

English First Foundation Issue Brief

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Illegal Aliens, Amnesty and the Housing Crisis

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Executive Summary:

During this decade, illegal aliens were seen as the potential salvation of the already overheated residential real estate market.

Illegal aliens saw home ownership as deportation insurance and were all too willing to overpay for housing. A house would always increase in value and could quickly be sold in case of a return, voluntary or otherwise, to their home country.

Mortgage lenders saw no harm in granting mortgage loans to illegal aliens and other “subprime” borrowers because the house would always be worth even more if and when a foreclosure should become necessary.

Some mortgage lenders even partnered, voluntarily or otherwise, with ACORN (Associations for Community Reform Now) to increase their portfolio of subprime loans.

Mortgage loans were granted to individuals without Social Security numbers and little documentation. One bank allowed up to eight people to sign a single mortgage application.

Mortgage institutions knew that any mortgage to an illegal alien could be easily detected because an IRS-issued Individual Taxpayer Identification Numbers (ITIN) was used instead of a U.S. Social Security number. These lenders chose to forget that the IRS made no guarantees about the identities of these ITIN holders.

These risky loans to illegal aliens were not guaranteed by Fannie Mae and Freddie Mac, and now have dragged down large financial institutions like Citibank.

Did the 2007 failure of the amnesty bill cause the mortgage crisis?

Before your answer the question, consider this: “By early 2005 pretty much everybody who wanted to refinance [their mortgage] did. And pretty much everybody who wanted a house had one.”¹ Banks were running out of customers. So were homebuilders.

Aggressive outreach to what became the sub prime market kept things going for a while. “As home values skyrocketed earlier this decade, ‘banks gave money to anybody with a pulse,’ said UCLA economist Ryan Ratcliff.”²

Adjustable Rate Mortgages jumped from 8% of all mortgages in 2001 to 35% of the market in 2006.³ Soon, there were even NINJA (No Income, No Job or Assets) loans for home purchasers.⁴

More than a few people gamed the system. Accordingly, FBI mortgage fraud cases jumped from 5,623 in 2002 to 46,717 in 2007.⁵ One scam alone cost now-bankrupt Lehman Bros. and another lender \$142 million.⁶ A 2006 report by the Mortgage Asset Research Institute found that 60% of borrowers had overstated their income by 50%.⁷

Mortgage lenders didn’t seem to mind, convinced that housing prices, already at historic highs, would never fall, meaning they could “always repossess and sell the house if necessary.”⁸

One thing lenders failed to bank on was the housing glut that manifested in 2005-6. A lot of people were building houses, convinced that home construction was the same license to print money it had been in the past. Unfortunately:

It takes three months to sometimes three years to complete a development. In other words, the market can easily switch from

¹ Aaron Clarey, *Behind the Housing Crash: Confessions from an Insider* (2008) at 26.

² “How a bank fell victim to loan fraud,” *Los Angeles Times*, December 31, 2007, <http://articles.latimes.com/2007/dec/31/business/fi-homescam31>

³ Clarey, *supra*, note 1, at 26

⁴ *Id.* at 113.

⁵ “Loan fraud,” *supra*, note 2.

⁶ *Id.*

⁷ Clarey, *supra*, note 1, at 113.

⁸ *Id.* at 99.

undersupplied to oversupplied between the time a development is started and completed.

It is in light of these facts that an obscure provision of the 2007 U.S. Senate amnesty bill, S.1639 should be pondered.

U.S. home ownership as one of four ways to earn amnesty

S.1639, if passed, would have established a point system for illegal aliens seeking to qualify for permanent legal residency in the United States.

A maximum of 50 points was possible, 10% of which could be earned thusly: “[One] point per year of ownership of place of residence in U.S” [five points total].⁹

Had that amnesty bill passed, it would have induced millions of illegal aliens to enter the real estate market and willing to pay even higher inflated prices, because to do so would be to buy a chance to remain in the United States.

While this Senate debate was taking place, Gary Acosta, co-founder of the National Association of Hispanic Real Estate Professionals, warned: “If the national legislation ...really restricts the opportunity of Latinos, it would be a major blow to the housing industry.” Acosta’s organization ... projected that from 2002 to 2012, 40% of first-time home buyers in the U.S. would be Latino.¹⁰ Acosta did not distinguish between legal and illegal Latino¹¹ home purchasers.

Illegal aliens seen as a solution to everyone’s real estate problems

⁹ American Immigration Lawyers Association, “ Summary of Key Legalization Provisions of S. 1639,” June 21, 2007, <http://www.aila.org/content/default.aspx?bc=6712%7C8846%7C22703>. Other points could be earned as follows: 25 total points for a history of “agricultural work,” 15 total points [one point per year] for each year of “lawful U.S. employment” and five points for having “current medical insurance for the entire family.”

¹⁰ “Georgia Law Chills Its Latino Housing Market,” *Los Angeles Times*, June 19, 2006 at <http://articles.latimes.com/2006/jun/19/nation/na-housing19>.

¹¹ Latinos were not the only illegal aliens eager to participate in the benefits of home ownership by hook or crook. An Iraqi illegal alien, Tarik Hamdi, “had tried to qualify for immigration amnesty by claiming to have worked on a Texas farm in the mid-1980s” before marrying an American citizen. “Hamdi did not state on his naturalization form that in 1994 he had been the U.S. representative for the Committee for the Defense of Legitimate Rights in Saudi Arabia, a London-based organization that has embraced many of Osama bin Laden’s views” and he “was also accused of committing wire fraud by receiving mortgage loans by inflating his income on the applications.” “Man accused of bin Laden link accused of fraud,” *Washington Post*, August 9, 2005 at http://www.washingtonpost.com/wp-dyn/content/article/2005/08/08/AR2005080801492_pf.html.

In 2007, the housing market was already badly inflated, at least on both America's East and West coasts.¹² There were fewer and fewer American citizens who could afford to purchase even a modest home. Employment income was stagnant and personal debt was already high.

The move to allow a wife's income to count on a mortgage application had allowed more couples to qualify for mortgages and helped inflate home prices for decades, but the two-income families of the baby boom generation were reaching retirement age.

The real estate industry depends upon an endless stream of new customers and ever-increasing housing prices. Without both of these things, the real estate industry faced potential ruin.

State and local governments, dependant upon property tax income were equally interested in an ever increasing housing market: "[I]lllegals [sic] increase demand for homes, drive up prices, and bestow an average of a 10% per year increase into the property tax coffers."¹³

Banks make money by making loans. If people stopped borrowing and refinancing, a lot of people would be out of work.

ITIN Opens the Bank Vault to Illegal Aliens

There was one group of people in America not financially overextended at the turn of this century: illegal aliens, and there were a good many of them:

The Pew Hispanic Center estimated that 10.3 million undocumented immigrants were living in the United States as of March 2004. And a study that year for the San Diego-based National Association of Hispanic Real Estate Professionals concluded that nearly 216,000 undocumented

¹² A reviewer of a prepublication version of this issue brief pointed out that land use restrictions, which also predominate in America's coastal states, increase housing prices by artificially increasing the price of land:

What happened in the 1970s to make Bay Area housing so unaffordable? In a nutshell: land-use planning. During the 1970s, Bay Area cities and counties imposed a variety of land-use restrictions intended to make the region more livable.

These restrictions included urban-growth boundaries, purchases of regional parks and open spaces and various limits on building permits.

"The high price of land-use planning," *San Francisco Chronicle*, May 22, 2006 at <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2006/05/22/EDGDOIJ2L1.DTL>.

¹³ Mickey Kaus, "Reader P.D. makes an interesting prediction," *Kausefiles*, September 12, 2007, <http://www.slate.com/id/2173645/>

immigrants could become homeowners if they had better access to the home-buying process, collectively acquiring an estimated \$44 billion in mortgages.¹⁴

While illegal aliens may not make a lot of money individually (or at least not declare much income to the IRS), as a group they can come up with considerable sums: “Often, family members pool resources to afford the county's pricey market. With Citibank, as many as eight people can sign for a mortgage.”¹⁵

Only one small technical change was needed to the mortgage application process in order to allow illegal aliens to reinvigorate America’s real estate industry.

While illegal aliens were not forbidden to buy real estate in America, they were not eligible for mortgage loans because they lacked Social Security numbers.

That changed when mortgage lenders began accepting IRS-issued Individual Taxpayer Identification Numbers (ITINs) in lieu of Social Security numbers.

While an IRS-issued ITIN number may sound extremely official, here is what the IRS has to say about its own identity verification efforts prior to issuing an ITIN:

The Internal Revenue Service issues ITINs for the sole purpose of enabling individuals who do not qualify for Social Security numbers to meet their tax filing responsibilities. Therefore, we do not subject ITIN applicants to the same rigorous document verification standards as Social Security number or visa/passport applicants.

Although we require ITIN applicants to provide proof of identity documents, we accept these documents at face value without validating their authenticity with issuing agencies or conducting applicant background investigations. We do not require applicants to appear in person and third parties may submit applications and provide documentation on behalf of others.¹⁶

Essentially, a mortgage application accepted with an ITIN was being accepted on the honor system. Since illegal aliens lacked extensive employment or income documentation, mortgage lenders were forced to essentially take the applicant’s word for the data on their application.

¹⁴ Janine Zuniga, “Home-buying program has cash, controversy,” *San Diego Union-Tribune*, February 6, 2006, http://www.signonsandiego.com/uniontrib/20060206/news_1n6loans.html

¹⁵ *Id.*

¹⁶ “Information for State Departments of Motor Vehicles, Internal Revenue Service, “(undated) http://www.irs.gov/pub/irs-utl/itin_dmv_info.pdf.

Many mortgage lenders chose to ask no other hard questions about the identity, let alone the income of their illegal alien customers:

Customers with little more than a tax identification number and a pay stub were able to secure 100 percent financing on mortgages. The lack of a driver's license -- let alone a green card -- was hardly an obstacle to getting loans.¹⁷

(The now bankrupt Fannie Mae and Freddie Mac could not legally purchase ITIN loans because “banks can't sell the loans on the secondary market to Fannie Mae or Freddie Mac, as they can other loans, because the two mortgage companies only handle loans for legal residents and U.S. citizens.”¹⁸ Mortgage Guarantee Insurance Corp., the nation's largest mortgage insurer, provides insurance on ITIN loans¹⁹)

These “trust me” mortgage loans were hailed by Hispanic rights groups such as the National Council of La Raza:

“For those families who have the American dream, but don't have access to documentation, the (the taxpayer ID mortgage) is a way for them to be able to buy a home, lay down roots and build wealth for their family for the future,” said Janis Bowdler, housing policy analyst at the National Council of La Raza, a Hispanic civil-rights organization in Washington, D.C.²⁰

La Raza did not volunteer how a no-money down, interest only mortgage could build wealth for the future for anyone. But if a home was seen as deportation insurance, a purchase made considerable sense. A house is an asset that can be sold and, until recently, tended to gain value over time.

Government Pressure to Make Loans to Illegal Aliens

The Federal Deposit Insurance Corporation (FDIC) went so far as to encourage banks to allow mortgage applicants to use Taxpayer Identification Numbers as a means of reaching out to the Latino population and avoiding charges of discriminatory lending

¹⁷ “Prince William Immigration, Housing Ills Seen as Linked,” *The Washington Post*, October 5, 2007 at http://www.washingtonpost.com/wp-dyn/content/article/2007/10/04/AR2007100402253_pf.html.

¹⁸ *Id.*

¹⁹ “Selling Illegal Immigrants the American Dream,” *San Francisco Chronicle*, June 15, 2006 at <http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2006/06/15/MNGRMJEGM81.DTL&type=printable>

²⁰ *Id.*

practices.²¹ “The law does not require banks to check immigration status,” FDIC spokesman David Barr said.²²

This was merely the culmination of a policy begun during the Clinton Administration, when banks were required to either relax their lending standards or face costly discrimination complaints:

A 1995 strengthening of the Community Reinvestment Act required banks to find ways to provide mortgages to their poorer communities. It also let community activists intervene at yearly bank reviews, shaking the banks down for large pots of money.

Banks that got poor reviews were punished; some saw their merger plans frustrated; others faced direct legal challenges by the Justice Department.²³

Banks who wished to avoid trouble had to contend with concerns that many Americans would object to mortgage loans to illegal aliens. Those who first entered this market did so quietly:

Citibank, for example, has been offering loans to illegal immigrants in California under a pilot program since September, [2004]. But it has not advertised widely and wouldn't discuss details with a reporter. It has relied largely on ACORN and individual immigrants and real estate agents to get out the word.²⁴

Enter ACORN

ACORN is the Association of Community Organizations for Reform Now, an increasing notorious²⁵ organization²⁶ which actually has a housing arm, the ACORN Housing Corporation (AHC), which it opened in 1986.

²¹ “Despite Illegal Status, Buys Get Home Loans,” *Los Angeles Times*, August 9, 2005 at <http://articles.latimes.com/2005/aug/09/local/me-house9>.

²² Zuniga, *supra*, note 14.

²³ Stan Liebowitz, “Thank ACORN for the Current Mortgage Crisis,” *New York Post*, February 5, 2008, <http://sweetness-light.com/archive/thank-acorn-and-their-ilk-for-mortgage-crisis>

²⁴ “Despite illegal status,” *supra*, note 21.

²⁵ ACORN is best known for its controversial voter registration drives which turn out to be rife with fraud: “In recent years, ACORN's voter registration programs have come under investigation in Ohio, Colorado, Missouri and Washington, with some employees convicted of voter fraud.” L.L. Braiser, “Bad Voter Applications Found,” *Detroit Free Press*, September 14, 2008 at <http://www.freep.com/apps/pbcs.dll/article?AID=2008809140383>

There are also serious questions as to whether people whose voter registrations rely upon now-foreclosed addresses will attempt to cast ballots based on those addresses during the 2008 election:

What word was ACORN spreading on Citibank's behalf?

ACORN members, advocates on housing issues for low-and moderate-income people and Citibank have quietly recruited applicants in the county for more than a year. Their program has ramped up slowly because applicants need to establish credit and hunt for an affordable home. But the market is vast and the level of interest in the program is high, especially since the loans typically offer below-market interest rates, down-payment assistance and require no mortgage insurance.²⁷

Like its namesake, ACORN's lending program grew great from small beginnings:

Lez Trujillo, field director with ACORN Housing Corp. in Chicago, said the program with Citibank, which is available in about seven states, has made 804 mortgages worth \$153 million since early 2005. Of those, 387 were in California, primarily Northern California. An additional 1,300 borrowers are now in the pipeline, either in contract or shopping for a house.²⁸

ACORN gained considerable influence over the mortgage industry through what was essentially legalized blackmail:

ACORN has latched on to a 1977 federal law, the Community Reinvestment Act (CRA), which was aimed at ensuring that banks do not discriminate against poor minority communities. Under its rules, banks

If there's Election Day disorder brewing for 2008, it might well be rooted in the nation's mortgage-foreclosure crisis. In Columbus, across Ohio and in other key presidential battlegrounds, more people losing their homes means more registered to vote from addresses where they no longer live. ...

Other battleground states rank high in foreclosure filings as well: Nevada led the nation in May with one filing for every 118 homes, while Florida was fourth, Michigan fifth, Georgia sixth, Colorado seventh and New Jersey 10th. "Snag Election," *Columbus Dispatch*, July 6, 2008 at http://www.dispatch.com/live/content/local_news/stories/2008/07/06/vacant.ART_ART_07-06-08_A1_5UAL914.html?sid=101

²⁶ "ACORN is frequently compared with the Industrial Areas Foundation (IAF), the organizing network founded by Saul Alinsky in the late 1940s. ACORN and IAF have chapters in some of the same cities, and often work on similar issues (schools, housing, public services), but they never work together (that's another story)," John Atlas and Peter Dreier, "Enraging the Right," *Shelterforce* (National Housing Institute), May/June 2003 at <http://www.nhi.org/online/issues/129/ACORN.html>

²⁷ Zuniga, *supra*, note 14.

²⁸ "Selling Illegal Immigrants," *supra*, note 19

must go through a costly process of reporting where and to whom they lend money, to show that they don't discriminate. There are no official penalties for banks that get less than satisfactory ratings from the regulators on this issue. But when banks need approval for mergers or acquisitions, the CRA gives "community groups" the opportunity to lodge complaints against them, alleging suspect lending practices. If there's even the appearance of discrimination, the regulators may put the bank's deal on hold. ...

But if the CRA is now unnecessary, ACORN has found a use for it beyond wielding it as a propaganda tool to suggest that "redlining" still exists. ACORN has developed a lucrative niche as an "advisor" to banks seeking regulatory approvals. Thus we have J. P. Morgan & Company, the legatee of the man who once symbolized for many all that was supposedly evil about American capitalism, suddenly donating hundreds of thousands of dollars to ACORN. This act of generosity and civic-mindedness came, interestingly, just as Morgan was asking bank regulators for approval of a merger with Chase Manhattan. Not to be outdone, Chase also decided to grant more than \$200,000 to ACORN.

The banks that ACORN has shaken down refuse to discuss their contributions to a political organization that, to put it mildly, is hostile to free enterprise. But one prominent consultant to the financial industry, who preferred to remain anonymous, admits: "The banks know they are being held up, but they are not going to fight over this. They look at it as a cost of doing business."²⁹

²⁹ Sol Stern, "ACORN's Nutty Regime for Cities," *City Journal*, Spring 2003 at http://www.city-journal.org/html/13_2_acorns_nutty_regime.html. ACORN's power was actually increased during the Clinton Administration via regulations it issued in 1995:

Crucially, the new CRA regulations also instructed bank examiners to take into account how well banks responded to complaints. The old CRA evaluation process had allowed advocacy groups a chance to express their views on individual banks, and publicly available data on the lending patterns of individual banks allowed activist groups to target institutions considered vulnerable to protest. But for advocacy groups that were in the complaint business, the Clinton administration regulations offered a formal invitation. ...

By intervening—even just *threatening* to intervene—in the CRA review process, left-wing nonprofit groups have been able to gain control over eye-popping pools of bank capital, which they in turn parcel out to individual low-income mortgage seekers. A radical group called ACORN Housing has a \$760 million commitment from the Bank of New York; the Boston-based Neighborhood Assistance Corporation of America has a \$3-billion agreement with the Bank of America; a coalition of groups headed by New Jersey Citizen Action has a five-year, \$13-billion agreement with First Union Corporation. Similar deals operate in almost every major U.S. city [emphasis in original]. Howard Husock, "The Trillion Dollar Bank Shakedown that Bodes Ill for Cities," *City Journal*, Winter, 2000 at http://www.city-journal.org/html/10_1_the_trillion_dollar.html.

ACORN's well-funded housing efforts continued to expand nationwide:

Citibank and ACORN Housing offer the program in Miami; New York City; Jersey City, N.J.; Baltimore; Washington, D.C.; Chicago; Bridgeport, Conn., and at all of ACORN Housing's 12 California offices.³⁰

Wells Fargo soon joined ACORN/Citibank as a lender to illegal aliens without Social Security numbers: "Chuck Lemoine, a Wells Fargo senior vice president, said that providing tax-ID loans is legal and that reaching out 'is not only the right thing to do, it's good business.'" ³¹

Business soon boomed:

Immigrants have become key to fueling growth in the Chicago area housing market in recent years. According to a report given to the governor last year, immigrants made up more than 80 percent of new homeowners in suburban Cook County from 2000 to 2005.³²

The Chickens Come Home to Roost

Two assumptions were found wanting in 2008: (1) the assumption that housing prices would only increase and that (2) nothing would be done to curtail illegal immigration.

Even as the 2007 amnesty debate ended, housing in the United States prices had peaked. By 2008:

U.S. home values in the second quarter [of 2008] posted the largest year-over-year decline in the past 12 years, dropping 9.9 percent from the year-ago quarter and 1.7 percent from the first quarter to a U.S. Zillow Home Value Index (HVI) of \$206,919, according to the Q2 Zillow Real Estate Market Reports released today. The median U.S. home value has not been this low since the fourth quarter of 2004, leaving nearly one-third (29.1%) of homeowners who purchased since 2003 with negative equity. ...

Nationwide, nearly one in four (23.7%) homes sold during the past year sold for a loss while nearly 15 percent of sales were foreclosures. In parts

³⁰ Zuniga, *supra*, note 14. For the sake of comparison, Catholic Charities states in a recent report: "While foreclosures are a serious problem across the country, the states of California, Ohio, Florida, Michigan, and Nevada are facing the most severe challenges," Catholic Charities USA, "The Home is the Foundation" (draft), 2008, available at <http://www.catholiccharitiesusa.org/NetCommunity/Document.Doc?id=1105>.

³¹ Zuniga, *supra*, note 14..

³² "Mortgages to illegal aliens come under fire, *Chicago Public Radio*, October 16, 2007, <http://www.chicagopublicradio.org/Content.aspx?audioID=14015>.

of California, more than 60 percent of homes sold in the past year were for a loss while homes sold in foreclosure exceeded 50 percent.³³

Worse for illegal aliens, deportation was rapidly becoming more than a theoretical possibility. By December of 2007, the Pew Hispanic Center reported that Hispanics (roughly a quarter of whom were illegal aliens) were displeased by increased immigration law enforcement:

Hispanics who are not citizens feel much more vulnerable in the current environment than do Hispanics who are citizens. They are about twice as likely as Hispanic citizens to worry about deportation and to feel a specific negative personal impact from the heightened attention to illegal immigration. (Non-citizens account for 44% of the total adult Hispanic population. Of these non-citizen Latino adults, an estimated 55% are undocumented immigrants and the other 45% are legal aliens).³⁴

In fact, Hispanic illegal aliens felt a double impact from the decline of the housing market simply because they were more likely to be employed in the construction industry:

[E]stimates by the Pew Hispanic Center show that unauthorized migrants account for about 5% of the U.S. labor force and about one-third of the foreign-born labor force. They are overrepresented in certain industries such as construction, where they account for 12% of employment (Passel, 2006) ...

Almost 90% of Hispanic job losses over the past year in the construction industry were jobs held by Hispanic immigrants. Hispanics lost 247,000 jobs in the construction industry from the first quarter of 2007 to the first quarter of 2008. That included 221,000 immigrants, 152,000 Mexican-born workers and 69,000 immigrants who arrived in 2000 or later.³⁵

Amid a collapse of housing values, increased immigration law enforcement and increased Hispanic unemployment, what then happened to the various “diversity” subprime loans is what anyone might have expected to happen:

³³ “U.S. Home Values Drop Nearly 10% in Q2 Leaving Almost One-Third of Homeowners Who Bought in the Past Five Years Underwater on Their Mortgages,” *Zillow.com*, August 12, 2008 at <http://zillow.mediaroom.com/index.php?s=159&item=65>

³⁴ *2007 National Survey of Latinos: As Illegal Immigration Issue Heats Up, Hispanics Feel A Chill*, Pew Hispanic Center, December 2007, at <http://pewhispanic.org/files/reports/93.pdf>.

³⁵ Rakesh Kochhar, *Latino Labor Report 2008*, Pew Hispanic Center, June 4, 2008 at ii, iv [<http://pewhispanic.org/files/reports/88.pdf>].

[A]n enthusiastic Fannie Mae Foundation report singled out one paragon of nondiscriminatory lending, which worked with community activists and followed “the most flexible underwriting criteria permitted.” That lender’s \$1 billion commitment to low-income loans in 1992 had grown to \$80 billion by 1999 and \$600 billion by early 2003.

Who was that virtuous lender? Why - Countrywide, [now bankrupt but then] the nation’s largest mortgage lender ³⁶

Nearly 20% of the loans made to Hispanics (once again not disaggregated by immigration status) had already turned sour:

Nationally, 375,000 high-interest-rate loans were made to Hispanics in 2005, and nearly 73,000 of them are likely to go into foreclosure, said Aracely Panameo, director of Latino affairs for the Center for Responsible Lending.³⁷

Consider the case of Glenda Ortiz, a former Alexandria, Virginia homeowner, who defaulted on her mortgage after doing several things wrong:

[Ortiz] looked at only one house and paid too much for it: \$430,000 for a run-down, one-story duplex in Alexandria [VA], triple what the house had sold for the year before, and \$5,000 more than the asking price, according to real estate records.

She agreed to a high-interest loan that would cost her more than \$3,000 a month, more than 70 percent of the \$4,200 that she and her husband brought home monthly.

She signed papers in English that she didn't understand. One said she was married to a man she didn't know.³⁸

Who is to blame for these high Hispanic mortgage default rates? According to some people, everybody but the Hispanic borrowers themselves:

Unfamiliar with the U.S. mortgage market, unable to speak or read English well and vulnerable to the blandishments of real estate professionals who told them property values always rise, many immigrants

³⁶ Liebowitz, *supra*, note 23

³⁷ “Foreclosure Wave Bears Down on Immigrants,” *Washington Post*, March 26, 2007 at <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/25/AR2007032501323.html>.

³⁸ “‘My House, My Dream,’ ” *Washington Post*, March 22, 2008, at <http://www.washingtonpost.com/wp-dyn/content/story/2008/03/21/ST2008032103607.html>.

are struggling to deal with high mortgage payments as their homes sag in value, making it harder to escape the loans by selling (emphasis added).³⁹

How many immigrants can speak English until it is to their benefit to claim otherwise, especially when it comes to binding legal documents is unknown, but is likely to increase if mortgage companies and/or Congress create an “I don’t speak English” loophole to escape these debts.

(Such a loophole will inevitably open the door to “loan forgiveness” for native-born Americans, some of whom are already using a variation of the “I don’t speak English” excuse: “I didn’t know what I was signing.”)

Chandra Chavis, a college graduate, actually complained to *The Nation*: “I read through what I could understand,” Chandra says of the few minutes she was given to browse the IndyMac [mortgage refinance] package. “It was really thick, and I don’t know legalese, especially when it comes to loans.”⁴⁰)

But let us say that Mrs. Ortiz is telling the truth about her English skills. By her own admission, she has been in America for nine years. Alexandria, Virginia, is a suburb of Washington, D.C. and free English classes are a fixture in many churches in the area.

While it is possible to get by in America without knowing English, a person who depends upon the kindness of strangers for accurate information when large sums of money are at stake is likely to be exploited.

Real-estate businesses dependant upon illegal aliens decline as “attrition through enforcement” grows popular.

The last decade also saw the rise of a new group of real-estate-related businesses, all dependent upon the illegal immigrants. Those businesses are now in serious trouble as pressure grows for state and local enforcement of immigration laws:

Two months ago, all Alina Arguello had to do to find Latino home buyers was put up a sign and answer her phone.

But ever since Georgia passed one of the most stringent and far-reaching immigration laws in the nation, the number of Latino buyers who call the Re/Max agent’s home office in suburban Atlanta has dwindled from about 10 to two a day.⁴¹

³⁹ *Id.*

⁴⁰ Kai Wright, “The Subprime Swindle,” *The Nation*, June 26, 2008 at <http://www.thenation.com/doc/20080714/wright>.

⁴¹ “Georgia Law Chills Its Latino Housing Market,” *Los Angeles Times*, June 19, 2006, at <http://articles.latimes.com/2006/jun/19/nation/na-housing19>.

When did these firms start to see a decline in customers? Right about the same time the various amnesty bills failed to pass (2006 and 2007). Now as “attrition through enforcement takes hold, illegal aliens are departing our soil rather than buying homes in America, I:

On Jan. 1st, Arizona became the first state to require all employers to confirm workers' legal status via the federal “E-Verify” system. Having survived a federal court challenge last Thursday, the law promises to transform the immigration crisis in America.

After just six weeks, Arizona's system is already working: Newspapers in the state report that illegals are self-deporting by the thousands. Apartment complexes in Phoenix and Tucson confirm that thousands of tenants have skipped town. Many are returning across the border to Mexico.⁴²

As illegal aliens are encouraged to depart, the real estate markets where they used to congregate are in collapse:

In two years, from August 2005 to August 2007, home sales fell 66 percent in Prince William, 52 percent in Loudon County [VA} and 49 percent in Fairfax County. The number of properties on the market in Prince William more than doubled, from 2,753 to 6,515.

About 900 of the homes on the market in August were “properties in distress”: bank-owned or sliding into foreclosure, said Michael T. Minnery, president of the Prince William Association of Realtors. That is a tenfold increase from 2005, he said.

Many distressed properties are in Zip codes with high concentrations of Latino residents.⁴³

Enter the Congressional Hispanic Caucus

The Congressional Hispanic Caucus has spent much of the mortgage crisis demanding that the mortgages held by their constituents must be substantially reduced at taxpayer expense. The Caucus’ legislative vehicle of choice was the American Housing Rescue and Foreclosure Prevention Act of 2008 (H.R.3221), a bill passed by the House in 2007:

⁴² Kris Kobach, “The Immigration Answer,” *New York Post*, February 13, 2008 at http://www.nypost.com/seven/02132008/postopinion/opedcolumnists/the_immigration_answer_97438.htm.

⁴³ “Prince William Immigration, Housing Ills Seen as Linked,” *The Washington Post*, October 5, 2007 at http://www.washingtonpost.com/wp-dyn/content/article/2007/10/04/AR2007100402253_pf.html.

The American Housing Rescue and Foreclosure Prevention Act of 2008 will provide mortgage refinancing assistance, which will help keep families from losing their homes and protect neighboring home values. The plan also expands programs run by the Federal Housing Administration (FHA) that will allow borrowers in danger of losing their home to refinance into lower-cost government -insured mortgages they can afford to repay.

“The President has threatened to veto a bill that will keep many Americans, including Latino families, in their homes,” said Congressman Joe Baca (D-CA), Chair of the [Congressional Hispanic Caucus]. “It is a shame that the President continues to play politics while families fear the loss of their homes in this poor economy that his administration has created. The entire neighborhood is affected when a homeowner loses their home, and we must help these communities now.”⁴⁴

The problem with the Caucus’ reasoning is that illegal aliens given any mortgage relief are not barred from cashing out immediately as they depart our soil.

Astonishingly, a new amnesty for illegal aliens has even been suggested as a means to revive the housing market:

A real estate lawyer has even suggested that “the key to reigniting the single-family home market and the value of homes is a clear, safe path to a green card for the industrious illegal immigrant [who purchases a foreclosed home].”⁴⁵

Conclusion

There are few clean hands in the 2008 mortgage crisis. Some financial institutions saw illegal aliens as a way to maintain the explosive growth of their real estate profits, while others felt compelled to offer loans to unsuitable borrowers because of the pressure of groups like ACORN.

Neither mortgage lenders nor illegal alien borrowers expected these mortgages to be paid in full. Housing was considered an asset whose price always increased, meaning that any home purchased today could later be sold by either the borrower or the bank at a profit.

⁴⁴ “Emanuel, Baca, Velazquez, Sires and Murguia Praise Passage of Landmark Housing Legislation,” (press release) May 8, 2008 at http://www.dems.gov/index.asp?DE=%7BFA9EDEA8-131F-4074-A6AF-68301D26713C%7D&SEC=%7BD68CD0B2-1442-4804-9F6B-AF67DE7FF585%7D&Type=B_PR.

⁴⁵ Harold Justman, “Illegal Immigrants Have Cash for Homes,” *Inman News*, April 17, 2008, <http://www.inman.com/opinion/guest-perspective/2008/04/17/illegal-immigrants-have-cash-homes>.

In 2007, these rules changed as housing prices began to drop. The price decline meant that the banks who gave illegal aliens mortgage loans could no longer foreclose on the properties and make still more money on a resale. Likewise, illegal aliens who thought a house a good form of “deportation insurance” (an easily liquidated, always appreciating asset) learned otherwise.

Illegal aliens were not interested in formally selling houses now worth less than the mortgages they owed. Mortgage lenders found the idea of foreclosure equally painful to their bottom line, since it would mean recognizing massive losses on their balance sheets.

It is likely that one provision of the 2007 amnesty bill, which gave extra credit for U.S. home ownership to the estimated 12 million illegal aliens in America, was intended to stimulate a massive new demand for housing and thus support otherwise badly inflated real estate prices.

The lessons of the 2008 mortgage crisis are obvious:

- (1) Lending large sums of money to people who may disappear tomorrow is a bad business model, no matter how high the interest rate might be.
- (2) Political considerations imposed upon otherwise neutral business decisions are far more than a “cost of doing business.” Enough political thumbs on the scale can put an end to any otherwise sound business model.
- (3) A failure to hold everyone to the same standards, especially if standards are relaxed for politically correct reasons, is a recipe for disaster. No society can long survive if it is based upon lies.

Policy recommendations

Mortgage relief should not be granted to ITIN applicants simply because that relief is likely to result in quick sales of their U.S. holdings rather than neighborhood stabilization promised by mortgage relief proponents.

Mortgage relief should also be denied to any lending institutions which granted mortgages based upon applications which used ITIN instead of Social Security numbers. There is a moral hazard involved in fully reimbursing high risk investors.

Federal regulations which enable professional ethnic activists and groups like ACORN to influence objective lending decisions should be revoked.

All legal documents in America written in English, including mortgage applications, should be considered controlling legal authority no matter what representations may have been made in languages other than English.

--prepared on October 8, 2008.