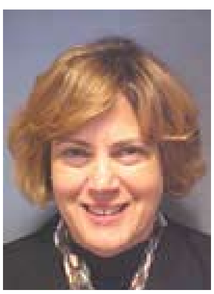
Interview: Cathy Hinko

An Eightfold Increase In Foreclosures



Cathy Hinko is director of the Metropolitan Housing Coalition of Louisville, Ky. The Coalition has studied the explosive growth and changing pattern of home foreclosures in Louisville and its surrounding Jefferson County, for several years. This is the beginning of Dec. 7 interview by Paul Gallagher. The full interview is posted on www.larouchepub.com with EIR *Vol. 34, No. 50.*

EIR: Louisville and Jefferson County appear to have a very high foreclosure rate during 2007—something like 2,500 homes owned by banks—and it looked as though there were no more than 70,000 owned homes in the city.

Hinko: I want to make sure I do "apples" and "oranges." I can track the "apples" of *orders for sale.* And in Kentucky, orders for sale come at the end of a foreclosure process. So, these are people who actually went all the way through and got an order for sale. In 1996, there were 497 orders for sale; in 2007—and we know this, because they're scheduled through the end of the year—there will be over 3,100 orders for sale in the same area.

Eightfold [increase].

So we know that the numbers have increased this much. And for us, it's been a housing crisis for a long time. The two coasts are experiencing an enormous rise in foreclosures; but we've been experiencing it for several years, dramatically going up in 2004 and 2005. . . .

In 2007, we looked at all foreclosures filed from Jan. 1 to June 30 here in—when I say Louisville, I mean Jefferson County, because we're a metro form of government. That's the "orange." Now, I'm going to talk about foreclosures filed, as opposed to orders for sale. We're on track to have over 3,400 homeowners in Louisville Metro at the point that they're actually having a foreclosure filed to dispossess them of their homes. So of course, we can't even begin to calculate those who are struggling to make payments, or are currently in default, but have not reached the point of legal action.

You asked about the rate. I can only say, from the 2000 Census, in Jefferson County, the number of owner-occupied units was 186,358.

EIR: Sounds like something like one out of 50-60 homes.

Hinko: Currently, yes. . . . But, I also know that the Office of Financial Institutions of Kentucky cited a statistic, that Kentucky will have 1.9% of all homeowners [who] will go into foreclosure. But they also have estimates about who's in default; and that was over 5% of all homeowners. So, that's the situation in Kentucky and in Louisville.

EIR: Can you say what is the cause, or causes, of it?

Hinko: The causes of it—the thing we see over and over again, is the higher interest rates.

In 2005, the problem appeared to be more from the refinancing of homes. And it appeared to cluster around African-American urban neighborhoods—which isn't to say that it wasn't spread around, but in terms of clustering, or the four leading neighborhoods with this issue, they were urban African-American.

In 2007, we expected to see the same. And as we started tracking where the foreclosures were happening, we were startled, how the foreclosures had moved. The four leading neighborhoods were suburban neighborhoods, three of which are predominantly white, and one of which is racially mixed. That is not to say, that the urban African-American neighborhoods weren't disproportionately affected; but in just the sheer numbers, they were no longer the leading neighborhoods. It was suburban America that was being affected. And that's why we actually decided to go back and look at all the court files. . . .

When you ask about what caused it: Well, we do know, that in 2005, about 24% of foreclosures involved adjustable rate mortgages [ARMs]; but in 2007, it's 46% that involved adjustable rate mortgages.

In addition to looking at almost 1,700 filings, we also conducted in-depth interviews—with only 26; but 26 people who self-identified. We invited people from neighborhoods, because we wanted to make sure we got urban and suburban, white and African-American neighborhoods. We invited anyone with a foreclosure in those areas to come and interview with us; and 26 people did, so they self-identified. . . .

Out of the 26, eleven identified medical expenses, or health issues, as contributing to foreclosures. Six said the housing costs were too high for the household's income; six had either home maintenance, or other expenses, other than home maintainence, that were unexpected; nine had "change in employment status" as the cause; six said, "Deceptive or otherwise fraudulent lending practices."

One of the other things that startled us, was that when we interviewed the 26—and this was regardless of whether they were fixed rate, or adjustable rate, or where they were—we were surprised to find that 14 of the 26 had mortgage payments that *did not* include taxes and insurance. And almost every one of those 14 said that they didn't know that was going to be the case, until they were actually at the closing. . . .

That, and the fact that we see a median interest rate of over 8%—for the 1,700 [foreclosures]. So, we know that the interest rates are, in general, pretty high for the people who are experiencing foreclosure. . . .

We have one person: She's a person with a house worth $235,000. We interviewed people—you know, we wanted to get a cross-section. She had two mortgages: one, with an adjustable, 8.5% ARM—and that interest rate would have gone up in May 2008; she also had a second mortgage, that had a fixed rate of 12.75%. *And* she did not have taxes and insurance in that payment; so she had an additional $268/month, outside of the mortgage payments, to cover taxes and insurance. . . .

About 16% of these 1,700 foreclosures studied were on second-, third-, fourth-, or even fifth-mortgage refinancings, or on a combination of more than one mortgage.

Fascist Rohatyn Calling The Democratic Shots

For more than two years now, leading Democratic figures in the House of Representatives have protested loudly against Lyndon LaRouche's charge that they are acting under the control of fascist banker Felix Rohatyn. On Dec. 7, the game was up.

On that day, House Speaker Nancy Pelosi (D-Calif.), House Financial Services Committee chairman Barney Frank (D-Mass.), and a handful of others, including former Treasury Secretary and Harvard President Larry Summers, met behind closed doors, in Pelosi's office, with three financiers, led by Rohatyn himself. No press were invited—and even leading Democrats on major Congressional committees were not informed that one of the leading backers of Chilean dictator Augusto Pinochet, i.e., Rohatyn, was holding a tête-à-tête with the House leadership.

No one knows exactly what happened inside, but, upon emerging to give a press conference, Frank spoke for the group in announcing that the "consensus" was that the Bush Administration's pretense of a plan to deal with the mortgage-foreclosure crisis, was "conceptually reasonable," and just needed to be expanded to cover more people. The thoroughly discredited Summers seconded Frank's conclusion, calling the plan by Treasury Secretary Henry Paulson "pragmatic and thoughtful." Meanwhile, Rohatyn stood off to the side of the speakers, as if to supervise their performance.

The game was blown by two members of the LaRouche Youth Movement (LYM), who asked Frank why the Democratic Party was taking advice from the man (Rohatyn) who has been destroying the U.S. physical economy, as shown in his role in the Delphi bankruptcy. Frank, not surprisingly, responded hysterically: "I know that Lyndon LaRouche has had an obsession with Felix Rohatyn for a very long time." He then refused to answer, protesting that the press conference was only for "credentialed" reporters.

A second LYM member sought to ask Frank to elaborate on the need for investment in infrastructure, only to be cut off in a similar manner.

In commenting on the event, LaRouche noted that he wouldn't want to be the shoes of Pelosi and Frank, when the increasingly angry U.S. population realizes just how totally they have been sold out by these stooges for Felix. There is no doubt that that day of reckoning is coming—soon.