- A recent study found that the wealth of black Americans is one-tenth that of whites, and when home equity is subtracted it shrinks to less than 1 percent. In metro Orlando, where the Urban Trust Bank is headquartered, about 47 percent of blacks are homeowners, compared with 74 percent of whites
- Let's look at the overall numbers:

- Mortgage delinquencies and foreclosures are continuing to spike at historic rates;
  - More than 750,000 households have been foreclosed upon since the beginning of this year
  - Nationwide, more than 272,000 homes received at least one foreclosure-related notice in July [2008], up 55% from about 175,000 in the same month last year and up 8% from June.
  - Nearly 2.8 million U.S households will either face foreclosure, turn over their homes to their lender or sell the properties for less than their mortgage's value by the end of next year, predicts Moody's Economy.com
- The impact on the African American community – a study by the Economic Policy Institute found that the median net worth for blacks was \$11,800, compared with \$118,300 for whites. When home equity was subtracted, blacks had \$300 in net assets while whites had \$36,100

[According to the Economic Policy Institute the median net worth of \$300 reflects how many black families have low incomes, no savings, no life insurance policies, no retirement accounts and no investments, but may have loans, car payments and credit-card debt – in effect a negative net worth.]

- The gap in wealth between black and white has grown larger, even while incomes of blacks are starting to catch up with whites
- In 1992, black household wealth was 16 percent of white, but had fallen to 10 percent in 2004
- This gap is likely to widen even more as the mortgage crisis costs black families their homes. The sub-prime loans that led to an increase in homeownership among blacks are now causing increased foreclosures in minority communities
- In order for some people in the African American community to achieve the American Dream of homeownership, sub-prime lending often times became a mechanism for African-Americans to become homeowners – it provided an opportunity for African-Americans to gain some access to wealth – it's possible that now the reverse is going to happen

## Proposed Solution:

- Over the last several months, my team has been meeting with and briefing key agency leaders about a proposed solution to the problem of the foreclosures on American homeowners
- One issue we have addressed is the serious shortage of loan servicer advance financing, which has limited the ability of the loan servicer industry to utilize loss mitigation capacity desperately needed to avoid foreclosures. As mortgage delinquencies have risen, so too have advance funding burdens on loan services
- We are proposing a **minority-owned banking enterprise** partnership to provide loan servicer advance financing through our bank *Homeowners First Bank* with lending requirements specifically designed to foster foreclosure prevention.
- The **mission** would be to undertake mortgage foreclosure prevention activities such as substantial loan modifications, reducing principal and interest wherever appropriate; and to ensure that such modifications and overall reductions in mortgage payments will result in protecting homeowners from losing their homes to foreclosure
- We believe our proposal **Homeowners First Bank** can drive an increase of 50% in modifications of delinquent loans, allowing upwards of **882,000 families** to remain in their homes over five years and avoiding upwards of \$18 billion in direct losses by Fannie Mae and Freddie Mac, as well as tens of billions in additional losses by contributing to the stabilization of the housing market.
- My organization is uniquely positioned to address this problem because it is a minority institution that is resident in some of the communities hardest hit by this crisis
- I am passionately committed to addressing these issues and believe that my organization has an ability to communicate to the minority homeowner that might otherwise be resistant to or skeptical of such programs.

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