

**ECONOMIC DISTRESS IN OUR CITIES:  
'LOS ANGELES,' CALIFORNIA**

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**FIELD HEARING  
BEFORE THE  
COMMITTEE ON BANKING, FINANCE AND  
URBAN AFFAIRS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SECOND CONGRESS  
SECOND SESSION**

**FEBRUARY 10, 1992**

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## ECONOMIC DISTRESS IN OUR CITIES: LOS ANGELES, CALIFORNIA

MONDAY, FEBRUARY 10, 1992

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,  
*Washington, DC.*

The committee met, pursuant to notice, at 9:31 a.m., at the Patriotic Hall, 1816 South Figueroa Street, Lincoln Room, Los Angeles, CA, Hon. Henry B. Gonzalez [chairman of the committee] presiding.

Present: Chairman Gonzalez, Representatives Torres and Waters.

The CHAIRMAN. The committee will please come to order. The committee is here actually in the name of the U.S. House of Representatives full Committee on Banking, Finance and Urban Affairs, as well as the Subcommittee on Housing and Community Development.

Today, the committee and subcommittee launch their fifth in a series of hearings around the Nation on economic distress and on the legislation of which both of my colleagues here this morning are cosponsors, that we feel reflects the jurisdictional responsibility of this committee in confronting the basic problems that we face throughout the country.

In Bridgeport, CT, which was the site of the first hearing on January 7, 1992, the city's fiscal problems had become so acute that last June it became the largest city to ever try to file for bankruptcy. While Bridgeport has since chosen a route other than bankruptcy, it still continues to wrestle with a \$17 million budget shortfall, made worse by cuts in Federal and State funding. This has impacted the city's ability to serve its growing number of homeless and other much needed social services.

Economic distress in the Spartanburg-Greenville area of South Carolina, the site of the second hearing, meant the phenomenon of underemployment. People worked at the same job for less pay, as their traditional textile and apparel industries downsized and many well-paying jobs have been lost, apparently permanently. Baltimore, MD, the city of the third hearing, like many major cities, faces problems of homelessness, lack of affordable housing, overburdened social services, job losses, and small businessmen and women unable to get needed bank loans to keep their businesses running.

Because of its heavy reliance on the auto and heavy manufacturing industries, Cleveland, OH, the site of our fourth hearing last Friday, is especially hard hit during the recession. As a matter of

fact, it has lost one-third of its manufacturing jobs in a matter of just a few years. While the city is working to diversify its industries, there still remains a mismatch between the workers' skills and its industry needs.

It is clear from these hearings that the recession is severe. People are out of work or are afraid of losing their jobs. Promises of job retraining and job relocation do not always come through. Underemployment for some can be as detrimental as unemployment. People who formerly had homes are living in shelters. People are using up all their savings to hold on to their homes. People are turning for help and finding there is none. And, sadly, hunger remains a problem even in our affluent United States.

The Nation's cities are especially hard hit and their plight is made worse by years of cuts in Federal and now State funding. Cities can no longer afford to repair their crumbling infrastructures, to provide affordable housing for all who need it, and to offer enough social services to go around.

We will also be looking at the effect of the Bank of America-Security Pacific merger on the local community and on the California economy in general. The proposed merger will change the banking landscape drastically throughout California and we want to know exactly what this means for credit flows and services for neighborhoods and families.

I want to thank my colleagues, Ms. Maxine Waters and, of course, our very stalwart Esteban Torres, both of LA, for their tremendous help in organizing the hearing. We are very much indebted to their staffs, who have been absolutely indispensable in organizing the hearing.

I plan to carry what I hear today back to DC as the Congress seeks to craft legislation to jump start the economy. At least for our contribution from the Banking Committee. We need a real program for economic growth, not empty promises that everything will be all right if we just wait long enough.

And, with that, I would like to recognize, this may sound startling, but I think we had better follow the congressional custom of seniority, and defy my southern gentlemanly training and not recognize the gentlelady first, but recognize Chairman Torres. Let me say this, Chairman Torres is a member of this committee and also the subcommittee. He is also chairman of one of the most important of the eight subcommittees in the Banking Committee, Consumer Affairs and Coinage.

He has done an outstanding job in literally the few months he has been chairman. I have been on the Banking Committee 30 years and I have been a member of that subcommittee since I came to the Congress. And I can tell you, the difference is immediately noticeable. For the first time, when we had the markup on the Banking bill last November, he was there and got the much needed amendments to the Fair Credit Act. That was considered impossible. Nobody would have laid a bet, but he did it. He stayed there till 5 in the morning and we got it. His leadership has been absolutely invaluable. And on a personal basis, I am extremely grateful for his help and extreme loyalty.

So, Chairman Torres, we will recognize you.

[The prepared statement of Mr. Gonzalez can be found in the appendix.]

Mr. TORRES. Well, thank you, sir. I appreciate your very kind comments. Since my arrival to the U.S. Congress, the first committee that I sought to be a member of was the House Banking Committee because of the tremendous importance that that committee has on the lives of Americans, our communities, and our country. And for me it is a great honor, and I know that Congresswoman Waters joins me in thanking you and welcoming you to Los Angeles.

I know that you have been around the country holding these types of hearings, and for us it is important for you to come to Los Angeles. It is somewhat with mixed feelings that Maxine Waters and I are hosting this hearing here in our districts. And I say that because the issue that brings us together today, that of economic distress in our Nation's cities, is a very serious crisis in both of our districts, in this county, and, unfortunately, throughout the Nation. Due to our sheer size, the economic troubles that are being experienced in cities across the country, are most exponentially felt right here in Los Angeles.

As we listen today to the testimony of the various panels of witnesses, who are going to tell us about their own personal stories of hardship and economic distress, I think we are going to really touch on just how fundamental this problem is. It impacts on so many facets of our daily existence, all of us, on having a place to live, on finding and keeping a job, on being able to safely walk the streets in our own communities.

These recessionary times have put a major load on this city, on this county, on the State, and, of course, the Federal services that are needed to help individuals just to get through until things get a little better.

While some of these problems are more universal in nature, it is important to note that this committee, the Banking Committee, has focused on gathering information about some of the economic realities that are unique to the Los Angeles community. We are unique, as a part of the United States. So the panel on unemployment in the aerospace industry and manufacturing will be important to hear from.

The issue of the gang phenomenon, which is in large part caused by the lack of opportunities for youth, will provide us with a picture very particular to this area. We are at a crucial time now, resulting from massive defense cutbacks. There has to be a program of assistance in place for defense dependent workers, for businesses, for communities, to help them adapt to the changing times, and to take advantage of the new opportunities to diversify.

Mr. Chairman, I just came back from Russia. The Russians are in terrible chaos. The nation is falling apart, they have serious problems. And it galls me, really it does, to see that our government is talking about billions of dollars of assistance to provide the former Soviet Union with a mechanism to take them into the world of peaceful conversion.

The whole Soviet military force is dismantling and our government is in there assisting with a magnitude of dollars to help diver-

sify the Russian industry so soldiers can go back and take jobs in their independent nation.

What about us? What about our country? We need to begin to talk about diversification and conversion, here in this country, in the State that has produced for this Nation the greatest defense industry.

In addition, we need to provide alternatives for our youth to get them off the streets and keep them out of gangs, to stem the increasing violence that has been brought to our neighborhoods.

And I would like to thank, of course, the city, Mayor Bradley's office, Supervisor Gloria Molina's office, for providing today their participation in terms of assisting us in carrying out these hearings. I want to impress upon all of you the importance of the contribution that the city and the county are making to us today and to the witnesses, you are giving us the human element, the real life picture of what is happening, something that often gets lost in Washington.

The time you are taking to share the state of your life with us is most appreciated. It is going to be a long day, but we want and need to hear from of each you. It is important. It will be up to us, as elected Representatives of the people, to act on the information that you give us. So we ask the witnesses, be frank, be candid, be tough, because we want to hear and we want to help.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Chairman Torres.

Ms. Waters, before I recognize you, let me talk a little bit about what you have done since you came to Washington. Ms. Waters is one of those personalities that seem to come running when they get to the Congress. Remember, you have 435 Members of the U.S. House of Representatives and when any one personality in their freshman year can break through, and all of a sudden they have a profile nationwide, you know they have to be more than unusual. They have to be indomitable. They know why they are there. They know the people back home that sent them there.

And all I can tell you is that, from a personal standpoint, she has been absolutely indispensable in my serious effort to discharge the position of chairman of the committee. It is a large committee, it has 52 members. And, as you know, you can see that you have a lot of voices, that a chairman needs a lot of help. And there are precarious moments in every one of those committee meetings, and Ms. Waters helps us through those moments. I bless the day she chose to sit on the Banking Committee when she came up.

Let me thank you right here, as near as I can get to your district, Ms. Waters. I will say this no matter where we are. I have said it in Washington and I want to say it now and proclaim it loudly. So, thank you very much and you are recognized.

Ms. WATERS. Thank you very much, Mr. Chairman. I am extremely happy to be with all of you this morning. We are privileged to be hosting the House Committee on Banking, Finance and Urban Affairs here in Los Angeles. I would like to begin with a brief introduction to the man who has made this very important and timely hearing possible, Chairman Henry Gonzalez of Texas.

Chairman Gonzalez is a tireless worker and a conscientious leader. Among members of the Banking Committee, he is known as



an interested, honest, and excruciatingly fair chairman. In politics it is rare to find someone whose integrity is as universally recognized as Henry Gonzalez.

Chairman Gonzalez has demonstrated an uncommon commitment to the poor. Despite the enormity and scale of his responsibilities, overseeing the commercial banking system, overhauling the savings and loans, authorizing every Federal Housing and Community Development Block Grant Program, Chairman Gonzalez never forgets the poor and the needy and the underprivileged. In all his 30 years in Congress, Henry Gonzalez has been a fighter for poor and working class Americans.

Now, as chairman of the House Banking Committee, he uses his seniority and expertise to develop legislation and devote resources to help needy citizens in communities like ours. Chairman Gonzalez' latest commitment is to tour cities all across the United States to witness firsthand the economic deterioration that is gripping this country which brings us here today.

Mr. Chairman, we in Los Angeles, have a particular set of economic problems. Again, Congressman Esteban Torres and I are delighted that you are here. We welcome your presence and we feel extremely privileged that you are taking time to listen to our constituents and get to know what we are confronted with here in Los Angeles, so that you can take this information and provide the leadership that is necessary in Congress to help us deal with this gripping poverty and worker displacement.

Let us talk about unemployment. There has been a lot of publicity about the national recession. In Los Angeles, in districts such as mine, so-called south central Los Angeles, Watts, Southgate, parts of Downy, in Congressman Esteban Torres' district, part of that district, we have been enduring depression levels of unemployment for years. Inner cities across the Nation have watched as large companies have left town in search of cheap labor in Third World countries.

Many years ago, I introduced plant closure legislation in the California State Assembly. Democrats and Republicans alike ran for cover. They were afraid of the business community. The same business community that sat in chambers of commerce all over this city and this State, under the red, white, and blue flag, were exporting our jobs to Third World countries for cheap labor and the chickens have finally come home to roost.

However, unlike many other cities, this region's economic dependence on the military will lead to even more worker displacement for several years as the cold war military budget declines. There are those who would like to keep the defense establishment going in order to have jobs. With a little vision, Mr. Chairman, I suppose we all should have recognized that the cold war would end one day. That is what we said we wanted. And we should have been involved in conversion for a peacetime economy. We are a day late and a dollar short.

And, yes, as we wind down this cold war, there will be a loss of jobs, but I suppose it is time for leadership. It is time for us to help this Nation understand what is possible in a peacetime economy and do the kind of conversion that is necessary.

Let me just say to you, Mr. Chairman, that while the U.S. unemployment rate is about 7.1 percent, in Los Angeles County it is about 8.3. In many minority communities the rate is twice as high. Among minority youth the unemployment rate approaches some 50 percent. In some sections of my district which I represent, the rate is even higher.

We have young men and women in many of our housing developments that have been dropped off of America's agenda. They do not show up in anybody's statistics. They are not in school. They are not in the unemployment statistics because, if you have not worked in the past year, you are dropped from those statistics; young men and women who desperately want a chance, who want a bridge to cross over, young men and women who, it has been predicted, perhaps will never work a day in their lives.

I think America is better than that. I think we can do better than that. But the fact of the matter is it is not only Watts in south central Los Angeles. This story is being rewritten daily in Cabrini Greens, in Chicago, up in Harlem and Watts, in Detroit, all over America increasing numbers of jobless young people, most of whom are minorities, do not find their way into schools or jobs, because there are not support systems, but rather our prisons and our jails are overflowing because these same young people, desperate, oftentimes decide they will not be hungry, they will not see their mothers, sometimes their fathers, their babies starve and they choose to take a chance and the crime rates are increasing.

Mr. Chairman, the housing and the homelessness, we suffer from a chronic housing shortage in this region of the country. High property values combined with huge pockets of poverty creates startling conditions in the Los Angeles housing market. A recent study conducted by the Shelter Partnership here in Los Angeles documented what we see every day. There are 12,800 homeless family members and over 45,000 homeless individuals nightly in Los Angeles County. Of these over 30,000 live in the city. There are less than 8,000 beds available in the county. Every night these are filled to capacity and, under the best circumstances, satisfy only about one-third of the total demand for shelter.

We desperately need new housing construction. We need to make more rental housing affordable. We need to think creatively as a community and as lawmakers to solve the housing crisis which confronts us. We are here at Patriotic Hall, and let me just add, about one-third of those who are homeless on our streets are veterans, people who have served in America's wars. Even today as we sit here, having been recently in the Persian Gulf, some of those who served there are today homeless.

You hear a lot about gangs and youth problems. Well, that is another well publicized problem in Los Angeles, but we are lucky to have programs such as Ameri"i"can that are run by my friend, Jim Brown. This is a program that has stopped to put a focus on young people, many of whom I described a minute ago as having been dropped off America's agenda.

Jim Brown has gone into our housing developments and parts of cities across this country where no one dared to go. He is engaging young people in new ways. He is finding out that they, too, are just like us, all they need is a little love and attention and a chance. I

am delighted to spend a part of my time working with these young people and trying desperately to find ways to have them participate in our society in meaningful and constructive ways.

Finally, Mr. Chairman, let me talk about a looming threat that we are confronted with here in this area, and I know that part of this hearing will be devoted to, and that is the proposed merger of Bank of America-Security Pacific, the largest proposed bank merger in the country's history. We have heard that this merger would cost up to 50,000 jobs. We have real questions about the community lending implications of the merger.

What will be the impact on banking services for communities like south central Los Angeles, communities which are severely underserved by banks already? It is estimated by the Green Line Coalition here in California that in 1990, 4 percent of the dollar amount of Bank America's loans were to low-income individuals and only 2 percent of that 4 percent of Bank America's loans were made to African-Americans.

More specifically, only 156 or 0.2 percent of Bank America's loans went to low-income African-Americans. Moreover, the Federal Reserve Bank report on mortgage discrimination reported that it was 64 percent harder for African-Americans or Latinos to receive a home loan than whites. This background gives many of us great concern about the possible implications of allowing this proposed megamerger to move forward.

In conclusion, we in Los Angeles, have decided we are going to provide some leadership. Esteban Torres and I invited you and welcome you to be in this area because we have decided that we must provide leadership to deal with these problems. We are going to propose a new declaration of purpose and priorities. We are going to demand because we do deserve. We will demand a slice of the peace dividend.

Mr. Chairman, Mr. Torres, today's hearing will give us a clear picture of the challenge before us. I hope we will be able to return to Washington and translate our commitment into concrete action.

Again, Mr. Chairman, I thank you for allowing us this opportunity to share with you and this committee the troubles we face. I look forward to working with you to solve the problems we will identify today.

The CHAIRMAN. Thank you very much, Congresswoman. We really appreciate it and I, for one, appreciate your very kind and generous remarks. You certainly have spoken for us.

I am grateful and I want to express again my gratitude. The staff tells me that your staff was absolutely indispensable. And Mr. Torres' staff. And I might, at this point, point out that from a technical, jurisdictional standpoint, we are meeting in a building that is in Congressman Roybal's district.

As soon as we found out that this is where we would be, we had the Banking staff come out here. They came more than a week ahead of the hearing and they have been working hard to set it up. These hearings are not easy to set up no matter where we go, even in DC. But when it was determined we would be at Patriotic Hall, we immediately notified Congressman Roybal. He may come in. I have been informed that he would try, but I did want to acknowl-

edge the fact that his record has been clearly supportive on the issues we will address today from the beginning.

Congressman Roybal followed me to the Congress just by about a year. Congressman Ed Roybal, of course, is an institution, not only here LA, but throughout the country. I do hope that he can arrange his schedule so he may be here. Whenever you go into a Congressman or a Congresswoman's district, we realize they have forces at work there that they have to tend to first and foremost. That is why we are grateful for your presence here this morning. Usually, they are going to be committed long before they know about a particular hearing of any committee.

We will start, if Professor Goodman will allow me, by recognizing Mr. Michael Bodaken, who is the Housing and Community Reinvestment Coordinator of the office of the mayor of the city of Los Angeles for the purpose, I believe, of giving us a welcome. So we deeply appreciate that, Mr. Bodaken, and you are recognized.

**STATEMENT OF MICHAEL BODAKEN, HOUSING AND COMMUNITY REINVESTMENT COORDINATOR, OFFICE OF THE MAYOR, CITY OF LOS ANGELES**

Mr. BODAKEN. Thank you, Chairman Gonzalez, and I am, indeed, here to welcome you all today. Unfortunately, Mayor Bradley was not able to attend this morning, and I am happy to welcome you all on his behalf.

It occurred to me that it was not really appropriate for me to testify today because you are going to be hearing from some people today who are actually much more affected than any of us on this panel about the recession that is going on and they will be able to tell you the actual impact of the recession on their daily lives.

I really appreciate the fact that this field hearing is being held today in Los Angeles. Congresswoman Waters and Congressman Torres, I really appreciate that sincerely. I think it is important that you hear from the people about what is going on in Los Angeles today. I wanted to say a couple of remarks and then I will leave it to the panel. I know you have a long day.

The first is, it is probably the most appropriate time for you to consider these remarks in light of what is happening in Los Angeles. Dr. John Goodman will explain in detail what is going on in Los Angeles statistically and economically and demographically, but there is no question that the whole city and county is under a tremendous burden right now.

The loss of 250,000 jobs in January was just announced yesterday, in the month of January alone in this county. It is mind boggling when one considers the impact of the recession around this city. I live in Congressman Torres' district and I can tell him first-hand that we feel that every day.

Next, I want to take to heart your remarks concerning banking legislation in the overview of the banking industry. Mayor Bradley, together with the city council, Congresswoman Waters, and others have testified regarding that pending bank merger and have proposed specific legislation to try to make sure banks do not disinvest in south central Los Angeles and east Los Angeles.

Separately, the mayor has expedited public works projects in Los Angeles to make sure that those jobs which were bonded will go forward quickly, that the voters have given us authority to go ahead with public works projects. Now is the time to do infrastructure improvements, but we cannot do it alone. There is no way that local policymakers can change the economic policy of this country. That is up to the Chair and to the Congresspeople in the Banking Committee, who I am addressing today. This has to come at the national level. And that is the reason it is so appropriate that you do something about it today.

I know from personal experience that Congresswoman Waters is very interested in this issue. I will just give a brief anecdote. I came to talk to her about housing legislation about 1½ years ago in Washington, DC, or about 1 year ago in Washington, DC. And I came to talk about housing legislation, and quickly I found out that she quickly understood that meant jobs and she turned me around on the subject very quickly.

And I am meeting with Congressman Torres about low-cost checking legislation, in his capacity as Chair of the subcommittee, in about 2 weeks here in Los Angeles. So you have brought together people who really care about the issue and I appreciate that.

Finally, I want you to know, Chairman Gonzalez, that we are aware of H.R. 4073. We are aware of the economic stimulus bills that are being thrown out by different Democratic Members of Congress. We are aware of those things and we follow them closely. And we only hope that there can come about some consolidated bill that people can get behind to really do something about housing and economic development in this country.

It is important from the people's standpoint here on the west coast that you understand that we do follow those activities and they are terribly important for our public today.

Finally, I am going to, in advance, thank you for what you have done here today. It is enough that you have come here today. It is more than enough that you will listen to the people who will testify before you today. I only hope that you will take back to Washington and take in heart what they have to say to you today.

Again, welcome from Mayor Bradley. We appreciate you coming today.

The CHAIRMAN. Well, thank you very much. And I can assure you this is not the last of the committee's presence in LA. We intend to follow through. These are actually incipient hearings to lay the base for legislation we have already introduced. Both of my colleagues here are an integral part of that legislation. And we feel it will be indispensable as far as the jurisdiction the Banking Committee has.

Our committee had broad jurisdiction on some of these economic questions. We have all the way from housing and community development, to economic stabilization. In fact, we have a subcommittee that is known as the Subcommittee on Economic Stabilization. So we are trying to muster those resources to conceptualize the legislation that will address these needs. Some of it is actually a compilation of what we have been trying to do for 10 years, but have not been able to succeed in accomplishing. So we are ready as far as legislative enterprise is concerned.

But it will require a great deal of support and, we anticipate returning to LA. We are not coming here for any other purpose than what we said. We are here to learn. We are not here to tell anybody anything, but we want to learn and we are going to learn. We deeply appreciate the message you have brought.

Mr. BODAKEN. You are welcome any time, sir.

The CHAIRMAN. Thank you, sir. Dr. Goodman, thank you very much. Without any further ado, we will recognize you.

**STATEMENT OF JON GOODMAN, DIRECTOR, THE ENTREPRENEUR PROGRAM AND PROFESSOR, SCHOOL OF BUSINESS ADMINISTRATION, UNIVERSITY OF SOUTHERN CALIFORNIA**

Mr. GOODMAN. Thank you, Mr. Chairman. I really appreciate this opportunity, I think.

When I was first contacted by the committee's staff, I thought I would do the usual number with all of the statistics and I probably would have been able to give you a superb nap for at least 10 minutes and you could have rested. But, in fact, I view this as an opportunity to really expound what I thought was a theory and now is becoming a belief.

I came to California, I came to Los Angeles in July 1989 and I came from Texas. And when I came here, everybody said to me, "Buy now, it will never be cheaper." And I walked around and I said, "This is really strange, it smells like Texas here to me." Everybody said, "No, no, California will never be Texas, it has a diversified economy, aerospace, real estate and construction, banking and financial services, agriculture, entertainment, and no component of the economy accounts for more than 11 percent of employment," where in Texas when I founded the first economic development program there in 1984, the economy was about 81 percent based on the energy industry.

So I said, "Oh, absolutely right. I have to go back to school. I have to learn all over again." In the last 2½ years, I have discovered some very, very troubling facts and some of them have to do with plain bad luck.

Bad luck number one; half of the industries that make up the job creation drive of southern California are in the tank at the same time, aerospace, agriculture with the white fly problems, light manufacturing with the many, many problems they face, both in competitiveness and costs, the entertainment industry and, of course, all of the things we know about banking and financial services.

The *New York Times*, the *Sunday Times*, had a very interesting article last week. And that article basically said that the economists were not worried because they thought the loss of jobs could be absorbed by a growing economy. If you believe this is a recession then you believe these jobs are coming back. If, in fact, you believe, as I do, that this is a fundamental restructuring of the economy, the problem with the loss of these jobs is they are not coming back.

The jobs in agriculture are not coming back, the jobs in aerospace, the jobs in banking and financial services. We are facing a loss probably in southern California this year of approximately a half a million jobs. The biggest problem is that these are primarily

manufacturing or manufacturing related jobs. When you look at what is called primary employment, you add into that primary employment manufacturing and manufacturing related and construction, also banking and financial services, you then have to look at the multiplier effect.

In 1970, at the beginning of California's boom, there were two service jobs for every one manufacturing job. That number is now approaching five. That is a staggering growth and multiplier from 1970 to 1992. As you know well, service jobs are much less secure. They pay on an average 25 percent less than manufacturing jobs. They frequently do not carry with them employee benefits, health, pension, and the like and they are what we used to call in Texas soft jobs.

They come and they go. And there is absolutely nothing that drives their being there. We have an enormous labor force that is unemployed. Everyone knows that. We also have a staggering size labor force that is underemployed, where their wages have gone from \$50,000 household income to \$35,000, or \$100,000 to \$70,000 or, and no one I know weeps at these figures, \$200,000 to \$100,000. Not only does that mean much less money in the economy, but, and this is where I started my story, it came to me after 2½ years that there is one distinct similarity between southern California and Texas, and that is the primary industry that drove this part of the country was inflation, inflation in real estate.

There have been billions of dollars taken out in home refinancing, in home equity and put into the market as if they were productive dollars. Now, what has happened is the economy has hit the wall. Fifty-six percent of the assets, the loans at the banks of southern California, are real estate secured. You can refinance, but you cannot get a dime out of your house anymore. What one has now, in addition to earning less money because of underemployment, in addition to the contraction, the numbers of primary employment jobs, we now have no ability to get this artificial fuel into the system. The economy has absolutely come to a screeching halt, not in time to not hit a brick wall and it is quite literally hitting a brick wall.

I think that within the next year, there will be very little cheer. The real estate industry will continue to deteriorate rapidly. And with that goes the last hope in southern California of the ability to get a little extra money on the side to make up for what would be a temporary loss of jobs or a temporary lowering of income.

This is a rapidly deteriorating downward spiral. Southern California, like virtually every other booming section of the country, has virtually no infrastructure in terms of job training and retraining, educationally infrastructure development, housing, the kinds of things that convert soft jobs into hard jobs.

And it is bridges, it is houses. It is also training and retraining, because we cannot forget that all of the people that are unemployed and underemployed will go out into a market where there are no jobs anymore. It is no longer possible in the United States to earn a middle-class wage standing in an assembly line. So what we have to do is very much tied to the ability to take a long-range view. And we need, we desperately need, national Federal help to work with local communities, to train young people, to work with

the community college system in job retraining, in dislocated worker programs, and in anything that develops jobs.

The Entrepreneur Program at the University of Southern California has a very clear philosophy. We are in the business of wealth creation, and the definition to us of wealth creation is job creation. By providing new businesses, expanded businesses, we are going to be able to reemploy people, but we are looking at a 5- to 10-year horizon, and it is a very, very grim fact.

I appreciate the opportunity to be before you. I do not want to go on and on for 14 hours quoting these really disastrous statistics, but I will say our program has begun some work now in south central Los Angeles. We now have a counseling center for businesses in that area and we are running a limited summer program to teach high school students about the values of small business and how to get into small business and how to basically employ yourself over the next however long, until our business formation catches up.

In the late 1980's, we could absorb all these laid off workers because we were creating 1 million new businesses a year and 1 million new jobs a year. We are not doing that anymore. And it is not happening here in southern California. To the extent that we can work with the Federal Government and with local governmental entities to develop economic development programs that teach people how to fish, that is the key issue. We will be able to come out of this, but it is going to have to be a proactive strategy, clearly leadership, but it has to be job creation because we are going to drown in the unemployment and the underemployment.

Thank you very much.

The CHAIRMAN. Thank you, Dr. Goodman, for a most perceptive, very comprehensive, and succinct statement. What you have said is borne out from what we have heard in these various States, all the way from South Carolina to Connecticut to Maryland. We had witnesses, for instance, that reported their inability to find a job anywhere. We had one witness in South Carolina that had worked in Texas, in California, and Ohio, and here he was stranded, living out of an automobile in South Carolina and unable to find a job anywhere else today.

In other words, what you just said is aptly confirmed by what has happened. It used to be a worker could quit, and we had a witness in Washington last week or the week before, who was from Oregon that said essentially the same thing. And she said, "My father, for instance, I remember vividly, he quit one job and he had another one the next day, but not any more."

And the need for leadership is acute. The Congress is a numerous body. It never has, in our history, arisen as a unitary force at any particular critical junction. If it had, you would not have had a Civil War. If it had, you would not have had the civil rights disturbances after the war, the Second World War. It just is a disaggregate body, it has to have the unity. That is why so much power had been delegated to the Presidency since the inception of our government, because it is a unitary part of a government. It can act with the dispatch in time of war that is needed.

Nevertheless, what we have had is an abdication, not only from the executive branch, but from the Congress as well. I think that



what Congresswoman Waters mentioned awhile ago in her attempt to promote action. I believe you said it was in the California Legislature, the assembly, that you found you could get neither Democrats nor Republicans. Well, that is our same challenge today.

We have to cut across the level of consciousness first. And we are doing that. We are even getting amazing words of support from the minority on our committee because they are in touch with the folks back home. That is our hope and we hope to translate what you have given us.

I will have questions, but I will submit them in writing, because I will be asking for a little further refinement of the statistical presentation you made, but we are extremely grateful because I think in just a few words you have summarized what we have been hearing in the various sections of the country.

It is pathetic. It is sad. As I was saying awhile ago to Ms. Waters, it is not an act of God. It was foreseeable. There were some, like Ms. Waters, myself, Mr. Torres, that had anticipatory legislation, but you just had no interest and you could not break through the level of consciousness. There was smugness and a complacency which, even now, exists.

We still do not have the perception on the part of our national leaders on all levels, private and governmental, as to the extent, the depth, the profundity, the complexity, the scope, the scale of the tremendous crisis we confront. It used to be the economists, and you are better than I would ever hope to even try to be. I used to ask some of these famous economists, Galbraith and the like, when they appeared before the committee, I said, "What determines a recession from a depression?" I always remember the one definition. They said, "Well, the recession that lasts more than a year is a depression."

Well, we have had this condition since August 1990. So what you say, as sad and disappointing as it is, I think you are far more correct and, as sad as it may be, we have to face reality in the fact that we are looking at the permanency of the loss of economic activity which means jobs, but that this country is still a dynamic one. The people are there, but where is the leadership?

So when the leaders do not lead, the people must push. But it is how that push will come about that worries me. In any event, I want to thank you and I will have some questions I will be submitting in time. You will get a transcript of the hearing from the Reporter and I hope to have the questions by the time you have the transcript to review it, but thank you very much.

Mr. GOODMAN. Thank you, sir.

The CHAIRMAN. Mr. Torres.

Mr. TORRES. Mr. Chairman, I will also submit questions in writing in the interest of time. I very much appreciate the two of you being here today. I took great note of your comments. I think they are critical for us to really understand. I think the message is there. Thank you very much. I yield back the balance of my time to Ms. Waters.

Ms. WATERS. Thank you very much. I, too, will have some questions that I will submit in writing. I want you to know, however, that some of the young people in this room today, because of the difficulty that they have had getting employment, we did start an

entrepreneurship training program called Project Build Plus, where we were able to wrestle a few dollars through Wagner Pisermonies from the Federal Government to have some grants to try and get some people started.

The questions that I am going to raise with you in writing will have to do with where do you think the capital will come from for small businesses. What does a community that is basically red lined, even when there is no credit crunch, do about discrimination in lending? And how can young people, who have good ideas but confront racism and discrimination from lending institutions, realize their ideas even when these institutions were lending to young people with 4H programs? They do not lend to kids in inner cities.

You can help us with that. Perhaps we could factor something in as we look toward possible entrepreneurship as a way to deal with this joblessness. I would like to see your ideas about that.

Mr. GOODMAN. Thank you. I would be delighted.

The CHAIRMAN. Doctor, thank you very much.

Our next panel, and we are most fortunate to have the very famous, nationally known Jim Brown, the director of the Project Amer"i"can accompanied by local members of the group he has been working with. We will have Claudia Moore, the Commissioner, City Housing Authority and the Senior Case Coordinator for Project Build.

We have Brother Modesto, Solidad Enrichment Program; Gus Frias, the Criminal Justice Education Specialist from Los Angeles County, Office of Education, who is also doing and has done a tremendous job here and has given us his latest production and for which I wish to express my gratitude at this point.

Do you have enough chairs behind you there, Mr. Brown?

Mr. BROWN. Oh, they are going to stand up.

The CHAIRMAN. Oh, OK.

Mr. Brown, we will recognize you first and let me thank you very much on behalf of this committee for being here today. I know that it was not easy to take time. I know what you have been doing, the work that you have volunteered to do for a long time. I really want to express the gratitude of a lot of people that probably you would not hear from but are aware of your efforts. Without any further ado, I would like to recognize you to proceed as you deem best.

#### **STATEMENT OF JIM BROWN, DIRECTOR, PROJECT AMER"i"CAN ACCOMPANIED BY LOCAL REFORMED GANG MEMBERS**

Mr. BROWN. Thank you, Mr. Chairman. I would like to say good morning to everyone that is in the room. And I would like to point out that sitting next to me is our head of the Department of Education, Mr. Akila Shirrell, who is a very dear friend of Congressperson, Congresswoman, Maxine Waters, who is also a dear friend of mine. We would like to thank her for really inviting us. Maybe it was not her original idea but we did get the invitation through her office.

So with that out of the way, I would like to say that in most cases, in representing any kind of movement, any kind of ideas that we represent, we try to show results and action. And what you see this morning behind me is a beautiful representation of an area

that is disenfranchised. These young people are not faking. These babies do not belong to anyone else.

Their discipline is not because they have been harassed or intimidated. It is because all of these young people you see believe in positive change. The approach that was made to them, I think, was key in having them take control of their own lives. They have been given respect. They have been given love. They have been given a blueprint on how to operate within this system.

The name of our program is the Amer*"i"*can program, "I can" being the last four letters in American. A lot of people said we could not use the word American. I defied that because I said to them that this is the greatest country in the world and what we have to do is find a way to be able to buy into the system so that we can enjoy the things that a lot of other people have been enjoying in this great system.

So I would like to thank them because they were actually invited last night and we defy any other group in this city to be able to make a phone call in one night and have these young people respond. They have all been empowered to believe in themselves. We have a program which teaches life management skills. It might seem corny to most people, but love and bonding is a foundation of it. The skills that are applicable every day to all people have not been given to a lot of young people. Not only a lot of young people, a lot of you out there do not possess all of these skills, when you talk about decisionmaking, problem solving, emotional control.

Let us just take emotional control. One of the main things that young people have to learn is how to control their emotions, because it is the lack of emotional control that causes a lot of things that are very negative in our system. You must understand family relationships. You must understand how to handle money. You must understand job seeking skills. Your attitude, your positive attitude change, becomes absolutely necessary.

The ability to understand that the first step in problem solving is to have full knowledge of the problem. We speak a language. It is the language that allows us to get along, to impact our community. Our goal is to be able to achieve now that we have proven, not only in Los Angeles, but in Las Vegas, Ohio, now going into Oregon, Oakland, Chicago, and New York, that if we are properly supported this can spread.

We believe that every organization out there that is doing something positive is relevant. We do not want to replace anything that is there. We only want to support Project Build. We only want to support all of those great efforts that have been out there. But we are the missing link, the missing link meaning that there has been a common consensus that a generation of young people should be written off.

The police force says that this generation is lost. We must go past them and concentrate on the youth. There is no way that you can write this generation off and say that you understand human behavior, because positive change, attitude change, motivation, is the thing that we stress most. And every one of these young people will tell you that they believe that they have changed.

I will say something else. When you talk about writing off a generation, you must understand that these young people are the ones

that control those communities. The heads of these other organizations do not control those communities. These are young warriors that have tremendous impact upon their community, not only on each other but their mothers, their family and, most of all, their kids. And you have an army of young kids that are growing up out there that you think that as an external force you can change. You cannot do that. You can help with that change.

These young men and young women that we deal with are the ones that will turn these young 8- and 9-year-old kids away from the Uzis to going to school and buying into the system.

So we have had limited help within the city. I do not blame the city. They have been naive. They think I am a football player. They do not realize I graduated from college, that I have been a part of OPEC, going to Grenada to bring about joint ventures. They have no idea about my background.

So they sort of write us off. "Jim Brown is just out there walking around with no curriculum, no intellect and he is just spreading goober dust and these kids are following him." They are a little brighter than that.

So in conclusion, we are saying that, if we can have your support, I think we can enhance the various institutions that are out there. We can help young people get their GED. We can help with extension schools, normal high schools. And we are not guessing, because we are already doing this in certain places across the country.

So that is my presentation to this body this morning. I would like to thank all of you for listening to me.

The CHAIRMAN. Well, we are the ones that want to thank you, Mr. Brown. I just cannot conceive of anybody, here or anywhere else, not being aware of your background. It is a tremendous background, scholastic as well as athletic. But above all, anybody who does not have an idea of the dire need for a volunteer like yourself, I just cannot conceive of it. I only have one question.

You say a police report referred to this generation as a lost generation?

Mr. BROWN. Well, it is not only a report, there has been common consensus in newscasts. There have been high officials in the police department that have made that almost a policy. I felt that even in here it would be felt that these young people are written off. I mean, I call them young people, but these kids are in their early twenties.

The CHAIRMAN. They are.

Mr. BROWN. They are the leaders, but, yes, that has effected them tremendously. And if I might, if Akila might address that for 1 second. He can speak for himself.

#### STATEMENT OF AKILA SHIRRELL, HEAD OF THE DEPARTMENT OF EDUCATION, LOS ANGELES, CA

Mr. SHIRRELL. First of all, I thank you for inviting us, Mr. Chairman, Congressman Waters.

The CHAIRMAN. Thank you.

Mr. SHIRRELL. And I want to say that society categorizes us gang member, ex-gang members. They put us in the same category as

animals or something that is not human. They might speak of us as, they say that we are heartless, that we have no feeling, that we are merciless killers. But what they do not understand is that they do not understand the reason behind these things that are happening and they do not really care about it, because they know it is going to take a process in order to change a lot of the negative things that are going on in the community.

Yesterday, I think it was the day before yesterday, I was reading an article in the paper and they were talking about approaching and changing the community and having the community change the individuals. And I just felt that that was kind of backward, because it is not the community that is changing the individuals; it is the individuals in the community that change the community.

And if we expect to change the community and get it back running in its proper direction, we are going to have to empower the individuals who control those communities. For instance, in Jordan Downs projects on Grape Street there is a gang there. And although, you know, we have Southeast Police Department, we have Joan Mickey Flores was our councilwoman, they do not control anything down there.

If you come in the projects and you want something done, I mean as far as the streets are concerned, then you have to go to the shot callers in the neighborhood. You have to go to a Chopper, you have to go to a Doc, in order to talk about bringing about some kind of change or even letting something in the community.

And if they do not want it there, they will tear it up, as we have all seen for the past 10, 20 years. And I think that it is time that society starts recognizing these ex-gang members for the power that they have, whether that power is negative or positive, but empower them so that they can guide the children in the community in the right direction.

They come down in the community, they tell us, "Yeah, we want to help the kids and we want to do something for the kids," and then they come down maybe 2, 3 days out of the week, you know, talking to the kids, maybe take them on a few trips. And the kids, you know, the kids in the neighborhood are real intelligent and they know what is going on, so they are going to play off that and they are going to get everything out of you they want because it is all about manipulation, and then they are going to send you on your way, and there is not going to be any kind of real change.

In our program we deal with three forms of change, I mean three kinds of motivation. One is fear motivation, and fear motivation is the worst form of motivation that has constantly been used in this system to try to get us to do things. "I will send you to jail if you do not do this. I will put you on probation. I will kill you."

Then you have incentive motivation, which is a term for fear motivation because they will give you something for the services that you do. They will pay you to stop gang banging or they will get you a job to get you away from banging.

But the most important form of motivation is attitude change motivation, when you know for yourself that it is time to change, that you know for yourself that this is the right think that you should be doing. And the Amer"i"can program is where we learn attitude change, along with a little incentive, of course, because we

cannot deny that the majority of the situations that are happening in the inner city is because a lot of the people down there do not have their primary needs met.

The same thing that everyone in this room needs in order to survive day by day, is that same thing that these brothers here need to survive day by day; food, clothing, and shelter. A lot of brothers go from house to house, you know, apartment to apartment, car to car, just to try to get a place to stay. And then when government agencies come down there and they ask us, what do we need, and we tell them we need economics, they will say, "What do you need?" We say, "Economics." They will say, "What do you need?" We say, "Economics," you know, because a lot of these individuals do not have their primary needs met.

Once you get your primary needs met, then you can deal with your secondary needs; your self-esteem, your motivation, how you feel about yourself when you lay down at night. And then from there, you can go on and deal with your social needs, which is your reputation and how you are accepted by social institutions and society.

Many individuals in the community get their primary needs somewhat met. They probably stay over at a friend's house, have a little clothes and then, instead of dealing with their secondary needs, their self-esteem, they go directly to their social needs, their reputation, which becomes their self-esteem. So now it is, "If you believe in me and you look at me, then I will believe in myself, but if you do not recognize me for what I do, whether it is good or bad, then I do not believe in myself. And then I will do anything to get you to focus on me and to recognize me as somebody."

And I think that, you know, through the program, the program has given us that opportunity, that platform, to display a lot of our talents. And I would like to thank you. [Applause.]

The CHAIRMAN. Thank you very much, Mr. Shirrell.

Are you a native of LA?

Mr. SHIRRELL. Yes, sir.

The CHAIRMAN. Well, the best way that I know of that we, the collective group known as the committee, can be helpful will be to follow through and encourage you to work with your Representatives who are already on your side. As Mr. Brown indicated, in going through these other entities, other cities, you can be there to aid and add to these efforts.

It is the same way with us. We do not intend to just come here and have a hearing and then forget about it. But the best way we know to be helpful is to follow through and work through.

On a personal basis, I will just say this; perhaps I comprehend much more than the average person in this room because after the war, I ended up working for the Bear County Juvenile Court and it was a challenge.

At that time, as today, my city, San Antonio, was a war impact area and the headlines told of a 450-percent increase in juvenile crime. And you are right, Mr. Shirrell, the attitudes that I saw when I entered the workplace and saw that what passed for probation work was terrible. The workers had guns. I was the first one to refuse to wear a gun. I did not think I was going to do police

work. I did not want to work if that was it. I was not trained to do police work.

But the attitude was, "Well, these punks, you know, they are not worth anything," and so forth. You are right in your belief. I saw and I witnessed much of the beauty and the results of the work that Jim Brown and all of you are doing. All I can say is that I, as one individual who can fully appreciate the dimensions of what you are doing here, am profoundly impressed and very grateful.

This is really adding to the wealth, the common wealth, of our country, because you are working toward the real and the most important and valuable natural resources which are our people, our fellow Americans. I also compliment you on the choice of your slogan word. I think that is great. I do not know if you care to introduce any of the other members that you have here today. If you want to, you can introduce each and every one of them. We will be glad to see them and congratulate them.

Mr. BROWN. Thank you, Mr. Chairman. We have taken a lot of time. I would like to have Akila introduce everybody and we have different groups, because we have different areas of the city that we operate in. So, if he does not know everyone then Juan Longino can do the rest. Akila, would you do that and then we will, of course, turn it over, Mr. Chairman.

The CHAIRMAN. All right, sir.

Mr. SHIRRELL. The first group of individuals that I am going to introduce are mostly from the Jordan Downs projects, ex-Grape Street, starting with Scottie.

The CHAIRMAN. Oh, yes. We met him when we came in with the Congresslady.

Mr. SHIRRELL. Big Doc, we got Wig Out. We got Billy. We got Beau in back, Ray-Ray. That is my brother Daoud, High T, Playmate, Be Nice. We got Usama, Reg, and from the west side we have Kemo and we got Charles. Charles is also from Jordan Downs and Juan Longino is our facilitating captain in Compton.

The CHAIRMAN. What about the two little beauties you have there?

Mr. BROWN. Daoud?

Mr. SHIRRELL. These are my kids. This is Daoud Junior, this is Melissa.

The CHAIRMAN. Well, they are beautiful. Thank you for bringing them.

Mr. BROWN. Mr. Chairman, if I might mention one thing. There are so many things, in closing, that are a part of this. I would like to mention one thing. We have a youth department and Play Mate is in charge of that. And the action that Play Mate takes is there are 300 kids in Jordan Downs that he is responsible for. And he works with those kids every day. And they are very disciplined, they are very talented.

And this young man is not employed to do that. So it gives you a good example on what attitude change means. And we are very, very proud of him. We have many, many other young people that are not here that, on their own initiative, are really doing a fantastic job. I certainly would like to thank you.

The CHAIRMAN. Mr. Torres.

Mr. TORRES. I have no questions, Mr. Chairman, other than to echo your comments. I think you succinctly talked about what you see here. I am tremendously proud of them, looking at them and understanding what Mr. Brown has done is a commendable job. If this could just be multiplied a thousandfold, I am sure we could begin to resolve a lot of the problems in our inner cities, in our country. So I commend all of you.

The CHAIRMAN. Ms. Waters.

Ms. WATERS. Thank you very much, Mr. Chairman. I, too, would like to thank my friend, Jim Brown, for the work that he is doing. And I would like to say to all of my young people who are here today, I am so delighted to see you. I love you dearly and your being here today helps me to focus the Congress of the United States of America on what you are doing and the possibilities that the future holds for you.

The chairman mentioned earlier that, in the time that I have been in Congress, that I have proceeded in somewhat of a fire storm fashion, but I do not have a lot of time to waste, and I think, Mr. Chairman, you can see why. These are young people who are really trying. These are young people who are changed. And I want you to know that prior to Amer"i"can, these were young people, many of whom tried very hard, but now I think we have the mix, we have the support system and we have the kind of program that will engage them in ways that they can sustain their efforts to be employed and to be leaders.

You have some young people here that got up at 5 o'clock in the morning to be on a job training program that we forced them to take and to be there at 6 o'clock in the morning, who worked hard. The system was not prepared for them and the system did not support them. And they struggled hard. I can remember them getting together in one unit the night before and studying for the test that they were to take and they passed their test.

And they went into the job training program, freeway construction program and they tried very hard. They made their tool boxes. Many of them went without lunch money, without transportation, did not know how they were going to get there. They piled up in cars and they got there, but the system did not support them.

With Jim Brown and what he is doing, they will develop the inner strength and begin to understand not only who they are, but how important they are as individuals and I think this combination will mean success. I am thoroughly optimistic and convinced that this program will do for them what many of us, perhaps, did not understand that they needed in the way of support systems.

So I am just so tremendously proud. And when we go back, Mr. Chairman, you can share with the other members of our committee that you met them here today and that they will be a part of our agenda.

The CHAIRMAN. I intend to.

Ms. WATERS. Thank you very much.

The CHAIRMAN. Thank you. Well, Mr. Brown, I think the big factor is that you have given the biggest gift of all, which is yourself. And no greater gift can any man give. We want to thank you very much. If you have any additional statement you wish to make, feel free to do so.



at this table that are standing behind me, for months often we have no jobs to send them to. I can also tell you that idle hands work in the devil's workshop. If we cannot find jobs for these young people, they will find outlets for their frustrations. Every day we work through Project Build with drug dealers. We work with gang members. We work with other people involved in different aspects.

We work with mothers on AFDC. The vast majority of them simply want a job. They want a chance to live in this society as independent individuals, to be able to take care of their own families. They want to be loved. In short, Mr. Chairman, they want the same thing anyone else in America wants. But they are always at the end of the line. Our schools are understaffed. Our social service delivery system are overwhelmed. And people feel, in many instances, that the police department represent an occupying force.

We must do better for those Americans at the bottom. Someone said, "The measures of the success of a society is not how well the people on the top live, but instead how we take care of the people on the bottom." Today, under these criteria, America is not doing very well.

Mr. Chairman and members of your distinguished committee, I mentioned to you earlier in my statement my son, Darrell. As I sit here and I listen at the young men talk and I listen at Mr. Brown, my thoughts went to my son, because he was not immune to the pressures of urban life. I learned one morning, looking at a news television broadcast on channel 4, that everything that I have been taught against, everything that I fought hard against, gang bang, drug dealing, that my son was arrested and accused of a drive-by shooting where someone innocently was killed.

I want you to know that I love my child. I write and I visit Darrell. He was convicted, found guilty and is now serving in one of the State prisons, 27 years to life, and he is 23. I make it my life work to try and ensure that there are no more Darrells that I come in contact with, hopefully, through Project Build in the prisons.

I do not want any other mother to have to see their children on television described as gangsters or read it in the newspaper. And I do not want any other families to have to bury loved ones out of some senseless violence call gang banging. Because of this, my daughter, Jackie, the one that I told you earlier about that had graduated from UC Irvine, has enrolled back into school, taking a paralegal class, to learn criminal law.

I have been appointed by Mayor Bradley to the commission which oversees the housing authority. I have become a senior case manager with Project Build. I have, as I said, committed myself to serving my community, in some cases, I hope for myself. Mr. Chairman, members of this very distinguished committee, we need jobs in this community. We need stronger educational programs to work with troubled young people. We need programs to help give them and help make them feel that self-esteem that we know is there.

We need more people like Congresswoman Maxine Waters and Jim Brown, who are prepared to come into the public housing projects and work with the people that need it. And I would like to

thank you for your time in listening to me this morning. Thank you. [Applause.]

The CHAIRMAN. We want to thank you, Ms. Moore, for answering our summons and being here. It is not easy to come up and testify like you have. And you can rest assured that it is most helpful to this committee.

I believe what we will do, unless my colleagues have differences, why do we not keep going and recognize the remainder of the panel and then at the end, maybe we will have some questions? Brother Modesto.

### **STATEMENT OF BROTHER MODESTO LEON, SOLIDAD ENRICHMENT ACTION PROGRAM**

Brother MODESTO. Good morning, members of the committee. My name is Brother Modesto Leon and I work with the Solidad Enrichment Action Program. In 1972, working out of the east LA Maravilla community, I found myself working in a parish church as a young brother and a young lady named Rita Figueroa came to my door of the rectory to bury her second son and that was my initiation into the gang work here in the city of Los Angeles in 1972.

As we went through the process of burying this young man and Rita had gone through this before, that night in the church we had 700 young people that went to the wake and they were very angry. And I had no words to tell them. I had no hopes for them except maybe for Ronnie a different life in a different world.

Two weeks later, Rita came back to the rectory and asked me to bring the mother of the boy that killed her son together with her. She wanted to meet the mother because she realized what that mother was going through because if her son had done the killing, she would also be in that agony. So in 1972, Rita, along with us, formed a concerned parent program which is to bring parents together who had lost sons and daughters in violence. That group now has 22 groups in the city and the county of Los Angeles of parents who have lost sons and daughters, parents who want to make a difference in the lives of their sons and daughters.

We know that in 1991 we had 771 gang homicides in LA County, 771 young people died. I, myself, had 126 funerals that I buried of those 771 youth, youth that I have known, youth that I have worked with their parents for the last 20 years.

Last year's violence was 18 percent higher than the year before. Just four or five blocks from here Pico-Union/MacArthur Park area, last year we had 26 young people who died within a mile radius of corporate America downtown. And the parents and the young people, on a daily basis, ask me, "How can we get our young people out of gangs unless we give them an alternative?"

And we look around and we say, "There are no resources." I find myself, 10 percent of my time, burying young people and 80 percent of my time justifying that we need jobs and programs for young people in front of funding sources that are dwindling as we all know. Basically, young people are looking for a way out but we have no options, we have no opportunities to give them and that is sad.

Mr. BROWN. No, I think I like what I hear from the committee. I think the young men also like that because, as Congresslady Maxine said, you know, we need the support of the system. It is the greatest in the world. I have always said that and we need exactly what you are saying, not only in actuality, but just motivation, because this meeting this morning, I know, will help our work tremendously because they can see you and hear you and they do not have to hear me tell them about you.

So it is very important for us to be here. Thank you.

The CHAIRMAN. Thank you very much. Our next witness is Ms. Claudia Moore, Commissioner of the City Housing Authority and Senior Case Coordinator for Project Build. [Applause.]

**STATEMENT OF CLAUDIA MOORE, COMMISSIONER, CITY HOUSING AUTHORITY AND SENIOR CASE COORDINATOR, PROJECT BUILD**

Ms. MOORE. Thank you. Chairman Gonzalez, Congresswoman Waters, Congressman Torres, my name is Claudia Moore and I am a resident of one of the largest housing developments in the city of Los Angeles. That housing development is called Nickerson Gardens, population 5,000 people.

There are 21 housing developments for the city of Los Angeles. We do not call our developments projects any more. We call them housing developments. I am the mother of five children. My children are; Reginald, 26, Angela, 25, Jackie, 24, Darrell, 23 and Randy, 9.

Like any mother, I love all my children and I recognize that each one is an individual with different needs and different personalities. All of my children graduated from high school except one. And I will talk about him, if you will allow me, a little later on.

My son, Reginald, is an assistant manager for Boys Market. He got his job through Project Build. My daughter, Angela, is a word processor. She, too, got into the job training program, Project Build. My daughter, Jackie, is a graduate of UC Irvine, with a BA degree. And she is an administrative assistant at one of the local high schools in Irvine.

My son, Darrell, is very special to me because he is incarcerated. And I will talk about Darrell a little later on. This morning as I got ready to come here, Randy said to me as I said my speech to him, my little 9 year old, "What are you going to say about me?" And I said, "I do not know; what do you want me to say about you?" And he said, "Tell them that I am in the fourth grade and my dream is one day to be a wide receiver for the NFL." And he wants to go to the University of Michigan, he says. Now, by 9 years old, that probably will change, too.

I was born in Los Angeles. My family moved to Shreveport, LA in 1948. I moved to Los Angeles in 1963, right after I graduated from high school. Like everybody, I had plans of doing many things with my life. I enrolled in a junior college here in Los Angeles, Compton Junior College, and took a job in a medical center.

Like the residents of Nickerson Gardens, so many of them, I started my family early, with two children moving into Nickerson Gardens. Nickerson Gardens was the first apartment that I ever

had and I was on AFDC, raising my soon increased family of four children.

My involvement with the community began early in my residency in Nickerson Gardens. The housing authority had just installed peep holes in the front door. And one morning I got up to look out of that peep hole and the peep hole was missing. So I went to the housing authority and put in a request for the peep hole and I thought they would replace it without me having to pay any money for it because I did not steal it.

I was told that I would be billed for it. I became angry. So the manager of Nickerson Gardens, because there was no resident advisory council at that time where residents came together to meet, decided that he wanted to put together a meeting and hear the community concerns of the residents and I attended that meeting. And at that meeting I talked about my peep hole missing and I talked about the poor installing of that peep hole.

The manager became interested in what I had said and later on, he asked me would I represent Nickerson Gardens and he would appoint me to be the citywide representative to go downtown to talk about problems in the community. So, I did that.

I later ran for president of the Nickerson Gardens Resident Advisory Council and it was through that organization, the Resident Advisory Council, that then Assemblywoman Maxine Waters came to our community with a dream about a program that she wanted to help the people in public housing by her being a product of public housing herself. And that program is called Project Build.

I became the resident coordinator of that program because one thing then Assemblywoman Maxine Waters realized was that the people living in the community were the people that knew what was going on in the community and that would be best to work in the community. I remember that my son, Reginald, upon graduating from high school, he told me that he needed to find himself. So he had laid around sleeping, whatever, for 6 months. And when Project Build first came to Nickerson Gardens, we recruited 116 people.

In that 116 people Reginald was one of the people because I flatly told him, "You have found yourself long enough; it is time to get up and go on and let us see what we can do for you." I learned from then Assemblywoman Waters that charity begins at home. So naturally, as I help my community, I am going to look around and see what I can do to pull mine by the bootstrap and make them do what they are supposed to do.

Through Project Build we were able to secure a job for Reginald, as I told you earlier. And he got that job in 1986 through Project Build. He is still there. He went up the ranks. He is assistant manager. Project Build instills what Mr. Brown talked about. It instills self-esteem into young people and it challenges them to go out to work in places and find employment.

It also gives them enough courage to go up to people coming into the communities working, to ask them, "Hey, are you going to give us any jobs? You are in our community." And we got that through then Assemblywoman Maxine Waters through our workshops.

I can tell you that I am discouraged by what I see in the job market. After working with some of these young people right here

We have agencies that are making a difference but yet, the resources are shrinking. Yet, if a young man gets sent to court and the Youth Authority in the State, the State has \$32,000 to detain him in the California Youth Authority jail system, but yet, when we ask for an option to give job skills, to give a counseling program, we are told that, "There are no funds."

Somewhere along the line there is a contradiction here and I do not know what we can do. So my plea today to this committee is that maybe we work together with those agencies that are making a difference and are actually working miracles. I had my fifth wake this year already last night and at 12 noon, I will have the funeral service for that young man, just this year. So it looks like the statistics are going to go up and we are going to be locking more young people up.

This program has 14 continuation schools in the county in which we take young people that the public schools have thrown out, expelled, and we work with them to get them back to their home schools to graduate. We are negotiating with IBM to open a job skills for these young people and to get a computer lab. It has taken us 3 years to get to that point. It looks like that dream will come true in two parts of the city, south central and east LA.

People say that you cannot work with young people, as we heard earlier. We are afraid of our young people. We lock our doors. We bar our windows. We put alarms in anything that moves. We never come out really to talk to them. We never go out to where they are hanging out. We never really see what some of the problems are that they have. Yet, when they get in trouble, we say that we have to throw away the key and lock them up and we know that 80 percent of them go back and repeat crime.

So we know that does not work, but yet, we continue to throw money at the system that does not work. One of my pleas today is that we give young people a chance and we give young people a chance before it is too late. I think next year, if we go the way we are going now, we will have over 1,000 people killed in gang violence in LA County. When is it enough? When do we say it is a crisis? When do we put our resources to this particular problem?

We have four special schools that we opened with the help of LA County Education and these young people, about 80 of them, are on probation. And along with the Probation Department and the LA County Schools, we put some rules that these young people had to come to school with white shirts and ties, because it is a job skills.

And you can go to any of those particular sites and you will see these young people with their shirts and their ties every morning and some of them now have said, "I cannot hang around with the gang; I do not have the time because I have a job I have to do or I have a skill that I am trying to get." So there is hope, but we need a lot of help and time is running out.

So my plea this morning is that we do not go home today without a plan. If we go home without a plan today, then that particular blood will be on all our hands. Young people will continue to die. So I would plead with this committee, with Congress, and the President, that we do not just put out beautiful names and beautiful programs, but that we really look at what works and put our resources to it.

So thank you for listening. I am basically hoping that we can save our children by working together. Thank you. [Applause.]

The CHAIRMAN. Thank you very much. Mr. Frias, let me ask you a question. Are we spelling your name correctly?

Mr. FRIAS. No.

The CHAIRMAN. It is I instead of an E, is it not?

Mr. FRIAS. It is I.

The CHAIRMAN. OK. I just wanted to make sure, because this would have been a rare time I that it is spelled with an E. Mr. Frias, thank you very much.

**STATEMENT OF GUS FRIAS, CRIMINAL JUSTICE/EDUCATION  
SPECIALIST, LOS ANGELES COUNTY OFFICE OF EDUCATION**

Mr. FRIAS. Mr. Chairman, Congresswoman, Congressman, thank you very much for offering me the opportunity to address you this morning.

I am not going to repeat what has already been said. Instead I am going to try to focus in a little bit more in terms of not only the threat, but the solution. I deal a lot with hard core gang adults. These are not young kids any more. These are hard core adults who basically have learned the hard way of surviving in the neighborhoods. These are individuals who are very sophisticated in their thinking.

They have read the books written by Nicolo Machiavelli, such as The Prince. They have read the books written by Sun Tzu, such as The Art of War. They have read books written by former DCIs Directors of Central Intelligence. These guys are solid individuals out there who are a heck of a threat to our society.

How can we bring the problem more closely to your attention than to let you know that a lot of these individuals in the future are going to be targeting people like you and they will kill you. And they will go out of their way to make a point, and that point is that nothing can stop them. Accordingly, they're not afraid of going to prison. Going to prison is a big game. It is like a second home to many of them, as many of them state very, very clearly.

Where else can you go and get fed and taken care of 24 hours a day? These individuals do not fear individuals like you and they do not fear law enforcement. Today we are getting cops shot at, patrol cars burned. We are getting teachers in our schools shot. Today, many different types of individuals are becoming victims of this madness.

And the banking industry is destined to suffer, because these individuals believe that Bonnie and Clyde are great heroes. Their heroes, by the way, go beyond Bonnie and Clyde and I am pretty sure you have heard of Michael Carleone of The Godfather. I am pretty sure you have heard of Terminator and that mentality of being indestructible. Today, these individuals go out of their way to convey this message.

Now, the FBI is coming into town with 22 additional agents and we are trying to find out how to use these 22 FBI special agents. I am here to tell you that by putting away these individuals behind bars is not going to solve the problem.

In our barrios, we are not talking about a gang or juvenile delinquency problem that can be eradicated or curtailed by putting them away. We are talking about a culture of third and fourth generation individuals who are out there making a difference in the minds of many kids. You can look at these kids here and I will tell you this, they can have the powers to persuade. All they have to do is persuade one kid to pull the trigger on you. They usually target a 10-years-old kid, because they know that the 10-year-old will be out by the age of 21 at the most.

These are realities, ladies and gentlemen. This is the real meaty stuff that is out there. I deal with it every day. I have city council people calling me, telling me, "Mr. Frias, I understand one of the local gangs has targeted me for termination. Please assist me. I do not want to die." These are elected officials who are being targeted. Yet, for X reason, we are still refusing to learn from our mistakes. We are still refusing to put emphasis on prevention.

The programs that you have in front of you today are outstanding programs. I have worked with Brother Modesto since 1972 because Ronnie was one of my home boys. And I will tell you, he has buried a majority of my home boys. I am a product of the streets and I am a person that can tell you that the best cop is the one who learns to think like the best criminal.

As an educator today, I can tell you that the best educator is the one who learns to think like the best cop and the best criminal as well as the best student and the best parent. As an educator, I do a lot of training in front of multiagency groups because that is one of the lessons of the past that we have to emphasize and that is, we cannot address this problem alone. We have to work together..

As much as I as, a young kid, used to throw the finger at the cops. I, as a young kid, hated cops. I, as a young adult, went to work for LAPD. I, as a young man today, can tell you that law enforcement has to be sensitized to the needs of our community and I would be a fool if I would tell the kids to get a gun and shoot at the cops. And I hear a lot of that out there in the streets, but I will tell you this, those fools that are telling that to kids are part of the problem, not part of the solution.

And vice versa. In law enforcement, you have a lot of law enforcement officers that should not be carrying those badges. But we need to work together to make sure that we bridge the gap and talk about solutions. When I talk about team training, I am talking not just about training cops or educators or parents or community people alone. Rather, bring them together and teach them how to work with each other.

It is common sense; yet, today in the State of California that is rarely, rarely happening. Four years ago, we created a class called Gang School, where we bring together law enforcement officers, community officials, and educators to address the different-dynamics of not only prevention but also intervention and suppression. And I will tell you this, if it is going to take us going out there and knocking on doors and trying to put this into perspective in front of other individuals like yourself, we are going to do it.

We are going to do it, because we have a patriotic duty, a patriotic duty to keep you alive. A patriotic duty to keep to keep these kids alive. If they identify themselves as ex-Grape Street gangsters,

think about those enemies out there that hate Grape Street. Do you think that they are going to say, "Oh, I am not going to kill you because you are an ex." B.S. In the streets the cry is, "Once in, always in." Whether you are a Chicano gang member, an Asian gang member, a black gang member, or a white Crip. This mentality applies to all of them.

We have a lot of kids who are toying with the idea of joining gangs. We have a responsibility to prevent this from happening. We have a responsibility to work together, and not reinvent the wheel. I spend a lot of time talking to people at the Federal level and I will tell you what I see. I see shotgun efforts, the right hand not knowing what the left hand is doing.

The U.S. Department of Health and Human Services has all this money to target the problem and yet, guess what, they are doing it alone. Because the U.S. Department of Justice does not know what they are doing. The U.S. Department of Justice is doing their own thing. They have a lot of money but, guess what, the drug czar's office does not know what they are doing.

And all this money is there and there is no coordination of resources. Now, this is at the Federal level. At the State level, we have the Governor's Office of Criminal Justice Planning, who has millions to address these type of problems and, guess what, they do not know what the Attorney General's Office is doing or the State Department of Education is doing. And you have monies for parenting programs, for high risk youth, for dropouts, for gays, for drugs and everybody is doing their own little thing.

The drug people do not talk to the gang people. The dropout people do not talk to the gang people. The people who deal with LEP Programs, which are the Limited English Proficiency programs, they do not talk to each other and, guess what, we are talking about the same child.

So we have created bureaucracy after bureaucracy after bureaucracy and we are not learning from the past. So consequently, what do I want to leave you with today? I want to leave you with some food for thought. We either pay now or we pay later. Many of us will not be around, many of us will. As an individual, I want to emphasize commitment.

You know, when my house was shot at, when my car was shot at, when all these thugs came after me, when they tried to label me as this as that, when the Mexican Mafia saw me as a threat, when law enforcement labeled me as Mexican Mafia member, all these different sides came at me all at once and there I was, as a young kid, trying to deal with the madness that existed prior to my birth date.

Who did I seek refuge in? I sought refuge at that time in persons like Brother Modesto and those parents, those dynamic parents who are out there struggling day in and day out. I can go on and on telling you war stories but again, suffice it to say that commitment means what Martin Luther King at one time stated that, "When you are out there sometimes it requires we sacrifice our prestige, our status and if need be, our life for the welfare of our people."

You talk about America. Guess what, in our barrios many kids do not consider themselves American. Many of us, if we saw all



these kids, would not see them as American. In my classes, as I travel throughout the United States, I ask a very simple question from a multicultural audience, "Will all the Americans please raise your hand," and guess what, the only kids that raise their hands are the white kids.

The Chicano kids, I asked them, "How come you did not raise your hand if you were born here?" They respond: "Because I do not have baby blue eyes or blond hair or light skin." These are the type of comments we get from these kids. We have a lot of adverse forces out there who are telling their kids that the system does not work for them and that they should throw the finger at the system.

For over 10 years of my life, I dedicated it as a volunteer to cooperating with different communities and creating a statewide network of youth organizers. And we all believed that no one was absolutely to receive monetary compensation from the government. Because the number one question that the youth asked us was, "Who is paying you to help us?" And the number one response we gave, "We do not have to get paid to help each other, to stay alive and become productive citizens."

We went all out to show what true volunteerism meant. But, again, overall I can tell you that as we look at this problem, please, put it into perspective. It is something that is there in our prisons, believe me. Talk to any warden in the State of California, they will tell you, "Gus, hey, we do not run the prisons, man. Those inmates allow us to run the prisons." The Mexican Mafia, The Black Gorilla Family, the Consolidated Crip Organization, and you name it, the Wah Chings, and you name it, these groups are there in our prisons and I will tell you, they are growing and growing and growing.

Today, a young kid that enters the system automatically is confronted with gang affiliation. "You are either with us or against us. What are you, man, a Crip or a Blood, a Crip or a Blood? Are you with us or are you against us?"

In the Chicano arena, "Are you an Norteno or a Sureno." People do not realize it, but there are a lot of different dynamics that, again, go beyond basic awareness.

This presentation here can just give you a little tip of the iceberg. I recommend highly that you organize a congressional conference where you address the issue of street terrorism, where you address different types of problems via these type of programs. This is just the beginning.

One of the efforts that we have undertaken right now is to try to persuade the U.S. Department of Justice to coordinate a more comprehensive initiative at the Federal level and bring it down to the local areas, because I will tell you, today we are talking about intercounty, intercity problems. Someone from south central LA goes into another city and does a killing. Did you know there are a lot of cops who would say, "Well, if the problem goes beyond my jurisdiction, there is nothing I can do."

And the educators, oftentimes, instead of preventing, we end up reacting. To prevent my students from getting killed, I have to look at the three aspects of prevention, intervention, and suppression. Because I do not want them dead, nor do I want anybody else to die.

As a concluding statement, I want to emphasize to you that these kids are an example of what can be done. We can change them around. What they need is programs like this to go out and really make a difference. But we need committed people, people who will go all out and not be threatened by any of those thugs, because if someone points a gun at Brother Modesto and tells him, "Do not do it anymore," let me tell you this, Brother Modesto is going to continue to do it.

And we have our faith and we have our intelligence. That is why I stated the best individual is the one who understands the dynamics of the environment and the dynamics of those people. So, again, in a nutshell, I hope that this stimulates you a little bit in terms of what needs to be done. Thank you very much. [Applause.]

The CHAIRMAN. Thank you, Mr. Frias, very much. I do not have specific questions. I think each witness has laid out a solid suggestion base that we can work from. I think yours, Mr. Frias, as you had indicated before we started the hearing, is very valuable. I want to echo what you say regarding the fragmentation, and the lack of coordination on the Federal level, even where you have a program, the Justice Department, Human Service, and Education are just a few examples.

You are quite correct in what you are saying. We can report back. In fact, as we gather and document the information we are gathering, in those areas in which other committees have substantial jurisdiction, we are coordinating with them. We are informing them, offering suggestions and working those committees. So, perhaps, we can follow through on your very strong suggestion which I think is most proper.

Mr. Torres.

Mr. TORRES. Mr. Chairman, I do not have any specific questions of any of the witnesses. I think that their messages here today have been succinct. I think they are dramatic messages. I think we have to listen, as you have said. This is all documented. There is a record here. I think we have to go back and convey to our other 433 colleagues, who are not here today, that time is running out, that we need to do something and that the messages that we are hearing are indeed opportune and appropriate and, therefore, I just simply would yield back my time and thank our witnesses for being here with us today.

The message, believe me, is compelling and dramatic. Thank you.

The CHAIRMAN. Ms. Waters.

Ms. WATERS. Thank you very much, Mr. Chairman. Let me just say to all of our witnesses today after years of work, looking for solutions, I am convinced of a couple of things. One is that the United States has dropped the ball in job training and support for training. I have real problems with the JTPA, Job Training Partnership Act, that does not provide resources to maintain people in training while they are learning.

In this recession, where we have all of this exodus of jobs and lack of jobs, it seems to me it would be good for young people to invest their time in job training and education in preparation for a turnaround in this economy sometime in the hopefully near future. But if I say to a young person, "Here is a job training program that you can go into for the next year or year and a half or two years."

maybe he is a very smart person who should be in college, should be in college, what do I say to them about how they are going pay the rent, have some transportation, have some food or even feed the baby while they are in training?

I do not hear enough coming from the community programs about support for young people in job training. It is one thing for people to come and say, "I am a role model, be just like me," but those persons who are role models have jobs and they are eating and they are taking care of their family. So I want to hear a loud outcry that says there is something wrong with job training in America. We cannot support people while they are in training.

I think it is extremely important to the success of what you are trying to do. And the other thing that I would like to try and focus Congress on is part of our peace dividends going to peer training and peer counseling. It is the centerpiece of most of the programs that I hear about, including Amer*"i"*can. With Amer*"i"*can, it appears to me that if, in fact, we can provide dollars for peer counseling where young people who learn, who learn how to take control of life and themselves and can give that knowledge and transfer that knowledge to other young people, they, too, have to be sustained.

They have to earn money. They have to have a job. This work is important work. One of the things, I think, we have to do with the peace dividend is to talk about jobs that invest in human potential. I would like to see some support coming from our grassroots organizations that say to politicians, say to everybody over and over again, that this is valuable work that must be compensated. That if, in fact, our young people can become group leaders if, in fact, out young people can organize groups by which they train other young people, then we have to pay them. We have to find the dollars for it.

And I am going to be pushing Congress on that and I would like to hear you give some support to that.

Mr. BROWN. Mr. Chairman, is it possible to make—

The CHAIRMAN. Certainly, yes. Certainly, Mr. Brown.

Mr. BROWN. Before we conclude. Two things, first of all this committee has accomplished something great this morning. We are going to make every effort to coordinate with these people here to bring about a coalition. I have been tremendously moved by their testimony and I feel that if we get together and coordinate among ourselves, that will create a much more powerful block.

So I got that from being here this morning and we will follow through on that definitely. So we thank you for that.

The other thing is, we are not only an organization that is dealing with the young people in the community. We are also dealing with the Department of Juvenile Justice. Mr. Robert Sweet has already been in Las Vegas to look at our efforts to coordinate all of the services there to work in tandem.

We are now going into a rising school. That will start this week. We have cut down on the drive-by killings. We have young people that are employed that were gang members here that are now running that in Las Vegas. I would say to you, if you might be able to drop a little word in the Justice's ear, he will know that we were

here this morning, Justice Robert Sweet, the Juvenile Justice Department.

He is cognizant of us. He is moving to look at the possibility of a pilot program in Las Vegas that can spread around the country that utilizes all of the agencies and programs working together. We are able to deal with all of them in Las Vegas except maybe law enforcement who are a little hesitant and we find that law enforcement is a little hesitant all over the country except in Oregon.

But if you will just have a conversation with him, talk about this meeting, I think it will then give us a broad view, give him a broad view, and he can take action, I think, with the confidence that he has people like you that are very cognizant of what he is trying to do. Thank you.

The CHAIRMAN. Thank you, Mr. Brown. Mr. Torres.

Mr. TORRES. Yes, Mr. Brown, I have a question.

Mr. BROWN. Yes, sir.

Mr. TORRES. What particular relevance does Las Vegas have to the particular program? I mean, why Las Vegas?

Mr. BROWN. Well, the relevance is that we have been working here for 2 years and we established young men, who, in their change have the ability to spread this program to other cities. So Las Vegas had a drive-by killing every day. They had a major headline in the papers.

The mayor, Jan Laverne Jones, read about us, contacted us through cities and schools. We work directly with cities and schools and because she was a new mayor and was not afraid, she contracted with us. In the last 5½ months they have had basically no drive-by killings. The crime rate has gone down and we have empowered the main gang leaders there, who are now working with us.

Los Angeles is one city. Las Vegas is another. Oakland is another. There is no movement, no program, that is going to be able to effect change without the coalition of all agencies working together, law enforcement included, and without understanding that it is not just an LA problem. Because Crips and Bloods that are dealing in drugs go across the country. They are smart because other areas of the country are very naive.

So we have a problem that is across the country. So we have to deal with the solution as across the country. So, Las Vegas was the place I took him because it was small and all of the agencies had been working together there, unlike here in Los Angeles. I would have loved to have brought him here, but we had not gotten to the point where we had come together and were coordinating our efforts.

I hope out of this meeting that we can really put together a lot of the organizations, a lot of the agencies and be able to have Los Angeles take its rightful position. So that is why Las Vegas.

Mr. TORRES. Thank you, now I understand.

Mr. BROWN. Thank you.

Mr. FRIAS. Mr. Chairman, may I make a comment?

The CHAIRMAN. Certainly, Mr. Frias.

Mr. FRIAS. That is, again, today, I will tell you, you talk about linkage with law enforcement. I have that linkage. It is very hard sometimes to sensitize individuals who come with a certain type of

culture, a certain type of set of beliefs, agreements, but I will tell you, it is possible. And I think that by working together we can link, whether it is LAPD, whether it is the sheriff, whether it is the local law enforcement agencies in Compton or elsewhere.

The bottom line is, they need to see these kids as potential college graduates, not as potential criminals. And I think that that is a mind set that we are able to instill in a lot of these individuals and bridge the gap. And, again, the name of the game is solution orientations. Problems, we have plenty of problems out there and I think that there are individuals within each law enforcement agency that are susceptible to working with Jim Brown and the kids and Brother Modesto and any of the other groups that are here present.

The CHAIRMAN. Well, I thank you, Mr. Brown, because I think that is a tremendous thing and your future work toward coordination is indispensable. We are all in the same boat in America. I do not know how long it is going to take for the leaders to realize it. The tragic thing here is that we cannot have the President of the United States, the leaders of the Congress, right here listening to the most eloquent panel I have ever listened to, but that is our job is to convey that message.

And in the meanwhile, I cannot tell you how inspiring it has been to hear you, Mr. Brown, say that out of this meeting you hope to see to a very strong coordination, which I think is indispensable.

Ms. WATERS. Mr. Chairman, let me just say that you mentioned that it is too bad that the President of the United States and other Members of Congress could not be here in Los Angeles. For all who wish to be President of the United States of America, particularly in that party that we serve in, when they come into the Los Angeles area, we will be setting up community forums and debates. They will not be able to talk to politicians they want to endorse them until they talk to the people in our community that they need to know about before they become President of the United States.

So we will move to see that these young people have the opportunity to meet people before they become President of the United States so that they can understand what their challenge and what their job is going to be.

The CHAIRMAN. Thank you very much. [Applause.]

Before I introduce the next panel, we have received a request, in fact, the staff told me of one other, but we have had a request from Mr. Jesse J. Morales to be heard with respect to the effects of the recession on veterans in LA. As is the practice when I have presided over these hearings, if we complete the listed witnesses, in this case it is a numerous witness list, if we complete it within a good space of time, and I think we will, I will be glad to recognize Mr. Morales and perhaps, one or two others, for at least 5 minutes at the end of the testimony given to us by our listed witnesses.

But given the fact that it is a lengthy list, we will do so at the end of the testimony.

Mr. MORALES. Thank you, Mr. Chairman. And we do have a prepared statement to provide you, a written statement.

The CHAIRMAN. All right, sir, we will place that into the record regardless of what happens.

[The prepared statement of Mr. Morales can be found in the appendix.]

The CHAIRMAN. Our next panel is Mr. Andy Raubeson, the executive director, Single-Room Occupancy Housing Corp., and he may be running a little late, accompanied by Silviano Jimenez, an unemployed homeless father; Alvin Jones, homeless Vietnam veteran; and Terry Shirley, formerly homeless on Skid Row; and also David Etezadi, attorney at law, Legal Aid Foundation of Los Angeles, accompanied by Theodore Rolette, resident of multifamily housing and Carol Berman, resident of assisted housing; Brenda Y. Shockley, housing consultant; Marvin Greer, principal, the William Greer Group, accompanied by Reuben and Dale Hill, first-time home buyers; and Donna Spenser, first-time home buyer.

So we will have the first group. I mentioned all the others but of necessity, we will have Mr. Jimenez and Mr. Jones, Ms. Shirley and could you get closer?

Ms. PAZ. My name is Lucy Paz. I am the interpreter for Mr. Jimenez.

The CHAIRMAN. Could you speak a little louder? Lucy did you say?

Ms. PAZ. Lucy Paz, P-A-Z.

The CHAIRMAN. Thank you very much. Very well, Ms. Paz will act as an interpreter for Mr. Jimenez and we appreciate that very deeply, Ms. Paz.

We will recognize Mr. Jimenez first. Is there any reason why we should not proceed in the order that I introduced you? If not, we will recognize Mr. Jimenez. Senor Jimenez.

#### STATEMENT OF SILVIANO JIMENEZ, UNEMPLOYED HOMELESS FATHER

Mr. JIMENEZ. First of all, I would like to thank Congressman Henry Gonzalez and all the other government representatives who are present here today for the invitation to this hearing.

I would like to talk about the problems that my family and I have faced regarding housing and employment. I am looking for the help from you in order for us to live adequately according to our possibilities.

Because prosperity for us would be to live in public housing which would provide a five bedroom apartment for us as opposed to a one bedroom apartment where we live now. We thank God for what we have accomplished so far.

I was a boxer in Mexico since 1968. I came to the United States in 1987 to work in the fields. My family came in 1989 and it was like a nightmare. We were living for 7 months in a van. There was no privacy and it was very uncomfortable because it was parked at the house of the gentleman who sold it to us.

He would let us use the kitchen and the rest room facilities, charging us a fee for them. Because of that, we could not afford to make enough money to get an apartment. Because of that, I went back to boxing 2 years ago to make some money to help us get an apartment. That money helped us to get an apartment.

And that money that I won in Arizona was what helped me pay for an apartment. I fought against Michael Carbajal in Arizona,

the actual fly weight champion. I was also the silver medalist winner in the Olympics of 1984. I lost the fight but it was an opportunity for me. It was an opportunity for me to make some money for an apartment that I needed.

The apartment cost \$475 a month. But unfortunately, the money I make is not enough to make a decent living. That is why I am asking for your help to live in a comfortable apartment and a good environment for my children's well-being, because I do not have a permanent job to make enough money to pay rent. I also collect bottles and cans for recycling. And even with that, I do not have enough money for rent.

My wife and I sell fruit on the streets to pay the bills. I would also like to say that I had to go to different apartment managers until I found one who allowed me to rent with such a big family. Some of the others had mentioned that it would have been easier to have animals or pets as opposed to so many children. Now I am being evicted from my apartment because I have not paid rent in 2 months.

I have spoken to the owner and she has allowed me to work at one of the buildings for half the pay. This is very sad for those of us who thought we would have a better life in California, but reality is quite different. Thank you very much for your attention to our problem.

The CHAIRMAN. Muchas gracias. Mr. Jones.

#### STATEMENT OF ALVIN JONES, HOMELESS VIETNAM VETERAN

Mr. JONES. I would like to thank the committee, first of all, for finally addressing the problem of the homeless veteran.

Approximately one-third of all the homeless males on the streets of Los Angeles are Vietnam veterans. And speaking for homeless veterans like myself everywhere, I would like to say it is way past the time for the government and corporate America to try to do something to alleviate this problem.

First of all, I would like to say that I know, being a homeless Vietnam veteran, that my problem started with being drafted into the armed services. I did not want to go in service, but I had no choice. It was either go to the Army or go to the prison for 5 years. I went into the Army and after going to the Army, my life changed drastically.

Before I got drafted, I was a productive member of society. I had a good job working at the U.S. Post Office. I was a straight A student in school and I feel that being taken away from this and put in an environment that I was put in by the U.S. Armed Forces just changed my lifestyle.

Part of my problem was my own doing. I got caught up in drugs and alcohol and that reason being it was the only way an 18-year-old Alvin Jones could cope with death and destruction. That is not an excuse. That is a realistic thing. I had to. I felt I had to do that to be able to cope with what Uncle Sam wanted me to do for him.

I felt like being in Vietnam, I served my country, even though I did not want to be there, but I served faithfully. I had a clean record while in the Army, but upon my return to the United States, I was an animal. I did not know how to live. I was never

reintegrated into this society. I was just, "Hey, you did your two years. You served your country well, see you around, pal."

And part of the way that I tried to, I guess, look after myself was by steadily drinking and steadily using drugs. I have been homeless since 1975, which is 17 years. I have been out of service 20 years. I have had failed marriages. I have lost numerous jobs. I feel that if I was properly treated by the U.S. Government, once I got out of the Army and all the promises they had made to me and others like me, that if we serve our country when we get back, you will get schooling, you will get housing, you will get medical care, then I do not think that I would have wasted 20 years of my life.

Since being homeless, you know, I have tried to do a lot of things for my problem. One of them was back in 1981, I admitted myself into a drug and alcohol rehabilitation program. That program has been terminated by the government due to lack of funding and cut-backs and things. Going into this program really changed my life-style. I have been drug and alcohol free since 1981. I have a job. I have maintained that job since 1981.

I have also been involved in trying to help other vets. I am a member of Vietnam Veterans of America, Chapter 526. I am a volunteer for the Vietnam Veterans Aid Foundation and other groups. I am here today basically to just try to make America know that the Vietnam veteran is a part of this country. We served this country well and all we would like is a chance.

For some reason, the government has just swept us under the carpet like we were never around. I know, being an employee at the Veterans' Administration Hospital, what a veteran goes through trying to get some service that was promised to him. It is very hard, very nerve wracking, and it is very demoralizing to have to beg for a service that was earned by serving your country.

One of the things that myself and some other friends of mine that went through this program with me, since we graduated from that program, we have been trying to open up—we have started a nonprofit organization known as New Directions. And through that program, we have been trying to generate funds to open up a sober living house for homeless veterans.

We have gained some money, enough money to whereas this Saturday we will open up our first house. We have a four-bedroom house that we are leasing in Santa Monica and we will try to have at least 10 or 12 homeless veterans off the streets and we will try to help them get their job, get their lives together by helping them to restructure their lives, initiate some type of job training and show them that there are other ways to go than to just be on the streets, homeless and living from day to day, and just wasting your life.

It has been very difficult for us to get this program off the ground. We have been trying since 1982. And since that time—I am sorry, since 1989, and since that time, through all of our efforts we have only been able to raise like \$17,000. We do not really want to ask the government for money because they have so many restrictions and requirements that you have to meet. And we do not want to have to turn a guy away because he does not meet the requirements. If you are a veteran and you are homeless and you want to try to change your life around, that is our goal.



We know that not everybody on the streets wants to be helped. You cannot help everyone, but maybe there are other persons on the streets, like myself, that just wants to change, and that is basically what we are trying to do. And hopefully, this being an election year, some politician somewhere will address the needs of veterans and the homeless people all over America. Thank you.

The CHAIRMAN. Thank you, Mr. Jones. Ms. Shirley, thank you.

#### STATEMENT OF TERRY SHIRLEY, FORMERLY HOMELESS ON SKID ROW

Ms. SHIRLEY. Ms. Waters, Mr. Gonzalez, and Mr. Torres, I have been asked to speak here today, and I thank you all, on the topic of homelessness.

I became homeless in the summer of 1988. The way I became homeless is from 1985 until 1988 I sold drugs in the Skid Row area of Los Angeles. In the summer of 1987 I was arrested. I was tried. I was sent to CIW. Upon release, I had nowhere to go, no family to speak of, friends. The only area I knew to come back to was the area in which I sold my drugs and that was Skid Row.

The things that we are faced with down there is filth, human waste on the sidewalks where you sleep. There are not enough facilities or enough people to sit back and listen to our problems or take the time. The number has outgrown through the years. I went into a homeless facility in the downtown area. I was given 2 weeks to either find employment, make progress or again, I would be homeless.

Along with their criteria you had to attend meetings every night, chores in the morning and had approximately 3 to 4 hours to enable you to get around on your own with no assistance for transportation. You were provided with shelter and food and clothing, but clothing, however, is very outdated.

It is a struggle to go from homelessness back into the mainstream. There are facilities that do help with employment training, but what Congress and everyone needs to realize is you have people who are homeless who have not picked up a newspaper in 2 months, a year. They might have had a special trade at one time. Myself, I had no trades. I was a housewife until I went to prison. When I came home I had no trade. We need to train our homeless people.

If we can set aside a program to teach them, this is the age of computers. There is a lot of people that have trades, but those jobs are no longer here. Their companies have either shut down or the jobs just do not exist any more. So there is no way to support yourself. A lot of things that you are subject to, a lot of people who are homeless some never do drugs or alcohol but the more and the longer you are homeless, you will either resort to one, the other or both and that makes it even harder, because now you have to get your drug problem under control or your alcohol problem under control.

It is not just enough to have someone come in and teach you how to write a resume or how to fill out an application or how to dress for an interview because your priorities are not straight at this time. The only thing you are thinking about is a clean, safe envi-

ronment, not one that is just going to last maybe 2 weeks or a month.

I was lucky. I was able to obtain a job in the facility and it was cleaning up the streets of Los Angeles and that was emptying the garbage and sweeping the streets and that was good. What I had to learn all over again was discipline and get my self-esteem back. I had lost everything, my confidence. When this job had ended, they counseled me to go and get further training, teaching, going back to school, which I did.

I took up medical assisting at one of the local technical schools. I graduated in the top four of my class, went through externship only to find out that they could not place me on a job because of my felonies, which I sat down at the time of admission with the director of the school and told him of my background. At that time there was no problem as long as I signed the government papers for my financial loan.

Today, I am now \$10,000 in debt because I am paying back a student loan that I cannot use at all. No hospital will hire me because of my drug felonies at all. I was lucky. After coming out of the medical school, the facility that once housed me had a position open and I applied and was offered the job. I held that job until May of last year. With government cutbacks we lost our JTPA Program, which I was the person who enrolled people on JTPA.

I got out in the field and found employment. I was faced with almost losing another job and maybe homeless again until SRO had an opening as a receptionist. And, again, I applied and I was hired and I am still working there today.

It is no ones fault but our own. It is not even our fault, some of us that become homeless. It is not all blacks, poor. You have young people out here. You have families now. It is your older people. A lot of people are one paycheck away from being homeless. I feel that we should have more programs available to the homeless. I think welfare reform should be done.

I think there should be more drug and alcohol programs available for the homeless as well, also affordable housing. When I first got my first job and moved out, I moved into a regular hotel a few blocks away from Skid Row. It was not much safer than the streets. The room was clean, yes, but getting from the main lobby to your room was an adventure in itself; through the lobby, to the elevator and then the hallways.

I then applied for SRO housing and again, I was accepted and that enabled me to save my money and move out of the area and I am grateful for this. We need more affordable housing as well. And I thank you for listening to me.

The CHAIRMAN. Well, thank you very much, Ms. Shirley. It is not easy to come forth and render testimony but it is most helpful and we are very grateful.

Ms. SHIRLEY. Thank you.

The CHAIRMAN. Mr. Raubeson has reported in and we will recognize you at this point, sir.

**STATEMENT OF ANDY RAUBESON, EXECUTIVE DIRECTOR/  
SINGLE-ROOM OCCUPANCY HOUSING CORP.**

Mr. RAUBESON. Thank you very much, Mr. Chairman, and it is certainly a pleasure to appear before you again and it is a pleasure to see your colleague, Maxine Waters, sitting there, who has been very, very much in the forefront in fighting for a number of social causes including housing for the homeless, before she went to Congress even, when she was a member of the Assembly and has continued that.

Briefly, I am the executive director of a nonprofit corporation called the Single-Room Occupancy Housing Corp. We operate on Skid Row, Los Angeles, currently own 14 hotels with a total of 1,174 units of housing which may sound impressive until you start trying to balance that against the need and the demand. When the U.S. Department of Housing and Urban Development did its study of homelessness in 1984, for which they were criticized for undercounts, they estimated that there were 33,800 homeless people in Los Angeles, over 7,000 of them living on the streets in missions and shelters in Skid Row, the area we represent.

So, again, the numbers like 1,174 sound impressive until you start trying to figure what the need for the type of housing we provide is. We also have decided very early on that the people whom we have chosen to serve cannot lead a decent quality of life if we only concentrate on the provision of decent, safe, and sanitary housing at affordable rates. So we have taken a broader view of our mission. So we operate three parks for the city of Los Angeles in Skid Row so people will have decent open space for recreation.

We operate a full range of social services from congregate home-delivered meals for the elderly. By the way, in most places you have heard of programs called Meals on Wheels, where shut-ins get their meals. In our area it is called Meals on Heels because none of our tenants have cars and our volunteers walk the meals around from hotel to hotel.

We have services for the chronic and severely mentally ill. We have services for homeless indigent men. We patch together these services from any source we can find. There is no grand plan. It is a matter of seeking targets of opportunity, but we never forget that our main mission is the provision of the decent, safe, and sanitary housing at affordable rates. It is where it begins.

By the way, Mr. Chairman, your staff contacted us early on and asked if we could name some people who are homeless, formerly homeless, people that we house and the list is as long as your arm. We ended up with Terry Shirley here. I could have had dozens of other people here today, all good tenants of ours, all good people. And one of my concerns is the direction we tend to be taking now, at least the way I see it, the pathologization of homelessness and low-income people, there has to be an underlying sickness.

And so our Secretary of the Department of Housing and Urban Development pushes strongly for programs such as Shelter Plus Care so that everybody who gets this service has to have a case manager managing their lives. Now, Mr. Chairman, I would not sit here and tell you that there are not many people who are homeless who have problems that need services. We are proof of that. We

recognize that. Over half our buildings, well over half our units, are designated a special needs housing. So we have one hotel, the Golden West, for the severely and chronically mentally ill, the Ellis Hotel for the at risk elderly, the Angeles Inn and the Leo Hotel for recovering substance abusers, who need an environment where everybody around them is not drinking in order to meet their commitment to sobriety, to stay clean and sober.

We have the Russet Panama Hotel, where we house homeless indigent men as the first step on their road to becoming independent, living independently. But many of our tenants, what they really need is some money in their pocket. They need resources. And, yes, they may have—we all have some problems at one point or another, but they are not people who are sick. And one of the points I would like to get across is that the Congress of the United States has to act as a check and balance on the Secretary, who in many ways has good ideas and is well intentioned, but I am afraid of that road that everybody who does not have enough money to pay for their housing is sick and that is not what we need to hear.

I was asked, you know, to give some thought about what we need and I must tell you, Mr. Chairman, it is a rather simplistic answer. And I am sure you know these answers much better than I. In fiscal year 1980, the Federal Government had outlays for assisted housing in the neighborhood of \$32 billion. The most recent numbers I have seen for fiscal year 1990, that had dropped to somewhat below \$8 billion. In other words, without even adjusting for inflation, the priorities of our Federal Government have decided to cut 80 percent of an existing budget line for a very needy population.

I understand that we have deficits. I understand that maybe we cannot do everything that we want to do until that problem is solved. But, my God, a cut like that is catastrophic. And I am not here to tell you that that is the reason that we have increasing homelessness, but it is certainly one of the reasons. And until that is solved, I do not see where we are going to get a decent handle on this problem. I think the Congress has to find ways in its priority setting to find resources that we can use in the field to provide this, and, Mr. Chairman, I have been very pleased to see your new legislation that takes a great step in that direction to correct that.

On a much more specific note, I would like to call to your attention President Bush's budget recently submitted to the Congress has zeroed out a small budget line, but one that people like me are very interested in and that was the SRO section 8 mod rehab. And, Mr. Chairman, as you know, I was one of the people who fought hard and met with you and your Senate counterparts to get that into law and it is a very sad thing for me to see our President and I assume with the advice of his Secretary of Housing, to see us lose that. I certainly would like to see that item restored through process.

I am also very glad that Washington has come to LA. You know, with all the wonders of modern communication and transportation, Washington is a long, long way for people like me and other people here at this table. It is wonderful for us to have an opportunity to get a word in to policymakers who set the policy and, again, I would like to thank you very much for inviting me here today and giving me an opportunity to address you.

The CHAIRMAN. Well, thank you, Mr. Raubeson. Let the record show that you did go all the way to Washington. You did testify. You did heroic work in making it possible for us to have for the first time the SRO proviso. If you will recall, at that time we had the Congressman from the State of Washington and Dr. McDermott, who took a very special interest, but also Barney Frank of Massachusetts.

Mr. Torres has also been at the cutting edge all along. Ever since he came he has been a fighting force. First, to Washington, for 8 years we warded off the threatened elimination of the substantive affordable housing programs that were targeted by the Reagan administration. The President's budget, given to us less than 2 weeks ago, reduces by \$3.1 billion the affordable housing authorizations.

So what we have in this new budget is not the son, but the grandson of Reagan. There for awhile, in February 1990, I challenged President Bush and Secretary Kemp to do something positive and they did. In fact, they even had me, for the first time, go to the White House and meet with the Secretary, President Bush, and the ranking minority Member of the committee, whose influence was invaluable to our success. The need to have a Housing bill that would reflect something for the Bush administration that was more than negative was imperative.

And that really is the reason we were able to get what we did in the 1990 Affordable Housing Act, which did not go even halfway to meet the minimal needs which have been burgeoning and accumulating for 11 years. You are correct, the 1980 budget outlay was what, about 500 percent more, and, of course, there was a clear increase in the production of housing. And the cause and effect, the kind of homelessness we started to see in 1982. It was this subcommittee that first brought national attention to the new homeless in December 1982. If there had not been a withdrawal on a national basis of a commitment to provide housing for every American, not only just the affluent, but the very poor, the problem would never have arisen.

And, of course, that means public housing. We have lost about a third of the public housing stock with no replacement, unless you want to call vouchers a replacement, which, of course, no one would truly could.

Mr. RAUBESON. A voucher does not deal with single unit.

The CHAIRMAN. It does not build anything. In some of our areas, it has been a boon to the slumowner and that is tragic. But I just think the record ought to show what your contribution has been. It was very helpful to have you before the committee and you traveled on that occasion.

As I said earlier, this is not going to be the last of this committee's trips to the west coast, specifically California. I wish we could have made this a 3-day event, but we could not under the current circumstances. So we had to content ourselves with 1 day and are grateful for the assistance of my two colleagues that are here.

I just had one question for Mr. Jimenez and what I can do is ask him in Spanish, if you do not mind.

The INTERPRETER. Chairman Gonzalez is asking if that is his family seated behind the panel. Would you please present your

family. My wife, Guadalupe, my son Juan Pedro, the others have stepped outside.

Your new born is only 25 days old? Yes, sir.

I would like to ask you, how were you able to afford the medical costs at the birth of the child?

We applied for Medi-Cal for the child.

The CHAIRMAN. Medi-Cal. Well, I want to say California is one of the more—it has been in almost every other line I can think of the most forward, liberal States. I will tell you the truth he would have had a hard time in some of the States we visited and so I am glad to hear that.

The INTERPRETER. Right now you are working at one of the buildings of the apartment owners?

Temporarily in order to help pay the rent that I owe her.

In union with the Representatives here present, I would like to ask you where do you live right now?

849 South Normandy.

We would like to thank Mr. Jimenez because we recognize it is difficult to come and testify but we are grateful for your testimony.

I would also like to thank you for the help that you are giving us.

The CHAIRMAN. Mr. Jones, the home you say you are presently using, did you say you purchased a home or are you leasing it?

Mr. JONES. Right now, we are leasing it. We have not opened. We are opening Saturday, this Saturday.

The CHAIRMAN. And that is located where? Here in LA?

Mr. JONES. It is on Barrington Avenue, just west of Denny's, Santa Monica.

The CHAIRMAN. Santa Monica. Well, I will tell you, you all are so young. Like Ms. Shirley, my goodness you are so young, 32 years.

Ms. SHIRLEY. Thirty-four.

The CHAIRMAN. When Mr. Frias was talking about how he had been shot at and he thinks he is going to live, I said, well, I am 75 years of age, that ought to prove you can survive some of these shootings. But the thing that is indelibly impressed in my mind and soul is that no country can be great, truly great, as long as it allows what I have witnessed in my own context.

Way back there, when I first got elected to the Congress, I never really could afford to have two homes, so I never really moved to DC. I have been commuting as best as I can. So I have been going back every weekend that I can. I have about 17½ plus million air miles in these 30 years. But we did decide, my wife and I, to keep our base in San Antonio and, of course, if it were not for my wife I would not be here today. She is the one that took it on the chin because we have eight kids, all of them are married. We have 20 grandchildren and number 21 around the corner.

But during that first year, I would get back on those old prop jobs and I would get the family, throw them in the station wagon and at that time things were easy going. We could leave on Thursday afternoon late and not come back till Monday and you would not miss them. On Friday morning, I would wait till the kids came home from school, throw them in the station wagon and, of course, a couple of the kids would have to bring their neighborhood pals. One of them was a little girl, a lovely little girl.

She and another sister and a brother, who she would also bring along, lived around the corner with their mother and their grandfather. The mother worked downtown. The grandfather died about some 3 years after we had been there, but the little girl, let us call her Kim, a lovely little girl. We would take her. She grew up with one of my daughters. And then, they left the neighborhood.

In the meanwhile, years go by and one day I get a special delivery letter from L.A. It is from a jail and, from this little girl. And she had been arrested for drugs and prostitution. We tried to do what we could from San Antonio, and we did, but then we lost contact and the last time one of my sons ran into her was in the Port of San Antonio where you had open prostitution, solicitation and there she was.

You know, that is wrong. Why should that girl, who could have been any one of my daughters, have had to face the constricting debility that exists in every one of our communities. Right now, the headlines in San Antonio are that gays are rampant and that you have a juvenile age kid killed every other day. That is San Antonio, it is not even L.A.

I remember when I came out after the war and went to work for the juvenile court, those were the headlines. And how do you think I feel? I feel it takes everything I have got to keep from being demoralized. But as long as we have a country that allows a system to destroy what God has not, we cannot be great.

It reminds me of this brilliant, the most eloquent man I have heard, an architect, unemployed for a year in Baltimore. And what he said, his words still ring in my ears; he said, "I am proud to be an American, but I am not proud of America." And that is exactly the way I feel. And I want to congratulate you, though, for surviving an obstacle course that I think would take any one of us—I do not know that I would have had the strength to have survived it.

Yes, we had a Depression that I was hoping my kids and grandchildren would never face. It looks like it is in the works again. We had wars which I had hoped my kids and grandchildren would not see. So we have to keep at it. I want to congratulate you and see what we can do to shore up, from our level, the resources that will make it possible to turn around and lend a helping hand to those coming up the ladder behind you as well as people like Mr. Jones.

I think it is quite tragic to see a man like Mr. Jimenez. So many young tell me, "No, I do not want to have any children, not in this world." Here is a man who has enough faith even living the way he does, to say, "By golly, we are going to have children. We are going to fulfill our God given destiny who has given us life." And I say that the least we can do is assist in increasing the potential for that human being to use to the fullest flower his God endowed talents and our system is not doing that.

And that is why I want to thank you because I think every one of these people here shares this feeling. They would not be here if they did not. And they would not be doing what they have been doing on the congressional level. So, with that, Mr. Torres, I want to thank you for your patience.

Mr. TORRES. No, thank you, Mr. Chairman, for conveying to us the concern that you have. I know you have put in 31 years in the House of Representatives working on behalf of poor people and

working on behalf of our communities. It is a record, indeed, to be proud of. I just cannot understand how you can get 17 million miles and still look as well and strong as you do. It is commendable to be sure.

I wanted to ask Mr. Raubeson a question, just because he made a very stirring presentation based on the work that you do. And, obviously, I was impressed by the rest of the witnesses. Mr. Raubeson, you indicated Ms. Shirley was a graduate, if you will, of the kind of program that you run; am I correct?

Mr. RAUBESON. Correct.

Mr. TORRES. And I am not sure whether Mr. Jones has gone through your particular program, but obviously, he is the kind of individual that is often assisted by you, single men. My heart goes out to Mr. Jimenez, who is not single in this case, but has a large family. I take note of the brochure you have just given us, this delightful montage here of 18 properties that are owned by your organization. Joaquin Roback did a nice job here.

Mr. RAUBESON. Also one of our tenants.

Mr. TORRES. And also one of your tenants. My question is how do you help a person like Mr. Jimenez? Is he not eligible to be helped by you?

Mr. RAUBESON. We are a very small cog in the machine of the helping community and we have a fairly specific role. We do single room occupancy housing. It is not housing that is designed well to meet the needs of families. I insist when I talk to people at HUD that single room does not mean single person. We have couples in our units but we do not have families.

What we do, Mr. Torres, when we buy a hotel, and often the hotels we buy do have families in them, unlike some other developers, we do not evade our responsibilities under the Uniform Relocation Act. And we do maintain a relocation caseload when we do that. We relocate people into decent, safe, and sanitary housing. We make sure they get the benefits that they are entitled to and we follow up and meet their needs.

And, as I am sure you are aware, it is not just a monetary obligation that you have to a family in such a consideration. We have a responsibility to make sure that they are comfortable in their community, they learn where to shop, they learn the transportation routes. And, as a matter of fact, we far exceed the requirements that Congress has placed on developers in the Uniform Relocation Act.

We allow people to move twice and we will assist them to do that without cost. They just did not get along with the manager. So we do not just put them into decent, safe, and sanitary housing and forget them. We move them and again, we will do two subsequent moves if necessary.

We do followups. I am going to tell you that systems, even computerized systems, are far from perfect. We have hundreds and hundreds and hundreds of tenants who are on Social Security or SSI. And that is a pretty broad base over the years. And I can tell you that in any given month, about 12 percent of the checks do not show up. I am not talking about people who have moved, people who have had a change in their file. It is about a 12 percent rate that the check does not show up.



Now, we need to collect the rent to survive, so we do not take a person's word that the check did not show up. We have a release of confidentiality with Social Security and we make sure that that happens. It is even higher with the County Welfare Department. It is over 20 percent of the checks do not show up. And, again, so when someone moves and you relocate them, it is very common for the check not to show up.

We loan people money until we get it straightened out in their check. And we have been doing that for 6 years. And I am extremely proud to be able to say not one family has ever stiffed us on one loan. We have a 100-percent collection rate and we have no enforcement. I mean, it is all voluntary. And, again, it gets back to my earlier comment about people without money always being troubled people and so forth.

There are very, very good people in our society who do not have much money. And, again, I am very proud to say we have a 100-percent collection rate on loans we have made for nonchecks arriving. But what we do is, we relocate people out of Skid Row who have children into decent, safe, and sanitary housing. And for instance, a family with two children, we would have to find them, by law, a two-bedroom home. We could not put them into a one-bedroom home.

We would have to find a five-bedroom home. But, again, we would have to do that. Unfortunately, there is very little enforcement mechanism. Quite often, people get lost between the cracks who get relocated, never really get—never mind the money they are entitled to, they do not get that, but very few ever get the services they are entitled to by that law.

And if I may suggest, that is an area that you might want to give some attention is how the Uniform Relocation Act is monitored by the Department of Housing and Urban Development to see that people who are displaced actually get their fair benefits that you have provided in law.

But that is what we would do. If he were living in a hotel that we bought, he and his family, we would relocate them.

Mr. TORRES. I see. Thank you for answering my question. It appears that, by your answer, he is really at this point at the mercy of public housing or the marketplace out there to be able to house his family, because your program, had he been in it, you would have, obviously, taken the steps to relocate him. He is not under your jurisdiction. Therefore, he really is not able to be assisted by you.

Mr. RAUBESON. No, but, again, you mentioned the local Public Housing Authority has the major responsibility. You know, I point to us with pride, 1,174 units, our housing authority here actually controls 75,000 housing units of which they own 38,000. It is a very large enterprise. And I am not here to tell you that it has enough. And I am not here to tell you that it is a perfect organization, but—

Ms. WATERS. We know that.

Mr. RAUBESON. But, again it does have that responsibility. It has that public trust. And, you know, I think they should be put to the test. There should be a referral made of this family and they are

the ones who have that responsibility to see that that family is housed.

The CHAIRMAN. Excuse me, Mr. Jimenez's dream is that his family could get into public housing.

Mr. TORRES. Well, in asking these questions and asking what has been the response of the public housing authority, I understand, Mr. Chairman, that we have a representative from the housing authority who has been tracking this particular issue. And if the chairman would allow, I would like to hear from Mr. Walker to give us an overview of exactly what has transpired to try to assist this one particular family which, I am sure, represents many other families who are in the same throws. Mr. Walker.

Mr. WALKER. Mr. Chairman, Mr. Torres—

Mr. TORRES. Again, I am asking unanimous consent that the chairman will accede to this request.

The CHAIRMAN. Certainly without any objection.

Mr. TORRES. Thank you, Mr. Chairman.

Mr. WALKER. In Mr. Jimenez's case we are actively and currently processing his application for housing for him and his family. One of your staff aides, who came out here a few weeks ago, contacted my office regarding interviewing prospective witnesses before this committee. And he was moved by Mr. Jimenez's situation and that is why Mr. Jimenez showed up today and at the invitation of your staff, I accompanied him.

The tragedy of most families here in Los Angeles who need housing, we have inordinately long waiting lists and a short supply of available affordable housing left in the public housing market. Mr. Jimenez is eligible for housing with the public housing authority. I could not even venture to give you an approximation, however, of how long it would take for a unit to be available for him.

The CHAIRMAN. He is on a list.

Mr. WALKER. He is actively being interviewed as we speak. He has accepted an offer of housing at one of our developments. However, there are no five-bedroom units currently available for him. So his application would be transmitted to that development and put on the list of people waiting for available five-bedroom units.

Mr. TORRES. Now, I understand, I guess, why he was the gentleman who requested to split up his family, if he had to, in order to qualify so that he would not have to qualify for a five-bedroom home, but rather anything short of that. Am I correct? He is the gentleman that—

Mr. WALKER. That is correct. Unfortunately, I do not have the lack of moral conviction to ask any man to split up his family, especially children of such young age to be able to get housing for. I do not know how we would work out the configuration of what remnant would be housed of his family.

So I do not take on that sort of moral burden to say, "Listen, in order for you to get housed quickly, you have to shatter your family."

Mr. TORRES. I understand and I, obviously, feel for the kind of decisions you have to make in these kinds of situations. So, I just am happy to note, though, that there is some process that is being pursued to try to accommodate this particular family. Thank you, Mr. Walker.

Mr. WALKER. Thank you.

The CHAIRMAN. I wonder, Mr. Walker, if you could, for the Reporter's sake, identify yourself, full name and your title.

Mr. WALKER. My name is Dwayne Walker. I am employed by the housing authority, city of Los Angeles as the manager of its public housing application center.

The CHAIRMAN. Thank you very much. Before you leave, may I ask a question here?

Mr. TORRES. Surely.

The CHAIRMAN. What is your waiting list size in LA? That will throw a light.

Mr. WALKER. For Section 8 or for conventional housing?

The CHAIRMAN. Both, if you have—

Mr. WALKER. For conventional housing right now it is, I will give you an approximation. It is about 20,500 applications. For section 8 it is somewhere in the vicinity of 50,000 to 60,000 applications.

The CHAIRMAN. Wow.

Mr. TORRES. Before Mr. Walker leaves, I have a little note here. I meant to ask you this question. You have been quoted as saying that this is a gut wrenching kind of job, that you have to be dealing with this kind of issue every day to try to make ends meet for people. I understand that Mr. Jimenez was summoned to your office to pursue an interview for the possibility of getting into a home and something went wrong. What transpired there?

Mr. WALKER. When Mr. Jimenez initially came in to be interviewed, I was in the midst of being interviewed for the *Los Angeles Times*. The individual who was conducting the interview with me wanted to talk to some of the applicants who were in the office.

As he went around and observed the different applicants that were in the process of being interviewed, he stopped and chatted with Mr. Jimenez. The problem which was brought to my attention was that his situation, as he perceived it, was of such a sense of urgency that when he had suggested to the employee who was interviewing him that he would entertain the idea of splitting up his family and what were the possibilities of that occurring, the interviewer brought that to my attention and therefore, I got involved with responding to his inquiry about splitting up his family.

Mr. TORRES. Thank you, Mr. Walker.

The CHAIRMAN. Let me say, Mr. Raubeson, that the reason Mr. Torres' sensitive eye caught the beauty of this is because he is an artist himself. He has a lot of talent.

Mr. TORRES. Thank you.

The CHAIRMAN. I have seen it. Ms. Waters.

Ms. WATERS. Thank you, Mr. Chairman. If I could just thank all the members of the panel for being here today and let me say to Ms. Shirley that I am really proud that, despite the difficulties of your life, you have been able to hang in there and keep trying over and over again, where you find yourself today able to be here to share with us what is going on out there with people who find themselves homeless and are incarcerated and need some way to get back into the mainstream. Just keep going and I have faith that you will be all right.

Mr. Jones, prior to leaving Washington, Congressman Lane Evans and Congressman Kennedy and I met with the chairman of

the Veterans' Affairs Committee, Chairman Sonny Montgomery, to impress upon him the importance of going in, I suppose it is, to the Appropriations Committee with a budget that would greatly enhance the President's budget on the problem of homelessness in veterans.

And we are looking at pushing for something in the neighborhood of \$70 to \$80 million to serve homeless veterans. We want targeted programs to do that. I do not know how far we will get, but we intend to first, fight very hard to break down the walls of the budget to allow this peace dividend to flow into homeless programs, to support the chairman's bill and his leadership in this area.

We think that certainly veterans should share in the priorities of the peace dividend. And so your words do not fall on deaf ears. And we will be working very hard.

To Mr. Jimenez, even with my poor Spanish, *gracias para tu participacion*. Thank you very much, Mr. Raubeson.

The CHAIRMAN. Would you yield to me?

Even though you have not said much, you have touched on very important things. First, our fight is going to have to begin with our own leadership.

Ms. WATERS. Yes.

The CHAIRMAN. I went to a chairman's meeting called by the Speaker. We were told definitely that they were not going to give priority to such things as this but tax. In other words, it is going to be me, too, but not as much. This is what lost the Democrats their elections. Ever since they echoed the Republicans, exactly what the Republicans lost with for 40 years. So I wanted to tell you that we are going to need a lot of help here to overcome the inertia that we are receiving from the leadership of our own party.

Now, fortunately the minority, Mr. Wylie and Mrs. Roukema, they are going to be for the bill, believe it or not. So, you know, I think we have our fight.

The other thing, I got so emotional I did not finish my story—I said that I get my family and the neighborhood kids and throw them in the station wagon. I never told you what I would do with them and the station wagon. Well, I would drive them out to a place we had been going since I was a kid and we would just camp out there for 3 days; camp out Friday night, Saturday, Saturday night, Sunday and I would come back and go back to Washington.

When my son ran into this little girl, because I still see her as a little girl, it is the first thing she remembered. She said, "How is your father and do you still go to Modlos place?" She never forgot that. In total, it just grates my soul to hear testimony from young people like Mr. Jones and you, Ms. Shirley. But anyway, thank you very much.

Ms. WATERS. You are welcome, Mr. Chairman. Just one more thing if I may. Mr. Raubeson, all of you, in various ways you have alluded to what went wrong with U.S. Government, Department of HUD, the tremendous cutback that this country experienced and even as we sit here today, some of the misdirected policies of government by way of HUD.

Some of you may know of my running fight with the Secretary, who insists on having money in this homeownership program, where he talks about homeownership of public housing units, and

so forth and some of us who keep asking the question, "What about rehab money for those units that you may have boarded up that you cannot put anybody in? What about more dollars to expand Section 8? What about jobs for those people who live in public housing, who maybe could graduate from public housing if they had some earnings and allow it to be available to other people?"

So, when Jack Kemp comes out here, receiving all this press about the great home ownership program and public housing, let us not be subtle or kind. Let us deal with the problem and tell him to put some money into public housing to expand the housing stock, to fix up what we have, to make sure that it is all on the market and let us be very tough about it. Let us meet him at these press conferences and at these conventions where he is going and let us demand. And that way, we can back up the chairman and put some fire under the leadership and what we know needs to be done to provide additional units for people who need it very much.

Mr. RAUBESON. Well, I have berated Secretary Kemp on a number of joint appearances.

Ms. WATERS. Keep on doing it.

Mr. RAUBESON. And, you know, we are not ungenerous in housing in this Nation. And, you know, I happen to rent. I do not consider myself a bad person. Most of my tenants, virtually all of my tenants, will never aspire to homeownership. And yet, we have decided this last year to forgive \$54 billion of earned taxes for people who own their homes, a home up to \$1 million in value.

It seems to me that the priorities are somewhat askew when the poorest of our citizens we decide to spend less than \$9 billion on to provide them a basic roof over their head and at the same time forego collecting \$54 billion from affluent Americans. And I know your committee does not write the tax laws, but there is something out of balance there.

The CHAIRMAN. It is.

Ms. WATERS. It is.

The CHAIRMAN. One thing in addition, you know, you are so young that you are preparing your program with a budget of what, \$60 to \$70 million did you say?

Ms. WATERS. For the homeless veterans, over on the veterans' side.

The CHAIRMAN. Well, I want to point out that even today this country and the Congress is taxing the American people \$70 billion a year for continuing production of atomic weapons still targeted in Russia. This budget right now has \$70 billion, that is more than \$1 billion a week. Talk about perversion of priorities.

I just thought I would give you a buzz because I remember the peace dividend that they talked about during Vietnam. When Vietnam was over with, I never heard about a peace dividend. We have an uphill fight here and I think we ought to face it and realize it.

Well, thank you very much. We deeply appreciate it. And we will be in contact. We will not break off. We are going to follow through. We want to make sure that our visit here is not a fruitless empty gesture. Thank you.

Ms. WATERS. Thank you.

The CHAIRMAN. Our next witnesses will be Mr. Etezadi, who is an attorney at law, and introduced before, but because of the size

of the first panel, we deferred. He is with Legal Aid Foundation of LA and is accompanied by Theodora Rolette, resident of multifamily housing and Carol Berman, resident of assisted housing. And we have Ms. Brenda Y. Shockley, who is a housing consultant and Marvin Greer, principal, the Williams, Greer Group, accompanied by Reuben and Dale Hill, first-time home buyers and Donna Spenser, a first-time home buyer.

Thank you very much for being with us. I know the hour is a little late. I think I noticed some of you here in the audience so I want to thank you for your patience. Is there any reason why we should not proceed in the manner that I introduced you? Do any one of you have a pressing time problem? If not, we will then recognize you, Mr. Etezadi.

#### **STATEMENT OF DAVID ETEZADI, ATTORNEY AT LAW, LEGAL AID FOUNDATION OF LOS ANGELES**

Mr. ETEZADI. Thank you Chairman Gonzalez, and I would like to thank the committee, Ms. Waters, and Mr. Torres for having us. I would like to say that I am here today in a representative capacity. I work for Ms. Rolette and the Mission Plaza Tenants Union. I also work for and with Ms. Berman and the County-wide Alliance of HUD Tenants.

I am an attorney at the Legal Aid Foundation and my area of practice includes public and subsidized housing. I have had the honor of working with resident leaders throughout public housing in Los Angeles and particularly with the leadership in the developments in south central Los Angeles and many, many graduates of Project Build. I am actually currently working with graduates of your Build Plus Program and an entrepreneur program and I am very honored to work with them. I see some of them in the audience today.

My comments today, however, are really focusing on subsidized housing and some of the very important issues that confront tenants that are living in subsidized housing. Most of the tenants that I work with in this capacity live in buildings that were built under the 221(D)(3) and 236 programs and they face the threat of prepayment or expiring use of their mortgages.

This committee was instrumental and provided a great leadership last year or the year before last in the Cranston-Gonzalez Affordable Housing Act and in particular in Title VI of that act, the Low Income Housing Preservation and Resident Homeownership Act, which is certainly a mouthful.

But we face some very specific and special problems in Los Angeles that the act does not address and that are further complicated by certain regulations that are proposed by HUD. Let me first, at least, give you a sense of the extent and magnitude of the problem in Los Angeles. We have the largest stock of subsidized housing in the United States. There are approximately 40,000 units in the county of Los Angeles, 23,000 of those are in the city of Los Angeles and approximately 10,000 of those are facing the threat of prepayment. In other words, their owners have the ability to prepay their Federal mortgages and raise rents to market levels.

The buildings are clustered throughout the city of Los Angeles from the east side to the west side, the south side to the San Fernando Valley. Most of them are clustered in high rent and high real estate markets which further exacerbates the problem as I will explain to you. Again, the law that you passed was a formidable one but there are certain problems that must be addressed.

One is that the law, Title VI, provides substantial incentives to both owners of the properties to stay in the affordable housing business, to continue to provide affordable housing for low-income people. It also provides those same incentives to what are called preservation purchasers or nonprofits or tenant associations that have aspirations to control their buildings and their housing.

The amount of the incentives, however, will be based on two factors. One is the appraisal of the property and a preservation value will be arrived at, but the other and perhaps the issue of great importance for this committee's attention, is that the amount that will be paid in incentives will be controlled by what is called a Federal cost limit. And that is based on a formula, 120 percent of the fair market rents.

The problem that we have in Los Angeles is that we have extremely high land values and extremely high potential to convert these properties to market rents. And as Professor Goodman indicated earlier, it has been the real estate market that has fueled economic growth in southern California. And although there has been somewhat of a lull these years, we anticipate that that might return and act as an incentive for owners to displace tenants.

HUD clearly has the discretion of providing grants where the value of the land exceeds those Federal cost limits but certainly without significant appropriations and without the funding to do it, there will be no discretionary grants given to save this housing stock.

The problem is even further exacerbated by a proposal that is in the President's budget at this time, which would reduce the Federal cost limits to 100 percent of the fair market rents and that is with the goal, I believe, in the President's mind of saving some money, but we would argue that the consequences in Los Angeles and in California would be disastrous in that we would probably lose at least half of the housing stock that we would hope to save under this program.

By HUD's own estimate, some 23,000 people would be displaced by this proposal in the President's budget and although they would be given vouchers, we have already acknowledged today that the voucher program is less than adequate and in many cases only disperses people, destroys communities, and funds slumlords and others to take advantage of the Federal Government.

There is another problem in the law and it is in regulations that have been proposed by the Department of Housing and Urban Development. One of the incentives that is provided to either an owner who wants to stay in a program or to nonprofits or tenant organizations that want to buy the building in which they live is the availability of a 241 equity loan or basically, a federally insured loan. Unfortunately, HUD's proposed regulations would only provide a 20-year amortization period in cases where tenants or non-profits want to purchase that building while providing a pri-

vate owner 40 years. We see that as incredibly unjust and would hope that this committee could convey that to the Department and urge it to change the regulations or, in the alternative, if they are promulgated in that form, to initiate legislation that would provide tenants and nonprofits the opportunity to preserve this housing stock for the long term. That is what is important.

As Ms. Rolette will explain to you in a few minutes, she is part of a tenant association that has an opportunity to buy the building in which she lives and I am happy to say and proud that the tenant organization has begun efforts to purchase that building. They will need an incredible amount of assistance in order to do that.

And the assistance that is needed is really in several forms. One is the type of assistance and funds for which this group could purchase its own technical assistance for which the group could educate themselves and the tenants who live in the building about what it means to be an owner of the building, what it means to be a manager of the building. More importantly, there are going to be huge gaps, again, between the appraised value of the land and what is available under the Federal cost limits and we do not see any funding at this point to fill that gap. And that is very, very necessary.

What I am basically saying, and I am sure you have heard it from most of the people this morning, is that we need a huge infusion of funding to be able to save this housing. Although the intent of the legislation was to preserve housing, we are fighting an uphill battle to preserve that housing. Whereas, we should be producing more housing for people who have the need and I think the need has been demonstrated here this morning, we are fighting just to save what we have.

It is an incredibly expensive venture, but it is one that requires your attention. It is one that requires the Nation's attention and I would suggest to you that, although the cost is high, the amount of money that we would spend in dealing with the social consequences of displacement and the lack of housing in this country are deep and we will pay a much higher amount in the long term.

I would like to thank you for the opportunity to provide these comments and introduce to you Theodora Rolette, who is one of the cochairs of the Mission Plaza Tenants Union and her cochair with her today is Cecilia Martinez behind her. And without any further ado, I would like to present Ms. Rolette.

Ms. ROLETTE. I would like Carol Berman to go before me, if it is possible.

The CHAIRMAN. Yes, we will recognize Ms. Berman first, certainly.

#### STATEMENT OF CAROL BERMAN, RESIDENT OF ASSISTED HOUSING

Ms. BERMAN. I am Carol Berman and I am a member of the County Alliance of HUD Tenants, Los Angeles County Alliance of HUD Tenants. We like to call ourselves LA CAHT. And we represent 26 buildings, 5,000 people.



In Los Angeles, we have 135 buildings of HUD tenants and 40,000 people. That includes kids, old people, it includes the people who flip your hamburgers. It includes the people who wash your windows. It includes the people who watch your kids. It includes the people who are single parents, who have kids, who also have to have part-time jobs and go to school and, you know, to further their education. And all of these kinds of people are represented in our Los Angeles County of HUD Tenants.

You know, interestingly enough I live in a building in Venice that is probably about 70 years old, maybe 80 years old and it was a hotel and it has been converted to a place that is for low income, elderly, and handicapped people. Interestingly enough, I have lived in my community for 30 years. I have always been interested in my community. I never thought that I would end up in a HUD building and I am very grateful that 20 years ago I had the foresight to fight to get that building which was going to be sold, for a very lovely sum at that point, and get it turned into a HUD building.

The neighborhood, the community turned out and said, "You cannot throw out these people. You cannot destroy our community." And I have always been interested in housing. And so here I am, in this building that, by the way, buy-out time is 1994. What is going to happen then, I have no idea. All I know is that, as I say, I have been interested in my community and I have gone to housing. I have gone to the county, I mean the city, the Los Angeles Comprehensive Housing Authority, Housing—Low Income Housing Strategy, CHAS. You know, I am sorry, all these alphabets just kind of confuse me every once in awhile.

But I was there for a seminar. I went to the County Housing, what is it, Assistance, something or other, CHAS, Affordability Strategy, County Housing Affordability Strategy, ditto for the city. And what struck me was there were people there who knew about the housing crunch, who knew, especially in the area of Los Angeles, who knew in the area of the counties, especially in Los Angeles County, how horrible, how dreadful this housing crunch was, people, for instance, who had two or three homes, you know, and people who had a cardboard box.

And we were all kind of represented at these particular meetings. And what struck me at these meetings were people were worried about low-income people in their neighborhoods. They were worried very, very deeply about well, what happens if, indeed, we get these low-income people here. And they did not seem to realize that low-income people of all kinds were just as concerned about having a nice neighborhood, safe streets, good housing, and aspirations for something better. And I do not mean just more Nintendo games or Air Nikes or something like that. I mean, something from the heart, something that, you know, you could feel proud of being part of. We all want that.

I know I never thought of myself as being poor, just kind of broke, you know. You know, and I never wanted to be kind of broke. I mean, you know, I did want to own my own house, but things happen. Things happen in society. Things happen to you. And I found myself homeless for a couple of months. And because I did have friends in my neighborhood, because I did have friends, as I said I lived there for 30 years, they shared their couches with me.

But I know a lot of people who are permanently homeless, who are still sharing couches, who are overcrowded.

They are one step away from being evicted because the landlord is saying, "Hey, you have about four or five people in this room and we only rent to two people," you know, all kinds of conditions, people who are living in garages. Because they are not up to code, these garages are going to be torn down and maybe rightly so because they are horrible, but instead of saying, "Hey, listen, let us upgrade the garages, give the owners some kind of in lieu fees, you know, for the parking, let them park on the street or something like that and have these units registered with the Los Angeles Rent Stabilization," no, they are tearing them down because they are not up to code and they are unsafe.

What I was struck by at the city thing was that the city people, of the people that I met, Mr. Bodaken, Ms. Loeb, who is here, and countless others whose names I forget, really wanted to solve that housing problem. But it became more and more apparent to me that what really needed to be done was we need the Feds. We need the Feds to help us. And, frankly, in the past, since Reagan, if I can, you know, use names, since Reagan, you know—you know, I used to dream about becoming before a congressional committee and yelling at Senator Joseph McCarthy, so here I am. This is kind of strange how one's dreams come true.

But here I am. But I am talking about Reagan and his absolutely metaphobic attitude toward the big cities. And it has gone on. Actually, Nixon started it. Nixon started it with his refusal to back up the bonds of New York City and Reagan took it on and now Bush as taken it on. And we are just sleeping through this little recession. And I can look out my window at one of the high rent districts that we still manage to have this little old HUD building, you know, that is going to expire in 1994, and will the owner, you know, respond to the carrot of HUD or the stick saying, "Whoa, you know, I can make millions, you know," or will he respond to the carrot of HUD and say, "Well, I can make millions but not as fast but what the heck," you know.

I can look out my window and I can see homeless people. I can see homeless people sitting in the dumpsters. I can see homeless people around the corner. I can see people defecating, urinating, all of the things that you can hear from all of these homeowner groups that are concerned about the homeless, that are concerned about the crazy, that are concerned about all these people on the streets. I can see them and I can see what they are doing, and it is annoying and it is frightening and it is terrible, and it is going to get worse. It is going to get worse.

They talk about vouchers, as David mentioned, these vouchers for 22,000. You know, 22,000 HUD people are going to be out on the streets with their vouchers. The vouchers do not mean anything unless the landlord says, "Well, OK," and then it is going to cost the Federal Government even more. And it is going to cost the Federal Government even more if they do not get on the housing thing, because I heard about the gangs when I was here. I sat here and I listened to it.

I heard about how hard it is to get work. I heard about all of this but I will tell you one thing, it is real hard to study, it is real hard

to learn how to read, it is real hard to wash your clothes unless you have a place to live. It is just that simple. Unless you have a place to live and unless you are counted as a valued member of society and the human race, housing is the foundation of it all. Housing is the foundation of it all.

You know, Kemp talks about first-time homeowners and first-time this and pulling yourself up by your bootstraps. Well, some of us do not have any bootstraps and some of us are a little too poor, you know, or a little bit too old to really—well, you know the picket fence and the whole thing. Mr. Kemp has got to realize that we need housing. People who get housing, you know, in the private sector, they get all kinds of tax breaks. We do not get any tax breaks. I was scandalized to learn this, but people who have two homes get tax breaks for their second home which is just as much tax breaks for their first home. And there are people wandering around here without any home.

And all I can say is that housing—I mean, you know, I was kind of surprised that we were not a little bit ahead of the thing, because I think, as I said, housing is the building block of it all. If you do not have an address where you can say, "I live here; this is my neighborhood; this is my community," you are going to have a bunch of people, you know, who are just suffering from free-floating out of me. They are not going to care. They are going to say, "Me first," and that is going to be it.

You know, they are not even going to have the herd instincts of foxes or anything else. They are not going to protect their own, they are not going to protect their young. They are going to abuse their young because they are young, they cannot take care of their young and this frustrates them.

You are going to have all kinds of problems if you do not get the hell out and do something about housing which is the basic of this whole thing. People feel responsible. People need to feel this. You know, the homeowners who are worried about large housing projects being built in this area, I do not blame them if those large housing projects are built with the same lack of care; "Well, we will shove as many people in as we can," you know, without any thought to is the neighborhood friendly, is there light and air for the neighbors, is there light and air for the people in there? Are there common spaces?

And I have the feeling that really all of these fabulous architects that we have, we can get together with those fabulous architects, and we can create things with compassion and creativity and common sense, you know, that we could actually, you know, not waste money but really do it and do it up smart, so that every neighborhood you would not be able to tell who is poor, who is this, who is that.

I wish that there were homeowners here in this group, you know, rich homeowners where we could say, "Hey, look, you know, I am just as concerned as anybody else. I want a decent place to live in and I want to be assured that I am not going to get this notice from my landlord saying, Well, Carol, you know, it has been nice knowing you but we just, you know, got this great offer and you know, the HUD thing is over with and here is your voucher and do not let the door slam you on the way out."

You know, I would like to turn over my remarks again to Theodora who, you know, is going through the experience of buying her building which I think is a great idea. Thank you.

The CHAIRMAN. Thank you.

#### STATEMENT OF THEODORA ROLETTE, RESIDENT OF MULTI-FAMILY HOUSING

Ms. ROLETTE. Thank you, Carol. My name is Theodora Rolette. I am executive director of the Mission Plaza Tenants Union. We have been offered the opportunity to buy Mission Plaza, but only verbally. We do not have a written intent and the monies will not come to us unless we have something in writing.

The Housing Department of the city of Los Angeles has been very generous in their help, but, again, we do not have that letter of intent from the owners. We need a very clear statement of the letter and there should be some regulation that we get it in a certain amount of time. The ownership of Mission Plaza is quite unclear.

In 1988, I wrote to Washington and they sent me a list of owners, two general partners, whom I am going to call A and B. And when the building was offered to us for sale, the owners were to come and sit down with my board and ask us if we wanted to buy this place. What they did, there was another partner whom I am going to call Mr. X, who has been barred from some other States in the United States from ever having this type of property. Well, guess who came to my board? It was Mr. X. Now, in October, we asked, along with the attorneys, to clarify who the owners are of this property and they agreed to it, but we have not received it yet.

Another thing that is holding us up in acquiring this property are the appraisals. The government regs are so complicated that the owners cannot get their appraisals nor can HUD. HUD wrote the regulations for the appraisals but, obviously, they do not understand them either because we have not received theirs.

What we feel is that if HUD and the owners do not get their appraisals to us in a certain time, that the tenants should be able to get ours, get our own appraisal and those would be the appraisals that we would purchase the property by.

Now, Los Angeles, I know that everybody thinks that LA, we have so many people here, we have a lot of money. That is not true. Los Angeles is bursting at the seams and with the influx of all the homeless that are sent here from the other States and with the new immigrants that are arriving every day, we do not have anything. So we have to get the money from the Federal level and that requires millions of dollars for Los Angeles alone, not thousands or not just for Mission Plaza, but for millions to take care of the buyouts.

The technical, we have to have development teams. We have to train people and for all of that, we need money. And as most of us see, most of the money that goes to foreign aid, why cannot we have some of that in this country to take care of the homeless and the housing and the gangs, the drugs and whatever. Everything we have goes to foreign aid and countries constantly—now, Russia is coming up like you said.

We are sending food and monies and promises and everything goes out of the country. Now, Mr. Winfield gave me 10 minutes and I talked 5. I would like to turn my other 5 minutes over to my co-chair, if I may. I would like to have my cochair take my other 5 minutes, please.

The CHAIRMAN. Yes.

Ms. ROLETTE. That is Cecilia Guerra.

The CHAIRMAN. Oh, all right, fine. And your name is Cecilia—

Ms. GUERRA. Guerra and in English that is war.

The CHAIRMAN. Yes, and your title, you're a social manager?

Ms. GUERRA. I am cochair.

The CHAIRMAN. Cochair, OK, for the Reporter.

[Exchange in Spanish.]

Ms. GUERRA [making a statement in Spanish].

Mr. TORRES. Essentially, she is saying that all she hears, of course, are promises, promises, promises. She is saying, "You have the money, the government has the money and all we get is talk, talk, talk; it is time for action."

Ms. GUERRA [making a statement in Spanish].

Mr. TORRES. We have been given an opportunity to purchase available apartments. On the other hand, in so doing, the government imposes upon us very strict rules, strict rules that are difficult to meet in a two- or three- bedroom apartment. We are growing families. We need four- and five-bedroom apartments. We need some flexibility.

Ms. GUERRA [making a statement in Spanish].

Mr. TORRES. She will not use her complete 5 minutes. She does want to take the opportunity to thank the committee for being here and for listening, but she does not want us to go back to Washington and just do some more talking. They need help. "We need help," she says. "If we do not get help as we are giving other countries, there is too much reliance on foreign aid, if we continue this, we are going to become another Central America." She is from Panama and she said that we are reaching the state where we are going to be like Panama.

Please listen to our children. Please listen to our voices, their voices. We want them out of gangs. Please help people that are poor. Quit helping the rich, she says. Thanks a lot, goodbye.

Ms. BERMAN. I would like to say one more thing. The Los Angeles County Alliance of HUD Tenants—

Mr. TORRES. Ms. Berman, if I just may. I was just translating what she said and I turn it back to the chairman.

The CHAIRMAN. Yes, Ms. Berman, go on.

Ms. BERMAN. Just one thing, I have heard that so much this morning. What I would like to say is that we have been very instrumental going to Washington and lobbying about the regulations of HUD. So we feel sort of a little bit betrayed when we suddenly find out that HUD wants to cap, wants to change the cap, that we had worked so hard at. And that we were told that it was OK and now we find HUD, that is supposed to be our friend working behind our backs.

The CHAIRMAN. Yes, I was going to tell Mr. Etezadi that we are going to have hearings on the prepayment matter, it is of such an urgent nature, when we come back. This week we were supposed to

have them but the minority raised cane, so we have what we call proforma sessions this week, but next week. We have sent notification around. We are going to have a hearing in DC on these regulations, on this prepayment business.

You all are right. We believe that the interpretation of what we provided for in the 1990 act is very serious and Mr. Etezadi has already mentioned the number of possible people that would be out of low income, low rental housing if the owners are permitted to go ahead and repurchase.

Ms. BERMAN. Twenty-two thousand.

The CHAIRMAN. That is right. How many?

Ms. BERMAN. Twenty-two thousand and then some.

The CHAIRMAN. Well, we are very concerned and we are going to have this hearing. We have some other Congressmen that have been on top of this and have been really hitting HUD very hard. Congressman Barney Frank from Massachusetts, for example, has had a big hand in forging the compromise on the prepayment business which some people thought we would not be able to do, but it is serious.

Ms. BERMAN. Well, also if I might say, Congressman Torres, we lobbied your office and, you know, your aids were just swell with us.

The CHAIRMAN. And may I say the reason I asked him to do this chore here is that he really has been an ambassador and he is a very talented individual. When I said awhile ago he is artistic, he is. You ought to see some of his drawings and paintings. He is very artistic but on top of that, he was Ambassador to UNESCO appointed by President Carter in the 1970's, the late 1970's. So he is a man—

Mr. TORRES. With the concurrence of Congressman Gonzalez.

The CHAIRMAN. Well, actually it was really President Carter.

Mr. TORRES. Thank you very much.

The CHAIRMAN. And the record should show that background. He is skilled in interpreting Spanish and was stationed in France because that is where UNESCO meets. So I just thought the record ought to show that.

I believe the gentleman who has come up now is George Odell.

Mr. ODELL. Yes, sir, I am sort of an infiltrator to this panel with the help of your very competent aides and staff.

#### STATEMENT OF GEORGE ODELL, DISABLED VETERAN

Mr. ODELL. My name is George Odell. I am a disabled vet and I was homeless temporarily for 8½ years. By that I mean, I lived out of a vehicle for 8½ years and I still would be doing that if I did not get into a HUD assisted rental project because I was determined that I was not going to spend one-third to one-half of my disability income for rent, which I would have had to do.

You see when I was working, I worked for 10 years as a flight mechanic for a regional carrier out of Los Angeles International Airport. At that time, I used to live down in one of the beach towns, in Redondo Beach precisely. I had an apartment there, believe it or not, a bachelor single for \$55 a month. It is probably about \$400 or \$500 or \$600 a month now. So I was not going to

spend that kind of money because it would have taken up most of my income.

So anyway, I did not come up here to tell about myself, but I just want to hit on one very important point. You came very close to it, but I want to make sure you understand something very clearly. You know, Kemp is talking about vouchers. He is going to replace the HUD subsidies with vouchers. Well, that sounds all very good to talk about. They try to sell that by saying things like, "Well, the single mother can take this voucher and move to a better neighborhood, you know, and pay the difference between the voucher and the rent."

Well, that sounds great. There is one big defect in that and it is built right into it, and that is there is no rent control attached to those vouchers. So I do not have to tell you what is going to happen. The rents are going to take off like one of Werner Van Braun's rockets to Mars and pretty soon that voucher is not going to be worth you know what.

So that is the main thing I came up here to try to impress that on you, watch out for that voucher gimmick. It is not good. It is a real fake and it is a real disaster if they succeed in substituting that for subsidized rent.

And while I am here, I want to say that I was very impressed with Jim Brown and his group. You know, looking back when I was the ripe old age of 19 I was a platoon sergeant of the 3rd Infantry Division in the Korean war. Things were a lot different then. When I came out we got the G.I. bill and I went through trade school which was paid for largely by the government. Why could we not have a G.I. bill for the war on poverty or something like that, among other things?

You know, like I was standing here frantically scribbling down some notes. One of the thoughts that occurred to me is, you know, Charles Keating has better housing than a lot of people who testified here today. I mean, I am a native born U.S. citizen and a combat veteran and I have never cheated on my taxes or anything like that. And those people like that are getting better housing than any of these people that showed up here today. And I do not think that is right.

And I think it is up to you to do something about that. Also, I will be through in a minute, I just wanted to say that you know, you hear a lot about the homeless and the mentally ill. Well, I will tell you one thing, the mentally ill need housing instead of the treatment that they are getting these days which makes them worse and I have plenty of documentation to back that up. By the way, I am a rights advocate for the mentally disabled in this town.

I vividly remember when Congresswoman Waters—I am on disability myself, they launched an assault against the disabled community, arbitrarily knocking people off disability and Congresswoman Waters held a hearing down there at the State Building, 107 South Broadway in their auditorium down there. It was very encouraging. I never got a chance to thank you for that and I would like to thank you for it now. It really was encouraging to hear somebody like that go up there and give us some leadership at a time when we really needed it. Our ranks were being decimated by that thing we had for President then.

And so I do not want to take up any more time. There are other people here that have something to say. So, I will let it go at that. And just, you know, like Mr. Frias said, you know, housing is really important. And Carol pointed it out, too, you know. Depriving people of housing, where in Europe housing is considered to be a right not a privilege. You know, that is the stuff that revolutions are made out of. And I am not going to go into that. Mr. Frias hit on that better than I could. And so I just want to turn it over to the next speaker, whoever that is.

The CHAIRMAN. Well, thank you very much, Mr. Odell. No question, it is a right everywhere. There are three basic needs of mankind. Shelter is one of those three indispensable needs. Ms. Shockley, thank you for your patience.

#### STATEMENT OF BRENDA Y. SHOCKLEY, HOUSING CONSULTANT

Ms. SHOCKLEY. My name is Brenda Shockley. I am now a practicing lawyer and housing consultant, but for 9 years I was the President of a community-based community development corporation that had, as one of its projects, a housing development, an affordable housing development, that included in its design both a child care component as well as an employment training component.

My brief comments today will be directed at two things; one, the importance and the validity of the nonprofit, community-based housing corporation and its need for public support. The organization that I headed was created in 1981, right after the 80-percent cut that was described earlier. And for 9 years, and I believe my successor would say as well as today, we have never had \$1 of public operating support.

When I listened to Andy Raubeson, someone I really admire and enjoy working with, I listened with both pride and with pain because I thought about how much more we would have done in south central Los Angeles, in the Watts/Willowbrook community, had we had the public support, the monies that SRO housing and a handful of other nonprofits receive from the city's Community Redevelopment Agency, monies that allow them to have core support that allows them to then have multiyear planning, to allow them to then go after projects, rather than trying to just pay the rent and keep the telephones on.

The Community Development Corp. and the community development movement is something that came out of the late 1960's, initially spearheaded through then Senator Robert Kennedy. That movement is something that has survived. And I know, Mr. Torres, with your relationship and your history with TELECU that you know that at the time the community development organizations, the corporations, what were called then the first generation ones, they had something called the Community Service Agency, that provided them funds and allowed them to be an advocate for their community. And it was geographically located.

Many of the programs that now receive some level of funding are located downtown and I cannot help but believe that that has something to do with the fact that it is also part of a downtown containment need, given the fact that you have your major corporations. But in south central Los Angeles and other parts of this



community where there is a level of diversity and the kind of need we have in public housing, where we not only are producers of housing, but we are also those who the organizations will come to to write proposals. We are those who act as advocates with members and residents of public housing along with the Legal Aid Foundation.

We are those who work to make sure that construction projects in our communities have the level of affirmative action, not only in terms of employment but also in terms of subcontractor participation, in the equity, in the programs. These corporations are vital to neighborhood development. They are vital to the self-determination that we talk about. They are vital to the infrastructure and the strengthening of the corporations and they should have multilevel, multiyear, and significant core support so that they do not have to choose between raising \$20,000 to pay a secretary or \$2 million to build a housing development.

I urge you in any legislation that you consider to make sure that funds go to these very important community based organizations, and that those funds go directly, that they are not sequestered where then again, the organizations that have worked, worked with validity, have to then re-prove themselves.

The other point that I would like to raise is the whole issue of affordable housing and what that means. When we talk about affordable housing for multifamily rental housing that becomes the lowest priority in terms of developers. I was in a meeting recently where we had developers saying that if you gave them the land, they would not do the project now because it did not pencil out.

What they meant is there was not enough profit. There was too little profit and too much frustration that the community has to have an input, the city has to have an input, the regulations and the permit process is such that as long as they can find construction and development, particularly some that is subsidized, that is easier to do, and that deals with a more comfortable segment of the population, that they would so do that.

I direct your attention to the late thirties when you created the Federal thrift and loans for the same reason, because, in fact, you had a segment of the population that had a right to housing but that it was not profitable to the private sector to provide that housing. You created those thrift and loans. Those thrift and loans were able to then provide the level of resources that would be necessary to be able to then have the housing boom that we had post-depression.

I suggest that you are going to need that or some vehicle like a housing trust fund and that the natural recipient of that kind of resource and that kind of attention would be the community development corporations that have managed to struggle all these years with very meager resources, but managed nevertheless, to represent their communities. Thank you.

The CHAIRMAN. Mr. Greer.

**STATEMENT OF MARVIN GREER, PRINCIPAL, THE WILLIAMS,  
GREER GROUP**

Mr. GREER. Thank you. First of all, I want to say it is an honor to be here and also I wanted to thank the staff for inviting me. I have also had the privilege of working very closely with Ms. Shockley's office. I was quite impressed with her speech. As a matter of fact, I am always quite impressed with her anyway.

I want to give you a little bit of background on my company. My name is Marvin Greer and I am private real estate developer. My partner and I, Van Williams, have a company called The Williams, Greer Group. We are the developers of low-income and affordable housing primarily in south central Los Angeles. Approximately 2 years ago we built 130 units of low market income housing in Watts called Westminster Park Plaza.

It is a 7-acre site that has approximately 50 townhouses, a 3,500 square foot child care center, seven parking lots, seven laundry rooms. We put everything in the world that we could in this complex. Every tenant of our complex has a patio or a private balcony. Each one of the units, particularly the townhouse units have two-car garages with automatic garage door openers. Every unit is air-conditioned.

And, again, we think that this particular project is the pearl of Watts and we like to treat it that way. So we have developed a format where we take no profit out of the complex at all. We pour the profit back into it and we look at getting our money somewhere 6, 7 years down the road. Again, to us the quality of the product and what you put into the community is very important.

Additionally, we decided that that one project should not be the beginning and the end of The Williams, Greer Group, so we bought some additional land in the Watts community and we constructed three single family homes called Calmea Oaks that we sold for \$131,000. These are three-bedroom units.

We moved forward and we embarked upon now what is considered the largest single family home development to be built in Watts since World War II. We are right now in the process of building 114 single family detached homes in the Watts area. These homes are three- and four-bedroom units. The three-bedroom units will sell for \$145,600. The four-bedroom units will sell for \$150,000. Each one of the units are equipped with microwaves, with dishwashers, garbage disposals, fireplaces, tile roofs, breakfast nooks, automatic garage door openers. Every home is hot wired for a private security system. And we also have pop-in stoves in them as well.

Now, I mention these amenities because I think it is very important that when you are involved in building single family homes, that there has to be some attraction, and particularly when you are involved with building single family homes in the Watts community. Most people have a stigma about not coming into south central LA or coming into Watts. Well, you know, we would like to dispel that stigma for several reasons.

Number one is, it is not so much the product that we produce, which we think is great, but I think that there is a sense of community in Watts that no one even knows about. I should not say no

one. Only the people who live in the community understand what that community is all about. So there is a very good sense of pride in the community.

What our goal is in south central LA is to build a balanced community. And that balanced community comes in with bringing in some middle-income people and also working with the community redevelopment agency and the Community Development Department of Los Angeles to hopefully rehab some of the existing homes in the community, because we think it is important that we protect what is there, but also to bring in some new income activity in the community because that, in itself, attracts in new economic development activity.

Now, that is our company. Now, I want to talk about two issues of why I am here and then also I would like to introduce the individuals who are sitting to my left. Number one is that we think for single family homes to work well in the Los Angeles area that there are several problems. Problem number one is that Los Angeles is a high cost area, I mean, not just in housing but in transportation and other kinds of issues.

Second, if you attempted to buy a single family home traditionally in Los Angeles or anywhere in the country, normally you would have to put down 20 percent. So, if the average house in Los Angeles is \$225,000, let us just take \$200,000 just for example purposes, one would have to save up \$40,000 to put down on a single family home, almost impossible.

Third, that we think that the FHA guaranteed limit of I think it is \$124,800, or we always use the number \$124,500, is too low. It is too low for California. Now, it might work well in Pittsburgh or it might work well in Cleveland, but it does not work well out here in California.

Fourth, we think that the fees are too high. That if anybody is going through an FHA Program, that by the time that you get finished paying impound fees, mortgage insurance premium, closing costs, that you have tacked on an additional \$4,000 onto what that person has to put down. So if you look at a downpayment of \$40,000 plus an additional \$4,000, you have now definitely knocked the middle-income person out of the box.

Now, several solutions to these problems I just mentioned. Number one is that we think that LA should be established as a high cost area and given the same kind of treatment that Alaska and the Virgin Islands are treated. Those areas are considered high cost areas and so they have a higher FHA limit.

Number two, we think that the Federal Government should assist the local cities, and particularly the counties and cities like LA, in increasing their ability to float more 10 percent mortgage revenue bond financing. Again, it will create a pool of money so that the city can generate those funds to first-time home buyers.

Third, we think that at the Federal level a pool of money ought to be developed for a soft second program. Now, the reason why our housing project, I am sorry, I should not say housing project but development, our single family home development, is going so well right now is because we have a soft second program funded by the city's Community Development Department. What that means is that an individual can get up to \$20,000 in a soft second that

they can use as a downpayment. They can put down as little as 5 percent.

So on a house that is \$150,000, you can put down \$7,500. Of course, you are going to have to have some closing costs so that is going to be another \$4,000 maybe. So if you technically have \$10,000 in the bank, and if you can get the full \$20,000 soft second, then we have brought your housing price down from \$150,000 down to \$122,000 which makes it FHA insurable, which now means that we can get your mortgage payment down to approximately \$1,000 a month, including taxes, insurance, and principal. So in our minds, it behooves the Federal Government to come up with a soft second program.

Fourth, we think, again, that the FHA limit ought to be raised and it ought to be raised as soon as possible. And last, that the FHA requirements, impound fees and mortgage insurance premium ought to be examined so that again we can reduce some of the costs to get a first-time home buyer or any home buyer into the housing market.

Now, after saying all of that, it is my duty and charge to introduce the two people to my left who are attempting to be first-time home buyers. I have to my left Mr. Reuben Hill, who is a first-time home buyer, trying to be a buyer. Mr. Hill has a wife and a 3-year-old daughter. The Hills are both college graduates and have lived in the city for approximately 10 years.

Although they have been married for 5 years and have saved throughout that time for their first home, the Hills are experiencing difficulties in purchasing a home. They are looking for homes in the price range of \$150,000 to \$250,000 and they have a substantial income to support a house. The problem is that they cannot find one at their price or they cannot find one where they do not have to put down that \$40,000.

Also to Mr. Hill's left is Ms. Donna Spenser, who would like to be a first-time home buyer. She is a 29-year-old young lady and her husband is 28 years old. Ms. Spenser has a college degree in electrical engineering and her husband is a construction worker and has 2 years of community college education. Ms. Spenser is currently employed as an engineer. Since their marriage 2½ years ago, the Spensers are saving for a first-time home and they, again, are looking for a house in approximately the same price range.

So with that, and without any more competition from me, I would like to introduce Mr. Hill first and then Ms. Spenser.

#### **STATEMENT OF REUBEN HILL, FIRST-TIME HOME BUYER**

Mr. HILL. My name is Reuben Hill. My wife, she could not be here this afternoon. We would like to thank the committee for giving us this opportunity.

As first-time home buyers, we have been married for 5 years and for the last 4 years we have been saving toward buying a home. We have a 3-year-old daughter and we have a small apartment right now. With a 3-year-old it has gotten even smaller. We have shopped around a little bit.

Mostly we have been discouraged by the downpayment of a home. The 20 percent downpayment is like \$40,000, \$45,000 depend-

ing on the price of the home and we do not have that at this time and it would take a very long time to acquire that in order to purchase the home. We would like to be homeowners. As Americans, we would like to have that part of the American dream and be homeowners.

As I said, the downpayment has been one of the things that has discouraged our looking for a home. And we have been saving for one. There are homes outside of Los Angeles that, I guess, could be purchased at a lesser price and maybe with a smaller downpayment but you have to deal with the commute. We both work within the city of Los Angeles. We have relatives in the city of Los Angeles and we really do not want to have to try and deal with commuting.

I was seeing something on Prime Time or Twenty Minutes, one of those shows where they were talking about the difficulties that were going on with families who live outside of the city and it is taking them 3 hours to get to and from work and you get home so late in the evening. And you really don't enjoy the home that you have. So that has been a part of why we are still looking within the city.

We would like to expand our family and in order to do so, we would want to have a home. My 3-year-old daughter often asks her mom when she will have a little brother or a little sister and her mom will tell her, "When we are able to acquire a home." So she is being very realistic with our daughter who is very smart and articulate.

We like Los Angeles. We are both from different parts of the country. I am from Michigan. My wife is from Pennsylvania. And we like the city but we know that homes in the east or in other parts of the country are much cheaper to acquire. And we would prefer to remain here, but I have a lot of friends who have pulled up and they have left the city and they have moved to different States because of the cost of living being a lot less in those other areas.

In closing, I would just like to say that we do want to be able to partake in that part of the American dream and acquire a home. That is all I have to say.

The CHAIRMAN. Thank you.

#### **STATEMENT OF DONNA SPENSER, FIRST-TIME HOME BUYER**

Ms. SPENSER. Good afternoon, my name is Donna Spenser. I would like to thank you for this opportunity to testify in front of the committee.

I am here today to share my experiences at trying to become a first-time home buyer. I will stick with my notes here so that we can move on. As I begin to tell my story, I would like everyone to know that we were not born with silver spoons in our mouths as I will give you some of the amounts that we are dealing with as far as money and obtaining a home.

I would just like you to know that the recession has not left us untouched. As Mr. Greer stated, I am 29 years old. I have a bachelor's degree in electrical engineering. I am employed as an engineer with the Federal Government since my graduation, only 7

years ago. I am married to a great guy for the past 2½ years and currently we do not have any children.

With that I would like to share my story. My husband, Charles, and I, we have been saving for a house since our marriage 2½ years ago. We are both gainfully employed and are considered to have upper-middle-class income. Our income is over \$75,000 a year. This has been truly a sense of false security as we have struggled to obtain our first home and to get our loan.

We have made many sacrifices and we have drastically changed our lifestyle in an effort to buy our first home. As newlyweds, we decided to maximize our efforts to save for our home in many ways. We have cut a lot of corners and we have come across a few difficulties in our lives. We have delayed in purchasing a car that we desperately need. We have minimized our entertainment activities. We have delayed our family plans. We live in one room at my in-laws' home.

We have had no vacations. We have had no privacy. We have no social life. We have no children, all in an effort to get that first home. Although these sacrifices have been our own choices, our own personal decisions, they have not been easy ones. At one time we seriously considered moving to Atlanta or somewhere back South in search of a more reasonable solution to finding a place to live, but, as native Californians, we wish to stay in the place that we call home.

So we eagerly entered the market as first-time home buyers in an effort to find that home in southern California, specifically the San Fernando Valley, which is about 35 miles north of L.A. We studied our budget and we sought the help of a realtor to see what we could afford in our area. This is our story.

We could get a \$200,000 home which may be two or three bedrooms, with approximately a \$1,700 monthly payment. This is about 30 percent of our monthly income. We have saved enough money for at least a 10-percent downpayment in this price range. Amazingly, we are still on the modest side of considering the prices of homes in the San Fernando Valley.

A home in this range is by no means a mansion. Through our experience we found out that there are tremendous tradeoffs and usually a decision has to be made; "Do you want a nice neighborhood or do you want a nice house?" Well, finally we found both. It is an older home in a nice neighborhood and it is well within our range. But our story does not end.

Although our income and job security proved to be favorable in obtaining the loan and the house, the economic distress in southern California outweighed the chances in our getting the loan we needed. Our efforts to save for the downpayment were not enough. We were told that because of the oversupply of homes for sale and the declining market, the home that we chose was depreciating in value. In order to compensate for this situation, we were informed that we needed to put 20 percent down in order to get the loan. Well, needless to say, it had already been an uphill battle for us to save \$22,000 and that was only for 10 percent down.

To come up with another 20K it would take us at least another 5 years and that is only if we continued to make the sacrifices that we had made thus far, which we probably would not. At that time,

I think I would be 35 and my husband 34, and we probably would end up renting. Renting in San Fernando Valley for a two-bedroom home is in the range of \$700 to \$900 a month for a nice place.

An alternative was to buy a home through FHA, but because of the limitation of the price of houses, it would not be very much of a house in southern California. To think that we tried to do all of the right things and it still was not enough is hard to swallow. It has been a trying experience for us and a great strain on our marriage. Fortunately, a few weeks ago we were informed that we may still get the house with the 10 percent down. It may be a long shot, but we still believe it is worth it. Thank you.

The CHAIRMAN. Well, thank you very much. First, Mr. Greer and also Mr. Hill and Ms. Spenser, Title VII of our bill that we are working on would provide a real first-time home buyers assistance. We not only would have assistance as far as a targeted interest cap, no more than 6 percent, but we would provide downpayment assistance.

It is something that we know will work, it is part of Title VII of the bill which we call the National Housing Trust section. We would create a housing trust for the first time. Now, the housing trust provision is in the 1990 Affordable Housing Act, but we could not get the administration to fund it or even ask for funding. But it was something I have been working on for many, many years and finally we got it in the act 2 years ago.

But unfortunately, they did not appropriate funds for it. We are still hoping. This time we are targeting it both ways and it should be, I think, given the acceptance we received thus far, believe it or not from even the minority, I think we have a good chance. But the question I have is, are you speaking of FHA financing, Mr. Hill, Ms. Spenser? They are talking about what percentage downpayment?

Mr. GREER. See under the Bond Program that is currently set up right now, the Community Development Department of the city has criteria and that means that anyone who makes no more than 120 percent of the medium income of the county, and the county income is about \$42,000, so if you make up to \$50,000, if you make over that then you do not qualify for the Bond Program. But if you make \$50,000 and less, you qualify for the Bond Program. Then we can assist you in getting financing at 8 percent interest rate under the Bond Program and then we can go back and get you an additional \$20,000 for the soft second, which means then that now we can bring that \$150,000 price down to \$122,000.

So then we can take that package over to FHA and get FHA to guarantee it. OK, so what happens then that at that point, that particular loan can be shopped around to almost any bank in the city because then the bank knows that if that person defaults on the loan FHA will step in and—

The CHAIRMAN. That is insured, OK.

Mr. GREER. You know, guarantee it. So, you know, with us is that if we can get the FHA limit raised because LA is a high cost area, then we do not have to come up with so much soft second money to put down on a house. So that means that we can spread the soft second money around to more people.

So as a developer, we have to buy a commitment from the city in this case and we pay a commitment fee. So let us say that we buy from the city a \$3 million commitment. That means that we have to look at how much of that \$3 million goes to each homeowner. And if we gave everybody \$20,000 then the money would just go faster. If we can spread that money out, then it would be much more advantageous to more people.

The CHAIRMAN. Yes, well that is exactly what we are targeting and for the first time we would have downpayment assistance and buydown to such families and we estimate that what we have in the bill would provide assistance to about 29,000-plus families.

Now you do have a point. You are right. The median average cost of a home, single family, in California is \$200,000.

Mr. GREER. It is about \$225,000, \$250,000.

The CHAIRMAN. That is right. Well, they used to make \$200,000 over there. So you are right, this is a regional situation that should be recognized and there have been some efforts to do that in FHA limits. When you consider it nationally and you have other high cost areas, for instance, Chicago is fairly high, but California is the highest median average cost.

We have visited this problem over the years. Although attempting over the past several years, it was not until the last Comprehensive Housing Act that we were able to get the national housing trust section into statutory language and we are working on trying to get it funded.

Mr. GREER. It is also important, Mr. Chairman, that the criteria with the requirements that the Federal Government puts on those funds ought to be flexible and I will hand you an example. When I first came to California, me and my wife made a total of \$36,000 a year, OK, and we did not have any kids in the household at the time. And HUD had monies allocated to cities, I am not sure if it was under block grant monies or revenue sharing or whatever, but we wanted to get a rehab loan to rehab this fixer upper that we bought but we made too much money.

Now, the money sat there in the city's hands allocated for an income group that was let us say \$30,000 but those people could not use the money because they did not have enough income to go and borrow the money and pay the money back. OK, so in other words, they met the income criteria but they did not have enough or they did not have the ability to go ahead and use the money for rehabbing a house. So the money sat there and you had cities marketing these programs that did not work.

And I think that the government at the Federal level, State level, and the local level should take a very close look at how they develop the funding source and how to market the funding source where it is usable to various different economic groups, because there is a middle economic group that has the ability to pay it back, OK, but makes too much money to use the money. So I think, you know, it should be something that the Congress ought to look at in coming up with ways in which to fund single family home activities.

The CHAIRMAN. Thank you very much. Yes.

Mr. ODELL. Has everybody had a chance to speak on this panel because I just wanted to make a couple of comments that I thought



of? You know, like we are getting into economics here and you always hear these conservatives complaining about poor people and their welfare. I just want to remark that the U.S. military is one of the biggest welfare recipients in this country let alone almost practically the world probably.

You know, for example, it was probably about a year ago I recall reading in a reliable source that we were building fighter planes that cost more than their weight in gold. That is really getting ridiculous, you know. And then we are spending, I do not know, what X billion of dollars to guard Japanese sea lanes which are—I am not sailor, I am an ex-infantryman, but I know nothing is out there, I have ridden on troop ships, there is nothing out there but open ocean. And this tells me that the Navy is not spending that money on what they say they are spending it on.

They have these accounting tricks to spend it on these classical expenditures like \$400 toilet seats and \$25 hammer handles and stuff like that, you know. Money wasted that is what is causing a lot of people here to do without. I realize I am preaching to the choir when I say that.

The CHAIRMAN. Well, no, Mr. Odell, that is right. We do have a problem here and that is we have to proceed. We still have quite a number of witnesses that have been waiting here very patiently and we want to proceed.

There is no question, I think you can sum up and say that we have to somehow redress this perversity in priorities. Mr. Torres.

Mr. TORRES. Mr. Chairman, in light of the time, I have no questions. Thank you.

Ms. WATERS. In light of the time, I would like to thank all of the participants for being here today. Some of them I know and I do not only thank you for being here today, I thank you for all that you do for our community, the advocacy, the vision, Mr. Greer, that you have for what is possible in developing homes for our community.

I wish I had time to talk about California housing finance agency and ask some questions about what some of our entities are doing. We do not have that time, but I will explore. I take very seriously what you said about FHA and California and how we should do something to increase those limits.

Legal Aid, I do not know what I would do without you. Brenda Shockley, we have a lot of work to do. All that you have done in the past, I certainly appreciate, but I have some big ideas about what we can do in the future. And Mr. Hill and Ms. Spenser, I heard what you said in your search for your first-time home. I will not ask you about the President's proposal in his State of the Union address. Just based on what you have told me, it certainly will not help you very much based on the experiences that you have had, but the chairman, I think, has a real program that will help first-time home buyers and as we work through it in Congress, we will certainly keep in mind everything that you have said because we are going to have to fight some people. But for those people in the administration, the President foremost, who claims he wants to have first-time buyers, we are going to show that his little \$5,000 at the end of the year is not much help.

If they really want to help, the chairman has a program for them and we wish you a lot of luck in your pursuit. The Alliance, we will be working with you. I need you to help me deal with Mr. Kemp. So whenever he comes out I want you to be a truth squad that will follow him around and tell the truth. And Ms. Rolette, whatever we can do to help get the appraisal and the information on the property, just let us know. I will be willing to work with Mr. Torres in order to see if we cannot facilitate the possible purchase. We have some other buildings in the same fix; Udem Village in south central Los Angeles that the community would like to own and HUD has not been any help at all in helping us to move toward that reality.

So we understand what is going on. We are dedicated and committed to helping you. Thank you.

The CHAIRMAN. Thank you very much.

Our next panel, Mr. John Costello, Personnel Specialist/Recruiter, the Department of Veterans Affairs, the VA Medical Center, West Los Angeles; Mr. Wallace Ussery, owner and manager of the Slauson Farms Market; Mr. Jessie Martinez, Carpenter's Local 309, and member, East Valley Organization; Bill Garcia, underemployed construction foreman.

Ms. WATERS. Mr. Chairman, while that panel is coming up, I do not know how long they are going to be able to stay and they were not included in the testimony and I know they would have to wait until the end, but I would like, if I may, to introduce Project Build Plus entrepreneurs. As I mentioned to you before, when we had the testimony from my economist that talked about the possibility of people pursuing earning a living through their own little creative means and entrepreneurship. So we have a group; Ms. Ballow, Wagia Ballow, would you please stand?

Would Daisy Mayfield, Minima Amine, Brenda Mohammed, Dea Leon Kelly and I guess that is Board member Jumika Miami, these are people who took off from a little program that we experimented with. We took, again, stole some of the Wagner-Piser monies that we used for job training and convinced EDD to allow us to have an entrepreneurship program where we made some very limited grants. And we got in some experts to help us with our buying and to talk about what it means to make a profit. We had a training program.

And we convinced the housing authority to let us do a little commerce right inside the housing projects, where people spend money on the 1st and the 15th of the month, but they go out to people who charge them way too much for the products. And so our entrepreneurs set up, as an experiment, and they did well. They learned an awful lot about purchasing and buying and creating and selling. But, of course, again, we did not have enough support. But they did not stop. They decided to continue on without the support that we had initially given to them.

They continued to go to all of the marketplaces that are created through various festivals, and so forth. They continued to make their own products and to purchase some of those products. They are convinced that entrepreneurship is meaningful and that it should have more support. They have combined with a Latino organization. We now have this multicultural entrepreneur component

with Project Build Plus and if we can get a little bit more support for them, I think they can really show what people can do if just given half an opportunity.

I am so proud of them and I wish we could do more for them. They need more transportation to get around to some of the marketplaces, but I want you to know these are people who are trying to force America to be what America said it would be for all people, despite the fact we do not have all of the support for them and thank you for being here today. [Applause.]

The CHAIRMAN. Thank you very much. Thank you very much and, of course, that will be an integral part of the record and if they have any written presentation, we will make it part of the record at this point.

[The information referred to can be found in the appendix.]

The CHAIRMAN. Well, Mr. Costello, we will begin with you, as we introduced you. I understand you have two guests and we will just wait and have you introduce them. I believe it is Mr. Hamilton and Mr. Reedy.

Mr. COSTELLO. Correct.

The CHAIRMAN. All right, sir, you are recognized.

**STATEMENT OF JOHN COSTELLO, PERSONNEL SPECIALIST/RECRUITER, DEPARTMENT OF VETERANS AFFAIRS, VA MEDICAL CENTER, WEST LOS ANGELES; ACCOMPANIED BY JOHN REEDY AND ED HAMILTON**

Mr. COSTELLO. OK. Did you want me to stand or sit or what? Go ahead? OK. My name is John Costello. I am a personnel specialist and recruiter from the VA Medical Center in West Los Angeles. The reason I am here today, from what I understand, is to tell about what I consider a very successful event that the VA West LA put on, a Federal job fair that took place February 4 and 5, last week.

Just a brief little bio about myself. I am a Vietnam veteran. I served in Da Nang, 1965, 1966. I was with that first 100,000 troops that President Johnson and Secretary McNamara sent over there. They thought it was a Desert Storm type thing but it lasted longer than that. I am a graduate of the University of Nebraska, masters and bachelors. I have been with the VA over 10 years. I have been working in alcohol and drug rehab in the VA before getting into personnel. So I know a little bit about veterans and problems and job situations.

I have been a recruiter for the past 6, 7 years. I have personally attended over 300 job fairs from San Luis Obispo to San Diego to Las Vegas, OK. So I know a little bit about, as a recruiter, what the job situation is.

At the VA West LA my chief is Sharon Alvarez. Her idea and my idea is to personalize and help veterans and anybody, really, to access Federal employment in an easier more personalized fashion. We cannot promise jobs to everybody and we do not pretend or claim to do anything like that. We are just doing our little part to try to bring job seekers and recruiters together.

So toward that goal, back in August 1988, we got about 30 people from the community, members of the VFW, State employment of-

fices, about 10 different Federal recruiters, and brainstormed, how could we do a Federal job fair to help the public get into Federal jobs? From that, we started our first annual Federal job fair in February 1989 which most people in this room apparently never heard of.

We had it in the Federal Building in west LA. It was jam packed. We had lines wrapped around the building and we had approximately 40 different Federal agencies and recruiters there to talk face to face with job seekers. Since that time we did one in February 1990, 1991 and our last one last week. We also do a minority Federal job fair. We did one in August 1990 and we did one in August 1991 at Rio Hondo College in Whittier. That job fair we targeted especially for minorities with an emphasis on Hispanics, disabled, and so on.

I think that, and my two volunteers would verify this, they get no pay by the way. They are unemployed veterans. One is a Marine combat veteran, John. The other went through Pensacola naval flight officer training in Florida. They helped with this job fair. As I said, they do not get a dime for doing this. They are looking for work themselves. So they do not necessarily have to side with what the VA does, OK. And I want them to make a statement about their own experiences with the job fair as volunteers. We will get to that in just a moment.

I want to make this one point. Everybody in here is familiar with sports, Jose Canseco, Bo Jackson. I think last week, out of all the job fairs that we have had, we had a Bo Jackson, all-star game type home run. And I say that because we made about six or seven news stations, including CNN. We were on like 12 radio stations. We got people out. Anybody who saw or heard of any of that, saw the long lines we had, like two and three blocks long of unemployed people coming to the job fair. And John has a statement regarding people that registered who stood in line for 2 hours that he is going to touch on briefly in just a second.

We do not make everybody happy. People that come there, some think that they are going to instantly be hired on the spot, OK. And when that does not happen, they are not very happy. So we do not please everybody. However, I would like to say in our previous job fairs we have gotten several hundred people employed in the Federal Government, OK. And the people that come to our job fair cross all lines, all race groups.

I have statistics from last week if you want that. We saw a higher percentage of the college graduate Caucasian this time. Professional, we had 24 attorneys, for instance. We had a dentist, a lot of engineers. We had a lot of blue collar type people. We had all range, from truck driver to whatever.

We had 30 agencies there. These agencies include the VA. Our hospital, we recruit for all the VAs from Santa Barbara to San Diego to Las Vegas. We had agencies like U.S. Customs, Immigration. Immigration, as you saw in the paper yesterday, indicated they had like 300 positions they are trying to fill. They were at our job fair last week.

We had the State Department recruiting for overseas embassies. Anyway, we had 30 different Federal agencies. UCLA was there. We had LA county office was there recruiting. We do not promise

jobs for everybody. What we are trying to do is provide a vehicle for people to meet face to face with Federal recruiters and start the process of Federal employment.

Most people who go to the Office of Personnel Management or try to get into Federal, do not have the first clue of how to get started. It is just a big bureaucratic confusion. That is one of our goals. Now, some of the people in our previous job fairs have taken 6, 9, 12 months to get hired because of background investigation and all kinds of things that take place. We do not employ thousands of people, but I can tell you we have, because of these job fairs, gotten hundreds of people into the Federal system.

That is why I am here to tell about our job fair. And I would like our two volunteers to introduce themselves and say a few words.

Mr. REEDY. My name is John Reedy. I have 20 years experience in the entertainment industry in management and operations and contract negotiations and marketing. I have been unemployed for the past 14 months. I was fortunate enough to meet with John over in Westwood and I volunteered to help out with this project.

Some of the things that I saw, and I worked the crowd out front, I have dealt with numbers anywhere from 10,000 to 20,000 people at concerts, and this was a middle age on the average, mature, well-dressed, well-behaved group of people, waiting in line for as long as 2 hours before they could be acknowledged and get inside the hall. They would come up and thank us for putting the job fair on, even before they got inside.

When you look at the faces, you see fear etched in them and despair. This is a work force that wants to be functioning, wants some identity and it is from the levels of professional people to skilled people, journeymen carpenters to just laborers, but everyone wants to be functioning. Dickens with Oliver Twist, when he asked for more food, these people are asking for more work.

What is going to happen, and this is just a small indication, I speak to people all across the country in all the major cities and secondary markets, this is the first wave that came in. The figures that you see quoted with unemployment at 8 or 9.9 million people, whatever the figure may be, that is a deflated number. I say that because there are people, myself as an example, up until a week ago, I had enough money financially to keep on going. Right now, I am down to like 50 bucks in my pocket and rent is due.

I am not an untypical person. There are people that have not had to use unemployment. There are people that have had finances, their own financial backing. This is the next group that is coming in. This is a group of people that have always voted, that have always gone to work, that have spent 20 years with one company. They are being cut. They do not know what direction to go in to. I have always risked certain things with the entertainment industry. That is part of that package. I can bounce around and at least accept that fact.

I did not dedicate 18 years to General Motors and now I am on the street in a middle management position. No one wants to hire me. They do not want to hire me because: A, I am either overqualified; B, because of my age, I am 46; C, they think if they do hire me and I get a job offer, I am gone. OK, C, is a negotiable point. I

think there are a lot of services I could provide to a company or to a group of people and it could be a very nice work situation.

Other concerns that I see, I see a high stress rate with the male and female who is unemployed. You are going to notice an increase in heart attacks. You are going to notice an increase in the break-up of the family unit. You are going to notice utter despair without direction. I mean, this is a real serious spot that we are in. It is not anyone's fault. I just do not think anyone has come up yet and said, "This is a crisis developing."

I think if anybody could start on the grassroots level they would have the support from the entire country. If someone wants to use this as a platform, as long as they implement something, he will have a line of people. He will be the Pied Piper of politics.

To wrap it up, I cannot stress enough that immediate action needs to be facilitated on a local, State, and national level to defuse something that is going to blow up. We are going to eliminate the middle class. We are going to eliminate the person that wants to work and perform and do everything that we all grew up hoping for that opportunity to do.

To quote Lincoln, "The world will little note or long remember what we say here, if nothing is done to rectify the situation." That is what I have to say.

Mr. HAMILTON. My name is Ed Hamilton and I am a veteran, but unlike the two gentlemen to my right, I did not accomplish very much that was worthwhile. I can say from hearing the stories of those veterans and many others that my case is not typical and that there are many people who served the government and the people of this country that achieved a great deal and the least of which was buying time.

And the time has come for us to do a considerable amount more than we have been doing for the veterans, particularly the Vietnam era veterans. Now, Mr. Costello, who is with the delegated exam unit at the Department of Veterans Affairs, came up with this scheme several years ago to run these job fairs as a service to his country, as a continuation of his career, an expansion of the description of his job beyond its usual scope and an additional effort.

And these job fairs are funded without budget. They are done by volunteers, by sharing facilities and by people who are willing to expand and become involved. The result of that is it does provide that vehicle that he talked about for many, many people. It got people out, away from the television which, as you know, is full of a lot of negative news these days, got them involved with other human beings who could share information, who could refer and say, "This job did not fit me but it might fit you. What do you think," and talk about it.

It got them active. In other words, it motivated. It attracted them out to a central location. It directed them because once they became involved with some of the people and counselors there, they began to make matches and to see some opportunity and to get some hope. They became involved in the system and they learned how to make it work. They became active in a positive way.

The result of this, and that is what we are after, some good results, is that these people are going to be able to achieve quality,

not every one of them through this vehicle, but through the energy that was directed through the work of this man and the volunteers that he assembled. So luckily I will only speak for a minute or two, so I am through. But the opportunity exists here to help a lot of Americans and we saw a lot of quality Americans out there that day.

And I think I am one of them. I am proud to sit here with all of you and with these two fine men on my right, and particularly with Mr. John Costello. And I thank the people at the VA who asked me to become involved.

The CHAIRMAN. Thank you.

Mr. COSTELLO. A couple of other quick comments and we can wrap this up.

The CHAIRMAN. Yes, sir.

Mr. COSTELLO. Dr. Toni Grant, everybody is familiar with her, radio talk host, says, "The single biggest blow to a male is loss of a job." She says, "It causes incredible pain and hardship and loss of self-esteem." I have seen that thousands of times. I told you I have been to 300 job fairs myself. I can talk to 1,000 people at one job fair. So I have seen it thousands of times. We do this job fair, it is over and above the normal duties of our office, to try to alleviate some of that pain, OK.

We get little or no support from the community and that includes elected officials. I sent letters early this year to the Senators, to the Congressmen, to the city council people and whatever. They did not even acknowledge the letter. I mean, I sent a colorful flyer and told them what we are trying to do. Here is a copy of the flyer. They did not even acknowledge the letter, OK. We do not get any support.

We have always had volunteers every year. The first year, I had a 72-year-old World War II veteran help me as a volunteer. We did not have money for tables or chairs or nothing. We are doing this on a shoestring. This 72-year-old, at his own expense, went through the white pages of the phone book. He said he called over 100 churches and synagogues in Los Angeles for tables and chairs. The bottom line, we could not get one table, one chair.

The typical response was, "We have lent these things out before. They are damaged. Never again, forget it. We cannot do anything for you." So finally we beg, borrowed, and stole and, you know, got some tables from the Navy and some other places. This 72-year-old and myself and another worker, these other two did not get paid a dime, they helped me personally move all these tables and set them up in the facility, what have you.

Volunteers have helped us at each job fair. In the past, in the Inglewood area, there is a very dynamic lady named Arlene Williams with the Veterans' Employment Community Service, Southern California Veterans Service Council. She takes homeless veterans and helps them learn computer skills and whatnot. Some of you know about her. She helped us with the first job fair with her volunteers. They did not get paid anything.

We have had another Hispanic veterans group in the Whittier area led by Reuben Treviso help us with our minority Federal job fair. And so we are working strictly with volunteers, no money. When we first set up the job fair we got 29 reasons why not to do

it. Nobody was supportive and thought it would not work, but we did it anyway.

Last but not least, I can give you case examples of people who have gotten jobs, if you want to hear some of those, but I am submitting for the record, a letter from a person whose life was impacted from our job fair last year, OK. If you like I could read this. It is about 2 minutes.

The CHAIRMAN. If you want, certainly. We will place it in the record, but if you want to read it, that is fine.

Mr. COSTELLO. OK. This letter is dated November 17, 1991, just a few months ago. It is to Mr. William Anderson, Director of the VA Medical Center West LA "Dear Mr. Anderson; I am writing this letter to thank you for your concern and involvement, in my opinion, beyond the call of duty for sponsoring and fostering the Federal job fairs and to compliment Mr. John Costello for his ingenuity and positive enthusiasm in designing them in the first place.

I, one of many I am sure, was a public relations and television executive who, having made some money, decided to get out of the rat race in that business and live a little longer. I heard about Mr. Costello's Federal job fairs in the media, both radio and television, as I remember, and after some searching, located Mr. Costello as their primary contact. He was positive and offered me an appointment and interview and ultimately advice to the government offered administrative careers with American exam series.

I scored highly on these exams, 92 to 98 percent, and was offered a position through the OPM office in El Monte with the National Archives Pacific Southwest Region in Laguna Niguel. I have been at work for the Federal Government National Archives in Laguna Niguel for 3 months now and have received one promotion already. I would only have not known about this job without the media coverage of your Federal job fairs, but I would not have known how to find my way into the governmental quagmire.

What the job fairs did is personalize the Federal Government and make the possibility of getting a job with the Feds seem more plausible. From my first interview with Mr. Costello and Sharon Alvarez, and again from what was easily perceived as their willingness to be of real assistance, I knew that a job might be possible given a little time and direction. I was later offered an interview with the FAA and had to turn it down since I was already employed.

Again, as a result of their guidance, I hope you keep up the good work. Your Federal job fairs should be city-by-city, countrywide." My final comment is, we invite your help in making these job fairs successful. As I said, although we have done massive letters to people, nobody does help. We want whatever help you can give us. That is it.

The CHAIRMAN. Well, thank you very much. And, of course, that letter will be in the record at this point.

Mr. COSTELLO. I want to give the name of the person who wrote the letter. His name is William B. Doty. He lives in Dana Point.

The CHAIRMAN. If you have a copy of that letter we will give it to the Reporter so he can place it in the record at this point, even though he is taking it down as you read it. Mr. Ussery.



[The prepared statement of Mr. Doty can be found in the appendix.]

**STATEMENT OF WALLACE USSERY, OWNER AND MANAGER,  
SLAUSON FARMS MARKET**

Mr. USSERY. My name is Wallace Ussery. First of all, I would like to thank the committee for inviting me to participate. Mr. Gonzalez, Ms. Waters, I am a small businessman in south central LA. My brother and I are partners in a supermarket. We have served the community for over 16 years. We have lived in the community for over 45 years.

We have been in the grocery business off and on, each one of us, over 30 years. We have employed as many as 45 people at one time. Presently we employ about 24 people. The recession has been part of the decrease in our employees. Another reason has been not being able to get a loan to upgrade our business.

In any business you have to periodically upgrade. In the grocery business, because it is highly competitive, the same applies. Every 5 to 7 years is a rule of thumb as far as upgrading, whether it be new equipment or remodeling. Good equipment is essential in grocery operations. You will lose customers if your equipment is not in proper working order. We have found it difficult to obtain a loan to upgrade our business.

It seems that in our case lending institutions required us to be in a position to not need funds to obtain funds. It has been very frustrating. If you are financially unable to meet the challenge of your competition, you are going to lose business. In most cases, you have to cut costs. One of the first cuts is employment. It has been difficult for us to have to lay off our employees, especially when you know that they have financial responsibilities as far as paying for their house notes, to their family, school tuitions, school supplies.

As an individual, I feel that America has enough resources and wherewithal to address the issues and correct the problems that are being discussed today, but it is going to take a change in the hearts and minds of many of our officials in high places. Mr. Gonzalez, I pray that as a result of the panels that you are hearing today that you will have enough ammunition to successfully cause such changes. Thank you.

The CHAIRMAN. Thank you, sir. You have gone a long way in helping us do that. We are intending and we are going to persist with that intention. Mr. Martinez.

**STATEMENT OF JESSIE MARTINEZ, CARPENTER'S LOCAL 309 AND  
MEMBER, EAST VALLEY ORGANIZATION**

Mr. MARTINEZ. Good afternoon. Unfortunately, as the previous speakers, I cannot say I am really glad to be here because it is unfortunate that we have to meet under such circumstances in this country. And the unfortunate part of it is, I, as a representative of carpenters in the area here, find myself not with the 7-plus percent of unemployment in this country or even that 8 percent of unemployment in this State.

We find ourselves with 30 percent unemployment of carpenters in the construction industry here in southern California at this

time. It has been very unfortunate what has happened and I really direct that plight for that unemployed carpenter in a context that really will fit many parts of our industries.

The carpenter, the electrician, the plumber, the sheet metal worker have always considered themselves sort of a middle-class America. This morning, as I sat here and became very nervous listening to some of the cries of the poor, the homeless, I looked at my own membership and thought of ourselves, to be perfectly honest, how selfish we have been. But at the same time, I thought of the membership of how they began to feel and it was not their fault.

The leadership in this country made the membership of my union feel that they were middle America and that everything was fine. They made the membership of my union feel that everything was fine and there was another morning in this America when, in reality, we did not expect what is happening to them today. They moved out of the area looking for better housing themselves because even as carpenters, they could not afford to buy the houses that they were building. So they moved out into Riverside and they moved out into San Bernardino County. Now they find themselves unable to make those house payments on those houses.

And they have come to a great awakening, consider themselves conservatives for a long time. They really voted against many of you. They voted against many Democrats because they found themselves voting against the so-called L people in this country, because they thought everything was fine for them. They have been awakened to a rude awakening in this country, to realize they are not as fortunate as they thought they were.

That nice house with that lawn and many times these middle-class construction workers had their motor homes and even had a cabin in the mountains, they are losing them, but now it has gotten so close it is to the quick, because now they are losing their homes. And now one thing that has really resulted out of this, they feel that they need each other. The individualism that was perpetrated on the people of this country in the 1980's has really brought something new to this country and all of these people. They found that they need each other.

That is why many of our union meetings we held with empty halls. That is why many of the PTA meetings we are talking to empty rooms. And that is why many people disassociated themselves from organized churches in this country, because that individualism made them feel that they did not need anyone else.

The carpenters, unfortunately, have really been tied to this community and it has been through the efforts of some people that it really raised that level of awareness and consciousness to us that we were able to see these things. And thank God for organizations like IAF, Uno Ipheo, that have really raised that level within some of our people. That is why we were at the forefront of the increase on the minimum wage in the State of California. It was a historical event and the carpenters were right up there, up front.

We were able to raise the minimum wage to the highest level in this country that any State has had, even higher than Alaska. But regardless, they still did not feel it and it is not until now, when we see our apprentices that go through a 4-year training program, dis-

illusioned from that noble profession they thought of themselves being in as carpenters, because they go out into the job market and the jobs are not there any longer.

We have shared our apprenticeship program in this area and we found some good partners with which to share it. One of them has been Cal-Trans. As a result of the Century Freeway Consent Decree, we were able to build a partnership with Cal-Trans, Federal Highways, and with ACD to develop and renovate houses in the corridor area. Right now, we are looking at approximately 4,000 new housing units and we are training apprentices, preapprentices in some of these job programs that have been discussed here today.

What do we do with them? These preapprentices are now going into a market. Sure we have trained them, sure we have done all the right things to motivate them and to set their goals and sights. We have taken them out of the gangs. Some of these young men that were here with Mr. Brown this morning, they are out of our apprenticeship program. Some of the people that were here on this panel earlier talking about reasonable housing that they want to construct in the south central Los Angeles area are part of that program that we have been involved in. And we have been training preapprentices within some of those housing projects that they have been putting together.

But now, the market is drying up. And I am not saying that you are to blame, but what I am here to say is that the membership and the people and the construction workers are desperate now. Thirty percent unemployment is a depression. We have to be able to raise the consciousness of the leadership in this country. We have not done it. We need some leadership to emerge, as it emerged perhaps during the Gulf war. The theatrics of that war caused people to really put their efforts and their faith behind something. And that is the type of leadership that we need in this country today.

We need a declaration of war on this recession in this country. We need someone that is willing to take the chances or some of those that are willing to take the chances out there, stand together, because we are not united, not when we have a delegation from Texas that is coming into California to rape the industries and take Carrier Air Conditioning from the San Gabriel Valley to Texas, not when we have people that are organized to come into California to drag corporations and companies into Utah. That is not a united country.

And I think that when I say a declaration of economic war that is needed in this country with every State in this Union will be able to unify and look out for each other. As I earlier said, we have to get away from that individualism that brought us and separated us. We have to bring back that sense of unity in this country. And there is leadership in this country that can do it.

But let me ask, as you go back to Washington, who has the guts to stand up for the blue-collar worker in this country? We know who stands for the rich. We know who stands for the affluent. We know who stands for the 3 percent that run this country. But who is going to stand for that majority of the tax base that is paying the base of this country and we are losing it? We are going to become very, very poor or very, very rich.

And my dear friends in Congress, we will not eat cake. Thank you.

The CHAIRMAN. Thank you, sir. Mr. Garcia.

**STATEMENT OF BILL GARCIA, UNDEREMPLOYED CONSTRUCTION FOREMAN**

Mr. GARCIA. Thank you very much. I appreciate you letting me come down and give my personal experience in this situation that we are in now.

I have been in the construction business 30 years. I started out as an apprentice. I have lived in east LA all my life. My father was a union member and I figured what he did, I should follow in his footsteps. Up until approximately, I guess, 2 years ago, I had everything. I was still floating along pretty well.

I have brothers and sisters that are in the same situation that I am and there is no way that I can sort of help them. They have families, live in Mission Viejo, Rowland Heights, and I have two sisters and an older brother. Two of them are unemployed. They are having the same problem I am.

I have sent out resumes to companies and I get responses back that there is paperwork, there is projects, but there is no funding. So I have come down to the point where I have to work with my tools. They have given me a job to work with my tools where for the last 25 years I have been a superintendent on large jobs and I have come down to the point where I have to work with my tools to survive.

And maybe last year I might have made one-fourth of what I had been making. And everything that I have now is sort of, all my savings are gone. I am just surviving from job to job and now I am unemployed again. So that is where I am coming from.

The CHAIRMAN. Thank you very much. I think for the purposes of the hearing, I can get triggered off here and take the rest of the afternoon, but I would like to get two points, mostly Mr. Costello and Mr. Martinez.

In your job fairs, based upon your experience, and also in your experience as an observer and recorder of the construction worker and particularly carpenters, I would like to get an idea of the increase in unemployment just over last year. My understanding, what I have been told by the staff and what I read about your job fair experiences, is that there is a considerable difference between last year and this year alone. Could you elaborate a little bit on that?

Mr. COSTELLO. Yes. I am glad you asked. As I said, this is our fourth annual. Previous job fairs, I think we have run 700 to 1,000 per day, maybe 1,500 per day as far as people registering and coming to the job fair. That is in previous years. OK, this year as far as hard and fast numbers, and we can back this up, we have signatures and sign-in sheets and all that, a ball-park over 4,000 in a 2-day period, so way over double, maybe triple, previous years as far as people standing in line.

The lines have been two to three blocks long. Some of you have seen that. As far as hard and fast people who registered, we had some people that came in the exit door and we did not catch a lot

of folks, but as far as the ones who came in the front door and registered, we have 3,315 individuals who attended the job fair. That is double or triple previous registrations, 3,315 who signed the registration.

And I can break that down briefly, if you want, to some other things. 1,143 indicated they had part time or had jobs presently. So some of the people who came have jobs, 1,143. We had 2,172 who indicated they were without work, unemployed. So in other words, about two-thirds of the people standing in line were out of work. We had 823 veterans last week, 823 veterans. And we can break that down into disabled if you want that later.

The CHAIRMAN. For the record later.

Mr. COSTELLO. Right. Now, I will give you an ethnic breakdown. We had 1,204 caucasians, more than any previous job fair. We saw a very high percentage of male, female college graduates. We had 24 attorneys, for instance. We had a dentist as some of you saw in the news. We had a lot of engineers. I talked to the Department of Agriculture recruiters. They said that they saw four Ph.D. type candidates, OK.

The recruiter from the Justice Department who recruits for probation officers said the job requires a bachelor's degree in psychology or sociology. He said he has a very high percentage of master, Ph.D. He has people with law degrees, members of the Bar. In previous years he said that he had trouble getting people to fill his jobs. He said he's got over 2,000 resumes and applications, what have you. And he says now they go for the creme de la creme, 3.5, 3.7 GPAs, and so on.

With the ethnic breakdown to continue, 1,204 Caucasians, 682 blacks, we had 521 Asians and Pacific Islanders. And here is a very important statistic. We had 444 Hispanics. As most people know Hispanics are way underrepresented in Federal employment. Many Federal agencies in southern California have fewer and some have no Hispanics. We got 444 to come to our job fair last week. And here is a real unusual statistic, we had 67 native Americans come to that job fair last week.

In some job fairs I go to, I have been to job fairs that have 4,000 to 5,000 where the employers pay \$1,000 or \$1,500 fee to have a booth. I may see one or two native Americans, if that, or none. OK, so 397 people refused to indicate their ethnicity. They said it is nobody's business. Does that answer your question?

The CHAIRMAN. Yes, sir, very well. What about your observation as to those who were or said they were employed but were underemployed?

Mr. COSTELLO. OK, there is a variety of people. Some are in situations, like Mr. Garcia indicated, they are working temporary jobs, they are going from job to job working, they are underemployed and they are just doing survival type jobs. Others have jobs that are secure that are making good money, but they are afraid that their job could disappear. And so they are out, you know, prospecting for other opportunities.

Some people indicate incomes that they have made who attended these job fairs, \$40,000 to \$100,000 a year. Our volunteer next to us used to earn in excess of \$70,000 per year. So we have a lot of people that are not used to being unemployed. I had one guy who

was 52, a master's degree, earned over \$50,000, said he never had an employment problem in his life until February of last year. Since that time, his family broke up. He is living with his relative and he has not found work since. In 30 some years he had never been without a job.

I can give you a lot of examples of people like that.

The CHAIRMAN. I was more or less going to ask Mr. Martinez pretty much the same type of question regarding the increase in unemployment. You say that it is at about a rate of 30 percent in the construction, carpentry industry?

Mr. MARTINEZ. Yes, yes, Congressman.

The CHAIRMAN. And a year ago what would you say the rate was?

Mr. MARTINEZ. A year ago it was around 12 percent. And I saw it climbing and I think it was about midyear that we noticed that a steady increase of unemployment started moving up and we got the brunt of it just as we were ending fall and starting into winter. And it becomes very critical and the reason we notice it so much is that we depend on many jobs to pull us through the winter periods because of the weather. And when we saw that happening last October, we knew we were in for some tough times because we did not have that element of work to sustain us over the winter months.

The CHAIRMAN. What about the underemployment? Do you find that a substantial number of those that are listed as being employed are actually either underemployed or part-time employed?

Mr. MARTINEZ. Definitely. And I think the figure that I gave you, the 30 percent, in contrast with the figures that we hear publicized by the government of 7 and 8 percent, there is a bit of difference there. You wonder yourself, well, who is telling the truth. I am sorry, go ahead.

The CHAIRMAN. If you will yield to me, the official figures are very, very deceptive and they have been since they changed the Bureau of Labor Statistics' interpretation or evaluation. For instance, if the national figure as given by, say the Department of Commerce and the Federal Government is at 8 percent, you can add very conservatively another 3 percent. These are folks that have disappeared. There is no way they are being factored in because either; one, they gave up looking for employment as of 1½ years 2 ago, or they have exhausted their unemployment compensation and they are just out of the picture as far as reporting is concerned.

You are correct in saying that and perhaps not even limited to California, but it may be that in California. However, you have a very acute impact because of the problems in other industries and their effect upon the construction area in California.

Mr. MARTINEZ. It is a lot easier for us to calculate perhaps, than to find the truths coming out of the government, simply because we can see the numbers that were employed by the number of productive hours being produced in contrast to the same number of hours that are being produced today. And we could just see the contrast in hours, that, in itself, will tell us that figure without relying on the government to tell us it is 7 or 8 percent.

The CHAIRMAN. And this is the reason, essentially the basic reason, why we have these field hearings. We have been asked, everyone except here "Well, what is the use? Why are you all coming here? What are you going to find out here you already know about in Washington?"

Well, we get the statistics in Washington. We want to get behind that and see the human side of things and you would be amazed what a big difference it makes as far as determining the depth of a given issue. There is no question, we can sit in Washington all day long, as we have been and tend to most of the time, and we get the canned testimony of the spokesmen that are there year in and year out who happen to be lucky enough to be representing some national organization, whether it is veterans organization or any business organization, it makes no difference.

We know we are going to get the canned testimony. My experience is that these trips have been more than justified if we are really going to discharge our duty. It is this panel that I think serves, for our purposes, perhaps the greatest.

I am very concerned about Mr. Reedy's testimony. I believe you said you were what, 40?

Mr. REEDY. Forty-six.

The CHAIRMAN. Forty-six.

Mr. REEDY. Forty-seven in April.

The CHAIRMAN. Well, you know, to me that is very young. I can remember when I looked at being 40 as, boy, getting up there, but now that I am 75 and in a matter of a few months will be 76, let me tell you, you are just a little kid on the block.

Mr. REEDY. I am a pup, hey. Well, I am ready to transfer my usable skills into any career move.

The CHAIRMAN. Well, that is what I am getting at though. If you have been reduced to your last \$50, and let me tell you, it does make a difference to know what it is and I know what it is. I can remember when I did not have enough money to buy shoes for one of my kids. At that time we could get a pair of shoes, what we call Solazers, for \$1.98 and I would not have it at the end of the month.

And I look around and I see in the Congress, how many guys out of the 435 in the House know how it is today, considering the average age that the House represents today? How many know what it is at the end of a month trying to figure out, "Well, gee, I am not going to have enough to buy a dress for the wife?" Forget about saving money, you are not going to save. And I try to get these statistics out. Two years ago, 70 percent of American families had no disposable income at the end of the month.

And here we have these big shot guys talking about the need to save in the United States. Well, if you do not know what it is to still depend on that check at the end of the month and to figure out how you are going to pay the food bill, the rent, or if you are lucky enough to have a mortgage at that time, the mortgage. If they do not understand, it is very hard for us to go there and sell the bill.

But it can be done and it will be done. This is the reason we were hopeful that we would get some of the younger members to come out on these trips. I am sorry to say we have not succeeded thus far. I think the sad thing of the last decade has been something

that I think history is going to show. It is new to our country, the unpopularity, almost empathy but not quite hatred toward those that are disadvantaged, that are poor.

Over the last 10, 12 years we have evidenced this for the first time in American life. Up until now, I think everybody thought that the American proposition was that, you know, even through depressions, if given the opportunity, and this is what we are talking about, we are talking about jobs and opportunities, the average American was going to rise. But if the opportunity is not there, you know, what are we going to have? Are we going to have the moral degradation which leads to erosion in everything?

It is imperative that our human element is safeguarded, in the sense of ensuring equality before the law, equal opportunity, irrespective of race, color, creed, economic condition, social condition, national origin. That has been the actual bedrock of American society.

There is only one observation and then I am going to move on. Mr. Martinez, as you know, the appeal to war has become so embedded in our society. The recent Gulf war, do the American people know what has been done in their name? The invasion of Panama, do you realize we still have two-thirds of the troops in Panama that we had at the height of the invasion? And we dare not move them because the people we installed in government will not be there 24 hours after they leave and no American life will be safe.

What I am leading up to is the inherent virtue of the carpenter, who is a creator, who is a constructive element, a builder. We want to build. We have work enough in this country to hire every carpenter, every plumber, every laborer and still barely meet the minimal repair needs of the infrastructure of our country, including California.

I like to think in terms of creating and building. America is a builder, if we can just tap unused human potential and other resources.

I am telling you right now a bridge collapses in the United States every other day. In the city of New York alone, more water is wasted each day than is consumed because of an over 110-year-old delivery system. The city of New York cannot do it alone. The State of New York helping the city of New York cannot do it. It takes Federal assistance. It takes a national commitment. We have had a withdrawal along with the dislike for anybody that is labeled as unemployed or homeless or poor.

We have generated a sense of antipathy toward the poor. And, Mr. Martinez, you are absolutely right. It was like the Vietnam war, I ought to know. My district has as many volunteers as you will find anywhere. They did not have to wait for the draft. They were volunteering. But in 1965 I brought out the fact that over 45 percent of those that were likely to see action in Vietnam were draftees. Who were the draftees?

Well, they were not visible to the affluent. Their kid was going to college. He was exempted. It was the poor kid. However, when the casualties started coming in, 100-plus a week, all of a sudden the draft calls started touching those above the middle class, then for the first time, I recall it vividly as if it were today, we had the big



corporation chiefs sending messages to the President, "Hey, what are we going to do here? Let us get on or get out."

Why, because all of a sudden their kid might be called. It is the same thing today. Now that this tide of unemployment, poverty, want, is hitting the more affluent, yes, now we are beginning to hear. Our idea is that we should not sit here and wait until this is irreversible. What you have witnessed and what you have testified to should be a bugle call.

That is what we are here for and why you are helping us and with our meager voices, we can join and elicit help. Together we can break through the level of consciousness of this great inert majority. What I was disturbed about, Mr. Reedy, was the fact that, I mean, do you have a family?

Mr. REEDY. I have a wife. We are currently separated. I am by myself right now, you know.

The CHAIRMAN. But what about your insurance?

Mr. REEDY. I do not have any coverage. I am looking at ground zero. I have been hustling every day. I have been pushing ahead every day. I keep on going, OK, for whatever reasons, my character, and I think the saving grace is the spiritual aspect of it, which is as corny as that may sound, it is very strong, OK. If I did not have that, I can understand now where someone may pull the plug.

I could never see that before. I always took everything for granted. Here I am, I am a high roller. I am making good money and having a good life. All of a sudden, the rug came out. I am trying to react to a complete new situation. I have had a great learning experience and I have better appreciation for a lot of things. But the bottom line is I am looking at some hard days ahead of me.

I am open to suggestions.

The CHAIRMAN. What is the prospect on any—

Ms. WATERS. Inspector Corps.

The CHAIRMAN. What is the prospect on any particular—

Mr. REEDY. Inspector Corps. You have a hook over Inspector Corps? We will talk after this, OK?

The CHAIRMAN. What is the prospect on any possible leads you may be working on now?

Mr. REEDY. OK, the hottest thing I have going right now is through the job fair and speaking with John, that I have applied for a position as an Immigration inspector. Now, it is an entry level position. I had some quality time with the recruiter. She was telling me that with my experience and background, once I get into the system, I can use the administrative and operational skills that I have developed over 20 years and apply it to that group.

The other thing with it is, that after a year within the Federal Government, you receive status. After a year, if I can get within the Federal Government maybe someone would want to use my abilities as a publicist or as a spokes-person but I think I can transfer then. It would give me a sense of security though it does not have the glitz and glory of entertainment. It is a lot safer, OK. Maybe at this point in my life I need security and I am willing to trade off some of the other ancillary things that may be involved with a different type of work.

That is the closest thing I have. I may get a month over at the Veterans' Administration offices doing some clerical work. Tomor-

row morning I shape up at EDD on Venice Boulevard to see if there is any work going on in the morning. I am keeping the debtors away from the door, but they are breathing down my neck.

The CHAIRMAN. I can just imagine.

Mr. REEDY. The thing though, and it is not me, when I say me, OK, yeah, this is a true example. The thing though I am a typical unemployed individual at this juncture. There is a whole mixture of middle and upper middle class people that are becoming lepers. They are going to get hit with this. I can react, my God, I know a lot of people my age or younger will not be able to deal with it.

I am not a fatalist. I am just giving you a fact of life. It is terrible being unemployed, personally, emotionally. Everyone in this room knows someone, either directly or indirectly, that has a relative that is unemployed. It effects the whole unit. It effects everyone. And it is not lower or upper. It is across the board and it is not in California, it is across the country. I mean, it is a real thing. It is Godzilla and I am not Japanese bashing, but here comes Godzilla now and he is stepping on everybody.

The CHAIRMAN. Well, you know, you are right. In your opening statement, you used the word fear. This is exactly what we are finding. The staff director of the full committee, Mr. Kelsay Meek, was quick to note in Bridgeport, the site of the first hearing (January 7) you had fear and anger. In South Carolina you had fear, pervasive fear. It had not quite reached that boiling anger point. But in Baltimore, you had leftovers from the sixties, plus a lot of fear, and tension. So, given those conditions, somehow or other we have just got to—

Mr. REEDY. Given those conditions, it just looms ominous. Your inner cities are going to pop and you are always keeping a pressure lid on that. Now you are getting people that normally would not become rebellious or militant. These are people that have always followed like lemmings, and I mean that in a complimentary way. They vote, they pay their taxes, they go to school, they send their kids to school, OK? They do not know where to turn. They do not know what to do. They have never been in a position like this.

And fortunately, right now, they are not that rebellious type of individual that is going to turn around and start blaming. The majority of the people unemployed are not blaming someone. They are not saying, "It is the government. It is the state." They are in a lousy position and they are trying to work their way out of it. And they need a light. They need something attainable, not just verbal commentary. They need to know that, "Yes, I can fill short-term and here after 6 months I'm working in a specific project." But without that hope, I do not recommend this position for anyone to be in.

When I was in Nam, combat, I got through it. People ask me about it, I say, "It is an experience that you should experience but I would not wish you to try that." OK, the returning rate was very low. I was there in 1966 and 1967. But having gone through Nam, it just proved what you can do in a combat situation.

Unemployment, you begin to get your priorities in a much better order. There are things that you will do differently when you are employed again. The trick is to get to that employment stage

again. And like I said, I am open for suggestions. I have some resumes here if anyone would want one.

Mr. COSTELLO. I have two brief comments as a followup to your questions. Another case example, I know of about 50 people like these two here that come in. We get a lot of walk-in traffic in the VA because we are located close to UCLA and the freeway. I am working with a Vietnam veteran, 45 years old, who worked 17 years for the Federal Government with the Post Office, a good stable job. He had the opportunity to make a few more bucks so he went to McDonnell-Douglas in Long Beach. So he left the Post Office.

Unfortunately, after about 6 months at McDonnell-Douglas you know what happened, first hired and first let go. That was about a year ago. He has been out since approximately January 1991, unemployed. And you asked about some of the unemployed statistics or underemployed at our job fair. This is one of the underemployed.

Here is what he has done since then. He tells me he works temporary agencies at \$6 to \$10 per hour and he just recently got hired in the VA in a temporary food service worker job. The pay is \$7 something per hour. Here is a guy that made \$40,000 to \$50,000 a year, 17 years service with an employer. He is working and he has his foot back in the Federal system partly due to our job fair and he hopes later to transfer into something else but now he has hope.

That is what we try to do with our Federal job fair. We do not have solutions for everybody but we are trying as a VA, a Federal agency, to do something constructive and positive. We have no budget. We use volunteers like these two gentlemen here.

Here is another thing that we are seeing because I work in the VA, or the VA Hospital. As more veterans become unemployed, a lot of these people relate stories to me as they are sitting across my desk, we are getting veterans who are filing claims for service-connected disabilities from Vietnam, Korea, World War II, that they did not file 20, 30 years ago because there were too proud, too patriotic and all this. But because they have been out of work for 6 to 12 months, they are looking at other options for income possibilities. So we are seeing a lot of these veterans now filing for various VA benefits, service connected, whatever.

So this is an economic thing that could impact into something significant.

The CHAIRMAN. Thank you. I have overstretched my time. Mr. Torres.

Mr. TORRES. Well, thank you, Mr. Chairman. As the chairman said earlier, we have an abundance of statistics that we can draw from in Washington, DC; Veterans' Administration, the Bureau of Labor Statistics, the Library of Congress, really, the Committee on Veterans. People would ask, "Well, why are you going to LA?" Well, he said it, because this is the human face. These are the people that we heard from all morning. This is the setting, Patriotic Hall, you know, where some of these things are happening.

We get a true picture coming out here. I have to tell you, as a Member of Congress over on the east side of the city, my largest caseload in keeping my staff working, is veterans' problems, veterans' problems, day in and day out. And I come here and I hear you

talk about job fairs and you cite statistics and numbers of various agencies of government that need jobs to be filled. You mentioned INS. How many jobs?

Mr. COSTELLO. About 300 to 400 vacancies in yesterday's *Los Angeles Times*.

Mr. TORRES. Three hundred to four hundred vacancies in the INS for jobs. You mentioned some other agencies. Who were they?

Mr. COSTELLO. Let us see, the Federal Bureau of Prisons has positions nationwide. I have the registration forms here that tell all the different kinds of jobs that these agencies are trying to fill.

Mr. TORRES. OK. We have, as I understand, about 800,000 veterans in this greater LA area. I know that 200,000 of those are Hispanics and blacks. How many of those job openings that you indicated there did you fill at your job fair for these people?

Mr. COSTELLO. OK, very good question. Both of you know since you have years in Federal, as I tell people a lot in kind of a flip-pant way, the Federal Government is not like McDonalds and Jack in the Box, where we instantly hire you and you go to work next Monday. We provide a process for people to access the system.

The letter from the guy at the National Archives, when he connected with me, he did not start work the next day.

Mr. TORRES. No, no, I understand that. I know that, believe me.

Mr. COSTELLO. So to answer your question—

Mr. TORRES. I belong to a very bureaucratic organization, the U.S. Congress.

Mr. COSTELLO. It could take weeks or months. It could take 2 to 4 weeks or 6 months or 9 months. Sometimes they do a background investigation and there are a lot of variables.

Mr. TORRES. So I guess the key is really getting around and having job fairs all over the place to really be able to garner more numbers.

Mr. COSTELLO. Exactly, yeah.

Mr. TORRES. And you have this big job fair over in the west LA.

Mr. COSTELLO. West LA, right.

Mr. TORRES. How often do you get out to east LA?

Mr. COSTELLO. We do.

Mr. TORRES. Well, you do, I know, but how often?

Mr. COSTELLO. OK, as I said we did one last August at Rio Hondo.

Mr. TORRES. Yeah, but I know you did that one under a lot of pressure to come up with it, because you do not go over there. And you had a lot of pressure from the GI Forum, "Get over there and do this, do this," right?

Mr. COSTELLO. No, no.

Mr. TORRES. No?

Mr. COSTELLO. No.

Mr. TORRES. They told me.

Mr. COSTELLO. Well, OK, Reuben Treviso, have you talked to him?

Mr. TORRES. Sure.

Mr. COSTELLO. OK. He worked with us and I think it was a success. No other Federal agency has done, that I know of—

Mr. TORRES. How about the San Gabriel Valley, which I represent. Do you deal with the job center there?

Mr. COSTELLO. Let me tell you what we do in addition to job fairs. I do seminars to Hispanic, black, Asian agencies such as the Urban League. And I can give you names and addresses if you want that. I go to the EDD office in Pasadena and Anaheim and throughout southern California, the vet centers and I have spoken to groups of 50, 100, 200 minorities, veterans, whatever, on how to access Federal jobs. And we also do a workshop on how to do a Federal application.

We are doing other things besides the Federal job fair.

Mr. TORRES. That is commendable, Mr. Costello. I know that takes a lot of work and you are probably doing this as an individual.

Mr. COSTELLO. Exactly.

Mr. TORRES. But, again, back to the job fair where you have all the great exposure, all the recruiters there that could take these people. Are you doing this in any magnitude on that side of town?

Mr. COSTELLO. As I said, the past two summers we did one in Long Beach, minority job fair at the VA Hospital and we target in our advertising minorities. We did one in Whittier. We are doing it on a limited scale.

Mr. TORRES. Because I have heard it said, and I want the record to reflect this, I have heard it said that they have asked you to do these things, both here and over there, and that you said, I quote, "It is a waste of time," for you to do it. Is that correct?

Mr. COSTELLO. Oh, that is not correct.

Mr. TORRES. You have not said that?

Mr. COSTELLO. It is out of context and it is distorted a little bit. No, absolutely positive, 200 percent it is not a waste of time. It is the exact opposite. We will do it whenever, wherever anybody wants us to do it, enthusiastically and I think you were there when this thing came up.

Mr. HAMILTON. I was there and that is taken out of context for certain. Also San Gabriel Valley, I grew up in San Gabriel Valley and I went to Arcadia High School. My family are professional educators. The Office of Personnel Management is right on Flair Avenue in El Monte. That is a very big facility.

I will say one thing wonderful about the whole Federal employment system that I did not know before is that when I am talking to a person in the Federal system now, requesting information, without exception I have been talking to a human being who listens, who is attentive and looks after what I am asking and goes a step further and tries to find the connection that is going to allow me to go the next step forward toward employment.

Mr. TORRES. Mr. Hamilton, you are one of the volunteers?

Mr. HAMILTON. That is right.

Mr. TORRES. You are a volunteer.

Mr. HAMILTON. Yes.

Mr. TORRES. You do not receive any compensation?

Mr. HAMILTON. No compensation at all.

Mr. COSTELLO. He does not get 10 cents.

Mr. TORRES. No consultant fee?

Mr. HAMILTON. No. In 1989, the last of my retirement and my wife's retirement was wiped out. We invested in Teachers Management Investment Co., and that was foreclosed by Eureka Savings

and Loan. I have 2 weeks ago retired my own construction company, not a union company. I did not intend to give you any of this information but if you ask I will give you my credentials.

I retired that because I do not have the management skills in today's climate to operate that company at a profit. I carried it until I was broke. I have no unemployment insurance. I have exhausted my resources and I am supported by my wife. I am a house husband. Those are my credentials. I was recommended to this office by a veteran who I know and respect and I know some of his service. And he said, "Come by and meet this fellow and it was like a net."

Mr. TORRES. Thank you, Mr. Hamilton. I do not want to belabor the point and I, obviously, heard from Mr. Reedy. I even hate to ask you a question, but you are also a volunteer with no compensation.

Mr. REEDY. I am a volunteer. They could not afford my consulting fee to begin with. No, I have not received anything except the joy that I got from knowing someone from this job fair, a few people will connect, so in some little way, because I organize the crowds out front, the people show up, they made their own individual pitch, someone is going to be employed via this. And that was my compensation.

Mr. TORRES. Thank you. Mr. Chairman, I think my time has just about expired, but I could not quit without saying to Mr. Martinez that he raised a question, "Who has got the guts? And why do you not have the guts?" And I want to tell you, Mr. Martinez, here are three folks with guts. I mean, we stand up to the issues in Washington. You should hear Mr. Gonzalez stand up on the House floor and reveal that he has the guts.

You ought to hear Maxine Waters take on the administration and the Congress and the bureaucrats because it is not doing what has to be done. And that is not to belittle my own position. We have the guts. Unfortunately, we are a small voice in the wilderness back in Washington. And we need to hear from people like you and people in Congress to hear from people like you. Not us; you are preaching to the choir, but we have guts.

Mr. MARTINEZ. Congressman, I realize that and I made the statement for a reason. And I realize where Congresswoman Maxine Waters comes from and I have heard much of her. And I have heard Congressman Gonzalez. All the way from Texas here in California, I have heard of him. Ernie Cortez told me a lot about you and some of the things that you are noted for in San Antonio.

And he did not say that because I realize that I could say this to other people that are representatives of the city of California and Congress and I would not get much of a reaction. But I knew that if I lit that fuse on the three of you I would get a reaction and that was my point in doing so. And when I said we need a declaration of war, I did not mean the destruction theme type of a thing. But when I see the European common market putting together an effort to take on the world and when I see the Asian countries gathering together and then when I look into my own country and I see our own states, you know, just eating each other up for whatever industries they have, I say, "The time has come."

We must have a declaration of war for ourselves, an economic war, not a destructive war, but the type of war that will bring this country together, the States together, the resources, the mentality and the courage that it take to do something like this. I recognize that courage in the three of you because I know probably more about you than you realize I do. And with that, I knew I was going to light a fuse. Thank you.

Mr. TORRES. Thank you.

The CHAIRMAN. Let me say, I did not mean what I said by way of criticism. What I am saying is I remember President Carter's moral equivalent of war with respect to energy. We still do not have an energy program. What I speak of is a reveille. The men that have been in the service know. This is our wake-up call. And then organize, in the words of President Roosevelt, "This vast army of American people" to have a common assault on the problems commonly effecting us all. That is what I meant.

And I think in your own way that is what you were getting at, the call for a unified effort to achieve a common purpose which our country should not be facing at all, but which still has the inherent capacity to overcome. Ms. Waters.

Ms. WATERS. Thank you very much, Mr. Chairman. I know the hour grows late. I would like to thank all of the panelists for being here today. All of us, who are here today, each of us rather, take our jobs seriously and we are considered rebels and front line people in Congress. Again, we are the ones who have, you know, tried to bring some attention to the problem of the exodus of jobs when major corporations started to export those jobs to third world countries for cheap labor, when Goodyear and all of the plants closed down.

Many of the rubber workers, as you know, never went back to work a day of their lives. And we had to fight our way through to get some kind of plant closure legislation. When the air traffic controllers could not find support from the rest of the organized labor community, we knew it was a matter of time before it would be another union that would be busted by the Reagan administration. So we have been in these battles and will continue to be in these battles. Finally, we have the opportunity for America to come together and not to be tricked by those who would wave the flag of patriotism but would export those jobs at the same time, and people not know what was going on.

We are going to have to join together, poor people and middle-class people, veterans and nonveterans, union workers and non-union workers at this juncture to force this administration to do what has to be done to bring down those budget walls that have been established, to have a real peace dividend and a reinvestment in our infrastructure so that we can have jobs, and those bridges that are falling down can be repaired and we can create even some jobs in the public sector to provide services.

We think that it is with a lot of pain but people are beginning to understand that they have not been told the truth, and that we find ourselves in this difficulty because, you know, people have had the wool pulled over their eyes, Mr. Martinez. So, I hate the fact that we have to experience this pain, but I think now is the time for us to get something done in America. And I am just delighted

that you are here, Mr. Ussery. Would you see my staff about a loan guarantee program in the State of California, Pacific Coast Regional, who should be providing you with some assistance without your having to have the same kind of collateral you would have to have at the Bank of America, who is not going to give you a loan anyway, and we will see what we can do to assist you with that.

Mr. Costello, thank you for your job fairs. What you are describing to us is very painful indeed, the long lines and the numbers. We have some people here today. You have heard reference to Project Build, a program that has been going on for the past 5 years, where we do job development and job training for young men and women in housing projects, the hard core of the hard core, that America has dropped off of the agenda, young people who are predicted never to be able to work a day in their lives, some of those young people you saw here with Jim Brown this morning.

We do 4-day seminars. We rotate from Nickerson Gardens housing project to Imperial Courts to Avalon Gardens to Hacienda, to Ujema, and we spend 4 days. We teach people how to fill out applications, how to do job interviews, how to respond to employers who may even be prejudiced and who do not like the way they look. We teach people how to get up on time, how to get places. We do fake transportation routes, how do you get from south central Los Angeles with poor transportation to the Valley, if you have to, for a job.

So we have been in this job seminar, job fair business for a long time and we do the impossible with people who oftentimes have little skill and no support. So we know how rough it is. We, perhaps, will see an opportunity for poor people and middle-class people who find themselves in the same position now to come together and understand where we must direct our attention, that we are all in this boat together now, and America owes all of us a lot more than we find ourselves getting.

So let us join together and find out how we can show you some of the things that we have been doing with the hard core unemployed and ways that we deal with people's self-esteem who have nothing that may be helpful to some of the people who are finding themselves embarrassingly in this position for the first time.

And let me just say that, yes, I used to have a friend at CORE. I just sent someone to find out if Irvin Azoff is still over there. He is not any more. He has his own record company. He has left, but there may be some other possibilities in that industry with Rogers, Cowan and—

Mr. REEDY. Anything would be great. I appreciate it.

Ms. WATERS. All right, we will be happy to do everything we can.

Mr. REEDY. Can I leave my resume on the desk?

Ms. WATERS. You leave your resume here. We help everybody. Thank you.

Mr. COSTELLO. One final thing, before we wrap up, I have a letter. I am not going to read it, but it is from a State Veteran Employment representative in Santa Ana, OK. I would like to submit that along with the other for the record.

The CHAIRMAN. Certainly. Without any objection, we will place that on the record at this point.



Ms. WATERS. For those veterans who find they did not get their job return rights after Persian Gulf, we have gotten a little thing in the law for them in the Veterans Affairs Committee as a result of an amendment that I placed in that gives them the right to counsel in order to go in and legally handle those people who have not given them job return rights. So you might want to start using that, too, as a tool to help those veterans.

The CHAIRMAN. That is right. Let me say that you are looking at three legislative guerilla warriors. The bombs we plant are legislative bombs like, for instance, Ms. Waters' amendment that stirs them up. Well, thank you very much, gentlemen. We are deeply grateful to you.

Our next panel is Ms. Ruth Jernigan, Community Action Program, United Auto Workers and she is accompanied by a laid off aerospace worker; Mr. Michael Ledo, I hope I pronounced that right, I am giving it the Spanish pronunciation, it may be the other way around, laid off production manager of the Titan Industries; Robert L. Ozuna, president of the New Bedford Panoramex Corp.; Reginald Collier, unemployed aerospace engineer.

Now, because both Ms. Jernigan and Mr. Ozuna have time problems, is there any objection if we recognize them first and ask them questions first? Ms. Jernigan.

**STATEMENT OF RUTH JERNIGAN, COMMUNITY ACTION PROGRAM, UNITED AUTO WORKERS; ACCOMPANIED BY LAID OFF AEROSPACE WORKER**

Ms. JERNIGAN. Distinguished panel, Congressman Gonzalez, Congresswoman Maxine Waters, a fighter and a friend, Congressman Torres, a Californian, a fighter and a friend. I am indeed pleased to be here this afternoon. I do not know that I feel as well as I felt when I got here this morning after hearing the testimony of the human suffering that is in our community, although it came as no surprise to me because I am dealing with that every day.

My name is Ruth Jernigan, international representative for the Auto, Aerospace Implement Workers of America. Back in early 1975, we started taking on the fight of job losses not only in California, but in the Nation. We tried real hard in the early 1980's to pass a Fair Trade bill. We had very little success with that piece of legislation. It was watered down so badly the first two tries that we pulled the legislation. We ended up with somewhat of piece of a bill.

What that trade bill addressed and many workers are realizing those efforts, is the Warren Act, which is a 60-day layoff notice. An employer that lays off a mass amount of people has to notify them 60 days prior to the layoff. I represent workers at the McDonnell-Douglas Corp., Rockwell Corp., Teledyne, and many other defense related industries.

We do not represent engineering and other white-collar workers. We represent workers, blue-collar workers. I sat here today and heard once very proud men and women workers undressing themselves in front of the public, begging for help. That is not the America that I lost a brother in World War II for, and that I have

worked over 35 years to build that I know. We can do better than this and we must.

We have the resources, the best technology in the world. It is oftentimes argued that Japan is so great and has all the great technology; therefore, we should export all the jobs. Well, I beg to differ with that. If Japan has all of the technology it is simply because we gave it to Japan. If Japan has all the jobs then they have eroded our industrial base in this State and this Nation.

In the early 1970's we started losing the auto industry. We took on the fight in the streets at that time. The United Auto Workers saw the need to open and began to get involved in a training corporation because it was not enough for us to just represent our members during the time of employment. We saw, and I personally got involved in suicides in our membership. When the plant closed in Fremont, CA, and it is very vivid today, I remember one of our members renting a room in a Hilton Hotel, inviting his wife to come and join him. He had gotten the notice, a 2-day notice, that the plant would be closed.

And he called his wife and told her that they should have a little fun since this was the last day of employment. He called her and told her the room number. She went into the room and he walked over to the window and he got one of the highest floors in the hotel and he held her hand and he jumped. They left three children to an elderly grandparent.

I saw the dismembering of families; whereas, in the auto industry we have job transfer rights. The man or the woman, the worker that worked for GM, Chrysler, Ford, one of the three big auto, would be transferred to Oklahoma or to Louisiana or to Kansas or wherever that transfer right might take them. And the wife or the husband is left behind because he or she does not trust yet another job loss, because they are also employed. So they stay on in hope that very soon that their family can be back together.

Yes, I saw the alcoholism mounting, drugs. And you wonder, as we open soup kitchens in Southgate, Congresswoman Waters was there, to feed the unemployed, the homeless and that was early seventies and eighties. The signal has been out there for a very long time. There is no way that America can believe and continue to believe that all of the decent paying jobs in America are being eroded and being put on a fast track out of the country. Japan came and got the auto industry and it then came back for the technological piece of our other industries and now Taiwan, along with Japan, is now coming for the aerospace and defense industry.

We have a training corporation that retrains the auto workers and the steel workers and the rubber workers that were laid off in the 1970's and the 1980's to place them in the aerospace industry and the defense industry. Well, now on the front page of every newspaper you might pick up, Taiwan, Japan, they are knocking on the door. They want the aerospace piece.

I come here today very troubled because I represent also very proud workers. Many of our workers have worked over 35 years and never been laid off. I had a young lady that was scheduled to come here with me today, but I had set up a job interview prior to getting the call. She is going from a \$15 an hour job and looking at the job market, she could not take a chance and there was a \$7.50

an hour job in one of our other smaller industries and she said, "I must go and try to obtain that job."

I want to give you some statistics, I do not have to perhaps, but some realistic statistics of what is happening in the aerospace industry. As we know there is approximately \$55 billion that comes into this State every year for defense programs. And the major losses of that \$55 billion are mounting. Just to cite you some of the statistics and the dramatic problems of the aerospace industry with plant closings and layoffs, and they are continuing; Rockwell International for instance in 1990 had 38,000 workers in the southland here, in our community. In 1992, we are at 30,800 and dropping.

The Palmdale division closing. That was our space division. The Downey division 2 weeks ago handed the Warren Act to 2,000 workers and they are continuing. We are not even sure that that facility will be there in the months to come. McDonnell-Douglas, one of the larger employers in the southland, if workers from our community are, indeed, able to get a decent paying job, with decent benefit, health care, those are the kind of jobs that they seek. We have trained many young men and women from the projects, the inner city and place them in McDonnell-Douglas and Rockwell, because we are the bargaining agent there and we do have some say so about the rights of that community to work in those industries.

But they are the last to get hired and, of course, the first to be fired. McDonnell-Douglas in 1990 in the Long Beach division alone, and we thought we had security there because we had an awful lot of contracts, so it was a little bit of a luxury to hire into the McDonnell-Douglas industry, we had 47,000 workers. In 1992, 43,000 and 3,000 additional workers were handed the Warren Act notice 2 weeks ago.

There is currently a lot of talk about the deal that supposedly that is being consummated by the Taiwanese Government and the McDonnell-Douglas Corp. Just let me share some of our concerns about the deal with any foreign competitor. First of all, our trading partners protect their shores, and I will not bore you with statistics, how we are not able to put a Ford Bronco in Japan where the Japanese yuppies would like to purchase a Bronco. I own a Bronco and it cost me \$12,000.

If you export a Bronco, a Ford, American made Bronco to Japan, it will cost that Japanese citizen \$40,000. So you see the protecting of their shores is not American bashing. And protecting our shores should not be conceived as Japan bashing. We, as Americans, call on our leadership to take whatever measures that might be necessary, whether it is named bashing, and I am not too concerned about the names any longer. We can no longer have our children graduated from college with no future. We teach our kids that they must go on to school and make themselves able to apply for those better paying jobs, otherwise you will not make it in this society."

We have a preapprenticeship program where we graduated tool and die makers, skilled trades that make up to \$20. They cannot find a job. There are no jobs, not only in that trade. Every industry we represent, every industry in this Nation, I believe, in the private sector and also in the public sector, are calling for cuts.

So then we talk about our streets not being safe. We talk about what is happening to our youngsters. And I am out in the commu-

nity every day that I am in town and going through the community and seeing young women, young girls, and young men standing on the corner, and young, young girls, 11 to 13 to 14 years old, selling narcotics and their bodies in lieu of a job. We, in America, we can do better, and we must.

I know that these three distinguished Representatives we have here are fighters. I know because they have been there with them for a very long time. I have known Congresswoman Waters as a community activist for many, many years. She has been there with us, but it is going to take more than Congresswoman Waters, Congressman Gonzalez, and Congressman Torres to carry this battle because, you see, they did not put us in this condition. So those who had the party, and you and I were not invited, must pay for that party and not at the cost of human suffering any longer.

We, as labor, took on the fight of the green line contracts. Some of you here know what took place there. I just flew back from Washington and had a very bad case of the flu. And when I turned the television on and I heard on the news that they had put the Green Line on the fast track to Japan, I got very, very angry, because just a couple of years ago—we spend quite a bit of money on politics. We took to our members a proposition called proposition C we said, “If you pass this proposition, there will be prices tacked on to a gallon of gasoline that would enable us to have better transportation, clean up our freeways and yes, of course, clean up the environment.

And then the only part we could sell to our members and to the community was there would be jobs created by adding 5 cents a gallon on gasoline. So I got very angry because our good friends down at city hall made a liar out of us. And I was serious when I took that message to our members. So I called city hall and although they had decided to sign the contract and send the work to Japan and had promised that the jobs would be here. There was no way in the world I would have been able to sleep that night if I did not get the attention of those representatives, and we did.

I grew up in labor. I have been in the business over 35 years. And we have been through some tough times. We deal with the toughest industries in this world, and that is the big three auto. General Motors does not have a heart; they have a bank account. So we knew how to get picket signs and a rally down there at a press conference that next morning. We kindly asked for it and when there was some hesitancy, we demanded it and we got that press conference the next morning. And by God, we had hundreds of workers down there and we turned that Green Line contract around.

We had a gentleman join us and he was not one of our members. And he was wearing a sign that said, “An engineer, out of work, unemployed and no prospects.” You see, it is not just blue-collar workers anymore. This economy and this recession and depression depend on how hard you have been hit. It is reaching across with its long arms of all segments of our society.

We must mobilize together as a people, as an American. We can change the course of this Nation. We can change the course of this Nation with good leadership, we must. Do we want to leave a lesser America to our children and grandchildren?; Where debts and

trade deficit is outrageous. We export a trivial of what is imported to this country. We are not asking that Japan stop sending their goods to this country. That would be unfair. What we are asking for is a level playing field.

Japan, open your shores to our products. Let us compete. And we are not able to do that and we are calling on our distinguished leadership to address that issue in a tougher trade piece of legislation. As you talk about the Rockwell, McDonnell-Douglas, and the Teledyne Ryan, that is the tip of the iceberg. Allied Signal Corp., in 1988 had 600 workers and they were basically all skilled workers. In 1992 we have two workers left and the plant will be closed next week. They made spare parts for the defense industry and the aerospace corporations.

Allied Signal, Bendix Oceanic was notified on December 31, 1991 that contract number N, as in Nancy 00019-92-C, Charlie 001, the airborne low frequency sonar ALFS, we know what that is, was being awarded to a team comprised of Hughes Aircraft and Thompson CFS. This sonar is to be supplied to the U.S. Navy by Hughes Aircraft and Thompson, a company owned and subsidized by the French Government, another huge job loss.

I do not know whether we have the luxury anymore to keep exporting our technology along with jobs at the cost of American human suffering. The loss of the sonar contract created the loss of an additional 1,000 jobs in north Hollywood, and in the southland, again to another foreign competitor. Those are the decent paying jobs that create the tax base in America. As you hear, as I have heard sitting here today because I am also interested in finding out where all the problems are and how they are affecting the rest of our economy, when you take the tax base out of any country, you are bound to have cuts in education, you are bound to have cuts in health care. Who is going to pay the cost?

American middle-class workers are the ones who bear that burden. The very poor do not pay taxes. They should not have to, they cannot afford to. And the rich do not pay taxes because they have all the shelters. So as we sit here today and keep continuing to ask and dealing with the situation of health care cuts, Medicare cuts, and as I heard a gentleman before me say that he has no insurance coverage at all. He is 1 of those 37 million Americans with no health care at all.

And you know, part of those 37 million Americans are working Americans with no health care, they do not dare get sick. In 1987, there were 417,000 aerospace workers throughout the country. In August 1991 there are 350,000. Plant closed and continued layoffs. Today the United States does not have a lock on the commercial aviation technology and manufacturing any longer. The Air Bus consortium in Europe has taken the technology and advanced technological in the airline business with new modern facilities, subsidized, and this is key to me, subsidized by their government.

You see that word subsidized and that government kind of have a marriage and it should have. The foreign governments do not sit by and watch industry go under. They provide the technological needs or, indeed, funds to keep those industries afloat. With their new modern facilities and subsidy they have eroded the base of the

McDonnell-Douglas who had the market share of the Air Bus along with the Boeing Corp. in Washington State.

We call upon our representatives, the U.S. Government, to build some type of consortium that will address fundamental and basic needs of our industries. I am a former worker on leave from McDonnell-Douglas. I grew up in the airline manufacturing business, understand it well. We used to have where you have government contracts was a cost plus which, if there was any override, we, as taxpayers picked up the cost. Well, with the priority not being on industry or workers in this country, that is no longer real.

When McDonnell-Douglas decides that they wanted to stay in the business and they should, it is an American industry, provides decent jobs for our community, and they need R and D money to start developing the new program, that is, the MD-12. Those of us who fly the MD-11, DC-10s, know that is a good aircraft. Well, that industry has not been excluded from the bad economic times. They do not have the resources to go out and develop a new aircraft. So here is a company that hires your brothers and sisters and members from our community, pay them decent wages with health care, those fringe benefits that we enjoy are saying, "I need help. I need a partner, but we cannot find an American partner that wants to take the risk."

All research and development on a new project is a risk. All they are saying is, "We need a partner to make sure that we have the necessary resources to begin to develop the new aircraft and compete with the world consortiums." No partner was available. Government did not avail themselves as a partner. The Taiwanese Government heard about this very lucrative deal and they have been wanting to get into the aerospace business for an awful long time. And they thought this is a good shot.

They walked in and they offered to buy 40 percent of the commercial business from McDonnell-Douglas for \$2 billion. Again, all of our trading partners protect their shores. And in offering this deal, they made sure McDonnell-Douglas understood that if they provide 40 percent to them to build the MD-12, and they must do all of the production work in Taiwan. So here again McDonnell-Douglas is consummating a deal between Taiwan that again takes another 15,000 to 20,000 jobs out of the southland.

Again, I call upon government and this distinguished body to take our message back to Congress. Raising \$2 billion is very little. In less than 6 months, with that kind of work force it will more than pay back the \$2 billion and it protects our community. I was just in Washington fighting for national health care and that kind of pieces of legislation that you have been hearing about today, and many of the representatives I met with and tried to discuss some of the horror stories and what is going on in our community they often seem remiss.

The first question came up when we were asking that we get a health care bill passed so that we do not go out to USC and to King Hospital and find our members and our community citizens laying on gurneys for hours and hours without service. The first word out of the mouth was usually, "Where are we going to get the money?" Well, I have run a little short of patience with that kind of a statement and I simply say, "Where did you find the money to bail out

the savings and loans when they stole all that money? Go back to the same well and see if you can dig it up because we will have national health care in 1992. We are going to protect American jobs better than we are doing in 1992.”

I saw workers come from across this Nation when we had the march on Washington in September of last year I have never seen the disabled, the educated, the old, the sick come together for a common cause. Workers in this country have been abused. I hate to see lines of people begging for the same job. We can do better and we must.

I will close by again thanking this distinguished body for allowing me to come before you. We are willing and ready to work with you anyway and anywhere we can. And, again, thank you so very much.

The CHAIRMAN. Mr. Ozuna.

**STATEMENT OF ROBERT L. OZUNA, PRESIDENT, NEW BEDFORD PANORAMEX CORP.**

Mr. OZUNA. Mr. Chairman, members of the panel, I sort of parallel myself with Ms. Jernigan in the fact that I am also in the same industry as she is, except that I am a lot smaller. I am what they call an 8(a) contractor. I have been in business for approximately 26 years but in the government sector only about 8 or 9 years.

Everything that she has said, of course, is possibly the same thing that is happening to me. Obviously, not as large as the same thing that has happened to her but in the same ways and I would like to read a little bit from my prepared statement.

The CHAIRMAN. Certainly.

Mr. OZUNA. Thank you for the opportunity to address this committee and to participate in the panel discussion. By participating today it is my intent to better inform you and, hopefully, your colleagues in Washington, DC exactly how recent world events, including the breakup of the Soviet Union and downsizing of our national defense budget and aerospace industry and present recession, all are seriously impacting American business and their employees.

I plan to use as a working model my company, New Bedford Panoramex. However, before doing so, you need to know something of me and my credentials. As a small minority business owner, I am a second generation Mexican-American. I was born in Miami, Arizona and moved to east Los Angeles in 1940 after my father was killed in a mining accident.

I served in the armed forces for 3 years from 1946 to 1949 and was honorably discharged. After leaving the Army, I worked for 10 years in an electrical company. During this time I attended several adult education classes, trade schools, and night schools improving my skills and business knowledge. I have no formal educational degrees.

In 1964 the company I was working for was experiencing many of the same problems of business throughout the United States that we are facing today. Because they were forced to downsize, I had an opportunity to take over a portion of the work they no longer wanted and started my own firm.

Fortunately, I had a supportive wife and family. With a second mortgage on our home, my family and I began my present business from our garage. I am very proud of my story. As recently as 1987 and 1991, I was recognized by the FAA as the small minority business contractor of the year. Believe me, I am not interested in going full cycle. I am a success story and I want to continue as one.

However, present times are making it very difficult for even the hardest businessman to survive. And without healthy businesses to employ people to increase the gross national product and to pay taxes and fund social and welfare programs, we, as a nation, are in serious trouble. As an example, NBP in 1990 was the largest 8(a) manufacturing contractor for the U.S. Navy, \$20 million was the contract. The past 2 years we have not been able to get one Navy contract.

In 1990, NBP had a business backlog of over \$48 million. Today our backlog stands at less than \$15 million. This means at our current rate, we could be out of business within 18 months. The reason that this information is important for you to hear is that we are sympathetically out of business in the defense and aerospace business throughout the United States. We small businesses are the employers of your constituents. Many manufacturing businesses in the United States have had to downsize as NBP has been forced to due to this past 1½ years.

For example, in 1990 NBP employed nearly 300 people. They were a cross-section of California's work force labor, the blue-collar technicians, white-collar workers, engineers, professionals. Today we hire 160 employees. It pains me deeply to say that we have been forced to lay off so many fine people, hard-working people. From our highest paid engineers earning as much as \$80,000 a year to our minimum wage workers, all have equally felt the sting of unemployment at NBP.

A major problem is that the Federal Government is struggling with change itself. Its indecision and confusion at the highest level of government procurement has made it extremely difficult for American defense and aerospace businesses, big and small, to effectively and economically downsize their own operations. Federal program managers and contract administrators do not know what programs to cut, what programs to salvage, how much to spend or not to spend.

As a consequence, American defense aerospace businesses, big and small, are wasting millions of dollars guessing what programs they should be marketing. As an example, within the past year, NBP has marketed revenue solicited to bid and prepared proposals on 11 separate contracts. The potential dollar value of those 11 contracts was close to \$38 million. If you can imagine the cost associated with marketing and preparing bids for 11 contracts, let me tell you.

It was in excess of \$1 million. Of the eleven contracts we submitted bids on, four were actually canceled outright after we had expended the money and effort to bid. The other seven have been either delayed, several indefinitely. In any event, all of the seven will have to be completely rebid in order to update stale and worthless pricing data. So that was a loss of \$1 million to us, total loss.



The point is that over \$1 million was wasted by NBP. We cannot afford that. Our \$1 million did not produce a single bolt, nut or screw, did not produce a single piece of equipment, advance technology or cure a disease. It did not contribute one penny to the GNP and this scenario is being played throughout the DOD and aerospace industry. As we meet today, gentlemen, this is wrong and it is severely damaging American businesses.

Also as an American contractor to the U.S. Government, NBP was alarmed when it realized that one of the contracts that we lost recently in a competitive bid was to a foreign corporation. So what she says is extremely true. That is going on throughout the industry. We, as a company, are required to submit bids based on a buy American policy. However, to compete against foreign companies who are not similarly restricted is not fair. I believe it would be appropriate to establish a 3- to 5-percent preference for a company that manufactures a product using exclusive American products, parts and components.

If there is anything that can be done at the Federal level, it must be to understand and support that fact that there exists in the United States a national network of city, county, and State governments who are trying to operate their respective entities in the black. The primary money generating engines available to drive all the necessary programs that those entities support is business. In California 89 percent of all businesses are small businesses.

We can no longer cripple small business. We need to be innovative and creative in making capital reasonably available to small businesses and protect against burdensome, unreasonable, and unrealistic regulations that inhibit good business management. Thank you.

The CHAIRMAN. Thank you, Mr. Ozuna, very much. Mr. Ledo. I hope I pronounced your name right.

Mr. LEDO. It is Ledo.

The CHAIRMAN. Ledo.

Mr. LEDO. Actually, it is Polish. My grandparents—

The CHAIRMAN. Yes. I figured that. I had to learn English so I still have a tendency to pronounce Spanish. Your name would be Ledo and I did not pronounce it properly, I apologize.

#### **STATEMENT OF MICHAEL LEDO, LAID OFF PRODUCTION MANAGER, TITAN INDUSTRIES**

Mr. LEDO. I have prepared a short statement covering four areas it was suggested you might be interested in, how the recession affects me and HAZMAT training I just received, what I think can be done to help and my hopes for the future.

Since May of last year, I have been looking for work with no success and very little response. I have used up what savings I had and all the severance and vacation pay that I had accrued. I am now using money from my retirement fund to pay mortgage and other bills. I can no longer afford health insurance and should I have to use up all my retirement funds, I will not only lose my house, but also my wife and son, who operate a family day care, will no longer have a base for their business.

By October of last year, I had to assess my chances of finding employment in manufacturing as a manager is slim based on the number of unemployed in this sector and my lack of a college degree. While I gained experience working with regulations in 29, 40, and 49 CFRs and other corresponding State regulations, I found I lacked some of the training and certifications required.

I felt this training necessary in order to make a cross-over into environmental safety and management where my knowledge and experience could be put to use. It was around this time that I was contacted by UAW-LETC about the HAZMAT training program at West Los Angeles College. I found I learned much from this intense training program and it was beneficial to be instructed by people who were involved in enforcement and compliance of regulations.

I believe that there is a need for more training programs and we need to identify industries where there is a demand or need for training for a trained work force. We need to provide training to workers in aerospace, automotive and other troubled industries and we need to provide some incentive for industry to use their workers, because all the training and knowledge that has been gained is of little value if it cannot be used.

One of the major obstacles that has limited many of the participants in this training is a lack of a college degree. Are we such a degree oriented nation that training and experience without a degree has so little value?

As to what I feel can be done to help, first of all, waive the penalty for early withdrawal of the 401K plans. I feel that not having these funds available when I retire is penalty enough. Second, look for experience and training as criteria for hiring people not age or lack of a sheepskin. Third, set up a temporary agency to help medium sized companies comply with regulation and train employees. These companies cannot afford to have a full-time employee dedicated to this task. This would create jobs, help industry workers and the environment.

My hope for the future; I remain optimistic for I feel the training that I have received at West LA College and the continuing assistance from UAW-LETC in tracking down leads will soon have me back to work. Finally, let us stop being Democrats and Republicans and let us just be Americans and get this country back going again. Thank you.

The CHAIRMAN. Thank you very much.

Ms. JERNIGAN. I am going to ask to be excused. I have an urgent meeting I must be attending.

The CHAIRMAN. Does anyone have a question before Ms. Jernigan leaves?

Ms. WATERS. No.

The CHAIRMAN. Thank you so much.

Ms. JERNIGAN. Thank you so very much.

The CHAIRMAN. Thank you, Ms. Jernigan. Mr. Collier.

[The prepared statement of Mr. Ledo can be found in the appendix.]

**STATEMENT OF REGINALD COLLIER, UNEMPLOYED AEROSPACE  
ENGINEER**

Mr. COLLIER. I would like to thank the committee for inviting me here.

The CHAIRMAN. Excuse me, does anybody have a question for Mr. Ozuna?

Mr. TORRES. I have no questions.

The CHAIRMAN. OK, if I have one I will send it in writing to you in time to answer for the transcript. You will get a copy of the proceedings for your review. I do not know if you have any questions.

Ms. WATERS. I have some 8(a) questions but I will send them.

The CHAIRMAN. Sorry you have to leave, because you said you had received no 8(a) contract in the last year.

Mr. OZUNA. The last 2 years.

The CHAIRMAN. Last 2, OK, we will follow through. Mr. Collier, thank you. Sorry for the interruption, Mr. Collier.

Mr. COLLIER. I would like to thank the committee for inviting me. I would just like to say I am a laid off engineer. I have been with Rockwell for 10 years. I was laid off on February 19. Currently, I have been unable to find employment. I am a product of the Los Angeles School District. In fact, I started in Nickerson Gardens, which is considered a place where many people are hopeless but I found out that there was hope and opportunity in spite of where you start.

True, most engineers are in the upper income bracket and I guess they tend to get less sympathy than the average individual would when they are laid off. But the fact is that they still have a lifestyle that they have made some sacrifices to attain. And once they have attained this lifestyle, they do not necessarily want to dispose of it. I do consider other types of work. I am considering the Sheriff's Department. I have considered substitute teaching.

So it is not that I am looking for a handout or anything. The point I would like to bring up is that the manner in which I was laid off seemed to be a bit inequitable because I was notified on February 19 that I was to be laid off and had 4 weeks severance pay, but I was to clear off my things within 1 hour. I discussed this with management and was told that because of a management letter that had come down, even though there was a budget in my particular group, I was being released and I was the first one being released. And I questioned the fact of my being released at that time, not that I would have questioned being laid off later on, but there were workers with less seniority and there were workers with more seniority and lower skill levels and higher skill levels.

And the question that I'm dealing with psychologically is there is a sacrifice made by any individual to become an engineer. And after that is done, you do not just quietly go away when that opportunity has been robbed from you in an inequitable manner. I think that I voice the sentiments of a number of minorities at Rockwell that feel that they have been chosen or front-loaded to be laid off prior to other individuals.

I still say that I question and I have had other members of Rockwell that have noticed other minorities in the professional ranks that have been released while people with less training and so

forth have been retained. Currently, I am not in a position to need health care because my wife also is a professional in this field who works currently at McDonnell-Douglas, but I just think the fact that layoffs are being conducted in a manner that does not seem fair because you will notice certain communities seem to be affected by the economics of the times more so than others. I would just like to see that it is balanced because if it is not practiced in an equitable way the majorities will not realize what is really going on until it hits them further along down the road.

Thank you.

The CHAIRMAN. Well, thank you, Mr. Collier. I am going to defer to Congresswoman Waters. I am sure I will have questions a little bit later. I have only one question for you, Mr. Ledo. Is your house fully paid for or do you have a mortgage?

Mr. LEDO. No, I have a mortgage, yes.

The CHAIRMAN. Is it an FHA mortgage?

Mr. LEDO. It is a Veteran.

The CHAIRMAN. Pardon?

Mr. LEDO. I got it through the Veteran, as a veteran.

The CHAIRMAN. Oh, Veterans.

Mr. LEDO. Right.

The CHAIRMAN. Well, of course, the reason I ask this is that the Veterans Housing Program is not in the jurisdiction of the Housing Subcommittee or the Banking Committee, believe it or not. However, we do have FHA emergency mortgage assistance. It is an act that we passed in 1979. Our fight has been to convince the administration officials to make use of it and fund it a little better.

I think if they had, there would be at least 100,000 American homeowners that would still have their homes. That is why we enacted the legislation in 1979. In 1983, I put together what I call the Emergency Homeowners Mortgage Assistance Act to take care of similar situations except those that were associated with conventional mortgages. You don't realize the party divisions. In 1983 it was not perceived, even though statistics showed that in cities like Pueblo, where the steel mill was closing down, we were getting over 100 repossessions a month. Similarly, in Pittsburgh, the incidence was 3 percent on foreclosures which topped the Depression era.

We were able to get it out of the subcommittee on a strictly partisan vote, I regret to say. We got it out of the full committee, and I was not chairman of the full committee then, on a partisan vote and we finally got it out of the House of Representatives by 15 votes on May 12, 1983 on a strictly partisan basis—in fact, we lost some Democrats. We went over to the Senate where they did not even have a hearing on it, and it died.

I still think that at least 100,000 homeowners could have been helped. It was, roughly speaking, a restoration or a revival of the Homeowners Loan Corp., type of approach that was used during the Depression. The Congress, at that time, had faith in the American people, especially the homeowner and it worked, it worked beautifully. Now, you could not have had a worse situation as far as unemployment was concerned than then in the thirties.

But when it finally closed down, about 1940, 1941, it paid the Treasury over \$300 million, that would be tantamount to about \$1

billion plus dollars today. So, you know, it worked, but we could not swing it and today it is difficult to get that type of emergency homeowner mortgage assistance for the conventional mortgage, but we do have the FHA. FHA goes back to 1979 after we had gone through a dip and had the first substantial loss of homeownership.

It has been very difficult to persuade the administrators to make use of that proviso under the law. I do not know about veterans because we do not have jurisdiction over veterans housing. It may be very possible that there is a similar provision in veterans housing. Now, your Congresslady belongs to the Veterans Affairs Committee which has jurisdiction over veterans housing. So they may have some kind of emergency assistance program.

Ms. WATERS. I do not know.

The CHAIRMAN. OK, well, I will defer to Mr. Torres.

Mr. TORRES. Just a quick question. I notice that both gentlemen cited, Mr. Ledo, you talked about UAW.

Mr. LEDO. Yeah, UAW-TC. I do not believe it has anything really to do with the United Auto Workers. It is a training, I think it is a nonprofit organization that, with the help of industry, has set up this training program for out of work aerospace workers.

Ms. WATERS. It is UAW.

Mr. TORRES. It is UAW.

Ms. WATERS. It is, yes.

Mr. TORRES. They are the general contractor for the program in consort with the industry. But I wondered, when you cited that, then you must have been a production worker?

Mr. LEDO. I was a, well, production manager.

Mr. TORRES. Oh, you were not part of the bargaining unit?

Mr. LEDO. No.

Mr. TORRES. I see.

Mr. LEDO. Well, I signed on as an electronic technician and then worked my way through a manager test in production and some hazardous materials. When Titan had declared that they were closing the facility here and moving down to San Diego, to the facility that they received there, UAW came in as part of the Warren Program and interviewed all the employees they were about to lay off.

So when this training program came up, they went and searched the records to find out if there was anyone who had experience in that area or would be able to go and make use of it. And so they sent me a letter to attend a workshop and I took a test and actually, I was in the second group that they trained.

Mr. TORRES. Mr. Collier, were you a member of the bargaining unit at Rockwell?

Mr. COLLIER. No, I was not.

Mr. TORRES. You were considered a part of management?

Mr. COLLIER. No, just a member of the technical staff.

Mr. TORRES. I see.

Mr. COLLIER. A technical worker.

Mr. TORRES. But you had no bargaining unit to protect your rights or anything?

Mr. COLLIER. No, I did not.

Mr. TORRES. I have no further questions, Mr. Chairman.

The CHAIRMAN. Ms. Waters.

Ms. WATERS. Thank you very much. That program is a UAW jointly operated program. It is pretty good and it is one that we have attempted to use in Project Build and we are able to get a few people through from time to time.

It appears that the training that you received is a kind of training that would be useful in our OSHA Program in the State of California. And we have always, in the years that I worked on the budget there, we were always unable to fill those positions because people were not trained. Have you looked at OSHA?

Mr. LEDO. I have not actually looked at OSHA. Like I say, we had a lot of people from the regulatory community. We did not have anyone from OSHA to give us any of our training, but the majority of the regulators, whether it is the Department of Health, Sanitation, Water, Fire Department, just about all of them, the first requirement that they had was a degree, BS in some cases, MBA or MA, doctorate.

Ms. WATERS. As I remember OSHA, you can substitute experience for college requirements as I remember it, because it was so hard to find people. And we went without inspectors for many years in industrial relations.

Mr. LEDO. Well, based on my attempts on occasions when I was trying to contact them and was not able to, I would probably attest to that, yes, they did not seem to have enough people and that is one area that I will look into.

Ms. WATERS. Would you please?

Mr. LEDO. Yes, thank you.

Ms. WATERS. We could use them. Our workers could use inspectors and as long as we cannot find them, then those who do not want to see them get away with not having to have the coverage for our workers that are needed in the work place, so I would urge you to do that.

Mr. Collier, I will not get into all of your testimony here except to say what you did today was allude to the fact that there may be a problem in the way the layoffs were done, that perhaps, seniority was not taken into consideration, that perhaps people were targeted. If you want to explore that with us, we will be happy to do that. And I would ask here in California, my colleague to join me in looking at that for you and for all of the employees who may feel that they are in the same position, because even in tough times, people must be fair.

We do have some discrimination laws on the books and we will pursue that with and for you and on behalf of those employees who feel that there is a problem.

Mr. COLLIER. Thank you very much.

The CHAIRMAN. Thank you very much, gentlemen. We wish you well in your future endeavors. Our next panel, listed panel, is Ms. Gilda Haas, the director and founder, Communities for Accountable Reinvestment, Ms. Robin Cannon, member, Concerned Citizens of South Central Los Angeles, Gregory Span, owner and manager, 27th Street Bakery, accompanied by Jeanette Bolden, Clyde Johnson, president, Black Employees Association, Los Angeles County.

This panel deals with the effect of bank mergers on the California economy. Well, Ms. Haas, thank you very much. I guess you recognize Mr. Jake Lewis, a long time staffer. He was reminding

me that because of your work and your advice to us, we intervened with the Federal Reserve Board and requested an extension of time for filing protests which they did grant. But thanks to you we were alerted of this problem.

We also raised questions as to the objectivity of Alan Greenspan and the Attorney General's office in respect to the merger, the Attorney General's office from the standpoint of antitrust. It is an ominous merger in that if and when the merger goes through, 50 percent of the credit resources in the State of Washington alone will be controlled by that merger, better than 50 percent. That is too much.

But we are living in a day and time when all of the laws that have been forged over the course of decades have simply not been enforced. We have just swept aside antitrust laws and the like, but most damaging has been our abdication of judgment. Banks originally were chartered for public need and convenience. That was the basic reason and that was the basic statutory intent. It still is part of the purpose. However, we have gotten away from chartering and moved toward mergers and the regulatory statutes allowing concentrated banking.

What we are seeing is the danger of over two and a half decades of negligible public interest of how we have set aside those laws that were the result of many, many years of congressional effort. I thought I would say that as a preliminary and thank you for the great work you have done in keeping us informed and enabling us, therefore, to react. We will recognize you first, Ms. Haas.

**STATEMENT OF GILDA HAAS, DIRECTOR AND FOUNDER,  
COMMUNITIES FOR ACCOUNTABLE REINVESTMENT**

Ms. HAAS. Thank you. I want to thank you for helping us get that extension in time and what I am going to present today, and Congresswoman Waters, of course, as well, as some of the research we have been doing with that time. I hope you feel it will be worth it.

In Los Angeles, there are so many issues that cause concern about the merger, the tremendous layoffs, the decrease in services to the branch closures, even the fact that the merger is going to loosen up millions of square feet of office space into a hugely glutted commercial office market, are causes for concern. We have concerns about the way in which the banks are employing the Warren Act, but our coalition, the most frightening aspect of the merger to Communities for Accountable Reinvestment, is the prospect that these two banks, which have historically and are currently red-lining and disinvesting into our communities, are going to have more power in the marketplace.

And in order to really get clear about what we are talking about, what I would like to do is walk you through some of our research and some of the charts I have handed out to you with our testimony. In the back there are about 10 charts. And I am trying to make it clear what the Los Angeles lending market looks like, how Bank of America and Security Pacific distribute loans over that market and how this compares with other lenders. We have done a bunch of studies.

And so if you could look at this first chart. It is called figure 1, what we did is we did one study. We tried three different ways of trying to define what the Los Angeles lending market is. The first thing we did is, we looked at all of the loans made by all of the lenders. We looked at one to four unit mortgage loans, Home Mortgage Disclosure Act data, to see what is out there, what people are doing. This is a very conservative definition of the market. It is only loans that were made. So that is the first thing that we did.

We looked at the entire Los Angeles County lending patterns for 1990. We came up with about 67,000 mortgages and then we tried to look at what is Bank of America's and Security Pacific's market share in those markets and how does that play out over submarkets, divided by racial characteristics and divided by income characteristics. So if you look at the very first chart in the back of the testimony, figure 1, what you can see is that when you look at income, if you look at census tracts broken down by income in three categories, low, moderate, middle and upper income, you see Bank of America and Security Pacific's lending patterns go down in a straight line; the lower income community, the less loans, the higher income community, the more loans.

We used as a comparison Great Western Bank. We need to show people that it does not have to be this way. And Great Western Bank happens to be one of the largest and healthiest banks in the western United States. So we used them as an example. We also had good experiences with them. We knew that they were lending in minority communities. On figure 1 you can see Bank of America and Great Western have equal shares of upper income communities. Each of them has a 9-percent share of upper income communities, but when you get to the lower income communities, Bank of America's share drops way down to 3.5 percent. Security Pacific's drops way down to 1.3 percent and Great Western's goes way up to 24 percent.

There is an alternative way to look at lending in our communities. On the second chart we did the same thing except we broke down the communities, the census tracts by race, by the concentration of minority concentration and census checks. When you look at Bank of America's tract again you see the same pattern, the whiter the community the more loans; as the community becomes increasingly minority, the less loans. Great Western, again, you see the opposite pattern. One reason for this is another definition of our market.

We looked at what loans are out there, but what people are out there. In this MSA, in this county, 60 percent of the people are people of color, according to the 1990 census check. So if you are Bank of America, you have to work hard to get figures like that. If you are looking for white affluent people to lend to, you heard all these people testifying here, you have to beat under the bushes. The demographics are not there in the county. The circumstances among white middle-class people are not such that they can afford these larger loans that they are giving out.

So here we are in our figure 2, 11 percent of Bank of America's lending in these housing loans is to white, primarily white census tracts with less than 10 percent minority in them. They only have a 6.6 share of the housing market here. Eleven percent goes to



white. It drops down to 2.7 percent in 80 to 100 percent minority tracts of which there are many in Los Angeles County. It is less than a quarter of their lending in white communities.

Figure 3 just shows you the demographics. So the only thing that we did, this is a much more objective definition of the market. We are talking about one to four unit loans, where are the one to four unit buildings in the marketplace. That is much more objective than the loans. So what we did here is we looked at where are the buildings by census tracts, by income, and also later on the next chart, by race. And although I am not a proponent of any invisible hand theories, the data comes out that there is a remarkable correlation between where the loans go and where the buildings are.

Now, what does that say about Bank of America and Security Pacific? What this does not say is that some people pay more for loans because this includes all of the mortgage companies, everybody who reports the Mortgage Disclosure Act data. On figure number 5 you can see that there is even a fairly good correlation between the racial distribution of building and census tracts and where the loans go until you get to the census tracts that are 80 to 100 percent minority and there you will see whereas there is 90 percent of the one to four unit buildings are in these census tracts only about 12.5 percent of the market's loans go there.

But this disparity is nothing compared to the disparities in the lending practices at Bank of America and Security Pacific. So we continue our study now, using as the standard of the market, where are there places to make loans, where are these buildings? On figure 6 you can see 27 percent of these buildings are in low- and moderate-income neighborhoods. Twelve percent of the loans made by Bank of America and 13 percent by Security Pacific go to these neighborhoods.

If you move over to the right, when we are in the upper income census tracts, where 30 percent of the buildings are, the lending jumps up to 45 and 46 percent. The following page we see the same gaps by racial characteristics census tracts. Eight percent of the buildings that we are studying are in the overwhelmingly white census tracts of less than 10 percent minority, 18 percent and 19 percent of Bank of America's loans go there.

When you go to the other side, looking at 80 percent minority census tracts in our Latino and African-American communities, 19 percent of the buildings we are studying are located there, the lending drops down to 5 percent of both of those banks' allocations within their own institutions.

When we are talking about community reinvestment, one of the things that we are talking about that we have to look at is the flow of cash into the communities. That is what people are talking about. So instead of just looking at the number of loans, we also looked at what is happening to the dollars, how much dollars are coming into our communities? How much dollars are going out of our communities, since we have deposits in these banks? Again, we are looking at, on figure 8, 27 percent of the buildings are in the low- to moderate-income census tract. Only 6 and 8 percent of the loan dollars are going to those census tracts by Bank of America and Security Pacific.

And in the affluent areas, where 30 percent of the buildings are, the loan dollars jump up to 63 percent of the allocation within those two banks. This is unacceptable. Again, looking at the racial distribution of lending, 8 percent of the buildings we studied are in the overwhelmingly white census tracts, 32 percent and 35 percent of the loan dollars of Bank of America and Security Pacific are in those areas. Nineteen percent of the buildings are in 80 to 100 percent minority communities. The lending dollars drop down to 2 and 3 percent of the loan dollars that are made by those two banks.

To show that one of the things that anybody will tell you is one of the reasons for this is when you are making loans, one of the things that bankers and other people will tell you, "Well, of course you are going to have more cash going into affluent communities. We are making home loans. The houses there cost \$1 million. The houses in south central cost \$125,000." There is no law that says you are not allowed to make more smaller loans in low-income communities. There is no law that says that you have to make equal number of loans, particularly when you see what the marketplace is.

So I want to show you, again, what happens when a bank's lending patterns are consistent with what is out there in the market. And, again, I am using this very healthy, very established, large bank, Great Western, to show you what it looks like. Here on figure 10 you can see in the areas, in the low- and moderate-income neighborhoods where 27 percent of the one to four unit buildings are, Great Western puts 29 percent of its dollars. In the areas that are middle-income neighborhoods that are 43 percent of where the buildings are, they put 46 percent of their dollars.

The only disparity there is that they do a little less in the affluent areas than maybe they should be, because there is 30 percent of the buildings there and they only get 24 percent of the dollars. Here is a pattern that is entirely consistent with our market and that is entirely consistent with the Community Reinvestment Act. If you look at figure 11, you see they have very, very consistent figures with the racial makeup of our communities in Los Angeles.

So this is what we are afraid of is that, with this merger, that we are going to have more of the patterns shown by Bank of America and Security Pacific and less of the patterns shown by Great Western, because they are going to have a much larger market share. We are asking you to help us, please, to make sure that there is some kind of plan to correct these problems before this merger goes through. After the merger goes through, it is too late. Nothing is going to happen if the merger goes through.

There are a couple more points—I know you have really had a long day—that I would like to make about our relationship with the bank merger. One of the things that people are concerned about is branch closures. We are concerned about layoffs. We are concerned about branch closures. One of the things Bank of America has told us is, "We will not create," they used very clever language actually, "any new underserved communities due to the merger."

I would like to submit to you that maybe it is a little too late for that because they have already done it. If you look at figures 12 and 13, we looked at the branch closures by income of the census

tracts and by the race of the census tract by Bank of America and Security Pacific between 1980 and 1989, and Robin Cannon is here, she is going to be speaking about her community. Her communities do not have any banks in them anymore and Bank of America was the last bank to turn out the lights in spite of their protest and the support of the entire community.

Between 1980 and 1989 Security Pacific closed 21 branches, this is just in the city of Los Angeles, it is not the whole county. Bank of America closed 30. Seventy-one percent of the branches that were closed by Security Pacific were in low- to moderate-income neighborhoods. Sixty-seven percent of the branches that were closed by Bank of America were in low- and moderate-income neighborhoods and 52 percent of the branches closed by Security Pacific were in neighborhoods that are 80 to 100 percent minority.

It is a little too late to talk about that we are not going to create any more underserved communities. What we would like them to do, and they have an opportunity to do this, because they are consolidating, they are moving money around, they are moving people around, is that they can open up branches in underserved neighborhoods. They can reopen branches in the neighborhoods that they have created as underserved neighborhoods.

There are a couple of other things real quickly. We are doing a lot more research on this and I will just mention it briefly; one of the things that goes on when you underserve neighborhoods, is that those communities become starved for credit and in south central Los Angeles and in east Los Angeles, there are loan sharks out there. There are equity ripoff guys out there that are the only alternative that people have. And what is occurring is a kind of urban strip mining economically.

These guys are coming in here, preying on the neighbors that are ignored by Security Pacific and Bank of America, taking the equity out of the communities and, to add insult to injury, we found out that Security Pacific is one of the prime lenders to these guys. OK. We are doing more research on this. We will have more research on this but we do not need these banks denying our communities credit and then standing out there as vultures supporting the guys that are ripping our communities off. Thank you very much for this opportunity.

[The prepared statement of Ms. Haas can be found in the appendix.]

#### **STATEMENT OF ROBIN CANNON, MEMBER, CONCERNED CITIZENS OF SOUTH CENTRAL LOS ANGELES**

Ms. CANNON. My name is Robin Cannon and as Gilda said earlier, I live in a neighborhood where we do not have a bank branch for at least a 3-mile radius, Bank of America being the last to leave our community.

And in fact, the Bank of America that left our community was a branch that I was banking at. And at the time when they decided to close they did not give us any notification; less than a month from closing their doors did we find out.

And it gave us an opportunity to sit down with Bank of America and negotiate some products, some products that put more of us

into the home loan pool, some products that a lot of people alluded to earlier when they talked about HUD Programs not giving enough money, FHA and so forth. Well, we talk about programs whereby you need less than a 10-percent down to qualify for housing, and no points and no closing costs, those types of programs were negotiated as a result of Bank of America leaving our community.

But I will say when Bank of America left our community, what sprung up was even more check-cashing establishments and cambios all throughout our community. These check-cashing establishments that exist in our community charge from a low rate of 1.5 percent of whatever the check is and as low as a 50-cent service fee for those checks that you cash there and as high as a 6 percent with a service fee of \$3. And even though a few of them are free, a lot of times they do require that you purchase some groceries at the store where you get that check cashing service or they give you a \$5 coupon as a result of that.

And in our communities we have a seven to one ratio of check-cashing establishments or cambios throughout our community. And while these places do provide a service, it is at a high rate and it does not provide access to other services that are much needed in our community, and some of these services being, of course, loan services, whether they be personal, residential, or business. They also do not provide an opportunity for people to save or invest money or the opportunity to have a place to store valuables such as safety deposit boxes.

And when I talk about the access to credit, which is really key in our community, when you do not have that bank branch there, they do not do a very good job of marketing in our communities. So once you do not have that bank branch there to walk in and see that they have a home loan product or a business loan product or whatever, you no longer know what is happening in your community, you no longer know what you have available.

So it really limits us in a major way because, as a result of that, we do not apply for the things that are available to us. And when you talk about business loans and those kinds of things, when you do not create that new business or do not expand that existing business, you talk about job loss in our community. And so these are other factors that really bring about the severity of the loss of the banks in our community.

And while on the subject, I would also like to say I have some major concerns about Bank of America, since meeting with Bank of America on Thursday, to discuss how they go forward with this merger. And a coalition CAR that my organization is with, we have just negotiated some banking products from Security Pacific Bank and some of which are even better than ones that were previously negotiated with Bank of America.

And I have a real fear that Bank of America will not follow through on the commitment that Security Pacific Bank has given us. And it is really clear to me that in negotiating a low-cost checking account product with Bank of America, and a home loan product with Bank of America previously, that Bank of America did not do its job in marketing those products. So as a result of that, after coming to the coalition of CAR, we worked hard with Security Pa-

cific Bank to develop a marketing program and to work with the marketing of the products and to monitor the products. You know, we set up a monitoring mechanism and so forth.

And after meeting with Bank of America on Thursday night, I am really not clear that these products will really go forward. The attitude of the bank was really not clear and so it is a major concern that I have about the merger.

And then also after reading Saturday's paper, whereby it stated that Bank of America will have a huge market and an unfair share of the banking market, and they are talking about the need for Bank of America to close even more branches in order to make that market share a little bit more fair, and there is a real fear that Bank of America will close even more branches in my community.

So given those two things, I really think it is very clear that it is an uncomfortable situation for us in the community where I live.

**STATEMENT OF CLYDE JOHNSON, PRESIDENT, BLACK  
EMPLOYEES ASSOCIATION, LOS ANGELES COUNTY**

Mr. JOHNSON. My name is Clyde Johnson. I am president of the Black Employees Association. I would like to thank the panel for allowing me the opportunity to address a concern that I think is very important, at least to Robin, to Gilda, and to me, who serve on the coalition for Communities for Accountable Reinvestment and that is establishing a community development credit union in south central Los Angeles.

Before I do that, let me just mention something about the merger, because I had an opportunity a couple of weeks ago to testify at the Federal Reserve Board against that merger. The merger, to me, simply represents two evils getting together to make it right. If we look at the track record of both Security Pacific as well as Bank of America, it does not deserve the support of this Banking Committee or any self-respecting person as related to the racist practices of lending and red-lining of south central Los Angeles.

One of the studies that we did in the last year, and that includes the target area and I will give the boundaries a little later on of the proposed credit union, is the lending practices of both banks. It seems as though roughly about \$631 million was received from depositors from pretty much south central Los Angeles. Only of that \$600 million, \$30 million was loaned back into the community in terms of home improvement loans as well as home equity loans. So what really happens here is a net of \$600 million has left our community. Now, where did the \$600 million go?

Essentially, apparently it did not go back into the community. It went to subsidize probably some more affluent communities. It is just that the poor in Los Angeles here are subsidizing the rich communities in Los Angeles.

To the credit union; for the past 2 years, including Gilda, Robin, and myself, and about 13 individuals and about four organizations have been organizing a community involvement credit union, primarily in response to the closure of branches, particularly the branch Robin mentioned in her area, the Bank of America branch which served south central Los Angeles. They scream south central

Los Angeles is one of the poorest sections of Los Angeles, as well as you know, in your district. I believe it was in your district. I am not sure. I mean, it could have been in yours, I'm not sure. I am sure you are aware of it.

But including that closure, we simply decided to get together and see what are the alternatives to a bank closure? Why not have a community development, reinvestment community where, in fact, the money that is derived from the cooperative effort of that community would be put back in the community for reinvestment? Therefore, there is no profit. One of the problems with profit and red-lining is that that is paying some profit by the banks, it is not supposed to do that, who can decide that a community, based upon anything, in this instance pretty much the black community, it could be age or any number of factors, immigrants, can decide to red line, without allowing people in that community who put money in the bank, is to plow all that money back to reinvest in approved home loans, to get small business loans or send children to college or any number of other kinds of thing that the credit needs of the community can fulfill, had in fact, the money was being lent but for discrimination.

Red-lining is just another way of saying one of the most racist acts, discrimination against people who qualify. One of the things that the data has shown that even if you are an affluent black, happen to live in an affluent area, you also think you made an escape, but you did not, you are also disproportionately denied lending institution's money. The record is clear on that, of those people who think we have made it and got outside the community and many of the upper class, no longer have that problem, but they do.

In the last 2 years we have achieved support of a number of organizations in the community including just about all of the elected officials, in terms of building the credit union. I will go through just a few of them; Graham Moore, she is a member of the California Assembly, Councilman Danny Table, Councilman Englewood, Cecil Murray, he is a senior pastor for the First African Episcopal Church, Rev. Carl Bean, he is the chief executive officer for the Manilla Aid project, Marva Smith Bower, who is the president and executive director of one of the sponsors for the credit union, Juanita Tate, executive director from Robin's organization, Concerned Citizens, any number of other organizations including Reverend Higgins who is the, I believe, president of the Baptists Minister's Conference who represents something like 600 churches in Los Angeles, Bishop Lynn Brown, he's the presiding bishop of the Light Episcopal Church, Bishop Robert McMurray, Cynthia Diane Watson, Councilwoman Marguerita Thomas, Marna Gibbs, Bob Ferrill, Councilwoman Jean Dixon, Whitman Mayor who is, I believe, assistant director for Crossroads in my Family, Councilman Nate Holden, Charles Dixon who was named the president of the Links and Bar Club, Senator Bill Green, and Congressman Gus Hawkins.

These are just a few of the people that support the credit union, who have written letters and I will submit these letters to you later on, documenting the need for the credit union, all of them saying essentially the same thing, you know, "We need this kind of

organization in the community. We need an organization that we have some control of, whose people come from the community, who represent us, are people with integrity and people of the community."

Over and over this is the tone, people from the Black Business Association, to fraternity groups, sororities, my organization represents something like 6,000 county workers. We have roughly a quarter of those people have placed a payroll deduction to put money into the credit union.

Even in dealing with the banks, Security Pacific, Bank of America, I believe Union Bank, Wells Fargo, because I think we have kind of in a way shown them a way that they can meet that community's reinvestment needs, have agreed to put some money into the credit union. But beyond that, it is our goal that each and every business in the black community would some way invest some money in the credit union.

I could go on and on except that just very recently, let me get precise on this, we submitted our application for approval on January 14. We were fortunate, we got our rejection letter on February 7. Now if you have been a member of the Banking Committee for a long time, you must be aware of the reputation as we are when we first got into the credit union business, of the regulator of the master credit union administrator, Walter Brian.

Two years ago we had a talk with him, I believe, in Santa Cruz, I think. We were told that Mr. Brian had been transferred from the east coast and they were happy to see him come on the west coast because they were glad they could get rid of him. So, it was not unexpected that our application from that body would be denied. One of the primary reasons, I think it was denied, and I will wait for Ms. Waters's attention here because I think she will probably object to this.

Ms. WATERS. What is that?

Mr. JOHNSON. I was saying that one of the reasons why our application was denied because Mr. Brian indicated that south central was not a community. It had nothing in common. It also questioned the viability of the credit union being profitable. Now, essentially what that really means, a kind of code word, that black people cannot manage money, particularly large sums of money.

That has been the theory, the theme since we have been in the organizing process. We have submitted our business plan to the California League which approved it, the Master Credit Union Association, which approved it. Burnett and Vest Legal Arm, as you know it is a large law firm here in Los Angeles, they went over through it with a comb. We submitted the application and business plan to the Arthur Anderson CPA firm, which I understand is one of the large ones in Los Angeles.

Everybody went through it and struck out the parts that they found objectionable. So the version we submitted, we felt it had been through the best, the brains in the so-called lending institutions that there exists. We also had this plan gone over by Security Pacific, credit union division. They found it acceptable. But in spite of that fact, we have the rejection from Mr. Brian, not unexpected as I stated, who is the national credit union administrator for region 6.

If anything, we would like to see from the Banking Committee a recommendation, no, I will give you the whole thing, you can have your own staff take a look at it, that this credit union of south central Los Angeles be chartered.

Ms. WATERS. What was the reason for rejection, Mr. Johnson?

Mr. JOHNSON. Two reasons, primarily. One is the south central Los Angeles, and again I indicated earlier and I did not do that, the boundary is essentially from the east Alameda to the west as far as LaBrea, on the south as far as Imperial and the north Santa Monica Freeway. Essentially, it represents a little over 600,000 people. He indicated that it was not a community. And over and over in our documentation, we address that issue whether or not it is a community.

And even though the stats are changing, roughly about 67 percent of the people in that area are still black, even though we are experiencing increased Latinos in that area. Even those blacks that have moved out of that area still come by.

Ms. WATERS. I am sorry, what are you saying? Are they saying there is a definition of community and you do not meet—

Mr. JOHNSON. What he is saying, according to Congress, and again, you can look at your own regulations, that this particular area does not meet the definition of a community. And we have not been able to find, you know, that the interpretation—the interpretation is his interpretation, it is an extremely narrow one. I have had the attorneys look at it. They do not agree with his definition of what is a community.

As you know, even those black people who move out of the community, the membership includes—

Ms. WATERS. I will take a look at that. I just do not even understand what you are saying. I have belonged to Westminster's Credit Union for 20 years now, in the community. I helped to start that credit union.

Mr. JOHNSON. I belong to Westminster Credit Union also, you know, and I believe I never lived in Watts. You know, so I am saying but these are the reasons given. The other reason is it is too ambitious, our plan is too ambitious, that we could never achieve our goals. Again, to me the code word is, I believe, black people cannot manage money. And that is the common theme at the banks.

The banks tell me, "How dare you go about organizing a credit union of this size? You cannot manage any money like that." My response to them is very simple; "If I was a savings and loan administrator, even if I intended to steal money, I could not have done any worse job than they did." I would have to try very hard and that is honestly not my intention. Thank you.

**STATEMENT OF GREGORY SPAN, OWNER AND MANAGER, 27TH STREET BAKERY; ACCOMPANIED BY JEANETTE BOLDEN**

Mr. SPAN. Chairman Gonzalez, Ms. Waters, and Mr. Torres, it is a pleasure being here. My name is Gregory Span. I represent 27th Street Bakery. We are a pastry company. We specialize in sweet potato pies. We have been established at this location over 30 years.



One of the factors that we specialize just only in one particular item because of the pastry market has gotten so complex and so competitive so we went into the specialty market. We realized it was a specialty market for our product in 1985 when our gross sales went over a quarter of a million dollars.

In 1980 we bought the business, gross sales was \$79,000. We turned that program around from \$79,000 in 1980. In 1985 we did a quarter of a million dollars. In 1992, we received our partnership returns, or our P and L statements, profit and loss statements, our gross sales is \$349,000. Just to give you an example of this particular market that we are in, in 1984, I went into the lending institutions to try to obtain loans to expand my business, to upgrade my equipment.

I started with the bank I am presently banking with now, Security Pacific, the branch on Adams and Figueroa. We approached them with a business plan for \$100,000. They rejected us. They told us we did not have enough collateral. Fine, OK, I am aware of that. So we tried the Enterprise Zone in south central LA.

Ms. WATERS. Pacific Coast Regional, you mean—

Mr. SPAN. That was another one.

Ms. WATERS. The Loan Guarantee Program.

Mr. SPAN. Yes, the Enterprise Loan people told us to go to Pacific Coast Region. I was so discouraged with Pacific Coast Region because they give you the frame of mind as minority business people, you do not know what you are doing, so, therefore, you have to get into these seminars and "We can re-educate you into the business community," even though we are doing business in the community.

We may not be technical at it, but we do need technical assistance to enhance our business for the expansion. So, I got discouraged with Pacific Coast Region. So I approached the city, the mayor's office.

Ms. WATERS. The Office of Small Business?

Mr. SPAN. Both, from Will Marshall's office to a variety of agencies. When I say a variety of agencies, the city of economical development has maybe four or six different agencies and each agency has different criteria, what they give you loans for minority business, I think it is strange that that exists, is existing, even though they come from the same funding system, they get their funds from, but this is their structure.

So go back to in 1984 when I was attempting to obtain loans. We had to modify three different business programs or business plans. Our first business plan was structured with a cost factor of \$380,000, \$180,000 was for equipment use, \$200,000 was to buy the land and the building where we are located at now under a 15-year lease. I could not obtain that money because we did not have the proper collateral. Even though my parents wanted to put their home up as collateral, the equity in their home, that deal did not go through.

So we approached Bank of America. So we asked Bank of America in the first quarter of 1991 for a loan of \$34,000, a loan with an agency of the City Community Development located on 215 West 6th Street, for the loan of \$40,000. We were trying to find funds to accumulate over \$70,000, \$75,000, I am sorry. The Bank of America turned us down. They said our P and L statements do not look

healthy enough or the cash-flow was not healthy enough. The City Community Development Agency, they turned us down. The process time between Bank of America and the city had taken 9 months to tell us that we were not capable to receive a loan from these different agencies, be it private or city, 9 months. I thought that was really demoralizing as a business person that had been doing business for over 30 years and I am the second generation in our family existing at the same location.

OK, that is fine. Then we went to Small Business Administration out of Will Marshall's office. We approached him with a package, a business plan, for \$103,000, equipment use only, with a slight \$5,000 to upgrade the facilities, to enhance or install the equipment. They refused us. They refused us on the same basis that we did not have enough cash-flow to cover the debt of \$100,000.

But after lobbying some of the politicians at city hall, like Willie Elkins and talking to my Councilwoman Rita Walker and having her chief of staff, Willie Washington, look into the problem that we were having trying to obtain loans to expand our business, I finally got out of Will Marshall's office \$18,000. It helps. It is a slight band aid, but it helps, with the idea if I can repay this loan in a manner that it looks good to them, I can go back to them, to the city, to Will Marshall's agency for more funding.

I think the system of lending toward minority business people is very strange. I do not want to call it a red-lining. I do not want to call it racial tendencies or whatever by it, but it is very strange. Even though we have a working staff of 15 employees on our staff, the percentage of males and females, 53 percent are males, 47 percent is female.

We hire our employees in the ninth district, in our community to try to enhance the community where we do business in, in south central LA because if we do not start in south central LA, helping ourselves and we look at outside of our community trying to help us, it is a little difficult.

This is my sister, Jeanette Bolden. She can probably share some more insight into our business.

Ms. BOLDEN. Let me just kind of draw you a picture of when Gregory said we have been in business over 30 years, we have been in one location for over 30 years, and my grandfather started the business, which was a coffee shop. And a lot of people have gone there in another location on the corner of 27th and Central.

And he handed the business down to my brother and my mother in 1980. And this particular building has equipment in it that is 30 years old. We are dealing with 30-year-old equipment. I, by profession, I am an athlete. I won a gold medal in 1984. And I am not on staff at the bakery shop. As a matter of fact, I have to pay to work at the bakery. I give money to the bakery shop.

My mother and my brother have given their salary numerous times, they give their money back to the bakery shop more than the bakery shop gives them money. I do motivational speeches across the country, to motivate kids. The money that I receive, if the bakery shop needs it, I give it back. I do everything from accounting to marketing. The pies, themselves, market themselves.

If you go to Long Beach, our pies are there. West Covina, our pies are there. Santa Monica, our pies are there. In city hall, our

pies are there. Across the street, our pies are there. Everyone in the community has heard of 27th Street Bakery. And I think by now everyone knows that we have gone to numerous agencies to receive money, but all of a sudden, we have not been able to get money since 1984. And there are a lot of organizations out there that say that they provide money for minority and small businesses.

I would like to know what businesses they provide the money to because I would think that we are a prime example. If we do not fit the criteria, then I think the criteria needs to be changed. And maybe if a bank or even the city and their different organizations are worried that a business like 27th Street Bakery cannot pay the loan back, then maybe they can start some type of assistance program where they will have someone to monitor. If they are scared that we do not know enough about managing our money and our business, maybe they can provide an individual or someone in their department to work along with us, fine. We will welcome the assistance.

But the loan that my brother just said that we just received is a band aid. We went from \$300,000 to \$100,000. Now we received \$18,000. And if I may add, there is a list, there is a 10-page criteria that we have to meet to get this money. I mean, there are a lot of things that we have to go through just to receive this money. And just to say that if something could be done, please do it. And in the process of doing it, please assist 27th Street Bakery, please do not forget us because it would be a shame for a business that has been there for 30 years all of a sudden be out of the community.

And it was a goal of my grandfather, my mother and now I would like to pass this business on. And hopefully, I will be able to. And it would be a shame if I would not be able to.

Ms. CANNON. If I may just add one thing. She is talking about something that is very key in some of our negotiations with some of the banks. And it is what is called meeting a need that exists in our community. And there exists a need to provide a product, number one, to retrofit equipment in our communities, like she is talking about. We have a lot of businesses going under because of the new stringent AQMD laws, Air Quality Management District laws.

And so let us say you have a hamburger stand or a taco stand or a small trucking business and you are being fined because you cannot afford to retrofit your equipment, not that you are not making any money in your business, but you need a big lump sum of maybe \$30,000 to retrofit your equipment. A lot of businesses are going under because they cannot get that loan because a product does not exist to fit their need. And that is what she is talking about, no product being available to fit her need.

It is not really that she cannot pay the money, it is just that the product does not exist. And those are some of the things that we need remedied in our communities.

The CHAIRMAN. Thank you. Well, Ms. Haas, we want to thank you for your excellent statement. It will be in the record as you prepared it for us with the graphs and charts that are very valuable.

I have one question. In your last paragraph, I believe, you point out that with the withdrawal, that is the closing, of those branches there is a proliferation of loan sharks and unscrupulous lenders and I think you mentioned during the course of presenting your statement that some of these have funding through, which bank was it Great Western or the other?

Ms. HAAS. Security Pacific.

The CHAIRMAN. Security Pacific. Anything that you can give us by way of documenting that will be most helpful.

Ms. HAAS. We are in the process of putting it together.

The CHAIRMAN. We were in Boston in May, May 26, and you ought to see the conditions there because of the absence of State laws. I do not know what licensing laws you have in California with respect to that kind of lender practice, but in Boston, it is horrible. And there we found out that these people, who are worse than loan sharks, were being financed through banks which refused to go into those neighborhoods, had no presence in those neighborhoods. We are trying to figure out how we can intervene on this merger, and at least get something more than glib promises on such things as community reinvestment and branching in the credit starved communities and neighborhoods.

We are trying to figure ways out. Yes, Mr. Span.

Mr. SPAN. A question, Mr. Gonzalez. If, in fact, you cannot hold up the merger in the second quarter with Bank of America or Security Pacific, if you can hold them to a commitment that they can allocate X amount of dollars into minority communities, be it for residential or commercial areas, if you can hold them to that commitment, I think it will be marvelous.

The CHAIRMAN. Yes, sir, this is what we are trying to seek. I do not know how we can muster the legal power to prevent the merger. As I said earlier, in many, many ways the Congress one, has either abdicated whatever power it did have or it never was able to apply power.

One of my great predecessor chairmen, great chairman, and he was a fellow Texan, Mr. Patman, I will tell you those banks hated his guts, but he never stopped trying. Of course, they finally got him, as I am sure they would like to get me, through the political process in the Congress, in the House, that was born out of, believe it or not, the so-called Reform Act of 1974.

I do not know to what extent we can intervene, but I would be absolutely, I will not use the word violently because I know I am not going to reach the point of throwing a bomb over there, but I would be opposed unless we could get more than just glib promises. There we have to depend on the regulator known as the Fed more than anything else. I have given up on the Attorney General. They should have, and if they would have followed the criteria they said they would, they would be holding up this one.

It is true they have held the merger up a little bit more than they have others but nevertheless, whether it is this one or the other one, what we have is a constant willingness to accept the judgment of others. In the 30 years I have been on this Banking Committee the impression I have had is that these interests, and even the newspaper editorials, seem to think that the Congress is to be there at the beck and call of these bank entities and that we

are to be a hand maiden rather than be responsible to the people that elected us to these positions.

It is easier to say that, than convey to you how successful that culture, that thinking has taken root in our country. I tried to say that in the case of the S&Ls in 1987. They were shocked when I said, "Look, boys, I have been here. Everything you ever have come up to ask of the Congress has been given to you. I ought to know, and look where you are. Look where that has gotten us. You got what you asked for and look where it has gotten you," in the face of a demise of that whole industry.

One question I was going to ask; in the neighborhoods where there has been a withdrawal of both Bank of America and Security Pacific, is there any S&L activity or credit union activity such as Mr. Johnson mentioned?

Ms. HAAS. We did a study in 1989 for two reasons. One was to see what was going on with the banks in our areas because there was so much red-lining. The other thing was to show that, a lot of people, when you talk to them about this stuff, they say, "Well, you know, poor communities, you do not make loans to them because they cannot afford it," and so forth, but there is a lot of loans going on.

So we did a study in 1989 of all the first trust deed mortgages in basically the area of the credit union, the service area. We found about 1,300 first trust deeds went through, which was a lot. Three percent of those loans were made by banks. Thirty-five percent were made by S&Ls and the rest were made by mortgage companies like, some of them are very credible and some of them, you know, charge 10 points up front.

So, one of the things I want to point out is when I showed you that market that fits what is out there, it does not mean it costs the same. Like a lot of our communities have to pay more. In south central Los Angeles, right now, there are 19 bank branches and 133 check-cashing places. Of the 19 bank branches, 6 are Security Pacific, 6 are Bank of America. So when you talk about consolidation, we are wondering are we going to lose a third of the branches in this community, this big community with 600,000 people in it that the credit union is trying to establish accountable service for?

Is that what you are asking?

The CHAIRMAN. Well, more or less.

Ms. HAAS. Great Western, for example, they made 16 percent of the home loans in south central Los Angeles. They are a good bank.

The CHAIRMAN. Well, obviously, such as check-cashing services, what other institution would be doing it on the basis of a bank?

Ms. HAAS. That is right.

The CHAIRMAN. And who was it that mentioned banks charging legal fees? I do not know about that. This is at the root of the whole problem. Beneath everything, every activity, you have banking. It is what I have kept saying over and over again. I do not care what it is, the bottom of it is banking.

When we heard this litany awhile ago about the aerospace industry and all of that, long before these institutions bankrupted, our bankers had made the critical decisions and disappeared, they had

already sold out labor and business long ago, so now we see the consequences.

How in the world could a 121-year-old tool manufacturing plant in New England, a family plant, that had to get an inventory or for instance, perhaps a modernization as Mr. Span is seeking, pay 17 percent interest? How can he compete with the Japanese that have interest controls and have banks that have never withdrawn from lending to their own industry and manufacturing? Our banks stopped doing that a long time ago.

I have been on every one of the bailouts. Why did Chrysler come to us? They needed \$3.1 billion. They had about \$2 billion. Do you think the banks were going to lend them the rest? No, not unless Uncle Sam guaranteed that, and that is what we gave them. We gave them a guarantee in order to save 20,000 essentially. That is the reason we went for it.

But if the banks had faith in our own industry and production, they would have been in there making the loan. But they have not and they still do not. In fact, they went into the leverage buyouts, the high yield. In just the R.J. Reynolds deal alone, the banks made about a \$45 million profit fees. But involved is this essential ingredient known as bank credit that gets tied up in nonproduction. All of those mergers and leverage buyouts did not produce one job. It did not add one product to our production line.

So, you know, what do we expect? Yet, here is a Congress, the author of the Federal Reserve Board Act of 1913, and we face a Federal Reserve Board that says, "We are independent of everybody, the President and Congress," and try to convince the majority of the Members of the Congress that for the last 30 years they were a creature of Congress. Why, they would look at you as if you are a madman and say, "You do not want politicians fooling around with the monetary system at all."

So to that extent, we are facing a very, very near impossible task but we must make this effort if we cannot prevent it, and have the record clearly reflect our efforts on our level. To at least ensure Mr. Span, some kind of a guarantee as iron-clad as possible, that there will be some commitment to community reinvestment and to serving the credit starved areas of our States, cities, and counties.

There was just one question for you, Mr. Span. You say you finally got a \$13,000 loan?

Mr. SPAN. \$18,000.

The CHAIRMAN. \$18,000 from the city?

Mr. SPAN. From the city.

The CHAIRMAN. Which agency was that? Which agency of the city?

Mr. SPAN. It is the Small Business Administration.

The CHAIRMAN. All right, was that a direct loan or was it a guaranteed loan?

Mr. SPAN. It was a direct loan.

The CHAIRMAN. Direct loan. You also said you went to the Small Business.

Mr. SPAN. Small Business Administration for \$40,000.

The CHAIRMAN. And, of course, they were talking about a guaranteed loan.

Mr. SPAN. Right.

The CHAIRMAN. They are not making direct loans any more.

Mr. SPAN. OK, the guaranteed loan was based on the collateral in my parent's home.

The CHAIRMAN. Oh, yes, OK. Well, and of course, the need for your credit is in order to modernize?

Mr. SPAN. Modernize my business to accommodate the influx of sales.

The CHAIRMAN. OK, and in the case of mandated State and Federal requirements such as EPA, that is one of the burdens where there has been no help from the Federal level in fulfilling the requirements. We are working on that and seeing what we can do, but whether it was in Connecticut or in any of the other places we visited like Baltimore, this is what we were told.

Well, Mr. Span, your business is located in what part of LA?

Ms. BOLDEN. 27th and Central.

The CHAIRMAN. Pardon me?

Ms. BOLDEN. 27th and Central Avenue.

The CHAIRMAN. What part of LA is that?

Mr. SPAN. South central LA.

The CHAIRMAN. South central.

Mr. SPAN. Yeah.

The CHAIRMAN. Well, I do not think that is in Ms. Waters district.

Ms. WATERS. No, it is not in my district but it is near my district. I believe that is Roybal's district. It is Roybal's district, I believe.

Mr. SPAN. If I could interject something else. The business people in south central LA, they are determined, because we have a customer base, over 200 clients, individual locations. We are serving the food chains, the chicken franchises, the barbecue franchises, the convenience stores, the 7-Eleven, Arco Mini-Markets, catering companies. Each one of the markets can take off. We are the largest supplier for the product if we can meet the demand, because we already are in the markets space.

And the only problem that we are faced with our business is our production cost is totally too high because it is basically manual labor because we do not really have the equipment. So, therefore, we put in a lot of hours, a lot of physical work into producing a product.

The CHAIRMAN. You do not think that the machinery will change the quality of those good pies that are selling everywhere, do you?

Mr. SPAN. No, I did my research. I have done my research. It would not affect it.

The CHAIRMAN. All right, Mr. Johnson, if you will give us the particulars, and if you can supply us some documentation on this credit union chartering, we will follow through. We have been very interested on that level, too.

So, Mr. Torres.

Mr. TORRES. Well, Mr. Chairman, I would just simply want to take the time that you yielded to me at this moment to indicate to you that I have a community meeting tonight in the kind of a state of emergency. We did not know about it until just yesterday.

The CHAIRMAN. Oh, well, that comes first.

Mr. TORRES. And I would like to ask you to excuse me at this time.

The CHAIRMAN. Absolutely.

Mr. TORRES. You know how that goes.

The CHAIRMAN. Oh, yes, you are in—

Mr. TORRES. The issue at hand, the CRA is really Maxine Waters' bailiwick. She has been the undaunted fighter in Congress on CRA issues so I am sure she will ask many interesting questions. I want to thank you for coming to Los Angeles, Chairman Gonzalez, and inviting Maxine and me to be part of this panel, as well as the good work of your staff.

The CHAIRMAN. Thank you.

Mr. TORRES. They have done tremendous work in preparing for this and I wish you a good trip back to San Antonio.

The CHAIRMAN. Thank you very much. And I, in turn, want to thank you and your staff for making it possible to have the meeting and also to say that you should not be hiding your light under the bushel. We are all aware of how we struggled for the Torres amendment and community reinvestment.

Mr. TORRES. Thank you, sir, thank you very much.

The CHAIRMAN. We are going to have to reach that goal that he set out for us over a year ago. Of course, as he said very properly, with the added help of Ms. Waters.

Mr. TORRES. Thank you, Mr. Chairman.

The CHAIRMAN. Go to your meeting, that comes first.

Mr. TORRES. And I thank the witnesses very much.

The CHAIRMAN. We are sitting in the immediate vicinity of your district and I know what it is to be back home.

Mr. TORRES. All right, thank you.

The CHAIRMAN. And thank you, again, Mr. Torres. Ms. Waters.

Ms. WATERS. Thank you very much. I would like to thank all of the members of the panel for being here this evening and waiting for such a long time to be able to share with us your concerns and your anguish, almost, about problems in our community as it relates to the banking community, to lending, and so forth. It is kind of painful to sit here and listen to it because almost every program in the State of California or in the city of Los Angeles as it relates to minority business I started.

And to hear you years later tell me that Pacific Coast Regional, the loan guarantee program that I started in the city of Los Angeles and Mr. R.D. Lotti, cannot find a way to do a loan package for you is very painful.

Mr. SPAN. If I can intervene just a moment. I was recommended from our mutual friend and I am a client of his, Howard Manning, to go to Pacific Coast Region.

Ms. WATERS. I started that program in Los Angeles.

Mr. SPAN. That is what he told me. He was highly recommending it.

Ms. WATERS. It is a loan guarantee program that comes out of the Office of Small Business Development and Department of Commerce, that we put in as a regional operation into Los Angeles some years ago. And the reason for that program is that the banking community was not making loans and everything that we knew at that time, because we were fooled, too. We thought that they had reasonable criteria many years ago, when we were all stupid



and we did not want to say they were racists and they discriminate, you know.

When you hesitate to say it today, let me just tell you how to say it. "Discrimination, racism." When we were nice people and we did not want to say it either, we thought that we had to do something for people who could not qualify for the banks. So we set up these regional corporations and offer small business development in the State of California. And we said, "You are to do loan packaging and you are to step outside of the traditional criteria for lending. You are supposed to look at individuals and say, based on this history," and yours is a prime example of what we were talking about.

This is a family business, been in the business for a long time. These people are committed to it. They have been able to stay and keep this business going no matter how bad times have been. They have a product. They know how to make this product. And while the traditional banks may not make a loan, we know enough about entrepreneurship in the business world, we can see that you are committed people and we are going to do this.

We did not say, "Go and get your mamma's house for collateral," and all of that because we guarantee those loans. We said to the banks, "Make the loan." We said to Security Pacific, B of A, "You guys give the money. We back it up." At one time, we backed it up 100 percent and now it is about, I guess, 80, 90 percent that we guarantee to back up those loans with that Pacific Coast Regional.

I am going to ask my staff, despite the fact that you have been to them, and so forth, I am going to ask my staff to walk you back through there one more time because I want to see how they are operating after all these years, to have you sit here and tell me this, is painful. But the city of Los Angeles, Will Marshall's job and that office was developed for Tom Bradley by Maxine Waters as a chief deputy for Councilman Cunningham, when I ran his office. We created that office in order to give assistance starting out with people who were trying to get involved in procurement activities with the city, who happened to be minorities, who could not get in the door.

We went on from there in my tenure in the State of California to create the strongest procurement law in the country.

Mr. SPAN. I think it is marvelous but—

Ms. WATERS. But it is not working you tell me.

Mr. SPAN. It is not working.

Ms. WATERS. None of this stuff is working.

Mr. SPAN. To some people it may work fine, I do not know.

Ms. WATERS. No, it is not. It is about what you were saying.

Mr. SPAN. I do not know why it is working for them and not for others, but like I commented earlier, we have over 200 customers. Over 75 percent of them are mom and pop operations and they are hurting. And they go to these agencies and they do not fit the criteria, what they are looking for, as far as applying for these loans.

Ms. WATERS. Well, let me just tell you that I do not know what criteria they are telling you, but as you give me your profile here this evening, for the Office of Small Business Development, Pacific Coast Regional operation, you appear to fit it. So we are going to find out what happened. We are going to take your case and we are

going to look specifically at what they said to you when you went there. And I, personally, will meet with Mr. R.D. Lotti about it because I want to know what is going on.

We do have a problem and we have always had a problem with the banks. I do not like them. They do not like me. I have made my position very clear in Congress. I was opposed to the banks receiving the loan guarantee that we just gave them for recapitalization and we let them know that. We were able to negotiate to keep community reinvestment intact. It was about to go down. It was about to be modified because we had some misguided Members of Congress who were about to buy the argument that the paperwork was too much for some banks.

And we literally even said to people in our grassroots coalition who were about to allow it to happen, "No, do not do it. You do not have to give it up. You do not have to give one inch on this." And we were able to negotiate and to work, my colleagues and I, to make sure that we did not weaken the Community Reinvestment Act and we are looking for ways to strengthen it.

We know about the cash-checking places and we hate them. I attempted to do what is known as a fees freeze amendment. With the support of my colleagues, we got it out of committee, went to the Rules Committee. They were a little surprised to see us up there, but supported us in going to the full floor of the House to try and get support. Some of the neanderthal thinking of some of my colleagues prevented fees freeze from getting any further because they said it was, I think they called it everything from socialism to tampering with managing profits on and on and on and on.

We recognize that the banks were going to try to fund the repayment of recapitalization with more and more and more and more fees and we wanted to stop them before they could do that and create a real problem for small depositors and people who could not stand to have their deposits decreased by increasing fees. We were not able to prevail. We find ourselves on the cutting edge of some of these issues and it is the same thing as we tried to describe with plant closure.

We try to be a catalyst to feed back into a very complicated process, that which we see and that which we understand. It is a lot to move that big body in Congress. I am finding that not only are many of them disassociated from these kinds of problems, do not come from our kind of communities, do not go home on weekends, do not understand what is going on. They think people like us are just being difficult.

I am in a fortunate position. I will not be there 20 or 25 or 30 years and I have to kick behind within the next few years. I commit to you that we will do that. My chairman has been extremely tolerant of me and extremely supportive of me and has allowed me the opportunity to do some things that I just know would not be allowed in some committees. And I am really grateful for that.

Let me tell you, we are in this for the long haul. Much of what you are talking about is not going to happen, the fairness, the justice of what we need to do, is not going to happen overnight. We may be a long way from it and that is for some of the reasons I have tried to explain to you, except we have some other tools there,

we have to combine with that which we try and do on this committee, one of it is to the ministers and Reverend Higgins. Let us go to them and say, "Now, you really want to do something about the financial community. We want all the churches to pull all their money out. On one day, let us everybody go."

They will be more upset about the embarrassment of it than they will care about the dollars, perhaps. It is something that they attempted to do in Atlanta. They created an opportunity to negotiate, as you referred to, product. And let me just tell you, and I did know that Minat Phelps is serving as an attorney. Minat Phelps has a little bit of clout in Washington. And they need to now just take your money and talk about they are representing you and I do not know what they have done for you, but they can come on over here and talk to some of us.

Mr. JOHNSON. They are doing it for us.

Ms. WATERS. Is it pro bono?

Mr. JOHNSON. Yeah, they are doing it pro bono.

Ms. WATERS. Is it pro bono?

Mr. JOHNSON. Yes, it is.

Ms. WATERS. Well, that is good. They should give something back.

Mr. JOHNSON. But I think they are willing. We are trying to motivate them now, you know, to put the fight up that we know they can, you know, that includes dealing with the current administration.

Ms. WATERS. I think we can raise the level of the fight while we attempt to do what we do and there will be some more opportunities. The banks got a recapitalization amount but it is the tip of the iceberg. A lot of them are still going to go under. They will be back for more and we will have some more opportunities, and as the chairman allows me to come up with these crazy amendments in his committee to create some conversation and try and be a catalyst.

If, at the community level, we raise the ante and we organize, I would love to visit B of A or Security, any branch or the main headquarters, with a couple of hundred people. We have to act up and act out a little bit. They do not like the embarrassment. They are trying to run for cover because of the discrimination information that has come out on them in recent months and we need to maximize the embarrassment with a visit from the community of a combination of just plain old consumers and small business people.

I would like also, in addition, Mr. Span and Ms. Bolden, to meet with R.D. Lotti and Pacific Coast Regional. I would love to go with you to your branch where you do business, where you made application for a loan to talk with the loan officer and others. Maybe I will just pick up the telephone tomorrow or Wednesday and call and find out if we cannot go back and sit down and take a look and revisit what happened on your request for a loan.

Mr. SPAN. I have prepared a little package I want to leave with you or your staff anyway. And all that data will be in that package.

Ms. WATERS. I will go with you to the bank to talk with the officers. I try to use my time as wisely as possible. I will not engage in a lot of letters back and forth where people give me a lot of infor-

mation from the banks, but I will go with you. I get more done in one visit than in all of the exchange of letters that people have, OK? So we shall go on a visit to the bank at your convenience to talk about what happened in our community where you made a request for a loan at the bank where you do business and where your people before you did business.

Ms. BOLDEN. Over 10 years.

Ms. WATERS. Over 10 years?

Mr. SPAN. We have been there 10 years. My grandparents have been there for 15, so you are looking at a total of 25 years on Security Pacific branch on Adams and Figueroa.

Ms. WATERS. We shall visit the bank whenever you are ready to go. All right? Thank you all for being here today.

The CHAIRMAN. Thank you. Let me just clarify something. Ms. Waters, she does not have any crazy ideas. She comes from the people. I have been sitting on a committee for 30 years desperately waiting to have somebody like Ms. Waters, Mr. Torres, and about three or four other members that have come in since 1982 or 1984.

Let me tell you, if you look at the record of what we were able to do for the greatest number before they came, it is zilch, nothing. So it is really I that am grateful. Grateful that I, in a small way, could do anything to be supportive because after all, my conviction is that when we go to Judgment Day, for those of us that have presumed to call ourselves representatives, there is only one question they are going to ask us, and that is, "Were you for the people or were against the people?" That is all.

And Ms. Waters comes from the people. She is for the people and if the day ever comes I cannot be with her, that is the day I should not be in any kind of office. [Applause.]

We had a request by Mr. Jesse Morales early before we started the meeting. He is a commander of District 5, I believe, of the Veterans of Foreign Wars. And we said we would recognize him if he was still here for 5 minutes. We also had a request from Mr. David G. Taylor. So if you will approach and take a place here at the table, we will see if we can get a nameplate for you.

We promised to handle your requests and we intend to keep that promise. In obedience to a request from Congresswoman Waters, Ms. Wajeha if you would take a place at the table, Ms. Wajeha.

Ms. WATERS. Wajeha Bilel.

The CHAIRMAN. We will recognize Mr. Morales first for 5 minutes and if you will give your full name and title in the microphone, the Reporter will have it exactly.

Mr. MORALES. Thank you, Mr. Chairman.

The CHAIRMAN. Excuse me, you also have a prepared text?

Mr. MORALES. Yes, it is in front of you.

The CHAIRMAN. We will have this prepared text exactly as you have written it in the record and you may wish to either summarize it or, I guess you could read it in 5 minutes, whatever you decide.

**STATEMENT OF JESSIE MORALES, COMMANDER, FIFTH  
DISTRICT, VETERANS OF FOREIGN WARS**

Mr. MORALES. Thank you, Mr. Chairman, distinguished Congressman Gonzalez and Congresswomen Waters. My name for the record is Jessie James Morales, commander of the Fifth District, Veterans of Foreign Wars, elected to serve the area that encompasses metropolitan Los Angeles.

It is with a great deal, a great sense of respect and sincere gratitude that we are here today to welcome you, this committee of Congress to Patriotic Hall, the home of veterans in Los Angeles. We share your concern about this recession which is devastating our Nation and particularly here in Los Angeles, our veteran community.

In your hearings today, Mr. Chairman, you have heard testimony about the Los Angeles economy, about our youth problems, our housing, our homelessness, job search efforts, the impact of the recession on our aerospace industry, the effects of bank mergers on the local economy, some very dramatic information, I might add. You have listened to people express their plight about business, business lending, housing, food, no income.

All of these things our veterans know and feel very acutely. I am here today to express some of those views from the eyes of a veteran on behalf of those veterans who elected me to do so. For the record, I am not being paid a salary nor am I employed to say this by anyone.

First of all, our Veterans' Administration that was here earlier represented by Mr. John Costello, spoke about the great job that they are doing with our Federal job fairs, a band-aid effort I might add. And he read into the record testimonials about the accomplishments of the VA and what letters he has received from individuals regarding the achievements of the six Federal job fairs. But I, Mr. Chairman, am more concerned about how little the Veterans' Administration is really doing here in Los Angeles.

We have empty buildings at Veterans' Administration facilities that should be more widely used to house veterans and homeless, to retrain and assist veterans and others in our community for new jobs, ex-employee aerospace workers, for example.

Closer to home on our medical care area, health care, which is an earned benefit for veterans, we now have it in potential jeopardy because if VA Secretary Derwinski and the present administration in Washington push through their legislation through the Congress of rural health care, we are going to have nonveteran usage of veteran facilities when there is not enough right now to accommodate the veterans that we have.

For your benefit I will cite some significant statistics related to our veterans here which Congressman Torres earlier alluded to when we filled him in on this in our office when he was using the facilities of our office. We have over 800,000 veterans in Los Angeles County. One out of every six citizens in this county is a veteran. This constitutes the largest concentration of veterans of any geographic area in the United States and ranks this county as the 10th largest in terms of size, if you count that by States, larger in population than 40 other States. Over 20,000 of these veterans in

Los Angeles are classified as homeless as determined by the public agencies assigned to keep track of our homeless population.

And this is seasonal. In the winter months, such as now, our homeless veteran population increases proportionately. Altogether the status of all veterans is not good and it is not improving. We have some major changes that have to occur, in short, help. The success of our technology in Desert Storm should be put to use toward what we earlier today alluded to as our peace dividend. Effects of the downturn in our defense aerospace spending has directly impacted on working veterans and you heard some of that testimony today.

The peace dividend can assist in that regard. A portion of that peace dividend should be used to retrain that skilled labor force to stem unemployment. Here in southern California, where defense industries have been paramount, SDI, and other major spending projects are now being curtailed by the present administration. We can put our peace dividend to work in a positive way and you, our Banking Committee, as you describe yourselves, congressional guerrillas, fighters, can help to change that effort.

Housing for our lower income citizens of Los Angeles can also be addressed in more ways than we have seen done so far. Your Banking Committee, Mr. Chairman, oversees the work of the biggest landlord in our Nation, the famous Resolution Trust Corporation. RTC currently holds title to many large tracts of low-income housing properties that it cannot seem to sell right here in Los Angeles.

Why not put some more veterans and our other citizens to work rehabilitating these RTC properties and making them available and affordable to low-income housing families. We are not doing enough in this area. And meanwhile, the RTC keeps getting much bigger and bigger in its inventory of unsalable properties here in the depressed areas of Los Angeles.

Now we are also talking about our major financial institutions. They have the ability to invest more readily in our inner cities if our current administration, our President and the executive branch, provide you, the Congress, with the help you require to pass incentives. We talked about the biggest bank merger in the country between Bank of America and Security Pacific and I was astounded to here the results of what a little effort those two major banks are doing to assist particularly in low-income housing. The lending is atrocious and that was not what CRA was created for.

But banks need a reason to invest and we are not doing enough to force that issue. With your help, and with our support, your Banking Committee has the power to legislate more action and to get some of these financial institutions to do that. American corporations, both in the manufacturing industry and commerce, have been getting a bad rap lately from our, quote "overseas allies." The American working man and woman, the veteran, has been insulted for not being an efficient worker.

Mr. Chairman, we need to take our gloves off and fight back. We heard AFL representative, Mr. Martinez, and some other talk about that. You can help us to do that and we, the veterans, can support your efforts, spearhead them, as we did in combat. We have peace today because veterans fought to preserve that peace, irrespective of the many ways we were manipulated and used, per-

haps for questionable causes, but we can also fight for jobs. Corporate America needs less restriction and more incentive to invest in the working man and woman.

It is obvious that we are not doing that today. Our present administration has not done enough to preserve jobs for America. Here, in Los Angeles, we have a prime example of that in our metro rail system, which has become a fiasco. We need to bring those jobs back from overseas, back home. Los Angeles is a very diverse cosmopolitan metropolis. It does depend a lot on overseas investment but so do many other places. It also has the ability to keep jobs here.

Your committee can stress the importance of that to our American banks, our corporations and industry. We have that responsibility in front of us. Speaking for the unemployed veterans, the homeless veterans, the disenfranchised citizens of our community, I am here today to let you know that we will support your efforts and fight once again for our country during this time of very serious economic crisis. We can do nothing less because this is the right thing to do.

So, in summary, Mr. Chairman, and distinguished Congresswoman Waters, once again, I thank you and express our sincere appreciation for your own efforts on behalf of our Nation. These hearings are of vital importance because they shed light on a paramount crisis that faces the United States of America today, this recession, our economic dilemma. We are particularly concerned for Los Angeles citizens. Many of them are veterans, many of them minorities who should be enjoying the many fruits of their labor, their contributions to this freedom we enjoy but, instead, are struggling just to survive.

So I thank you for listening to us and for your support today. I will answer any questions you have.

The CHAIRMAN. Thank you, Mr. Morales. Our next witness is Ms. Wajeha Bilel. I have your name as given by Ms. Waters, but if you wish to spell it out for the Reporter, it might be helpful to him.

Ms. BILEL. My name is Wajeha, W-A-J-E-H-A, Bilel, B-I-L-E-L.

#### STATEMENT OF WAJEHA BILEL

Ms. BILEL. Thank you for letting me speak today, Mr. Chairman and Congresswoman Maxine Waters. I have been in Los Angeles 48 years. I have 10 children, 31 grandchildren, and 1 great-grandchild. I live in the community of Watts.

I am a member of the WAF Latino Organization, the Watts Neighborhood Council, the Watts/Willowbrook Chamber of Commerce and I am a CORO Neighborhood Fellow and I am the president of Build Plus Community Marketplace, Inc.

I have 50 to 75 relatives in the south central area. I am an entrepreneur and I went through our Project Build Program and then, from there, I went to the Entrepreneur Program which was founded by Congresswoman Maxine Waters and the training program was through EECL. We went through 9 months. The Build Plus members went through 9 months of training. We learned marketing and business planning and the competition marketplaces among other things.

After we graduated in 9 months, after 9 months of training, we graduated. I am not a public speaker, excuse me.

Ms. WATERS. You are doing fine. You are doing fine.

Ms. BILEL. OK, after 9 months we graduated. Fifteen of us Build Plus committee members banded together and started committee membership. We went on a vacant lot by ourselves on 103rd and Dillon. The spot was not feasible. It was kind of difficult to work there. All the entrepreneurs from all six housing developments could not come there in that area and so we began to seek help through other agencies in the city as we began to encounter problems.

We went to the CRA. We went to CDD and we began to ask questions and ask, "How can we get further help? We do not want to be on welfare. We do not want to be on GR. We do not want to be on SSI. We want to do something for ourselves. So how can we lift ourselves up," we asked them. CRA said, "OK, if you can meet some requirements, we will give you a site." They said, "Get incorporated and get your insurance money."

So at that time we started asking the members just for \$20 a month and we started from there. And then we contacted PCR, the mayor's Office of Small Business Assistance, Drew EDC, the Legal Aid, an accountant and a CPA. They all helped us in our marketing and business plan in-depth. We almost emerging upon the site for the community redevelopment area now. Our manager is Drew Economics and with technical assistance to us. The mayor's office along with USC is our consultant and our training component.

And I will submit a letter and everything of what we are doing. And we do need help in grants and loans so we can further our studies and become independent off the system. Thank you.

The CHAIRMAN. Well, thank you very much. Mr. Taylor.

#### **STATEMENT OF DAVID TAYLOR, PACIFIC TRUST MORTGAGE CORP.**

Mr. TAYLOR. Thank you, Mr. Chairman. I am the owner of Pacific Trust Mortgage Corp., which is a small family-owned business. Its principal service area is Orange County and eastern Riverside County from the Banning/Beaumont Pass out to the Colorado River.

Last year, in 1991, we participated in the Riverside County First-time Home Buyers Program which utilized mortgage credit certificates. Out of that program we used 25 percent of those that were available. There were 65 mortgage companies that could participate in the program.

Of the families that we helped, 86 percent fit into the minority category of one type or another. Our base employee is made up of 75 percent women and 33 percent of our people are bilingual. In the past we have hired disabled, Hispanics, and we have even had an opportunity to hire some people over the age of 62, which has turned out to be very helpful with the experience they brought to the company.

Though it has been an expense, it has been helpful to hire people that have not fit into the mainstream as far as what might be perceived as employees. By the way, my background is I am an ex-



school teacher. In fact, I am an ex-elementary school teacher. I started my teaching career here in Los Angeles. The first year my entire class did not speak any English. They had come from Cuba as part of the exodus in the late sixties.

From there I went down to Watts and then finally out to Riverside, where I taught, and the school that I was involved in was involved in a bussing program. Unfortunately, I got mixed signals about the role of our community and teaching and I wound up getting caught up in a situation where I needed to leave the profession, not because I did not enjoy the work, but it is very difficult to support a wife and growing children. And from there I had to get into private industry and had an opportunity to work for some large companies in the sales area.

About 10 years ago my wife and I started a mortgage company, really kind of by accident and today, I am the chief underwriter for the company. That is kind of awesome responsibility in that if the people that work for me are unable to make a decision on whether someone should receive a loan or not because of their income or their past credit history or possibly even the location of the home, that ultimate responsibility falls to me.

Out of our overall client base, over 50 percent of the people are first-time home buyers and over 50 percent of the people fit into some minority classification. You know, there is no doubt about it that discrimination exists in lending and the Bank of America is caught up in it. We probably could be caught up in it, but, you know, it is possible to find lenders that want to work in that part of the community. And we are interested in being there and I can tell you why.

We are a Fannie Mae/Freddie Mac seller-servicer which means that we originate the loan, we retain the servicing ourselves. Our servicing profile tells us that if you have a family that is scratching by its tooth and nail, they will make the payments. We make a point of staying in contact with our customers and when they have problems, they come in and see us. We tell them when they are going out the door, "If you cannot make the payment, come back and see us," and they do.

Sometimes we have been able to do nothing more than help them sell their property to save their credit, but that is useful in and of itself because they have an opportunity when whatever problem they are having comes back around, you know, they can get back into the housing market and they have not lost everything.

There are other forms of red-lining that are out there. Frankly, the Bank of America has got our company red lined right now. We have a line of credit that we have had since 1985 with a company called First Collateral Services, which is owned by Honolulu Federal Savings and Loan, which was just recently bought by the Bank of America in a merger. Because our company uses such a small line of credit and the Bank of America and the mortgage warehouse banking industry does not touch anybody under \$100 million, we are now having to go out after 5 successful years, find someone else to give us a line of credit.

The best deal we have been able to get is a \$1 million offer and I have to pay a \$1,000 fee up front. I have to put \$200,000 in their

bank. Hell, I am not going to put \$200,000 in the bank when I can only get it insured for \$100,000. Indirectly, we are being driven out of the market and we are a company that deals with first-time home buyers and minorities. We are out there seeking that business and, yet, we are caught in the same trap.

You know, we are the first company on the west coast to be approved through Fannie Mae and it took 5 months for the new Farmers Home Loan Rural Guaranteed Housing Program. We finally have closed a loan and we are servicing it. We are very pleased with the program. In fact, we are in here to request additional funding into it. But, you know, Farmers Home Loan is one of the government agencies that is actually involved in red-lining, and I cannot help but notice that on page 51 of the bill that you are requesting that they no longer do that.

That is they did not want to make loans out in the real rural areas. Well, what is a rural program for if we do not reach out there? And Congressman Waters, believe it or not, Los Angeles County has parts of it that the Farmers Home Loan Program will fit into, maybe not in your district, but out in the desert areas.

We tried to get builders to get into these projects and we cannot do it. It cost \$25,000 to manufacture a lot, if you can buy the land for \$10,000 an acre. On top of that you have to pay the city or the county that you are in almost \$8,000 in fees before you come out of the ground. You are in for over \$30,000. You can't build an affordable home that a family can handle if your base cost before you turn a spade is \$30,000.

We found an area out in eastern Riverside County where we can buy lots, finished lots, streets in, utilities in, the subdivision is 30 years old, we can buy lots for \$2,500. We cannot get a builder to go out there. We have raised \$130,000 of our own money and investors' money. We are going to buy 100 lots. We have 11 in escrow. We have enough money on hand right now to buy 52. We will raise the balance of the money.

We are drawing up plans for builders that provide an affordable built house, that provide the number of bedrooms that families need that are going to live out there, because we are not selling to a middle-class neighborhood. We are selling to folks that are living out there on ranches and trailers. And they have three or four or five kids, and they need a lot of bedrooms.

We are providing a quality home. It is going to have a tile roof. It is going to be stuccoed all the way around. It is going to have a two-car garage and it is going to have a large lot. The minimum lot size out there is about 60 by 100. These homes can be sold either through FHA, VA, or the new Farmers Home Loan Rural Guarantee Program. We were unable to get construction financing out there. So we are underwriting, out of our own pocket, besides the acquisition of the lots, the construction of two houses.

We have called the Bank of America. We cannot get them to return the phone call and we know which department to call. We have also been able to finally, on a presale guarantee basis, get a local community bank to give us enough money to build three additional houses. That is going to allow us to start five houses at a time, which is the absolute minimum economics that we can encourage a builder to go out into that neighborhood and build with.

Once we get that down, then they are saying that they will loan us some additional funds to make the thing happen. We are talking about a 1,350 square foot house which is not a bad size house, with either three or four bedrooms in it. You know, you have a program that we are going to be utilizing out there which is the FMHA guaranteed rural housing program.

In the first year, last May, you put \$100 million into the program; \$70 million of it went into the fixed payment, \$30 million went into the subsidized payment. You had a 12-percent utilization of the fixed payment program and a 100-percent utilization of the interest assisted part of the program. This year you funded \$350 million into the direct guaranteed noninterest assisted. Year to date, you have had a 4-percent utilization of that program.

The ratios and the guidelines are too stiff and I will come back and talk about that in just a moment, if I may. Part of what I wanted to address though is I would like your Banking Committee to look one more time at taking some of the money that is in the Farmers Home Loan Program and put it into the interest assisted part of that program and here is why.

If you take the house that we are going to be able to build, and by the way, the Mortgage Banking Co., is going to make a profit, the real estate company, a Century 21 franchise, is going to be making a profit that is going to sell the houses, and the builder that is going to build the houses will be making a profit. And we are asking for no money to get this started. We have no redevelopment money, nothing. All of it is cash that we are all putting together to make it happen.

That house, if it sold on an FHA Program, will take \$5,390 as downpayment and closing costs. It will require \$1,540 in cash reserves for a total of almost \$7,000 to get into that home. They will have a \$754 a month payment which is not too bad considering that they are probably paying in the neighborhood of \$450 to \$500 for nothing more than a slum, and by the way, that takes an income of \$22,068 to buy if one thing happens, if I underwrite that loan.

If another company underwrites that loan, they will have to earn \$31,200. Now, I am going to tell you what the difference is between my company and the next company down the road. I will write that loan on a 41/41 ratio, because I believe a family that comes to our office that has no bills, does not have existing bad credit other than maybe a medical bill, is willing to commit 41 percent of their gross annual income to their housing expense and there is no reason why they should not, because there is a tremendous up-lay in the quality of life that this family is going to enjoy by getting a house.

Yet, if we follow the direct HUD guidelines of 29/41, we cannot put them into that house unless they earn \$31,000. Our foreclosure rate is one-fourth the national average, therefore, the underwriting guidelines that I follow are correct. Some of it comes from the heart, but it is the right thing to do. People will hang on with their fingernails to get that house.

In addition to that, I am fully aware of the Hispanic community and concept of the extended family. I am a participant in it myself. I have had up to four generations living in my house. It is a nice

thing. It eliminates baby sitting problems. It lets family members, young ones, get to know the old folks and it makes you a little bit more appreciative of the older folks yourself when you are caught in the middle like I am.

Again, though, our company does that. Most other companies will not. Farmers Home Loan will not allow us to go beyond 29/41. So if we take the noninterest assisted program, we still have to come with a family on that same house with a \$29,000 income; whereas, if we can get them to give some ground on justified reasons, and by the way, Fannie Mae will go with whatever underwriting guidelines Farmers Home Loan and the mortgage industry comes to grip with. They are not stuck on the numbers at all.

If we can use the same good, sound underwriting guidelines instead of needing \$30,000 to buy that house, with no money down on a Farmers Home Loan and \$3,000 in closing costs, we can get that family in in the \$20,000 price range. We will triple the number of people that can buy a house. We are not going to have a problem selling those houses out there. There will be people standing in line. The reason we know that is because we helped a builder build a model down there 2 years ago, but he could not get a bank to finance it. The model is still sitting there and we had the houses sold.

If we can get you to bring some money back into to the interest assisted program, we can sell that same house to a family for \$3,000 down. They will have a \$451 payment, principal, interest, taxes, and insurance. Now, if you are paying \$450 a month and living in a slum, and I can put you into a house for \$451, how can you say, as an underwriter, as a mortgage banker, someone will not make the payment? They will. Let me give you a profile of the socioeconomic—

Ms. WATERS. This is no money down. What did you say?

Mr. TAYLOR. No money down, program—

Ms. WATERS. \$431 a month on a 30 year?

Mr. TAYLOR. Yes. Well, yes and no. If their income stays the level, stays at the same level, yes, it will. If their income goes up, which is part of the bootstrap concept of the program, then the payment does go up. OK, and let me tell you why that is important. You catch people in the \$18,000 to \$30,000 price range, they are right on the edge of becoming middle America, income range, OK.

They are right there. They are not on welfare. They are not on any kind of assistance. They are there. And if nothing else, inflation will take them to the full payment within about 7 years. These are true economic situations.

Look at the Farmers Home Loan 502 Direct Program. What is the average term on loan? It is 7 years. Something happens. They buy, they refinance, or they make enough money that they are making the full payment. The problem is those people, to get into that program, have to make less than \$18,000 a year. What do we do with a family that makes \$18,000 to \$30,000 that does not qualify for a FHA or a VA loan? We overlook them.

You have written the legislation for the program. You did a partial funding last year but we were unable to carry through on it this year. And I understand that the mortgage banking industry is

the main culprit for it. We were not interested in it. We had a sacred cow that we paid more attention to which was FHA. That is fine, but I would like you to know that on February 26, I am flying to Washington, DC with the hopes of seeing my MBA people. I am going over to the National Home Building Council and talk to folks at the Rural Council.

I want them to support the program. I have been talking to your staff people in an effort to get an appointment with you people back there. I am also attending the MBA conference, their legislative conference, and intend to get in there and make it know what are some of the needs.

Let me tell you some of the other direct needs that come out of this. We are talking to builders who have participated in the Farmers Home Loan Program for 20 years and sometimes have to wait 2 years to get an appraisal or an approval for a family to build a house. Our company can do the following things so that the County Supervisor does not have to.

We can appraise the property. We can plan check their plans because on our staff, I have a designated HUD approved plan checker and inspector. Those skills flop right over to Farmers Home Loan. We can package and process the loan. We can draw the docs, we can close it and we can service the loan. There is only one thing that we did not do; we did not underwrite that loan and the county supervisor can do it.

At FHA, they underwrite a loan in 8 minutes. I am sure that once the county supervisors have had enough loans go across their desk, they will not need to spend more than 8 minutes on it. They will no longer have to do appraisals, inspections, process loans, draw docs, or service them. The private mortgage banking industry can come in and help out in this area and we can do a real good job of it, because there are mortgage bankers out there, just like us, that are willing to take those small deals and work on them, because we know the foreclosure rate is insignificant.

We make money on people that make payments. Our number one problem in people that do not make payments are not minority people. They are folks that know how to work the system. They are folks that know that they can string me out for 3 months before I file an NOD. The other folks, I call them up on the phone and they come right on in. They either make out an arrangement to get caught up on their payments or tell us what their problem is and we solve it the best way we can for them.

You have some great programs here. We need a couple of dollars put into them. If you want to see a couple of other examples of red-lining, I will give you one that will just terrify you. The real estate industry has some giants in it. They are called the franchises. A good example of it is Century 21. I have firsthand knowledge of this because my brother owns one.

If you do not have a certain size office with a certain number of agents, and if you do not produce a certain number of dollar fees that go back to the master franchisor, they will take your franchise. Now, how can you be out in a neighborhood selling \$40,000, \$50,000, \$60,000, \$70,000 houses, which in California is dirt cheap housing, and maintain your franchise standards? You cannot. You just cannot.

You know, we have an underserved part of our community out here that needs some attention and, frankly, those businessmen that pay attention to that part of the community do not need to come in here and poor-mouth you. We are making money. We are making enough money to put two kids in college and we are having a good time. And I will tell you something, the warm fuzzy that I used to get when I taught school, I get when I am down at the supermarket and I see a family now that I put in a house or someone that stops by each month that does not know how to write a check and we still do it for them and we mail it off to the servicing center.

Those are some real good feelings you get out of this industry. And there is plenty of money to be made in it. There is no need for the poor-mouthing side of this thing. What we do need to do, though, is get out and service the folks that need it the most. And we are overlooking them and there is no justification for it. And that, really, I think kind of covers my notes.

I apologize for talking so fast, but, hopefully, I got it done in 5 minutes and I look forward to seeing you in the next couple of weeks.

The CHAIRMAN. I hope so, sir. I hope you have been in touch with the subcommittee staff director, Frank DeStefano.

Mr. TAYLOR. I have been in touch with Nancy Libson and Frank DeStefano.

The CHAIRMAN. Yes, Mr. DeStefano, and if I can, of course, I will be there. Once we get to Washington, we do not govern our own time. Ms. Waters will tell you that. But listen, this is excellent testimony. It was not too fast. It was most coherent, and actually I sat here listening to you because I was wondering if such a person still existed in this country.

You see, that is what has happened. You explained it in a capsulized form, franchising and all of that. That is maximizing property. Everybody got greedy. That is the whole story, you know that. You are going back to the basics. I am very grateful to you, Mr. Taylor. I cannot tell you in words. It is most inspiring to see that you are in there and doing the work, doing that labor that is so much needed.

And I think the big problem is how can we get back to the just levels. Actually the beginning of the industry was that way, like credit unions. How did credit unions get started? You know, now credit unions are pretty big, they own banks. I do not have any quarrel with them but do not forget the people that created the industry. You are doing that, so I wanted to compliment you and you have been extremely helpful to us.

Mr. TAYLOR. And we are having a good time doing it, believe it or not. It is actually fun. By the way, Ms. Waters, you know, the group that is trying to start a credit union, one of the things that is really important to them is to be able to get into the mortgage lending business instantly. It is not likely that they can do all of that right off the bat, but they can become what is known as a correspondent to a mortgage banker or a bank and they can have that bank actually do the funding and take care of that.

And we will make a point of contacting that credit union and if they get started, we will come in and we will show them how to get

all their government authorizations together. And, if they want, we will be their sponsor and they can be the correspondent because I believe in the small communities. The people will make the payments. If they were not going to make the payments, the part of HUD that I know and understand, which is the 203B Program, single family residents, you know, one at a time, would not have operated, unless I am wrong, for over 55 years in the black.

You know, they have other parts that have wandered off and had some problems.

The CHAIRMAN. You are right.

Mr. TAYLOR. But the part of it that is just mom and pop hanging on by their fingernails, the majority of the people have made their payments on time and the losses that have been sustained have not been enough to put that program in the red. The Farmers Home Loan Program will operate exactly the same way as long as we have just the tiniest little bit of faith in the guy at the bottom.

And, boy, I will tell you, if we do not, this country will collapse.

The CHAIRMAN. I agree.

Mr. TAYLOR. This is a little partisan politics.

Mr. MORALES. Can we be excused?

The CHAIRMAN. Yes, thank you, Mr. Morales. We understand.

Mr. MORALES. I have to be somewhere.

Ms. WATERS. Thank you very much. Good to see you. I really appreciate your waiting around.

The CHAIRMAN. Thank you.

Mr. TAYLOR. You can take the guy that is having the most trouble in the world. Somehow or another you let him get hold of a house and get into the thing. He can hang on to that thing for 25 years and raise two or three kids. He just becomes part of the establishment like you cannot believe. He will start voting. He does not want graffiti on his fence. You know, it just turns the whole thing around.

It is the nucleus, it is the ultimate bond for the family. You know, you had a couple of people here today that lost their jobs and their houses. When they lost the house, do you know what else they lost, they lost their family, because they did not have any place for the family to come home to. I do not care how terrible a day you have had, I do not care what kind of fights you have had with your spouse, I do not care how bad my kids have been, when I come home at night, somehow or another we have had to put it all together and you get up and you go down the road the next day.

Housing is the nucleus of this country on top of what the President says and your committee says. It is the social bond for the family. And again, thank you for talking to us and we appreciate the opportunity.

The CHAIRMAN. Well, thank you, Mr. Taylor. And we are very grateful, Ms. Bilel. I believe we have honored all the requests that we have been advised of. And, again, let me say repeatedly, thank you a million, you have been most helpful.

Ms. WATERS. Thank you. Thank you from the bottom of our hearts and before our chairman gets up from here, again, this amazing man has sat through this hearing without moving one time. I have seen him do this for hours in Congress. I am always amazed, but I want him to know I am so grateful that he came to

Los Angeles and he was able to hear from our constituents and hear about what is going on here in our area. And he has been as generous as any kind soul can be.

You see what time of evening it is and he was prepared to stay here as long as there was somebody that wanted to talk. Even though it is only a few of us left, would you please join me in giving him a round of applause? [Applause.]

The CHAIRMAN. You, too, have stayed here to the very end, Ms. Waters.

Ms. WATERS. But I got up a couple of times.

The CHAIRMAN. Well, thank you very much and the committee will stand adjourned until further call of the Chair.

[Whereupon, at 6:45 p.m., the hearing was adjourned, subject to the call of the Chair.]



APPENDIX

February 10, 1992

Opening Statement of Henry B. Gonzalez, Chairman  
Committee on Banking, Finance and Urban Affairs  
U.S. House of Representatives

Field Hearing on the Economy  
Los Angeles, California  
February 10, 1992

Today the Committee on Banking, Finance and Urban Affairs launches the fifth in a series of hearings around the nation on economic distress.

In Bridgeport, Connecticut, the site of our first hearing on January 7, the city's fiscal problems had become so acute that last June it became the largest city ever to file for bankruptcy. While Bridgeport has since chosen a route other than bankruptcy, it still continues to wrestle with a \$17 million budget shortfall, made worse by cuts in federal and state funding. This has impacted the city's ability to serve its growing number of homeless and others needing social services.

Economic distress in the Spartanburg-Greenville area of South Carolina, the site of our second hearing, meant the phenomenon of underemployment, where people work the same for less, as their traditional textile and apparel industries downsize and many well-paying jobs are lost. Baltimore, Maryland, the site of our third hearing, like many major cities faces problems of homelessness, lack of affordable housing, overburdened social services, job losses, and small businessmen and women unable to get needed bank loans to keep their businesses running.

Because of its heavy reliance on the auto and heavy manufacturing industries, Cleveland, Ohio, the site of our fourth hearing, is especially hard hit during a recession. While the city is working to diversify its industries, there still remains a mismatch between the workers' skills and its industries' needs.

It is clear from these hearings that the recession is severe -- that people are out of work or afraid of losing their jobs, that promises of job-retraining and job re-location do not always come through, that underemployment for some can be as detrimental as unemployment. People who formerly had homes are living in shelters, people are using up all their savings to hold onto their homes, people are turning for help where there is none. And, sadly, hunger remains a problem even in our affluent United States.

The cities are especially hard hit and their plight is made worse by years of cuts in federal and now state funding. Cities can no longer afford to repair their crumbling infrastructures, to provide affordable housing for all who need it, and to offer enough social services to go around.

We have come to California to hear from the people who are on the economic firing line -- those seeking shelter, those living in public housing, those struggling to hold onto their homes, those having trouble making the downpayment on their first home, those working, those not. We will also hear from social service providers and those working with inner city youths.

Expected job losses in the defense and aerospace industries will especially impact California whose largest industries are these. According to the Los Angeles Times, California "ranks tenth among states likely to be hurt by defense spending cuts already in the works at the end of 1990," with more cuts anticipated from the "Peace Dividend." Aerospace-defense workers can not help but be concerned by these statistics, and we will hear from them today. As one worker at a company making parts for the Patriot and Trident II missiles is quoted as saying, "Before, if you got laid off at one place, somebody else had a big contract" that provided work, but, "now, if you get laid off, there's no where to go."

We will also be looking at the effect of the Bank of America-Security Pacific merger on the local community and on the California economy in general. The proposed merger will change the banking landscape drastically throughout California and we want to know exactly what this means for credit flows and services for neighborhoods and families.

I want to thank my colleagues, Maxine Waters and Esteban Torres, both of Los Angeles, for their tremendous help in organizing the hearing. I plan to carry what I hear today back to Washington as the Congress seeks to craft legislation to jump-start the economy. We need a real program for economic growth, not empty promises that all will get better.

OPENING STATEMENT  
THE HONORABLE ESTEBAN E. TORRES  
HOUSE BANKING COMMITTEE HEARING  
LOS ANGELES, CALIFORNIA  
FEBRUARY 10, 1992

I would first like to officially welcome the House Banking Committee Chairman, Congressman Henry B. Gonzalez, and commend him for bringing the Committee out to Los Angeles for this most important hearing today. However, it is with somewhat mixed feelings that Congresswoman Waters and I are hosting this hearing in our backyard. The issue that brings us together today, that of economic distress in our nation's cities, lies looming in both of our districts, in this county, and unfortunately, throughout the nation. Due to our sheer size, the economic troubles being experienced in cities across our nation are most exponentially felt right here in Los Angeles.

As we listen today to the testimony of the various panels of witnesses who will tell their own personal stories of economic distress, I think we will have touched on just how fundamental this problem is. It impacts on so many facets of our daily existence; on having a place to live, on finding and keeping a job, on being able to safely walk the streets in your own neighborhood.

These recessionary times have put a major load on city, county, state, and federal services to help individuals just get through until things get better. While some of these problems are more

universal in nature, it is important to note that the Banking Committee has focused on gathering information about some of the economic realities unique to the Los Angeles community. The panels on unemployment in the aerospace industry and the gang phenomenon, which are, in part, caused by the lack of opportunities for youth, will provide us with a picture particular to this area.

We are in a crucial time now resulting from massive defense cutbacks. There has to be a program of assistance in place for defense-dependent workers, businesses, and communities to help them adapt to changing times and take advantage of new opportunities to diversify. In addition, we need to provide alternatives for our youth to get them off the streets and keep them out of gangs to stem the increasing violence that is brought into our neighborhoods.

I would like to thank Supervisor Molina and all of our witnesses here today for your participation in today's hearing. I want to impress on all of you the importance of the contribution you are about to make. You are giving us the human element, the real life picture of what is happening, something that often gets lost in Washington. The time you are taking to share the state of your life with us is most appreciated. It will be a long day, but we want and need to hear from each and every one of you. It will be up to us, as elected representatives of the people, to act on the information you give us. So be frank, be candid, tell us how we can best help you.

**OPENING STATEMENT OF  
CONGRESSWOMAN MAXINE WATERS**

**FIELD HEARING ON THE L.A. ECONOMY**

**February 10, 1992**

I am extremely happy to be with all of you this morning. We are privileged to be hosting the House Committee on Banking, Finance and Urban Affairs here in Los Angeles. I would like to begin with a brief introduction to the man who has made this very important, and timely, hearing possible -- Chairman Henry Gonzalez of Texas.

Chairman Gonzalez is a tireless worker and a conscientious leader. Among members of the Banking Committee, he is known as an interested, honest and excruciatingly fair chairman. In politics, it is rare to find someone whose integrity is as universally recognized as Henry Gonzalez'.

Chairman Gonzalez has demonstrated an uncommon commitment to the poor. Despite the enormity and the scale of his responsibilities -- overseeing the commercial banking system, overhauling the savings and loans, authorizing every federal housing and community development block grant program -- Chairman

Gonzalez never forgets the poor, the needy and the under-privileged.

In all his thirty years in Congress, Henry Gonzalez has been a fighter for poor and working class Americans. Now, as Chairman of the House Banking Committee, he uses his seniority and expertise to develop legislation and devote resources to help needy citizens in communities like ours.

Chairman Gonzalez' latest commitment is to tour cities all across the United States -- to witness first hand the economic deterioration that is gripping this country. Which brings us to today.

We, in Los Angeles, have a particular set of economic problems.

### **UNEMPLOYMENT**

There has been a lot of publicity about the national recession. In Los Angeles, we have endured depression levels of unemployment for years. Inner cities across the nation have watched as large companies have left town in search of cheap labor in Third World countries.



However, unlike many other cities, this region's economic dependence on the military will lead to even more worker dislocation for the next several years -- as Cold War military budget declines.

While the U.S. unemployment rate is 7.1%, it is 8.3% in Los Angeles County. In many minority communities, the rate is twice as high. Among minority youth, the unemployment rate approaches 50%. In some sections of South Central Los Angeles, which I represent, this rate is even higher.

### HOUSING AND HOMELESSNESS

We suffer from a chronic housing shortage in this region of the country. High property values combined with huge pockets of poverty create startling conditions in LA's housing market.

A recent study conducted by Shelter Partnership here in Los Angeles documented what we all see every day.

\*\* There are 12,800 homeless family members and over 45,000 homeless individuals nightly in Los Angeles County. Of these, over 30,000 live in the city.

\*\* There are less than 8,000 beds available in the County. Every night these are filled to capacity and, under the best circumstances, satisfy only about 1/3

of the total demand for shelter.

We desperately need new housing construction. We need to make more rental housing affordable. We need to think creatively as a community and as lawmakers to solve the housing crisis which confronts us.

### **GANGS/YOUTH PROBLEMS**

Gangs are another well-publicized problem in the Los Angeles area. We are lucky to have programs like Amer-Can, run by my good friend Jim Brown, which bring former gang members back into the community. I am very interested in exploring ways to tap into this spirit for the betterment of all of us.

### **BANK MERGER**

Finally, we have a looming threat from the proposed Bank of America/Security Pacific merger -- the largest proposed bank merger in history.

We have heard that this merger could cost up to 50,000 jobs. We have real questions about the community lending implications of the merger. What will be the impact on banking services for communities like South-Central Los Angeles, communities which are severely under-served by banks already.

It is estimated by the Greenlining Coalition here in California that in 1990, 4% of the dollar amount of Bank of America's loans were to low-income individuals. Only 2% of Bank of America's loans were made to African-Americans. More specifically, only 156, or 0.2% of B of A's loans went to low-income African-Americans.

Moreover, the Federal Reserve Board report on mortgage discrimination reported that it was 64% harder for African-Americans or Latinos to receive a home loan than whites. This background gives many of us great concern about the possible implications of allowing this proposed mega-merger to move forward.

In conclusion, we, in Los Angeles, need leadership. We need a new declaration of purpose and priorities. We deserve and must demand a slice of the peace dividend.

Mr. Chairman, Mr. Torres, today's hearing will give us a clear picture of the challenge before us. I hope we will be able to return to Washington and translate our commitment into concrete action.

Again, I thank you Mr. Chairman for allowing us this opportunity to share with you and this Committee the troubles we face. I look forward to working with you to solve the problems we will identify today.

**Skyrocketing Costs Beyond The New Cost Shifts**

In 1980, health spending in the U.S. amounted to \$2,572 per family. By 1991 the costs had jumped to \$6,535 per family, an increase far greater than the increase in family incomes. By failing to establish a national health budget to hold down costs for all Americans, the President is guaranteeing that spending for health care will reach \$14,000 per family by the year 2000. Nothing in the President's plan will hold down costs for families and businesses.

**Managed care**—The President alleges that managed care plans will help to make health care affordable for all Americans. There is no evidence to support this claim. Managed care premiums have been increasing at virtually the same rates as other health insurance premiums.

▶ A just-released study of 1,000 businesses by the accounting firm Peat Marwick found that employers with managed care plans were not saving money. The study found no difference between premiums for managed care and other insurance.

**Malpractice**—The President claims that our current malpractice insurance system is a key cause of health care inflation. He is proposing limits on malpractice awards and the creation of alternative dispute resolution mechanisms.

This malpractice reform will not curb health inflation. Premiums for malpractice insurance amount to less than 2% of our national health spending. The increase in premiums last year contributed only one-tenth of one percent to health care inflation.

Defensive medicine accounts for 5%, at most, of total hospital and physician expenditures. There are no reliable estimates of defensive medicine costs. It is virtually impossible to distinguish between physicians who prescribe tests to avoid malpractice, those who prescribe tests to boost fees and those who prescribe tests for good medical reasons. Changing the rules that govern malpractice litigation will reduce the number of people who have access to the courts, but will not reduce costs.

Developing alternative dispute resolution procedures may increase, rather than decrease, costs. Since only one in sixteen people who were negligently injured received any compensation in litigation, it is entirely possible that alternative dispute resolution procedures will increase the number of malpractice claims and the total amount of awards.

**No Peace of Mind—Declining Coverage**

The President's strategy for providing Americans the peace of mind that should come with health insurance is insurance vouchers for low-income Americans and tax deductions for the middle class. Under the Bush Plan, the very persons targeted for relief will be worse off at the end of this decade with the vouchers and tax deductions than they are today without them. This is because the value of the vouchers and deductions will be dwarfed by increasing health costs. As a result, out-of-pocket health costs for such families will consume a larger portion of family budgets than today.

## **THE BUSH HEALTH PLAN: VIOLATING THE HIPPOCRATIC OATH**

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American families are crying out for relief from skyrocketing health costs and the failures of the insurance industry. Rather than offering American families relief from these burdens, President Bush's plan will leave American families worse off by the year 2000 than they are today, while increasing the profits of health providers.

President Bush's response to our nation's health care crisis is to:

- ▶ sabotage seniors' access to health care under the Medicare program;
- ▶ similarly sabotage low-income families' access to care under Medicaid;
- ▶ shift more and more health costs to middle class families;
- ▶ allow America's health costs to rise from \$6,535 per family in 1991 to \$14,000 by the end of the decade; and
- ▶ expose more people to the failures of private insurance.

### **Sabotaging Medicare And Medicaid**

*Medicaid only affected*

~~President Bush is proposing the establishment of spending caps for the Medicare and Medicaid programs, but he is refusing to regulate other health costs. Already, Medicare payments to hospitals are approximately 3% below cost, and Medicaid payments to doctors are 36% below Medicare payment rates. By placing artificial limits on Medicare and Medicaid spending without capping other health costs, the disparity between Medicare and Medicaid payments and other payments will widen enormously over time.~~

~~As a result, doctors and hospitals will be less and less inclined to provide care to Medicare and Medicaid patients. The 34 million seniors and persons with disabilities dependent on Medicare, and the 24 million low-income persons dependent on Medicaid, will find it increasingly difficult to gain access to health care.~~

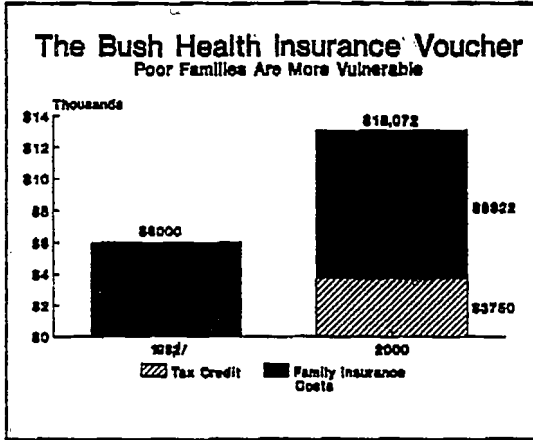
### **Shifting More Costs On To The Middle Class**

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Hospital and physician charges to patients are an enormous "shell game"—with very different charges for the exact same services to different patients based on the kind of insurance they have. When hospitals and physicians believe Medicare and Medicaid payments are too low, they charge those with private insurance more.

As Medicare and Medicaid payments are held down by the Bush cap, doctors and hospitals will make up the difference by charging more and more to middle class families with private insurance. While the elderly and poor have increasing difficulty gaining access to care, middle class families will be hit with new cost shifts. By the end of this decade, middle class families and businesses will be paying an additional dozens of billions of dollars, beyond skyrocketing health costs, due to cost shifts caused by the Bush Plan.

As illustrated by the graph below, health insurance premiums of \$6,000 a year (\$500 a month) for a low-income family in 1991 would amount to \$13,072 in the year 2000. Even with the \$3,750 voucher, that family would pay \$9,322 for health insurance, more than one and one-half times current costs.



**Tax subsidies**—whether in the form of vouchers, tax credits or tax deductions—have proven to be an ineffective means of guaranteeing health insurance coverage. Those without insurance are reluctant to take on the expense unless they have confidence that they will be able to afford the insurance in the future.

► In a New York experiment—where firms with less than 20 employees could qualify for 50% premium subsidies—only 12% of eligible firms accepted, and one study showed that 75% of those firms would have sought insurance without the subsidy. These businesses cited lack of certainty about future tax credits and escalating health costs as the reason for their reluctance to take advantage of the subsidy.

**Dismantling Medicaid**—The Medicaid program for low-income Americans is already seriously underfunded. Many doctors and hospitals refuse to see those with Medicaid coverage because payments are so low. President Bush is proposing to further cut funds for the program, and give low-income Americans vouchers to buy private health insurance.

► Since administrative costs for private insurance average 15% as opposed to 3% in the Medicaid and Medicare programs, this takes money away from health services to needy Americans and puts it in the pockets of insurance companies for their paperwork, profits, and overhead. The vouchers will only be enough to purchase "barebones" policies.

The result will be that low-income Americans will be forced to purchase policies offering fewer benefits than the Medicaid program. By the year 2000, the voucher will purchase even less, as the value of the voucher is dwarfed by double-digit increases in the cost of health insurance.

**Insurance Reforms**—The President claims that he is making private health insurance available to all regardless of their health status.

The President's insurance "reforms" will do nothing to help self-employed individuals who must purchase non-group insurance or most individuals in small groups where the employer does not provide health insurance benefits.

▶ The President's proposed "reforms" leave the non-group insurance market untouched. Individuals with pre-existing health conditions seeking to purchase insurance on their own will still be denied coverage.

▶ The President claims that his proposal will enable individuals in uncovered small groups to get insurance at group rates. However, in order to qualify for coverage at group rates, most individuals in the group have to purchase the coverage. Such coverage is not affordable for most employees of small businesses.

President Bush's insurance "reform" does nothing to control the underlying causes of health inflation. His insurance reform will not require insurance companies to charge all groups the same rates and increase their premiums at the same rate regardless of their health status. His insurance "reform" will not make insurance affordable and, therefore, available to those who cannot currently afford it.

#### **Effective Reform**

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In order to effectively control health costs and guarantee all American health insurance, the Bush Plan would have had to include: a national health budget based on negotiated payment rates for doctors and hospitals; requirements that all insurers charge all groups and individuals the same rate, thereby reducing insurance administrative costs; a process to limit duplicative technology; and a provision for all Americans to get affordable health insurance. The President's proposal did none of these, and the result will be skyrocketing health costs that are less and less affordable to middle class Americans.

TESTIMONY TO  
U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

by

Gilda Haas

COMMUNITIES FOR ACCOUNTABLE REINVESTMENT

February 10, 1992



Communities for Accountable Reinvestment (CAR) is a coalition of grassroots community organizations and one municipality who are committed to advocacy for responsible banking practices in their communities. CAR and its members are particularly concerned that the banking institutions doing business in Los Angeles and other Southern California communities meet their responsibilities under the Community Reinvestment Act. I am here today to present our research and concerns regarding the implications of the proposed merger between Bank of America and Security Pacific banks for our communities.

Our organization's strength is in our grassroots constituencies' ability to share diverse experiences and develop common strategies. Two of our member organizations are represented here today to discuss particular concerns of constituencies they know the most about. To avoid repetition, I will simply state that all of these concerns are embraced by the entire CAR coalition. Our coalition is comprised of the Black Employees Association, the City of West Hollywood, Civic Center Barrio, the Coalition for Economic Survival, Concerned Citizens of South Central Los Angeles, Esperanza Community Housing Corporation, Fair Housing Congress of Southern California, Fair Housing Program of Riverside County, Little Tokyo Service Center, Southern Christian Leadership Conference, Ward Economic Development Corporation, and the West Hollywood Community Housing Corporation.

Bank of America's stockholders report regarding the merger explains that the bank "expects to achieve substantial operating cost savings...primarily through reductions in staff, the consolidation and elimination of certain branches and office facilities and the consolidation of certain data processing and other back office operations." According to the report, these cost savings are expected to reach \$1.2 billion within the first three years of the merger. These so-called savings translate into burdensome and unwelcome costs to our communities. It is expected that the merger will directly cause the loss of 20,000 jobs, and that at least half of these layoffs will occur in Los Angeles. An additional 5,000 layoffs are anticipated from the merger's ripple effects -- the loss of jobs at the law, advertising, accounting and other firms which currently handle Security Pacific business.

In communities like South Central Los Angeles, many branches have already abandoned the community over the past decade, and today check cashing businesses outnumber bank branches seven to one. The impact of further branch closures and the loss of additional services in this and other low income and minority communities is almost unimaginable.

It has been also estimated by real estate analysts that the merger will unleash 2 billion square feet of vacant office space into an already glutted commercial real estate market -- much of it in the Los Angeles area where Security Pacific is headquartered.

However, the most frightening aspect of the merger to my organization is the prospect that these two banks which have consistently redlined and disinvested in

minority and low income communities may soon have an increased position in the market. To understand this fear, it is important that this Committee understand what the Los Angeles lending market looks like, how Bank of America and Security Pacific distribute loans across this market, and how this compares with other lenders. CAR has conducted several studies relevant to these issues which I will briefly summarize here.

The first study attempts to define the Los Angeles market by analyzing the number of all 1-4 unit home mortgage loans, both government insured and conventional, made by all lenders in Los Angeles County in 1990. Using the County's aggregate lending of 67,643 mortgages as a baseline description of the market, we then divided the loans into sub-markets defined by the income characteristics and racial composition of census tracts. The study then positioned Bank of America, Security Pacific, and for purposes of comparison, Great Western Bank, within these markets.

As indicated in Figures 1 and 2, the study shows a consistent and dramatic decline in Bank of America's and Security Pacific's lending as communities become less affluent and increasingly minority. Using Great Western Bank – one of the largest and healthiest lenders in the State – as an example, the study also shows an how an alternative approach to the L.A. market can produce greater opportunities for communities. For example, Figure 1 shows that like Bank of America, Great Western's share of home loans to high income census tracts is about 9%. But in stark contrast to Bank of America and Security Pacific, Great Western's market share

increases to 24% in low and moderate income census tracts while B of A and Security Pacific's drop to 3.5% and 1.3% respectively.

Bank of America and Security Pacific's lending falls precipitously as communities become increasingly minority. For example, Bank of America, which has a 6.6% share of the overall County's market, has an 11% share of lending to communities that are primarily white. But, in communities that are 80%-100% minority, B of A's market share is a negligible 2.7% – less than one-fourth its share of home loans in overwhelmingly white communities. Security Pacific has a smaller market share in all categories, but its lending patterns virtually mirror those of Bank of America.

B of A and Security Pacific's lending performance is even more unacceptable when compared to the current demographic composition of Los Angeles County, which according to the 1990 census is now 60% minority (see Figure 3).

The region's demographics are of course also an important indicator of the market, and here again Great Western provides an example of how lending consistent with the community's composition can also be profitable. In direct opposition to Bank of America and Security Pacific's figures, Great Western's 6.2% market share in neighborhoods which are almost entirely white jumps to 29.4% in communities that are overwhelmingly minority.

In another study, CAR defined the market on the basis of where one to four unit buildings are distributed among the County's sub-markets defined by the income and racial characteristics of census tracts. The first task here was to compare

the distribution of loans made by all lenders to the location of all one to four unit buildings in the County. As indicated in Figures 4 and 5 there is a surprisingly good fit between the location of buildings and the distribution of lending across census tracts classified by income, and to a somewhat lesser degree across census tracts classified by racial composition.

Here, the greatest gap is found in census tracts which are 80-100% minority. Approximately nineteen percent of the one to four unit buildings are located in these census tracts which receive only about twelve and a half percent of the loans.

- These inconsistencies, however are negligible when compared to the lending practices of Bank of America and Security Pacific. As shown in Figure 6, Both banks allocate disproportionately small numbers of loans to low and moderate income communities. Although 27% of the County's one to four unit buildings are located in these neighborhoods, these census tracts only receive 12% of Bank of America's and 13% of Security Pacific's mortgage loans. At the other extreme, upper income census tracts receive more than their proportional share of loans. These census tracts contain 30% of the one to four unit buildings, yet receive 45% and 46% respectively of mortgages made by Bank of America and Security Pacific.

Both banks also exhibit severe racial disparities when their lending patterns are juxtaposed to the market. As shown in Figure 7, only 8% of the County's one to four unit buildings are located in white census tracts with less than 10% minority populations. Yet 18% of Bank of America's and 19% of Security Pacific's home mortgages are made to these tracts. While 19% of the County's one to four unit

buildings are located in census tracts which are 80-100% minority, only 5% of Bank of America and Security Pacific's loans are made in these neighborhoods.

Because the concept of reinvestment assumes a view of the flow of cash into communities, it is also useful to examine not only the number of loans made by the banks, but also the dollar amount that these loans represent. It is here that lending disparities become the most dramatic. Figure 8 shows that low and moderate income neighborhoods which contain 27% of L.A.'s one to four unit buildings, receive only 6% and 8% respectively of Bank of America and Security Pacific's loan dollars. In stark comparison, upper income census tracts, which contain 30% of the subject buildings, receive 63% of both Bank of America and Security Pacific's loan dollars.

Figure 9 shows that racial disparities in lending by both banks show similar patterns. White neighborhoods -- those with less than 10% minority populations -- contain 8% of the one to four unit buildings, yet receive 32% and 35% of Bank of America and Security Pacific's loan dollars. Minority neighborhoods -- those with 80%-100% minority populations -- contain 19% of the building market and receive only 2% of Bank of America's mortgage dollars and 3% of Security Pacific's.

These studies provide powerful evidence that Bank of America and Security Pacific's lending practices contribute to keeping poor communities poor and minority communities underdeveloped. We have seen that both banks' lending patterns are entirely inconsistent with three objective market descriptions -- the demographics of the region, the distribution of all mortgage lending throughout the County, and the geographic distribution of housing throughout the region's sub-markets. This means

that Bank of America and Security Pacific are working against all three market tendencies to accomplish their enormous racial and class disparities in lending. It seems doubtful that in such a competitive banking environment that these results can be accomplished without an aggressive program to do just that -- to target affluent white customers, to compete for their business, and to ignore the much larger market for smaller, yet profitable, loans.

Bank officials will use the logical argument that the tremendous dollar disparities in lending exist because housing in higher income neighborhoods simply cost more, so loans in those communities will show higher dollar values. But there is no law which dictates that low income communities may not receive more smaller loans than higher income communities. This is only the preference of Bank of America and Security Pacific's business plans.

With this in mind, it may be helpful to revisit Great Western's more equitable, yet profitable, lending patterns. Figures 10 and 11 show that the dollar lending patterns of this bank are very consistent with the objective conditions of the L.A. market. Low and moderate income neighborhoods contain 27% of the building market and receive 29% of Great Western's loan dollars. Middle income neighborhoods contain 43% of the building market and receive 46% of the bank's loan dollars. Upper income tracts contain 30% of the buildings and receive 24% of Great Western's loan dollars. Here is a case where inconsistencies with the market are slight, and when they appear, they favor communities that need loans the most and are less favorable to affluent communities.

By racial characteristics of census tracts, we find a similar fit between the distribution of Great Western's loan dollars and the distribution of buildings. Tracts with less than 10% minority populations house 8% of the County's one to four unit buildings. Here, Great Western places 6% of its loan dollars. And, in tracts with 80-100% minority populations, which contain 19% of the County's one to four unit buildings, Great Western has invested about 19% of its loan dollars. Great Western's lending patterns seem to be entirely consistent with the spirit and letter of the CRA, in part, because their lending is consistent with what is out there in our community. This makes a lot of sense to Communities for Accountable Reinvestment.

What does not make sense is that in the face of all these facts, Bank of America has received an "outstanding" Community Reinvestment rating from its regulatory examiners at the Office of the Comptroller of the Currency. We at CAR find this absolutely remarkable. We respectfully request that your Committee investigate the examination process that was used to deliver such an opinion. We have much more research and data regarding these banks and would be pleased to assist bank regulators in efforts to accomplish more complete and realistic assessments.

I would like to present two other points of information which are relevant to an assessment of the merger's impact on our communities. The first relates to the issue of branch closures connected to the merger. In our discussions with Bank of America, bank officials have promised not to create any "new" underserved communities as a result of the merger. I would submit to you that it is too late for this to be a meaningful promise. CAR has reviewed the branch closures which have



already occurred in the City of Los Angeles by both banks between 1980 and 1989, and finds patterns of discrimination similar to those presented above with respect to lending. During this period, Security Pacific closed 21 branches and Bank of America closed 30. As shown in Figure 12, 71% of Security Pacific closures and 67% of Bank of America's were in low and moderate income communities. None of Security Pacific's closures and only four of Bank of America's closures were in upper income neighborhoods. And, Figure 13 shows that 52% of Security Pacific's branch closures and 30% of Bank of America's occurred in neighborhoods which are 80-100% minority, while only 10% and 7% respectively of Security Pacific and Bank of America's closures took place in communities that have less than 10% minority populations.

In view of this history, it seems appropriate that Bank of America consider mechanisms to address past inequities by opening and reopening branches in underserved communities as part of its consolidation efforts related to the merger.

Finally, it seems important to understand that redlining by both of these institutions have contributed to the creation of communities that are starved for credit and financial services. The absence of responsible lending by Bank of America and Security Pacific has created large markets for loan sharks and unscrupulous lenders who seek to steal our communities' wealth through equity rip-off schemes and other rackets. Some preliminary research has uncovered the fact that one of these banks -- Security Pacific -- has been financing some of the worst fraudulent lenders who prey upon the very communities that are most underserved by the bank. We hope that

you will join us in our demand that such practices be reversed in the future, so that honest credit-worthy homeowners will be granted credit opportunities and unscrupulous businesses will not.

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Figure 1

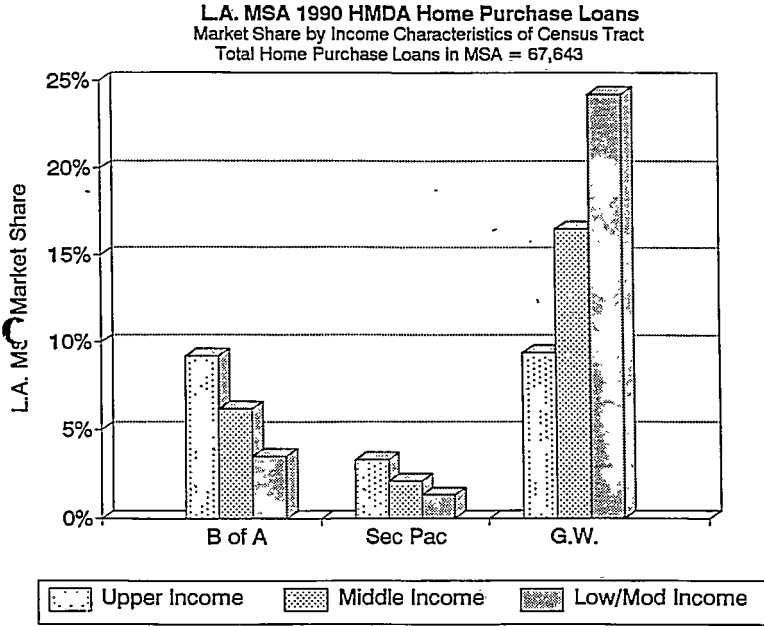
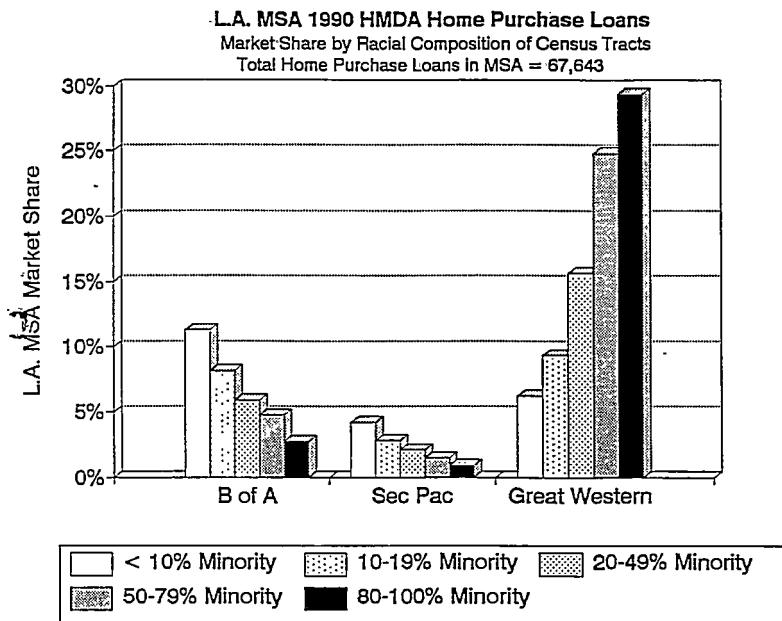


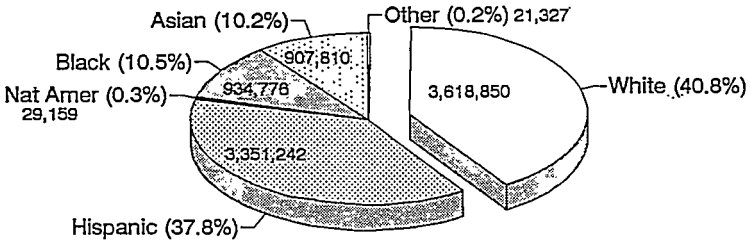
Figure 2



Communities for  
 Accountable Reinvestment  
 January, 1992

Figure 3

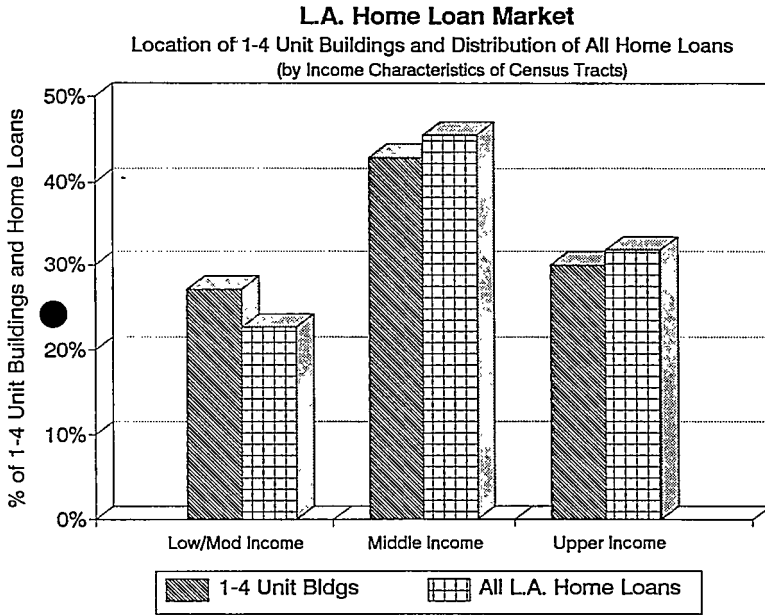
L.A. County Population by Racial Groups  
Total Population: 8,863,164



Source: U.S. Census, 1990

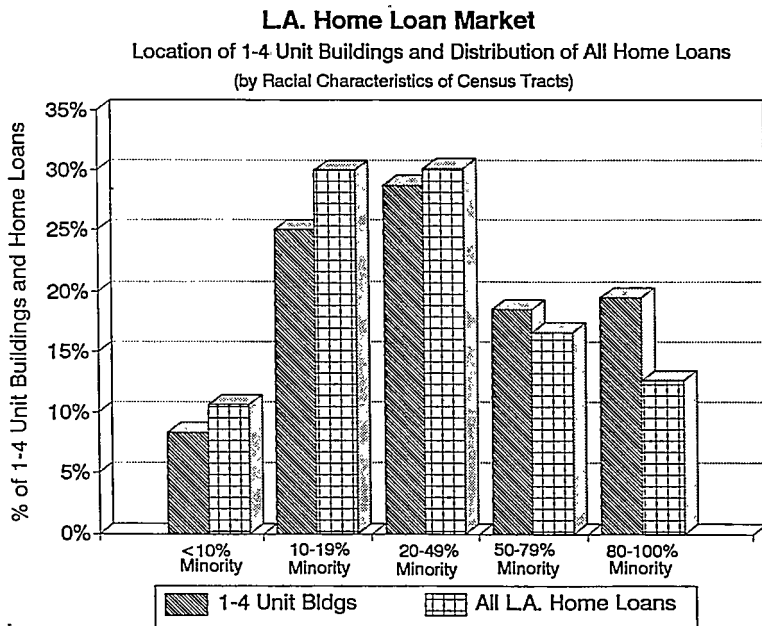
Communities for  
Accountable Reinvestment  
January, 1992

Figure 4



Communities for  
Accountable Reinvestment  
February, 1992

Figure 5

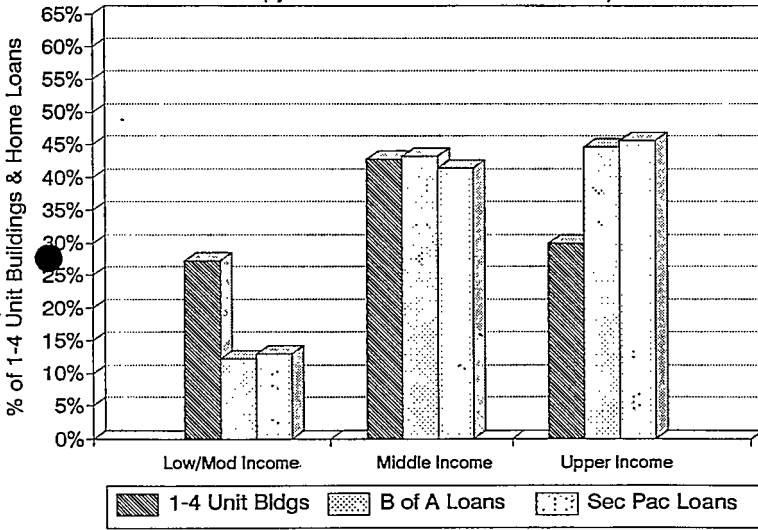


Communities for  
Accountable Reinvestment  
February, 1992

Figure 6

**L.A. Home Loan Market**

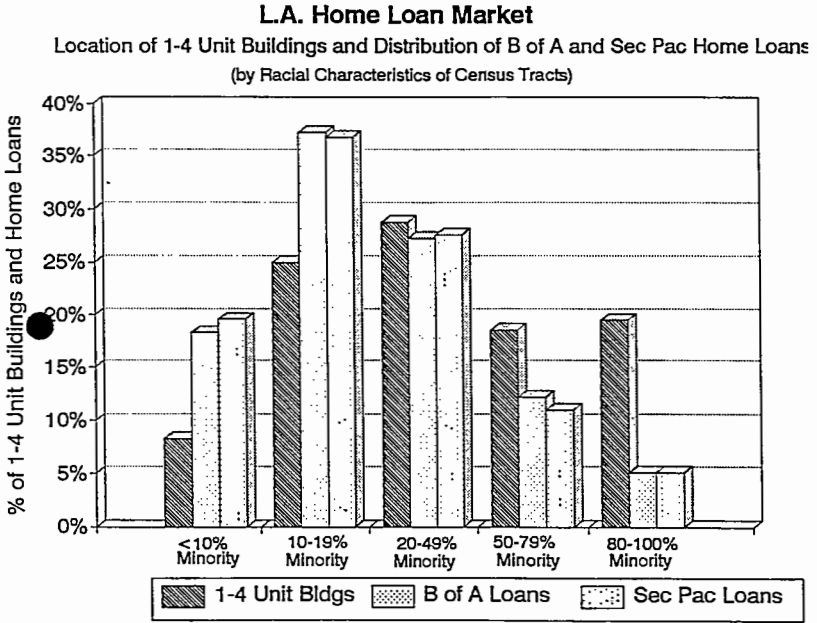
Location of 1-4 Unit Buildings and Distribution of B of A and Sec Pac Lending  
(by Income Characteristics of Census Tracts)



Communities for  
Accountable Reinvestment  
February, 1992



Figure 7



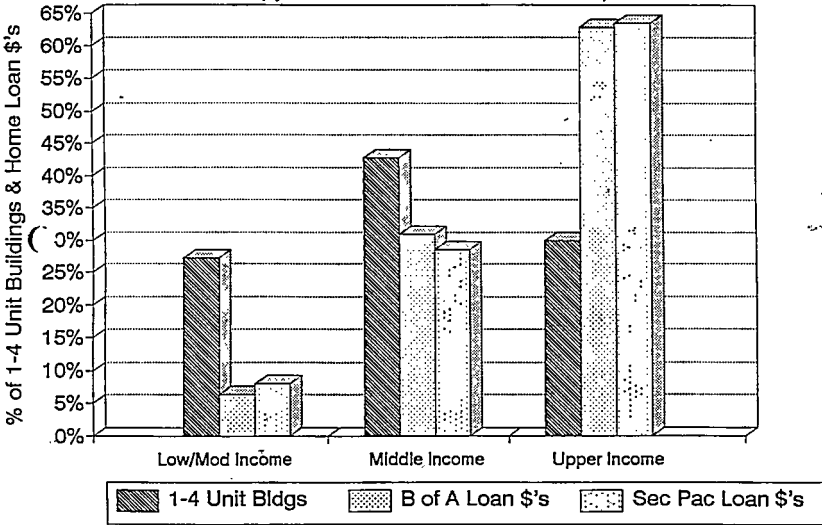
Communities for  
Accountable Reinvestment  
February, 1992

Figure 8

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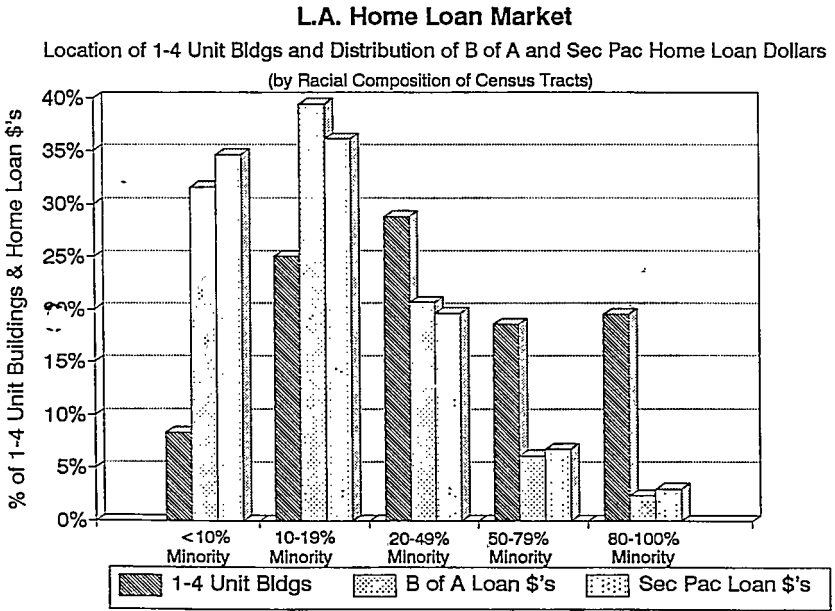
**L.A. Home Loan Market**

Location of 1-4 Unit Bldgs and Distribution of B of A and Sec Pac Home Loan Dollars  
(by Income Characteristics of Census Tracts)



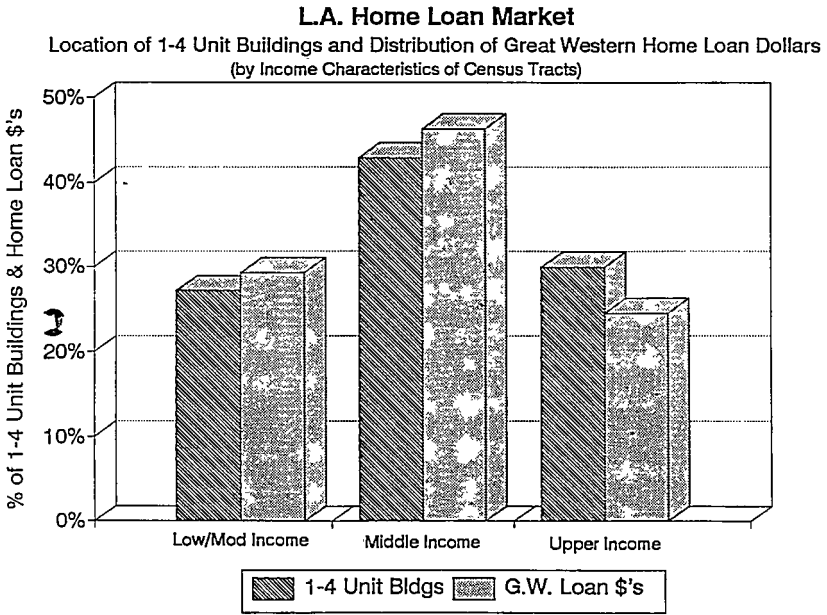
Communities for  
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Figure 9



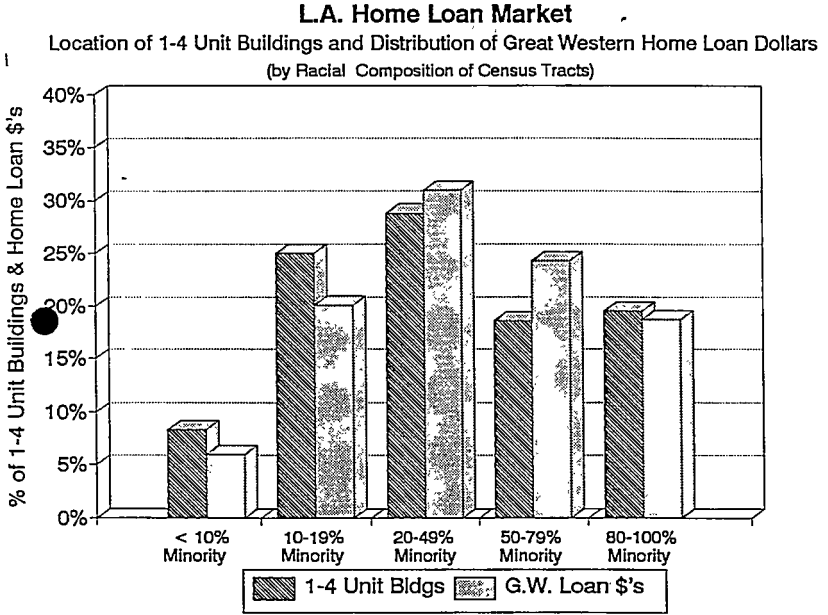
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Figure 10



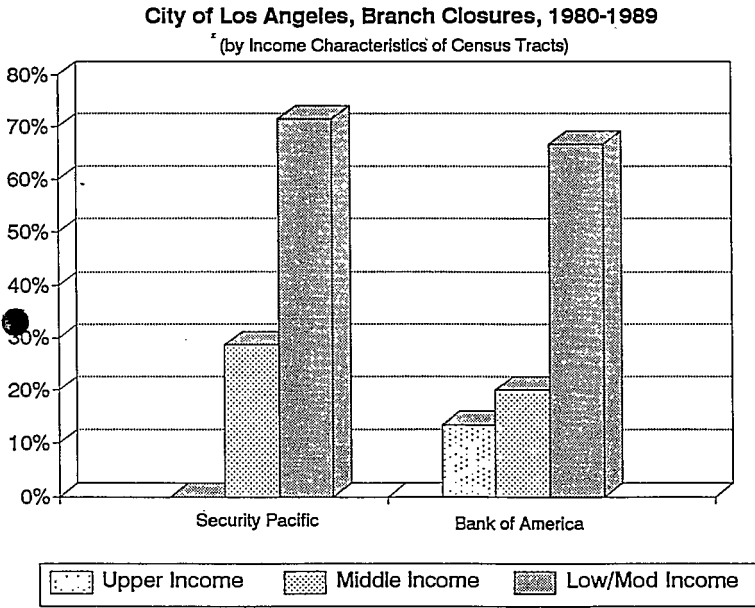
Communities for  
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Figure 11



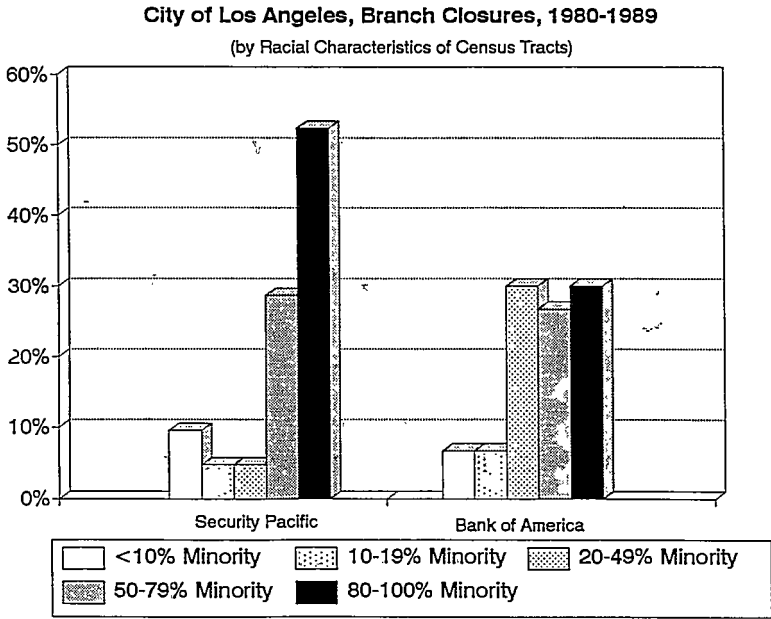
Communities for  
Accountable Reinvestment  
February, 1992

Figure 12



Communities for  
Accountable Reinvestment  
February, 1992

Figure 13



Communities for  
Accountable Reinvestment  
February, 1992



Carlos Jackson  
Executive Director

Community Development Commission  
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Commissioners

Gloria Molina  
Kenneth Hahn  
Edmund D. Echeleman  
Deane Dana  
Michael D. Antonovich

**WRITTEN TESTIMONY BY  
CARLOS JACKSON  
LOS ANGELES COUNTY  
COMMUNITY DEVELOPMENT COMMISSION**

**HEARING OF THE  
U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON  
BANKING, FINANCE AND URBAN AFFAIRS**

**PATRIOTIC HALL  
1816 S. FIGUEROA STREET, LOS ANGELES  
MONDAY, FEBRUARY 10, 1992, 9:30AM**



TESTIMONY PRESENTED BY CARLOS JACKSON  
EXECUTIVE DIRECTOR  
LOS ANGELES COUNTY COMMUNITY DEVELOPMENT COMMISSION  
BEFORE HOUSE OF REPRESENTATIVES  
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

February 10, 1992

Mr. Chairman and distinguished members, I appreciate the courtesy you are extending to Los Angeles County in permitting me to submit this written testimony.

The Community Development Commission (CDC) is the agency in Los Angeles County which is responsible for housing, redevelopment, community and economic development programs. We administer the largest urban county Community Development Block Grant (CDBG) program in the nation and we are the second largest housing authority west of the Mississippi.

Affordable Housing Needs

That Los Angeles County is one of the most expensive housing areas in the country is not news. The median price of a single family home is \$206,000. That is more than twice the national average. Only 24% of the households in this county can afford an average home. The ramifications of such high housing costs upon low-income households are profound.

- Of the 200,715 households receiving food stamps in the County, 38% pay 51% to 79% of their income for rent and utilities while another 23% pay 80% or more of their income for rent and utilities.
- The median rent in the County rose 132% in the last decade. That is nearly twice the inflation rate.
- The 1991 production of apartments in Los Angeles County was the lowest since 1945. Compounding that problem is the County's 18.5% increase in population in the past decade compared to the 10.3% increase nationwide.
- There are 110,466 people on the County Housing Authority's Section 8 waiting list. The City Housing Authority reports equally long lists of applicants with a five-year wait not uncommon.

- The Southern California Association of Governments (SCAG) estimates 618,528 households, 21% of all households in the County, are paying more than 30% of their incomes for rent. Add to that number those thousands who are homeless and the impoverished illegal aliens living in garages and other substandard units.
- Of the 93,000 additional units needed by the year 2000 to meet the growing senior population in the County, 88% will need to be affordable to low- and moderate-income housing.

The 1990 Cranston-Gonzalez National Affordable Housing Act gave a needed boost to housing in this country. However, Congress can create additional incentives to investors to stimulate construction of affordable housing. Some examples:

- Make permanent the tax-exempt housing revenue bond program for single and multifamily dwellings.
- Allow waivers of federal regulations in order to increase the affordable housing supply.
- Loosen restrictions on the banks on lending development money and permanent financing for affordable rental housing.
- Provide legislative priority for credit enhancement such as FHA insurance and Federal Home Loan Bank letters of credit that are used for multifamily bond-financed projects.

#### Emergency Community Development Act of 1992

We commend Chairman Gonzalez for recognizing the value to the economy in general and to the communities who would directly benefit from passage of the Emergency Community Development Act of 1992.

Our public works department has up to \$400 million dollars worth of projects that could be implemented immediately. These projects include public improvements such as streets, sewer lines, aviation projects, flood control and potable water supply. The CDC also has projects that need off-site improvements associated with affordable housing projects.

The CDC would have no problems expending the additional funds if some of the current restraints currently in place for the CDBG Program were waived for this one time allocation. The exemption from the 70% low-mod overall benefit would be helpful as would raising the cap on public service from 15% to 24%. The relaxing of the rule on improving buildings used for the general conduct of government would be especially helpful.

If this legislation were enacted in April 1, we could obligate the funds within 90 days to 12 months. The CDC could meet the 24 month deadline for expenditure of funds. We would do the following public service projects:

Job Training/Retraining  
 Health Care and Education  
 Crime Prevention  
 Drug Abuse Treatment and Rehabilitation  
 Child Care  
 Education and Recreation

We do not believe there is any cause for concern in waiving the national objective of low/mod benefit in this instance. Many of the projects we would implement would be eligible under Slum and Blight, Health and Safety or Code Enforcement. Another example where this would be beneficial is in some job creation/retention projects for small businesses where the owner provides one or two jobs and can reach 50% low/mod but not 51%. In fact, the 51% requirement often prevents certain public improvement or neighborhood facilities from being improved because the service area is not 51% low/mod even though the project provides services to low/mod persons in poverty pockets of that service area.

Modifications to the existing CDBG law or regulations would be appropriate to facilitate the fastest expenditure of these funds. These include:

- Amend Section 105 (a) (14) of the Act to permit loans to public, non-profit entities (redevelopment agencies) and cities, both entitlement and small cities of Urban County consortia (participating cities of urban counties). This change needs to be accomplished immediately to generate projects that enhance economic development and job creating opportunities. Recent Department of Housing and Urban Development Inspector General interpretations of Community Development Block Grant regulations severely limit the use of float loan funds to nonprofit and for-profit entities. That means the County cannot continue to issue float loans to a redevelopment agency, a housing authority, or a city within the County. These restrictions will impede implementation of large projects which enhance economic development. Present tight credit conditions will also be exacerbated. HUD previously allowed such loans to be made; this useful approach should be continued. Attached are examples of CDC's past use of float loan funds.
- Amend Davis-Bacon Act to increase the threshold from \$2,000 to \$200,000. The \$2,000 threshold was determined in 1937 and has never been upgraded to match today's economy.
- Eliminate or soften the "necessary or appropriate requirements in 24 CFR Section 570.203 (Special Economic Development Activities). Even though this rule was amended due to the Cranston-Gonzalez Affordable Housing Act, the Department of Housing and Urban Development has taken the posture that it should be continued.

- Clarify the language in 24 CFR Section 570.500 relating to program income and revolving loan funds to permit revolving loan funds to be used and earn interest.
- Reinstate lump sum draw-downs and escrow accounts for revolving loan funds.
- Enlarge the eligible activities allowed under 570.204 (c) (2) Special Activities by Certain Sub-recipients so that entitlements could provide business assistance, not just physical rehabilitation to businesses. This need is especially true for small businesses who provide two-thirds of all jobs in the United States.
- Maintenance of Effort - Due to the dire fiscal situation in the States, counties and cities across the nation it would be helpful to be able to use CDBG funds to carry out CDBG eligible activities that have been previously funded by local government general funds. Currently, entitlements have to request a waiver from HUD and provide a great deal of data to prove that the requested service is above and beyond the regular service provided by the jurisdiction. This is a very long and complicated process and is usually disapproved.
- Enterprise Zones - Allow us to fund projects in enterprise zones even if they are not in development areas. The tax incentives provided under the enterprise zone program has not proven to be enough to make these a viable activity. We should also be allowed to provide funds for business relocation.
- We are still in favor of removing certain items from the 20% administrative cap. Since the federal government requires assistance to minority and women-owned businesses and Fair Housing activities, they should be eligible activities. The Fair Housing requirements in a large jurisdiction can become a very costly item. It is our strong belief that technical assistance to nonprofit entities for neighborhood revitalization and community economic development should be an integral part of the program costs of these types of projects. It does not good to improve the physical structure of a business if the owners and staff are naive and need a good deal of assistance in how to operate a business.

Thank you again for allowing me to bring these important issues to your attention.

Burbank Redevelopment AgencyFloat Loan

**Purpose:** Acquisition and/or construction of public improvements in downtown Burbank.

**Amount:** \$12,000,000 authorized. \$7,718,766 drawn down (7/16/90).

**Rate:** Six percent fixed.

**Term:** Two years with possible two year extension.

**Security:** Double A rated, irrevocable, callable on demand, direct pay letter of credit.

**Prepayment Covenant:** In the event funds are not available in the Float Loan program and a participating City has a fundable and eligible project, borrower agrees to prepay the loan on demand.

**HUD Eligibility:** Acquisition and public improvements both eligible under Section 570.201.

**HUD National Objective:** Elimination of slums and blight under Section 570.208. Blighted structures causing blighting conditions will be demolished and new, standard structures will be erected on sites acquired or public improvements will be constructed on other cleared sites.

Watt Commercial Development  
Project (Maywood)  
Float Loan

Purpose: Acquisition of 3.75 acres of land for a shopping center in Maywood.

Amount: \$2,318,628

Rate: Fixed rate of 7.5 percent.

Term: Original term was one year. Extended one year and in process of being extended one more year.

Security: Double A rated, irrevocable, callable on demand, direct pay letter of credit.

HUD  
Eligibility: Acquisition eligible under Section 570.201.

HUD National  
Objective: Benefit to low- and moderate income persons (Job Creation) under Section 570.208.

Hawthorne Redevelopment AgencyFloat Loan

Purpose: Land acquisition by Hawthorne Redevelopment Agency for a 75 unit Section 202 housing project.

Amount: \$513,825

Rate: Seven (7) percent fixed.

Term: Eighteen (18) months with possible six (6) months extension at Commission's option.

Security: A1 grade irrevocable, callable on demand direct pay letter of credit.

Prepayment  
Covenant: In the event funds are not available and a participating city has a fundable and eligible float loan project, borrower agrees to prepay loan on demand.

HUD  
Eligibility: Acquisition eligible under Section 570.201.

HUD National  
Objective: Low income benefit under presumed benefit for elderly or disabled in a Section 202 housing project.

Baldwin Park RedevelopmentAgency Float Loan

Purpose: Acquisition of 13 acres in downtown redevelopment project.

Amount: \$7,000,000 (later reduced to \$6,086,795).

Rate: 6 percent (22 months) & 9 percent (5 months).

Term: Two and one half years, as extended (repaid 7/14/90).

Security: Double A rated, irrevocable, callable on demand, direct pay letter of credit.

HUD  
Eligibility: Acquisition eligible under Section 570.201.

HUD National  
Objective: Elimination of Slum and Blight under Section 570.208.



PREPARED STATEMENT OF MICHAEL LEDO  
UNEMPLOYED PRODUCTION MANAGER, TITAN INDUSTRIES

How the Recession has Affected Me

Since May of last year I have been looking for work with no success and very little response. I have used up what savings I had and all severance and vacation pay that I had accrued. I am now using the money from my retirement fund to pay my mortgage and other bills. I can no longer afford health insurance and should I have to use all my retirement funds I'll not only lose my house---but also my wife and son, who operate a family daycare, will no longer have a base for their business.

By October of last year I had assessed my chances of finding employment in manufacturing as a manager as slim, based on the number of unemployed in this sector and my lack of a college degree.

While I had gained experience working with the regulations in 29, 40 and 49 CFR and the corresponding State regulations. I found I lacked some of the training and certifications required. I felt this training necessary in order to make the cross over into environmental and safety management where my knowledge and experience could be put to use.

Hazmat Training

It was around this time that I was contacted by UAW-LETC about the HAZMAT training program at West Los Angeles College. I found I learned much from this intense training program and it was beneficial to be instructed by people who are involved in the enforcement and compliance of the regulations.

I believe that there is a need for more training programs. We need to identify industries where there is a demand for a trained workforce. We need to provide training to workers in aero-space, the automotive and other troubled industries. And we need to provide some incentive for industry to use these workers. Because, all the training and knowledge that has been gained is of little value if it cannot be used.

One of the major obstacles that has limited many of the participants of this training is the lack of a college degree. Are we such a "degree-oriented" nation, that training and experience without a degree has so little value?

As to what I feel can be done to help.

First of all, waive the penalty for early withdrawal of the 401K plan. I feel that not having these funds available when I retire is penalty enough.

Second, look for experience and training as a criteria for hiring people, not age or lack of a sheepskin.

Third, Set up a temporary agency to help the "Medium Sized" companies comply with regulations and train employees. These companies cannot afford to have a "full time" employee dedicated to this task. This would create jobs and help industry, workers and the environment.

My hopes for the future.

I remain optimistic, for I feel the training I received at West LA College and the continued assistance from UAW-LETC in tracking down leads will soon have me back at work.

Finally, lets stop being Democrats and Republicans, let's Just be Americans and get this country going again!

Michael R. Ledo  
6216 Melia St.  
Simi Valley CA. 96063



**PACIFIC CREST MORTGAGE CORPORATION**

Landau Plaza, 68100 Ramon Road, Suite C-8 • Cathedral City, CA 92234 • Tel (619) 324-2599  
Fax (619) 321-8081

STATEMENT  
OF  
PACIFIC CREST MORTGAGE CORPORATION  
IN SUPPORT OF  
PROPOSED ECONOMIC STIMULUS LEGISLATION  
H.R. 4073  
(with modifications as noted)  
FEBRUARY 6, 1992



## PACIFIC CREST MORTGAGE CORPORATION

Landau Plaza, 68100 Ramon Road, Suite C-8 • Cathedral City, CA 92234 • Tel (818) 324-2599  
Fax (818) 321-6081

In recognition of the need for the enactment of stimulus legislation to spur a housing-led economic recovery, Pacific Crest Mortgage Corporation wishes to submit the following statement in support of proposed bill H. R. 4073, Emergency Community Development Act of 1992.

According to statistics kept by the National Association of Home Builders, housing starts are at their lowest level since 1945. The total construction job losses in the two year period ending December 31, 1991 have exceeded 682,000.

Under the terms of H. R. 4073, \$15.8 Billion is proposed for housing and community development programs. This appropriation is estimated to result in a \$29.1 billion economic stimulus, and creation of 3/4 million new jobs. \$106 million is proposed as an additional appropriation for FmHA Rural Housing Direct Loan Program.

Under the 1991 - 1992 appropriations \$350 million was established for the unsubsidized portion of the FmHA Guaranteed Rural Housing Loan Program. This allows government insured, non-subsidized loans to be funded and made available by the mortgage banking industry.

We are requesting that an additional \$350 million be appropriated for the subsidized portion of the FmHA Guaranteed Rural Housing Loan Program. Under this program, 6,636 Single Family Homes will be built. This will result in 11,192 jobs, and generate wages of \$325 million, with a tax impact of \$13 million.

Moreover, this program serves over the long term as an economic lever which enables Americans who live on the "edge" to lift themselves above the subsistence level.

When our borrowers come to us, they are spending up to one half of their income for what is often substandard rental housing. This is true for borrowers whose income places them technically in the middle-income classification, as well as for those who are considered, by virtue of income, to be among the nations' poor.

When a family is able to invest in their own home, their mortgage payments may also consume a significant portion of their income. That proportion decreases as time passes and income climbs. Not only does their personal financial situation improve, but individuals who do not have to meet climbing rent payments have more disposable income available for expenditure in alternate segments of the economy.

On a more present, short term basis, the injection of increased appropriations into the economy through the FmHA Subsidized and Unsubsidized Guaranteed Rural Housing Loan Programs can provide quick emergency relief measures to a lagging construction industry.

New home construction must conform to FmHA specifications before they can be purchased using mortgages available through any of the FmHA loan programs. However, under the FmHA Direct Loan Program, much of the burden of assuring that new construction meets agency regulatory requirements falls directly upon the FmHA County Supervisors and staff. These individuals must conduct all appraisals, plan checks, and construction inspections, as well as process, underwrite the loan, draw loan documents, fund the loan, and service it over the life of the loan.

Under the Guaranteed Rural Housing Loan Programs, the mortgage banking industry handles all tasks described above, with the exception of actually underwriting the loan. While this results in a shift in administrative workload for the FmHA County Supervisors, it also results in expedited service to the builders and borrowers. Multiple approved FmHA lenders have the ability to funnel these emergency funds into the construction sector at a greater rate than is possible through an understaffed and overworked administrative agency.

In conclusion, the economic advantages of these programs are clear--the intangible impact remains--the forgotten borrower for whom government insured loan programs were designed. As an experienced mortgage banker we can attest to the viability of these borrowers. This programs represent an investment in the economy, and an investment in hardworking Americans who will be able to pass this work ethic on to the next generation--our future.


**PACIFIC CREST MORTGAGE CORPORATION**

Landau Plaza, 68100 Ramon Road, Suite C-8 • Cathedral City, CA 92234 • Tel (619) 324-2599  
Fax (619) 321-6081

February 24, 1992

Mr. Clyde L. Johnson, President  
BLACK EMPLOYEES ASSOCIATION  
5462 Crenshaw Boulevard  
Los Angeles, Ca 90043

Dear Mr. Johnson,

Although I was not able to meet with you personally at the Banking and Finance Committee hearing in Los Angeles, I did hear your testimony and I can empathize with your frustration toward the system.

In establishing your full service credit union, I'm assuming you are interested in becoming involved in the home loan market. I am writing to offer my assistance in providing help in qualifying for and completing the forms for FHA - Title I and II, VA, FNMA and Freddie Mac approval for your credit union. Additionally, I would be willing to assist in training your staff to process the loans.

As I said, I can empathize with your situation. Ten years ago when I started this company, I too was frustrated by the "road blocks", and if I can in any way smooth the path for you, I would be more than happy to help. Additionally, if your situation is such that you are not immediately ready to be a direct lender, I would be happy to talk with you regarding the possibilities of your being a correspondent of Pacific Crest. We would then process, fund and close the home loans for you until such a time your staff is prepared to provide complete mortgage services to your depositors.

I would be pleased to talk with you at your convenience. Please feel free to phone me at (619) 324-2599.

Sincerely,

David Q Taylor  
President

DQT:tls

cc: Hon. Henry Gonzales  
Hon. Maxine Waters  
Hon. Esteban Torres  
Eric North  
Tom Adams

**SUBMITTED TO:** The House Committee on Banking, Finance and Urban Affairs for inclusion in the public record of their hearing held in Los Angeles, California on February 10, 1992

**SUBMITTED BY:** The Housing Authority of the City of Los Angeles  
515 Columbia Avenue  
Los Angeles, California 90017  
Joseph Shuldiner, Executive Director  
(213) 484-

The Housing Authority of the City of Los Angeles submits the following comments on issues within the purview of the Committee.

**1. Vacancy Reduction in Public Housing**

We support the proposal contained within H.R. 4073 for the expenditure of \$2 billion for the reduction of vacancies in public housing. This authority currently has a vacancy rate of 1.5% in its 17 large public housing developments, scattered family sites and senior buildings, which combined total 8,800 units.

Vacancy rates have been systematically reduced to their current levels through the expenditure of additional resources aimed at ameliorating the conditions that often make the leasing of public housing units difficult. Our most notable success was a program called "The Greening of Jordan Downs."

That program, which began in 1990 and lasted 12 months, reduced vacancies from approximately 25% to about 3%. The Jordan Downs effort concentrated additional manpower and materials that totaled approximately \$750,000. The project involved the light rehabilitation and general refurbishing of areas of the development that had fallen into general disrepair due to vandalism, graffiti, and drug-related criminal activity. As a result, these areas had very high vacancy rates (even higher than the development-wide 25% rate). Specific activities involved painting, window repair, landscaping, and additional security lighting. En masse leasing was done to provide new renters with heightened feelings of security. The program created employment and other job related opportunities for more than 20 residents.

As successful as the Greening of Jordan Downs was, it came at a price to this authority. The entire project was funded from the conventional budget on an emergency basis, with the result that the authority's budget reserves were reduced to very low levels. The U.S. Department of Housing and Urban Development will not allow the authority to recover those expenses, either through the Performance Funding System (PFS) driven budget process or through the Modernization grant process

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(CIAP/Comprehensive Grant). The authority's low reserve level is one of the main reasons that HUD, up until now, has refused to lift the designation of "operationally troubled" or "troubled" from this agency.

It is this authority's experience that vacancy reduction efforts work. They can result in public housing communities that are more stable, safe and desirable to prospective renters. They can also result in job opportunities for residents of public housing, as well as for building trades and crafts persons. We endorse this proposal wholeheartedly, asking only that some consideration be given to earmarking funds to compensate PHAs for verifiable successful efforts at vacancy reduction that were not compensated for by HUD.

## 2. HUD'S CHANGING DEFINITION OF "TROUBLED STATUS" FOR PHAs

There are currently 22 large public housing authority's nationwide that bear the HUD designation "troubled." This authority is one of them. We were first designated a "operationally troubled" PHA in 1987. That designation grew out of administrative concerns and outstanding audit findings. Neither at the time of that designation, nor at anytime before or since, was there ever a question of our ability to own and maintain public housing units or of our ability to fulfill our mission of providing decent, safe and sanitary housing to low income families. Our housing stock is not distressed and our vacancies are lower than private market rates.

This authority has made diligent, good faith efforts to answer and correct all HUD's findings and concerns. Twice since the original designation we have fulfilled (to our estimation) all HUD's requirements for ending our troubled status. But each time HUD has changed the rules for lifting the designation. All of the original administrative concerns and audit findings from 1987 have been satisfied, yet we remain designated as troubled.

Out of the Cranston-Gonzalez Housing Act of 1990 came regulations that finally standardized and made objective questions of what constitutes a troubled housing authority. These regulations, the Public Housing Management Assessment Program (PHMAP), should, at last, restrain HUD from changing definitions and keeping assessments more subjective than objective. Such actions have tended to keep certain large authorities (us among them) designated as troubled.



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Despite the advances made in PHMAP, this authority is concerned that enough leeway may exist in the scoring system to allow HUD to continue to steer the evaluation process toward predetermined conclusions of troubled status for certain large authorities. We are particularly concerned about recent statements from the HUD Secretary and others in the Administration that seem to indicate that determinations about the continuing troubled status of some large authorities have already been made. We call upon HUD to adhere strictly to objective criteria in its PHMAP scoring and to immediately lift the designation of troubled from any authority meeting or exceeding the threshold score.

### **3. Mixed Populations in Senior Housing**

This authority recognizes the need for adequate housing for all seniors and disabled persons. We also recognize the legitimacy of efforts that would allow certain housing to be designated for senior citizens exclusively or for disabled persons exclusively. We support such efforts that result in the greatest comfort for all residents and that do not result in a loss of housing opportunities for any individual or group. We support prompt Congressional consideration of proposals that address this issue.

### **4. Replacement Units for the Demolition or Disposition of Public Housing**

This authority supports the replacement of demolished public housing units and public housing units sold to residents with newly constructed or rehabilitated units. We recognize, however, that certain market and other considerations may make it necessary that some portion of such replacement units be rental certificates and vouchers.

## LEGAL AID FOUNDATION OF LOS ANGELES

5228 WHITTIER BOULEVARD • LOS ANGELES, CALIFORNIA 90022 • (213) 266-6550 • FAX #: (213) 265-0566

February 11, 1992

REFER TO:  

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Hon. Henry B. Gonzalez, Chairman  
Committee on Banking, Finance and Urban Affairs ,  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, D.C. 20515-6050

**Re:** Written Comments for Hearing Record on State of the Economy

Honorable Chairman Gonzalez:

I would like to thank you and Representatives Esteban Torres and Maxine Waters for the opportunity to testify at the Hearing on State of the Economy in Los Angeles on February 10, 1992. I would like to take this opportunity to provide written comments to the Committee and ask that these comments be made part of the hearing record.

I am an attorney at the Legal Aid Foundation of Los Angeles, a non-profit organization which provides legal services to eligible low income people in Los Angeles. My area of practice includes public and subsidized housing and in this regard I have been providing legal and technical assistance to tenants living in subsidized housing, and to the tenant organizations that represent them, for over 3 years. I am currently representing the Los Angeles Countywide Alliance of HUD Tenants, represented at the Hearing by Ms. Carol Berman and Mr. George O'Dell, and the Mission Plaza Tenant's Union, represented at the Hearing by Theodora Rolette and Cecilia Martinez Guerra.

The Countywide Alliance of HUD Tenants is a coalition of tenant associations representing thousands of tenants living in subsidized housing throughout Los Angeles County. The Alliance was very active in the formulation of the Cranston-Gonzalez National Affordable Housing Act and the Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRA).

The Mission Plaza Tenant's Union (MPTU) has represented the residents of Mission Plaza Apartments, a 132 unit Section 236 building located in the Boyle Heights District of Los Angeles, for over 16 years. The owner of the building has offered to sell the building to MPTU.

Letter to Chairman Gonzalez  
 Re: Written Comments for Hearing  
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Many of the tenants that I work with live in housing built under the Section 221(d)(3) and 236 programs and face the threat of expiring use of their federally subsidized mortgages- that is "prepayment." Los Angeles which has the nation's largest stock of federally subsidized housing. There are approximately 40,000 units of this housing in the County of Los Angeles and 23,000 units in the City of Los Angeles, with approximately 10,000 units facing prepayment within the next several years.<sup>1</sup> The buildings in Los Angeles are clustered in several parts of the city, but particularly in the central or mid city, the San Fernando Valley and Venice; these are high rent and high real estate markets.

In 1990, the Congress passed the Low Income Housing Preservation and Resident Homeownership Act, or Title VI of the Cranston-Gonzalez National Affordable Housing Act, 12 U.S.C. 17151, under this Committee's leadership. While this is a seminal law, and a significant step toward preserving this very important housing, there are still gaps in the law and other major problems which will allow prepayment, especially in Los Angeles. I am presenting these problems to this Committee with the hope that you will continue your leadership in preserving this precious stock of housing.

The law provides current owners with substantial "incentives" to either stay in the affordable housing business or sell to a preservation purchaser. The amount of the incentives will be based on the appraised or "preservation" value of the property but will not be over the "federal cost limits"; these cost limits are based on 120% of the HUD fair market rents (FMR) for a particular area. This presents a unique problem for Los Angeles and much of California, where the value of land is very high. In fact, it is likely that the preservation value of a great many of the subsidized buildings in the Los Angeles area will be over the federal cost limits.

This problem would be exacerbated by a proposal in the President's budget that would reduce the federal cost limit to 100% of FMRs. This would be disastrous for Los Angeles and for California; we would surely lose 1/2 of the buildings that I have been speaking about. By HUD's own estimate, there would be some 23,000 people displaced by such a policy. This proposal must be defeated.

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<sup>1</sup> City of Los Angeles, Department of Housing Preservation and Production.

Letter to Chairman Gonzalez  
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HUD has the discretion to provide grants to fill the gap between the preservation value and the lower federal cost limits. This discretion will of course depend on the availability of appropriations. If there is inadequate funding available, we will certainly lose the housing.

A very special feature of Title VI is the requirement that the building be offered to a priority preservation purchaser, namely a non-profit organization and/or a tenant organization, where there is an intent to sell on the part of the owner. I have worked extensively with tenant associations that have the political will and the organizational ability to purchase their buildings. They will need help, however, in the form of capacity building or educational grants to assist them with the early stages of the development process that a private lender will not fund. Funding is necessary for tenant organizing and training, organizational and project development, consultant fees etc. While the City of Los Angeles has established a small grant program to assist tenant organizations that are willing to purchase their buildings, there is not enough money in this local program to cover all of the anticipated expenses. The administration's H.O.P.E. program ("Homeownership and Opportunity for People Everywhere," 24 C.F.R. Subtitle A, published at 57 Fed. Reg. 1558, January 14, 1992) would provide tenant associations with planning grants, but only if they choose a H.O.P.E. form of ownership. Unfortunately it appears that the H.O.P.E. program would only fund non-profit acquisition where there is a "homeownership plan" that is consistent with the H.U.D. regulations (e.g. condominium or cooperative ownership) while excluding other types of long term non-profit ownership. If the tenants in a building endorse another form of non-profit ownership, or choose to associate with another non-profit agency, and to continue to operate the building as rental housing, their choice should be respected by H.U.D. and funded accordingly.

Another inequity deserves this Committee's attention. One of the incentives that is available under the law is a "241(f) equity take out loan," which is basically a federally insured loan. This incentive is available to both an owner that wants to stay in the federal housing program and a preservation purchaser. Unfortunately, the proposed H.U.D. prepayment regulations would amortize the loan over a 20 year period for a preservation purchaser while allowing an owner who stays in 40 years to pay off the loan. This is not fair and would hinder the ability of non-profits and tenant associations from acquiring these buildings. It will be hard enough to find money to fill the gap between the incentives and the actual cost of building.

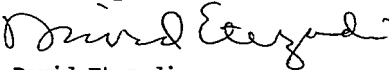
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A shorter amortization period makes that task even more difficult. I would suggest that this proposed regulation is in violation of the spirit and intent of the original legislation and I urge this Committee to urge HUD to change this proposal, or to initiate legislation to change the regulation should it be promulgated in this form.

Los Angeles needs substantial funding to preserve these buildings in Los Angeles. I understand that this Committee and the Congress are faced with fiscal demands from a variety of competing interests. However, I would submit to you, that subsidized housing is a very precious resource that must be preserved. The amount of money required to save this housing is far less than that which would be required to rebuild it; it would also be far less than the social and economic cost of dealing with thousands of displaced tenants.

Once again, I would like to thank you for the opportunity to address the Committee. I would be happy to answer any questions or concerns that the Committee might have.

Sincerely,



David Etezadi  
Attorney at Law

DE/ye

cc: Hon. Esteban Torres  
Hon. Maxine Waters  
Countywide Alliance of HUD Tenants  
Mission Plaza Tenants Union

TESTIMONY BEFORE THE HOUSE BANKING COMMITTEE

FEBRUARY 10, 1992

WITNESS:           ROBERT OZUNA  
                  PRESIDENT  
                  NEW BEDFORD PANORAMEX CORP.  
                  1037 W. Ninth Street  
                  Upland, CA 91786

MR. CONGRESSMEN:

THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS COMMITTEE AND TO PARTICIPATE IN THIS PANEL DISCUSSION.

BY PARTICIPATING TODAY, IT IS MY INTENTION TO BETTER INFORM YOU, AND HOPEFULLY, YOUR COLLEAGUES IN WASHINGTON, D.C. EXACTLY HOW RECENT WORLD EVENTS, INCLUDING THE BREAKUP OF THE SOVIET UNION, THE DOWN SIZING OF OUR NATIONAL DEFENSE BUDGET AND THE AEROSPACE INDUSTRY, AND THE PRESENT RECESSION ALL ARE SERIOUSLY IMPACTING AMERICAN BUSINESSES AND THEIR EMPLOYEES.

I PLAN TO USE AS A WORKING MODEL, MY COMPANY, NEW BEDFORD PANORAMEX. HOWEVER, BEFORE DOING SO, YOU NEED TO KNOW SOMETHING OF ME AND MY CREDENTIALS AS A SMALL MINORITY BUSINESS OWNER. I AM A SECOND GENERATION MEXICAN-AMERICAN. I WAS BORN IN MIAMI, ARIZONA, AND MOVED TO EAST LOS ANGELES, CALIFORNIA IN 1940, AFTER MY FATHER HAD PAST AWAY.

I SERVED IN THE ARMED FORCES FOR THREE YEARS BEGINNING IN 1946, AND WAS HONORABLY DISCHARGED IN 1949.

AFTER LEAVING THE ARMY, I WORKED FOR 10 YEARS AT AN HOURLY WAGE AS

AN ELECTRICAL TECHNICIAN IN LOS ANGELES. DURING THIS TIME, I ATTENDED SEVERAL ADULT EDUCATION CLASSES, AND TRADE SCHOOLS IMPROVING MY SKILLS AND BUSINESS KNOWLEDGE. I HAVE NO FORMAL EDUCATIONAL DEGREES.

IN 1964, THE COMPANY I WAS WORKING FOR WAS EXPERIENCING MANY OF THE SAME PROBLEMS BUSINESSES THROUGHOUT THE UNITED STATES ARE FACING TODAY. BECAUSE THEY WERE FORCED TO DOWN SIZE, I HAD AN OPPORTUNITY TO TAKE OVER A PORTION OF THE WORK THEY NO LONGER WANTED AND START MY OWN FIRM.

FORTUNATELY, I HAD A SUPPORTIVE WIFE AND FAMILY. WITH A SECOND MORTGAGE ON OUR SMALL HOME, MY FAMILY AND I BEGAN OUR PRESENT BUSINESS FROM OUR GARAGE. I AM VERY PROUD OF MY STORY. RECENTLY, IN 1987 AND 1991, I WAS RECOGNIZED BY THE FAA AS THE SMALL MINORITY BUSINESS CONTRACTOR OF THE YEAR.

BELIEVE ME. I AM NOT INTERESTED IN GOING FULL CYCLE. I AM A SUCCESS STORY, AND WANT TO CONTINUE AS ONE. HOWEVER, PRESENT TIMES ARE MAKING IT VERY DIFFICULT FOR EVEN THE HARDIEST BUSINESSMAN TO SURVIVE. AND, WITHOUT HEALTHY BUSINESSES TO EMPLOY PEOPLE, TO INCREASE THE GROSS NATIONAL PRODUCT, AND TO PAY TAXES THAT FUND SOCIAL AND WELFARE PROGRAMS, WE AS A NATION ARE IN SERIOUS TROUBLE.

AS AN EXAMPLE, NBP IN 1990 WAS THE LARGEST 8(A) MANUFACTURING CONTRACTOR FOR THE UNITED STATES NAVY. (18 MILLION DOLLARS) THE PAST TWO YEARS WE HAVE NOT BEEN ABLE TO GET ONE NEW NAVY CONTRACT. IN 1990, NBP HAD A BUSINESS BACKLOG OF 40 MILLION DOLLARS. TODAY, OUR BACKLOG STANDS AT LESS THAN 15 MILLION DOLLARS. THIS MEANS THAT AT OUR CURRENT RATE; WE COULD BE OUT OF BUSINESS WITHIN 18 MONTHS.

THE REASON THAT THIS INFORMATION IS IMPORTANT FOR YOU TO HEAR IS THAT WE ARE SYMPTOMATIC OF BUSINESSES IN THE DEFENSE AND AEROSPACE INDUSTRY THROUGHOUT THE UNITED STATES. WE, SMALL BUSINESSES, ARE THE EMPLOYERS OF YOUR CONSTITUENTS. MANY MANUFACTURING BUSINESSES IN THE UNITED STATES HAVE HAD TO DOWN SIZE, AS NBP HAS BEEN FORCED TO DO THE PAST YEAR AND A HALF. FOR EXAMPLE, IN 1990, NBP EMPLOYED NEARLY 300 REAL PEOPLE. THEY WERE A CROSS SECTION OF CALIFORNIA'S WORKFORCE; LABORERS, BLUE COLLAR WORKERS, TECHNICIANS, AND WHITE COLLAR ENGINEERS AND PROFESSIONALS. TODAY, WE HIRE 160 EMPLOYEES. IT PAINS ME DEEPLY TO SAY THAT WE HAVE BEEN FORCED TO LAY OFF SO MANY FINE, HARDWORKING AMERICANS, -- FROM OUR HIGHEST PAID ENGINEERS, EARNING AS MUCH AS 80 THOUSAND DOLLARS A YEAR TO OUR MINIMUM WAGE WORKERS, ALL HAVE EQUALLY FELT THE STING OF UNEMPLOYMENT AT NBP.

A MAJOR PROBLEM IS THAT THE FEDERAL GOVERNMENT IS STRUGGLING WITH CHANGE ITSELF. ITS INDECISION AND CONFUSION AT THE HIGHEST LEVEL OF GOVERNMENT PROCUREMENT HAS MADE IT EXTREMELY DIFFICULT FOR AMERICAN DEFENSE AND AEROSPACE BUSINESSES, BIG AND SMALL, TO EFFECTIVELY AND ECONOMICALLY DOWN SIZE THEIR OWN OPERATIONS. FEDERAL PROGRAM MANAGERS AND CONTRACT ADMINISTRATORS DO NOT KNOW WHAT PROGRAMS TO CUT; WHAT PROGRAMS TO SALVAGE; HOW MUCH TO SPEND OR NOT TO SPEND. AS A CONSEQUENCE, AMERICAN DEFENSE AND AEROSPACE BUSINESSES, BIG AND SMALL, ARE WASTING MILLIONS OF DOLLARS GUESSING WHAT PROGRAMS THEY SHOULD BE MARKETING.

AS AN EXAMPLE, WITHIN THE PAST YEAR, NBP HAS MARKETED, REVIEWED SOLICITATIONS TO BID AND PREPARED PROPOSALS ON 11 SEPARATE CONTRACTS. THE POTENTIAL DOLLAR VALUE OF THESE 11 CONTRACTS WAS 36.4 MILLION DOLLARS. IF YOU CAN NOT IMAGINE THE COST ASSOCIATED WITH MARKETING AND PREPARING BIDS FOR THESE 11 CONTRACTS, LET ME



TELL YOU. IT WAS IN EXCESS OF ONE MILLION DOLLARS. OF THE 11 CONTRACTS WE SUBMITTED BIDS ON, 4 WERE CANCELED OUTRIGHT, AFTER WE HAD EXPENDED THE MONEY AND EFFORT TO BID. THE OTHER 7 HAVE BEEN DELAYED, SEVERAL INDEFINITELY. IN ANY EVENT, ALL OF THE 7 WILL HAVE TO BE COMPLETELY RE-BID IN ORDER TO UPDATE STALE AND WORTHLESS PRICING DATA.

THE POINT IS, THAT OVER 1 MILLION DOLLARS WAS WASTED BY NBP. WE CAN NOT AFFORD THAT. OUR 1 MILLION DOLLARS DID NOT PRODUCE A SINGLE BOLT, NUT OR SCREW. IT DID NOT PRODUCE A SINGLE PIECE OF EQUIPMENT, ADVANCE TECHNOLOGY OR CURE A DISEASE. IT DID NOT CONTRIBUTE ONE PENNY TO THE GNP. AND, THIS SCENARIO IS BEING PLAYED OUT THROUGHOUT THE DOD AND AEROSPACE INDUSTRY AS WE MEET TODAY. GENTLEMEN, THIS IS WRONG, AND IT IS SEVERELY DAMAGING AMERICAN BUSINESSES. ALSO, AS AN AMERICAN CONTRACTOR TO THE UNITED STATES GOVERNMENT, NBP WAS ALARMED WHEN IT REALIZED THAT ONE OF THE CONTRACTS THAT WE LOST RECENTLY IN A COMPETITIVE BID, WAS TO A FOREIGN CORPORATION. WE, AS A COMPANY, ARE REQUIRED TO SUBMIT BIDS BASED ON A "BUY AMERICAN" POLICY. HOWEVER, TO COMPETE AGAINST FOREIGN COMPANIES WHO ARE NOT SIMILARLY RESTRICTED IS NOT FAIR. I BELIEVE IT WOULD BE APPROPRIATE TO ESTABLISH A 3 TO 5 PERCENT PREFERENCE FOR A COMPANY THAT MANUFACTURES ITS PRODUCT USING EXCLUSIVELY AMERICAN PRODUCED PARTS AND COMPONENTS.

IF THERE IS ANYTHING THAT CAN BE DONE ON THE FEDERAL LEVEL, IT MUST BE TO UNDERSTAND AND SUPPORT THE FACT THAT THERE EXISTS IN THE UNITED STATES A NATIONAL NETWORK OF CITY, COUNTY AND STATE GOVERNMENTS, WHO ARE TRYING TO OPERATE THEIR RESPECTIVE ENTITIES IN THE BLACK. THE PRIMARY MONEY GENERATING ENGINE AVAILABLE TO DRIVE ALL THE NECESSARY PROGRAMS THAT THOSE ENTITIES SUPPORT IS BUSINESS. IN CALIFORNIA, 89% OF ALL BUSINESSES IS SMALL BUSINESS. WE CAN NO

LONGER CRIPPLE SMALL BUSINESS. WE NEED TO BE INNOVATIVE AND CREATIVE IN MAKING CAPITAL REASONABLY AVAILABLE TO SMALL BUSINESSES, AND PROTECTIVE AGAINST BURDENSOME AND UNREASONABLE AND UNREALISTIC REGULATIONS THAT INHIBIT GOOD BUSINESS MANAGEMENT.

THANK YOU AGAIN FOR THIS OPPORTUNITY.  
I AM AVAILABLE TO ANSWER ANY QUESTIONS.



## VETERANS OF FOREIGN WARS OF THE UNITED STATES

### 5TH DISTRICT HEADQUARTERS

340 PATRIOTIC HALL  
1818 SOUTH GRAND AVENUE ST  
LOS ANGELES, CALIFORNIA  
(213) 748-2025

Monday, February 10, 1992

page One

ADDRESS TO THE BANKING COMMITTEE OF CONGRESS...

Distinguished Chairman, Congressman Gonzales; Congresswoman Waters; Congressman Torres:

My name is Jesse James Morales, Commander of the 5th District, Veterans of Foreign Wars, elected to serve an area that encompasses metropolitan Los Angeles.

It is with a sense of great respect, and sincere gratitude, that I welcome you, this Committee of Congress, to Patriotic Hall, the "Home of Veterans" in Los Angeles. We share your concern about this recession which is devastating our nation, and particularly here in Los Angeles, our veteran community.

In your hearings today, you have heard testimony about the Los Angeles economy, youth problems, Housing, Homelessness, Job Search efforts, the impact of the recession on our aerospace industry and effects that bank mergers have had on the local economy. You have listened to people express their plights with business, housing, food, no income. All of these are things that veterans know and feel very acutely. I am here today to express some of those views from the eyes of a veteran, on behalf of those veterans who elected me to do so. For the record, I am not being paid a salary by anyone to say this.

First of all, our Veterans Administration early today was represented by Mr. John Costello, who spoke about the "great" job he is doing with Federal Job Fairs, and he read testimonials about his accomplishments. But I was more concerned with how "LITTLE" the V.A. really is doing. We have empty buildings on V.A. facilities that could be more widely used to house veteran homeless, to re-train and assist veterans in new jobs, and closer to home, our medical care, which is an earned benefit, is in potential jeopardy, if the VA Secretary Derwinski, and the present Administration push through Rural Health Care for non-veteran usage of V.A. facilities.

For your benefit I will cite some significant statistics related to our veterans here. We have over 800,000 residing in Los Angeles county, one out of every six citizens is a veteran. That constitutes the largest concentration of veterans of any geographic area in the United States, and ranks our county as the 10th largest in terms of size, if you count by States, larger than 40 other states in the country. Over 20,000 of our veterans in Los Angeles are classified as "homeless" as determined by the public agencies assigned to keep track of our homeless population, and this is seasonal, in the winter months our homeless veteran population increases. Altogether, the current status of ALL our veterans is NOT GOOD, and it is NOT IMPROVING either. We need some major changes to occur, in short, HELP!

The success of our technology in "Desert Storm" should be put to use to work toward the "PEACE DIVIDEND" Effects of the downturn in defense/aerospace spending has directly impacted on working veterans, a portion of the PEACE DIVIDEND should be used to re-train that skilled labor force to stem unemployment. Here in Southern California where defense SDI, and other major spending projects are now being curtailed, we can put our PEACE Dividend to work in a positive way, and you our Banking Committee can help to change that effort.

Housing for the lower income citizens of Los Angeles, can be addressed in other ways too. Your Banking Committee oversees the work of the biggest landlord in our nation, the famous Resolution Trust Corporation. RTC currently holds title to many large tracts of low income properties that it cannot seem to sell. Why not put veterans to work, and all others as well, in rehabilitating RTC properties, and making them available and affordable to low income families. We are NOT doing enough in this area, and meanwhile RTC keeps getting much bigger and bigger with unsaleable property, right here in depressed areas of Los Angeles.

Our major financial institutions have the ability to invest more readily in our inner cities if the current Administration, our President, and the Executive branch, provides you in Congress with the help you require to pass incentives. Banks need a reason to invest in America, they are NOT doing enough, with your help they can. Your Banking Committee has the power to regulate and legislate more action from financial institutions to do that.

American corporations, both in manufacturing and commerce, have been getting a bad rap lately from our "overseas Allies" The American working man, the veteran has been insulted for not being an efficient worker. We need to take our gloves off, and fight back!!! You can help us do that, and our veterans can spearhead the effort. We have PEACE today because veterans fought to preserve that peace. We can also fight for our jobs. Corporate America needs less restrictions, and more incentive to invest in the working man and woman. It is

very obvious that we are not doing that today. Our present Administration has NOT done enough to preserve jobs for Americans. Here in Los Angeles we have a prime example in our Metro Rail system, which has become a fiasco. We need to bring those jobs that have gone overseas BACK TO AMERICA. Los Angeles is a very diverse, cosmopolitan metropolis, it does depend on overseas investment, but it also has the ability to keep jobs here. Your Committee can stress the importance of that to our American banks, corporations and industry. We have that responsibility in front of us. Speaking for the unemployed veterans, the homeless vets, the disenfranchised veterans of our community, I am here today to let you know that we will support that effort, and fight once again for our country, during this time of economic crisis. We can do nothing less because this is the right thing to do...

So, in summary Mister Chairman, and distinguished members of the Committee, we once again thank you, and express our sincere appreciation for your own efforts on behalf of our nation. These hearings are of vital importance, because they shed light on the paramount crisis that faces our USA today, our recession, our economic dilemma. We are particularly concerned with Los Angeles citizens, our veterans, many of them minorities, who should be enjoying the many fruits of their labor, their contributions to our freedom, and instead are struggling just to survive. Thank you for listening to us, you have our support today!

I will now be glad to answer any questions you may have regarding the issues I have addressed.



Mark Ridley-Thomas  
COUNCILMAN, 8TH DISTRICT

City Council  
of the  
City of Los Angeles  
City Hall  
90012

RECEIVED

FEB 21 1992

Committee on Banking, Finance  
& Urban Affairs

February 14, 1992

The Honorable Henry B. Gonzalez  
Chair, Committee on Banking, Finance and Urban Affairs  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, D.C. 20515-6050

Dear Congressman Gonzalez,

I am writing in reference to the public hearings held by your committee in Los Angeles on February 10, 1992 regarding economic distress in U.S. cities. I am interested in all of the issues raised in the panels at the hearing.

In particular, I am deeply concerned about banking issues in the City of Los Angeles. As you are aware, Bank of America and Security Pacific have announced plans to merge. This merger, which will make Bank of America the largest financial institution in the Western United States, will have severe effects on already underserved areas of the City, especially South Central Los Angeles. I have spent the past several months working with other Los Angeles City officials to study the lending practices of the two banks, based on the requirements of the Community Reinvestment Act of 1977, and the impact the merger will have on future lending practices and services to Los Angeles residents.

I am enclosing for you to include as part of the record of your hearings a copy of the letter I, along with Mayor Tom Bradley and several other elected officials, have sent to the Federal Reserve Board regarding the proposed merger. This letter outlines our concerns about the lending history of the two institutions and the minimum efforts the banks must make to help mitigate the effects of this merger.

The efforts of financial institutions to reinvest in the communities they serve is a critical issue for all cities, especially Los Angeles. I hope you will review this information carefully in relation to the Bank of America/Security Pacific merger and the severe economic situation many U.S. cities face.

Sincerely,

Mark Ridley-Thomas  
Councilman, 8th District

MRT:kf



CITY HALL  
LOS ANGELES, CALIFORNIA 90012  
(213) 485-3311

OFFICE OF THE MAYOR

TOM BRADLEY  
MAYOR

By Fax

January 30, 1992

William Wiles, Secretary  
Board of Governors  
of the Federal Reserve System  
20th and "C" Streets, N.W.  
Washington, D.C.

Dear Mr. Wiles:

We write to register our continued concerns regarding the proposed Bank of America/Security Pacific bank merger.

As you know, the proposed merger contemplates the combination of two of the largest banks in the western United States, creating in its place the largest financial institution in the western United States. The City of Los Angeles, the location of headquarters of Security Pacific Bank, and by far the largest city in the region, will be seriously impacted by the merger.

Elected officials from the City of Los Angeles have registered continued uneasiness with the proposed merger for over four months. During that time, the Mayor, Controller and various city council members have both met with bank officials and expressed concern about these banks' disturbing performance in single family lending in minority and low income census tracts in the City of Los Angeles; the effect of the merger on bank services and access, especially to underserved areas of the City of Los Angeles; the provision of low cost checking by the new BankAmerica; and the current and proposed status of a bank community development corporation in the City of Los Angeles.

On January 14, 1992, each of the authors of this letter took time to testify to the Federal Reserve about these concerns. Our testimony is in the record for your review.

Today, we write to emphasize and consolidate our joint concerns and urge a prompt response from Bank of America and Security Pacific National Bank.

William Wiles  
 January 30, 1992  
Page Two

1. **Setting a Reasonable Goal of Home Loans in Los Angeles:  
 The Lack of Home Purchase Loans to South Central, Baldwin  
 Hills/Leimert Park and East Los Angeles**

The Mayor's Office and the Council Offices for the affected areas reviewed the home loan statistics for Bank of America and Security Pacific and the results are disturbing. Only 20 home purchase loans were made in all of Council District Eight in 1990.<sup>1</sup> Council District Nine was treated worst of all, with only 15 recorded home purchase loans by BoA in that district in 1990.<sup>2</sup> Only 2 were recorded in all of Watts!

Approximately 15 loans were made in the Crenshaw/Baldwin Hills and Leimert Park area, a relatively wealthy area composed primarily of black city residents.<sup>3</sup> When one compares those numbers to numbers in a relatively white affluent area, for example Encino, Tarzana and Sherman Oaks, the resulting disparity is clear. Taking 17 sample census tracts in that community, the number of home loans made there were 158, almost 10 times as many loans!

In East Los Angeles, the story is similar. There, in the Boyle Heights Community Plan Area, but 2 home origination loans were made by Bank of America in 1990. In the Westlake Community Plan area, only 5 home loans were made by Bank of America.

We have been informed that Bank of America has created a three tier review for home origination loans in South Central Los Angeles. They have also admitted that they can do better in the area of home origination loans.<sup>4</sup> We would therefore request the Federal Reserve Board make a condition of the approval of the merger a meaningful number of home origination loans in South Central and East Los Angeles during 1992. The total of 35 loans in Council Districts 8 and 9 should be at least doubled to make meaningful progress. Likewise, BankAmerica should easily be able

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<sup>1</sup> This review was all or a portion of 118 census tracts making up the 8th Councilmanic District in the City of Los Angeles. A council district is comprised of approximately 230,000 residents.

<sup>2</sup> This was an analysis of 15 contiguous census tracts making up South Central Los Angeles and Watts.

<sup>3</sup> This was a comparison of 17 census tracts.

<sup>4</sup> See Bank of America response to Mayor Tom Bradley, Exhibit C to Mayor Tom Bradley's Testimony to Federal Reserve, p. 6.

William Wiles  
 January 30, 1992  
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to double the mere 15 loans made by both banks in the relatively affluent Crenshaw Hills/Leimert Park/Baldwin Hills area and the loans made in the Boyle Heights and Westlake Community Plan areas of Los Angeles.

**2. Creating a Partial Cure for Lack of Access to Credit: Maintenance of Bank Presence in Underserved Communities**

On October 23, 1991, Mayor Bradley wrote Bank of America and asked for location of closures of branches.<sup>5</sup> BofA recognized the importance of "branch presence" in its reply to the Mayor, but neglected to indicate where specific branches might be closed in our community.<sup>6</sup> However, it may be that there will be closings in South Central or Crenshaw/Baldwin Hills or East Los Angeles areas of Los Angeles. Such closures would make it further difficult for Los Angeles residents to access credit.

We submit that any more closures of bank branches in underserved areas would be totally counterproductive. There are two reasons for our position.

First, as you know from our testimony on January 14 before the Federal Reserve, there are a dwindling number of financial institutions in South Los Angeles and elsewhere, and a rapidly expanding number of check cashing institutions located in the same geographical areas formerly occupied by banks.<sup>7</sup>

Second, as the home mortgage data presented above demonstrates, it is critical that BofA/Security Pacific not reduce its presence in underserved areas. If BankAmerica is truly going to remedy the home mortgage disparities by race throughout Los Angeles, it must provide bank branches for residents to seek and access credit.

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<sup>5</sup> See Exhibit "A" to Mayor Tom Bradley's Testimony to the Federal Reserve.

<sup>6</sup> See Exhibit C, p. 11, Mayor Tom Bradley's Testimony to Federal Reserve Board of Governors

<sup>7</sup> See Exhibit "E" to the Testimony of Mayor Tom Bradley Before the Board of Governors of the Federal Reserve System, submitted January 14, 1992, two maps comparing the number of bank institutions and check cashing institutions in South Los Angeles. There but 16 banks. 133 check cashing institutions are located in the same area.

William Wiles  
January 30, 1992  
Page Four

We propose that the Federal Reserve make a condition to this merger the requirement that BankAmerica not close any branches in South Central Los Angeles until an agreement is reached to transfer any such bank branches to minority-owned banks.

### 3. Screening Access to Low Cost Checking

Assuming the merger does not reduce bank presence in underserved communities, neighborhood banks must make their credit services equally available to all segments of the community. The proposed BankAmerica could make a real difference in Los Angeles by making a long-term commitment of at least ten years to a basic banking, or "lifeline" checking account which would allow customers with incomes of less than \$20,000 a year to open an account with a \$25 minimum and write up to ten checks per month for one low fee. We understand that Bank of America presently offers a Limited Checking Account to customers. We are merely asking that the Federal Reserve make as a requirement of this merger a commitment of the bank to maintain its Limited Checking account for the next 10 years.

Also, government checks are typically cashed at the check cashing institutions throughout underserved areas. The merged bank should make a long-term commitment of at least ten years to a policy of cashing government checks for noncustomers, with a valid identification, at a relatively low fee such as "at cost plus 10%." We understand that SeaFirst Bank in the State of Washington has agreed to a \$2 per check for governmental assistance recipients and \$.50 per check for social security recipients.

These alternatives would make a real difference to residents throughout Los Angeles.

### 4. Creating a Bank Community Development Corporation in Los Angeles Focused on Equity Investments in Small Businesses and Job Creation and Retention

As you know, Bank of America and various city officials have begun exploratory discussions concerning the formation of a Bank CDC in Los Angeles. We believe the current merger application provides an opportunity for the Federal Reserve to add its encouragement to these efforts.

We would request that a condition of approval of the merger be the commitment by BankAmerica of \$5 million for a California Bank CDC, with an initial focus or pilot program in Los Angeles, in an area to be determined within the next 6 months. One million



William Wiles  
January 30, 1992  
Page Five

dollars of this amount would be an equity investment and four million dollars would be credit commitments.

This CDC could be an extension of the already existing Security Pacific Enterprise Reinvestment Corporation or a new entity, possibly linked with other banks. By providing equity investments in small businesses, this corporation would become partners in local economic development efforts through an approach which is authorized by various federal regulatory bodies.

##### 5. Appointment of a Civil Rights Monitor

In light of the disappointing HMDA results referenced above, the Federal Reserve should appoint a civil rights monitor of community reinvestment programs and the bank's loan commitments to customers irrespective of race, gender, sex, sexual orientation or national origin. The monitor should have an 800 hot line number, posted in every branch in a prominent location to ensure public awareness of the civil rights monitor post and to alert customers to where complaints can be lodged. BankAmerica, a proposed model of community reinvestment, should be willing to accept this independent verification of its commitment to community reinvestment.

##### 6. Establishing a Partnership Agreement with the City of Los Angeles in which the Bank agrees in good faith to Implement Points 1-4 above.

BofA has promised a 10 year community reinvestment goal of \$12 billion. This is a very important and serious commitment to community investment. We would call to your attention, however, that the increased commitment to the State of California for the next 10 years was but eight percent, increasing from the original \$7.4 billion which would have occurred without the merger, to \$8 billion. Further, when one reviews that goal, there is no particular commitment to Southern California, which clearly has the greatest need for reinvestment.

Also, 10 year goals require 10 years for measurement. In our view, it would be more appropriate for BofA to set more concrete and specific annual goals. Then both regulators and the public could measure the bank's community reinvestment performance in the near future.

We therefore request that the Bank of America make a written Partnership Agreement with the City of Los Angeles, prior to approval of the merger, which would implement Points 1-4 above and that this Partnership be a condition of approval of the proposed merger.

TESTIMONY OF MAYOR TOM BRADLEY  
BEFORE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONCERNING THE PROPOSED MERGER OF BANKAMERICA CORPORATION AND  
SECURITY PACIFIC BANK

TESTIMONY OF MAYOR TOM BRADLEY  
BEFORE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONCERNING THE PROPOSED MERGER OF BANKAMERICA CORPORATION AND  
SECURITY PACIFIC BANK

I have been mayor while Security Pacific and Bank of America (BoA) grew in Los Angeles. It has been a productive relationship. I understand that the City of Los Angeles is one of the bank's biggest customers. Currently, the City and all its Departments have on deposit with BofA and Security Pacific Bank over \$4 billion.

My discussion today covers two points:

A) First, I want to talk about my communications with BofA and its answers to some of the questions I posed;

B) Second, by requiring answers to the issues I pose prior to a decision on the proposed merger, I believe the Federal Reserve Board of Governors can help mitigate the consequences of the proposed merger upon Los Angeles and its residents.

As you know, on October 23, 1991, I sent a letter of concern to BofA.<sup>1</sup>

In that letter, I stated that I was disturbed about recent Home Mortgage Disclosure Act (HMDA) information concerning BofA's high rate of denial of home purchase mortgages to minority residents. I observed that within the City of Los Angeles, BofA's

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<sup>1</sup> See Exhibit "A" incorporated herein by reference.

Mayor Tom Bradley's Testimony  
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denial rate for minorities was over twice the citywide average.<sup>2</sup>

In my letter, I asked a number of questions about the merger, some of which were answered approximately 6 weeks later by BofA in its response to me.<sup>3</sup>

BofA has made clear that it is sensitive to the questions I have raised. However, I would be less than candid if I did not tell you that I still have substantial concerns. Changes in the banking industry, like the restructuring of the manufacturing industry, will undoubtedly have some negative consequences in the City of Los Angeles. This is truly unfortunate.

Banks are important to cities. Banks provide the necessary credit for residents to obtain personal, home and other loans, making it possible for people to achieve their dreams. Conversely, the concrete or symbolic lack of banking presence in a community can destroy a community's hope. I believe it is up to the Federal Reserve to ensure the proposed merger does not adversely affect the residents of the City of Los Angeles, that it does not deny them their rightful access to credit services.

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<sup>2</sup> See Los Angeles Times, p. 1, October 22, 1991, at page 25, Exhibit "B."

<sup>3</sup> See December 9, 1991 Bank of America letter to Mayor Tom Bradley, Exhibit "C."

Mayor Tom Bradley's Testimony  
 Federal Reserve  
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HMDA Data: Lack of Home Purchase Loans to South Central and Baldwin Hills/Leimert Park areas

Before I discuss the general impact of the merger, I want to address certain Community Reinvestment Act concerns. As you know the Act requires that "deposit facilities", such as BofA and Security Pacific, demonstrate that they meet the credit needs of the local community.<sup>4</sup> Unfortunately, certain residents and areas of the City of Los Angeles have not had their credit needs met as well as others.

My office has reviewed the home loan statistics for BofA and Security Pacific Bank and the results are disturbing.<sup>5</sup> Only 20 home purchase loans were made in all of Council District 8 in 1990.<sup>6</sup> Council District 9 came in worse, with only 15 recorded home purchase loans by BoA in that district in 1990.<sup>7</sup> Only 2 were recorded in all of Watts!

It might first appear that this was the result of widespread poverty in those districts. But this is not the case. In Baldwin

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<sup>4</sup> Title VII-Community Reinvestment Act, Section 802(a).

<sup>5</sup> See attached maps showing Bank of America's and Security Pacific's home purchase loans in the City of Los Angeles in 1990, Exhibit "D."

<sup>6</sup> This review was of all or a portion of 118 census tracts making up the 8th Councilmanic District in the City of Los Angeles. A councilmanic district is comprised of approximately 230,000 residents.

<sup>7</sup> This was an analysis of 15 contiguous census tracts making up South Central Los Angeles and Watts.

Mayor Tom Bradley's Testimony  
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Hills and Leimert Park, a relatively affluent, primarily black single family area of the City of Los Angeles, only 15 home purchase loans were made by both BofA and Security Pacific.<sup>8</sup> When one compares those numbers to numbers in a relatively white affluent area, for example Encino, Tarzana and Sherman Oaks, the resulting disparity is clear. Taking 17 sample census tracts in that community, the number of home loans made there were 145, or a difference of approximately ten-fold.

BofA has assured me that it understands that it must do more.<sup>9</sup> But these numbers are indeed troubling. Does this disparity also apply to business and other loans? What does this imply with respect to the actual availability of credit to everyone in Los Angeles, regardless of race? How will federal regulators assure that this practice will be corrected?<sup>10</sup>

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<sup>8</sup> This was a comparison of 17 census tracts.

<sup>9</sup> Bank of America response, Exhibit C, p. 6.

<sup>10</sup> A separate city concern relates to multifamily affordable housing lending. While Bank of America has commendably come to an agreement with the California Reinvestment committee in this area, the local Redevelopment Agency points out that Bank of America will not accept that Agency's restrictions on affordability on its original trust deeds on such multifamily housing loans. In the event of foreclosure, the local Agency will therefore be required to expend precious tax dollars to prevent such apartments from being converted to market rate dwellings, unaffordable to those for whom the original city assistance was intended.

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The Effect of the Proposed Merger on the City of Los Angeles

The potential effects of this merger include:

a) **Lack of Access to Credit**

I wrote BofA and asked for locations of branch closures.<sup>11</sup> In its response, BofA recognized the importance of "branch presence," but neglected to indicate where specific branches would be closed in Los Angeles<sup>12</sup>. However, it may be that there will be closures in South Central or Crenshaw/Baldwin Hills areas of Los Angeles.<sup>13</sup> Such bank closures would further make it difficult for Los Angeles residents to access credit.

I submit to the Federal Reserve that any more closures of bank branches in South Los Angeles would be totally counterproductive. There are two reasons for my position.

First, as you will hear from others today, there are a dwindling number of financial institutions in South Los Angeles, and a rapidly expanding number of check cashing institutions in that same geographical area.<sup>14</sup> It is essential that residents of

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<sup>11</sup> See attached Exhibit A.

<sup>12</sup> See Exhibit C, p. 11.

<sup>13</sup> In South Central Los Angeles, at least 3 BofA branches are located near Security Pacific branches; in Crenshaw/Baldwin Hills the two banks' branches are within 2 blocks of one another.

<sup>14</sup> See attached Exhibit "E", two maps comparing the number of bank institutions and check cashing institutions in South Los Angeles. There are but 16 banking institutions. There are 133 check cashing institutions in the same area.

Mayor Tom Bradley's Testimony  
Federal Reserve  
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South Los Angeles have real alternatives to the exploitive check cashing services now in place.

Second, as the home mortgage data presented demonstrates, it is critical that BofA/Security Pacific expand, not reduce, its presence in currently underserved areas. If BofA/Security Pacific are going to remedy the home mortgage disparities in South Los Angeles, there must be reputable institutions available for people to seek and access credit.

Notably, the correspondence I received on December 9 from the BofA and the application states that if BofA and Security Pacific is the only provider of financial services in a community, it will not be closed. One interpretation of this statement is that if there is another financial institution in a given community, for example Great Western or Wells Fargo Bank, BofA may close the doors of its competitive operation.

However, it is my understanding that BofA has already committed to the California Reinvestment Committee in San Francisco that it will only close branches in lower-income markets in California where there is a redundancy with Security Pacific banks.<sup>15</sup> This is an important difference and must be clarified by regulators prior to voting on the merger.

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<sup>15</sup> Telephone conversation of Mayor's Community Reinvestment Coordinator with Gail Hillebrand, Legal Counsel, California Reinvestment Committee, January 10, 1991.



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**b) Potential Layoffs**

According to some, the merger will result in the layoff of 20,000 employees. As headquarters for Security of Pacific Bank, the City of Los Angeles will undoubtedly be disproportionately affected. According to a recent article in the Los Angeles Business Journal, fully half of these job losses, up to 10,000 of these job losses, will occur in Los Angeles County. Further, the secondary job loss impact, occurring as a result of the loss of jobs at the law firm that handles Security Pacific's business, the advertising firm for Security Pacific, the accounting firms which handle Security Pacific business and other firms whose major source of income is Security Pacific business could lead to the loss of an additional 5,000 jobs in Los Angeles!<sup>16</sup> In this current recession, these job losses are truly overwhelming.

**c) Loss of Commercial Office Space**

I asked BofA to address this issue in my October 23rd letter. There has been no response to date. News reports predict the loss of 1.75 million square feet of office space currently leased by Security Pacific in Bunker Hill if the merger is fully implemented.<sup>17</sup> This is, of course, prime office space in the City

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<sup>16</sup> Estimate made by Los Angeles County Economic Development Corporation, November 11, 1991 and conversation with Jack Kyser, Director of Los Angeles County Economic Development Corporation of January 10, 1991.

<sup>17</sup> Los Angeles Downtown News, January 13, 1992, p. 2.

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of Los Angeles.

Monitoring Future Commitments

BofA has promised a 10 year community reinvestment goal of \$12 billion. This is a very important and serious commitment to community investment. I would call to your attention, however, that the increased commitment to the State of California for the next 10 years was but 8%, increasing from the original \$7.4 billion which would have occurred without the merger, to \$8 billion. Further, when you review that goal, there is no particular commitment to Southern California, which clearly has the greatest need for reinvestment. Will managers sitting in San Francisco see the need for reinvestment in Southern California?

Also, 10 year goals require 10 years for measurement. In my view, it would be more appropriate for BofA to set more concrete and specific annual goals. Then both regulators and the public could measure the bank's community reinvestment performance in the near future.

For example, how many home purchase loans will be placed in Leimert Park during 1992? 1993? How many loans to small businesses in the City of Los Angeles, will be committed in 1991? 1992?<sup>18</sup>

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<sup>18</sup> I understand the City has asked the Bank of America to explore the concept of single or multi-bank community development corporation for economic development and small business loans in

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I appreciate that BofA has set up an Advisory Board to BofA State Bank and a proposed "small advisory board" to its Social Policy Committee will help monitor future policy making at the bank.

Clearly, the City of Los Angeles, the largest market in the state, and a large depositor with the bank, deserves significant representation on both advisory boards. Currently, there is but one person who works or lives in the City of Los Angeles on the Advisory Board to BofA State Bank.

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the City of Los Angeles.

While these preliminary discussions are encouraging, it is important to note that the creation of a bank community development corporation concentrating on economic development will not solve access to credit, or racial disparities in home loans. It is simply one tool to assist the City to meet future economic needs.

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## CONCLUSION

These hearings provide the Federal Reserve an opportunity to hear from elected officials and the public their concerns about the proposed merger. As we move through today's testimony, I urge you to seriously consider the City's comments on the proposed merger. As the current headquarters of Security Pacific Bank, a relatively large depositor in both institutions and a city in great need of community investment, I believe our input is particularly appropriate for you to consider in making your decision on the merger.

# High Minority Mortgage Denial Rates Found

EXHIBIT B  
Los Angeles Times - 10/22/91

By **ROBERT A. ROSENBLATT**  
and **JAMES BATES**  
TIMES STAFF WRITERS

WASHINGTON—Blacks and Latinos are turned down for home mortgages at significantly higher rates than Anglos, federal regulators reported Monday in a massive study of lending practices at 9,300 U.S. financial institutions.

The differences are "very worrisome," and federal examiners will use the report to determine if there is a pattern of discrimination at individual banks and S&Ls. Federal Reserve Board Governor John P. LaWare said at a news conference.

According to the study, blacks were rejected for home loans more than twice as often as Anglos. Latinos were turned-down about 1½ times as often as Anglos. The experience of American Indians was about the same as Latinos, and Asians did slightly better than Anglos.

The rejection rates for conventional home mortgages were 12.9% for Asians, 14.4% for Anglos, 21.4% for Latinos, 22.4% for American Indians and 33.9% for blacks. The vast majority of loans reviewed were made to Anglos, blacks and Latinos.

The study was the first government examination of lending activity by race and ethnic group, and it covered more than 6.4 million loan applications for home loans at banks, savings and loan associations, mortgage banking firms and credit unions.

The report noted that blacks and Latinos have lower average incomes and fewer financial assets

Please see **MORTGAGES, A23**

AY'S TIMES

# MORTGAGES: High Minority Rejection Rates

Continued from A1

than Anglos. However, even at the highest income levels in the survey, blacks and Latinos were much less likely to receive approval for a conventional mortgage. The denial rates in this group were 8.5% for Anglos, 11.2% for Asians, 12.8% for American Indians, 15.8% for Latinos and 21.4% for blacks.

The industry's lending performance was immediately assailed by congressmen who will be leading the floor debate when the House and Senate consider major bills to give banks broad new business powers.

"The cost in human terms is staggering," said House Banking Committee Chairman Henry B. Gonzalez (D-Tex.). He urged President Bush to call a meeting of community groups and bankers to deal with the issue.

"Much of the problem is the result of attitudes of bank officials and regulators who have little understanding of the rest of America—officials whose life experience and economic circumstances are far removed from those of minority and low-income families," he said.

Senate Banking Committee Chairman Donald W. Riegle Jr. (D-Mich.) said the industry and its regulators have not been paying attention to the issue. "I find it very troubling that we're seeing this kind of data despite the fact that we have had federal laws prohibiting mortgage discrimination... for many years," he said.

Rep. Joseph Kennedy (D-Mass.), the author of the 1988 amendment requiring the lending study, said that he will join other members of Congress and consumer groups in pressing for strong legislative action in response to the "alarming data."

The American Bankers Assn. said that it will select a task force of bankers to develop ways to stimulate loans to minority-group members. The industry is "very concerned about these statistics," Rob Dugger, the organization's chief economist, said.

Loan denial rates for blacks varied widely among major American cities, ranging from 14.4% in Washington to 34.9% in Boston. Rejections for Latinos were lowest in Minneapolis, 8%, and highest in Houston, 25.7%.

In Los Angeles, the loan rejection rate was 12.8% for Anglos, 13.2% for Asians, 16.3% for Latinos and 19.8% for blacks.

Lending institutions were given reports on their activities earlier this month and have 30 days to make the information public. Several major California banks disclosed their mortgage lending re-

## Mortgage Rejections

Here is a list of home mortgage rejection rates, by race and ethnic group, for 19 large metropolitan areas during 1989.

Applications were for both conventional and government-backed loans to purchase one- to four-family homes. Refinancings are not included.

Reports from lenders were compiled by the Federal Financial Institutions Examination Council and analyzed by the Federal Reserve Bank of Boston.

Metropolitan Area	Asian	Black	Latino	Anglo
Atlanta	11.1	26.5	13.6	10.5
Baltimore	7.3	15.6	10.1	7.5
Boston	15.4	34.9	21.2	11.0
Chicago	10.4	23.6	12.1	7.3
Dallas	9.3	25.6	19.8	10.7
Detroit	9.1	23.7	14.2	9.7
Houston	13.3	33.0	25.7	12.6
Los Angeles	12.8	19.8	16.3	12.8
Miami	16.9	22.9	17.8	16.0
Minneapolis	6.4	19.9	8.0	6.1
New York	17.3	29.4	25.3	15.0
Oakland	11.6	16.5	13.3	9.6
Philadelphia	12.1	25.0	21.0	8.3
Phoenix	12.8	30.0	25.2	14.4
Pittsburgh	12.2	31.0	13.9	12.0
St. Louis	9.0	31.8	13.5	12.1
San Diego	11.2	17.8	15.1	9.8
Seattle	11.6	18.3	15.8	10.7
Washington, D.C.	8.7	14.4	8.9	6.3

corded previously or on Monday.

Bank of America previously had disclosed a rejection rate of 28% for Anglos, 28% for Asians and 39% for blacks and Latinos. Security Pacific said Monday that its denial rates in California are 14% for Anglos, 18% for Asians, 29% for Latinos, and 31% for blacks.

Wells Fargo said it denied 32% of the applications from Anglos, compared to 41% for Asians, 53% for blacks and 51% for Latinos. Los Angeles-based First Interstate refused to discuss its results until after a directors' meeting today.

Security Pacific executives could not explain why the bank's rejection figures were so low but suggested that the figures from the other banks may have included applicants who did not get loans because they failed to provide all of the information the bank requested.

Robert L. Gnatz, a lawyer with the San Francisco-based Greenlining Coalition, which is active in lobbying banks regarding services to low-income areas, said the survey may underestimate the difficulties minority members have in getting mortgages. He said many people never apply for loans at banks or S&Bs because they believe they will be turned down.

Gnatz cited as evidence the proliferation in inner cities of mortgage companies that charge high interest rates and huge fees on loans, sometimes working with scam artists who become the owners of the homes when the borrower cannot make the payments.

LaWare, a former banker, said the higher rejection rates for blacks and Latinos "may be discrimination, or it may be something else," such as an individual's credit history.

"I suspect it is worrisome, but I'm not prepared to say there's discrimination until we get further into it," he said. "I'm sure the bankers are concerned about their performance and how they are perceived in the marketplace."

Overall, the surveyed institutions accepted 72% of the applications for conventional loans, denied 16.6%, and the remaining 10.2% were withdrawn. For government-backed loans from the Veterans Administration and the Federal Housing Administration, the denial rate was 16.5% and the withdrawal rate 10.5%.

There was no significant difference in the borrowing experiences of men and women, the study said. The rejection rate on conventional loans was 20% for men and 18.9% for women. Joint applications of men and women were rejected only 14.2% of the time.

The study was issued by the Federal Financial Institutions Examination Council, which includes all the financial regulatory agencies: the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corp., Office of Thrift Supervision and National Credit Union Administration.

Researcher reported from Washington and Dallas from Los Angeles.

EXHIBIT A  
 Mayor letter to B of A 10/23/91



CITY HALL  
 LOS ANGELES, CALIFORNIA 90012  
 2131 485-3311

OFFICE OF THE MAYOR

TOM BRADLEY  
 MAYOR

October 23, 1991

Mr. Richard Rosenberg  
 Chairman and Chief Executive Officer  
 Bank of America  
 P.O. Box 37000  
 San Francisco, CA 94104

Dear Mr. Rosenberg:

I write concerning the proposed merger between Bank of America and Security Pacific Bank.

I appreciate your letter of September 20, 1991 outlining Bank of America's commitment to affordable housing in Los Angeles. I am also aware that Bank of America has recently announced its general plans to commit more resources to community reinvestment over the next decade. I commend you on this effort.

I am also aware, pursuant to a phone conversation we had recently, that Bank of America is sensitive to issues the merger raises such as branch closures and loss of occupied downtown office space.

However, recent disclosures by the Federal Financial Institutions Exam Council concerning Bank of America troubled me. I am especially concerned about Bank of America's high rate of denial of mortgages to minority residents. The figures demonstrate that last year the Bank rejected home loan applications from minorities at a far higher rate than from Anglos. Further, home loan applications for African Americans statewide constituted but two percent of the total loan applications considered by Bank of America. Finally, within the City of Los Angeles, Bank of America's denial rate for minorities was over twice the citywide average.

I am concerned about the following potential effects of the proposed merger:

a) The loss of a large amount of commercial office space currently occupied in downtown Los Angeles as a result of the merger;



Mr. Richard Rosenberg  
October 23, 1991  
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b) The distinct possibility that the merger will lead to closures of bank branches in low and moderate income areas of Los Angeles, places that are already underserved;

c) The distinct possibility that the merger will cost hundreds, if not thousands, of Los Angeles city residents their jobs;


d) The impact of the proposed merger upon the economic development of the city's less advantaged areas. At present, the City of Los Angeles does not have the resources to meet increased credit and economic needs of communities presently served by Bank of America and Security Pacific Bank; and

e) Although Bank of America is considering taking over a Community Development Corporation formed by Security Bank in early 1990, I understand that this corporation has not made one loan during its approximate two years of existence.

I also understand that Bank of America proposes resolving my concerns after the merger application has been approved. This proposed process is not a satisfactory way to deal with such important issues. The people of Los Angeles have a right to assess the true impact of the merger before the merger is finally approved. For these reasons, then, I would like to meet with you at your earliest convenience in my office to discuss the pending merger.

Thank you.

Sincerely,

  
TOM BRADLEY  
Mayor

TB:mb:er



**Bank of America****Richard M. Rosenberg**  
Chairman and  
Chief Executive Officer**December 9, 1991****The Honorable Tom Bradley**  
200 North Spring Street  
Room 305, City Hall  
Los Angeles, CA 90012**Dear Mayor Bradley:**

As a follow-up to your recent meeting with Security Pacific CEO Bob Smith and Executive Vice President Don Mullane of BankAmerica, I would like to provide you with more details about the community lending programs and banking services that we are planning following the merger of BankAmerica Corporation and Security Pacific Corporation.

We believe this merger presents a unique opportunity to take the best programs and services of both banks and create a comprehensive community commitment that will bring significant economic benefits to low- and moderate-income neighborhoods in Los Angeles and throughout California.

Over the past three months, Bank of America has held a series of intensive discussions with community groups representing virtually all areas of California, including Communities for Accountable Reinvestment, the California Reinvestment Committee, and the Greenlining Coalition. These discussions have been candid and productive. We are making a genuine good-faith effort to respond to the wide variety of credit and financial service needs that exist in California and believe these negotiations will lead not only to a renewed commitment to existing programs, but to the creation of new programs that will meet heretofore unfilled needs.

Mayor Tom Bradley  
 December 9, 1991  
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What follows is an outline of the comprehensive community commitment developed thus far for the new BankAmerica. Many of the programs included here go well beyond the scope of the Community Reinvestment Act. We believe they reflect the resources and the creativity that a strong, well-capitalized institution can bring to bear in meeting not just the letter of the CRA, but also its spirit.

**I. Increased CRA commitments commensurate with increased size**

You are aware of the 10-year goal of \$12 billion announced on October 17, which establishes a framework for more specific program goals. While the \$12 billion goal exceeds the existing long-term goals of the two institutions by 33 percent, it is important to note that the new BankAmerica will not necessarily be equal in size to the sum of the current assets of the two existing institutions. Since the actual size of the new corporation is yet to be determined, one should not attempt to relate the size of our programs to that number.

The \$12 billion goal is a baseline number. It is an ambitious goal, and it's possible that we may not reach it in 1992 or 1993, but over a 10-year period we intend to meet or exceed it.

The existing long-term CRA goals for BankAmerica Corporation and Security Pacific Corporation are shown below in total dollars.

	<u>BankAmerica</u>	<u>Security Pacific</u>	<u>Total</u>
California	\$5,000,000,000	\$2,400,000,000	\$7,400,000,000
All other states	<u>n/a</u>	<u>1,600,000,000</u>	<u>1,600,000,000</u>
Total	\$5,000,000,000	\$4,000,000,000	\$9,000,000,000

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The 10-year goal for the new BankAmerica Corporation is an increase of \$600 million, or 7.5 percent, over the combined existing goals for California, and an increase of \$2.4 billion over existing out-of-state goals. Altogether, the new long-term goal is 33 percent more than the combined existing goals of the two corporations.

California	\$ 8,000,000,000
All other states	<u>4,000,000,000</u>
Total	\$12,000,000,000

This translates into an average annual goal of \$1.2 billion, which will consist of the following activities of significance that are clearly measurable under the Community Reinvestment Act:

Home Loans. \$750 million on average annually for loans in lower-income census tracts, special affordability programs for lower-income and minority borrowers; government-guaranteed or insured loan programs, and home improvement or rehabilitation loans utilizing public sector programs.

Low Income Housing. \$150 million on average annually for development and long-term financing of low-income housing.

Conventional Small Business. \$200 million on average annually for conventional small business loans under \$50,000.

Special Small Business Programs. \$100 million on average annually for government-guaranteed and other special programs for small- and micro-business enterprises and for commercial improvement or development, including both direct and indirect.

Consumer loans for lower income households. \$12 million on average annually under the BASIC program, which includes personal, auto, home equity, home improvement, and mobile home loans that carry modified underwriting and terms.

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As new programs are developed to address the needs of low- and very-low income residents, small- and micro-business enterprises, minority businesses, and other needs as defined by the CRA, loan originations for these programs will also be counted toward the 10-year goal.

The existing California goals of both institutions equal \$7.4 billion over 10 years, and our proposed California goal for the new Bank of America is \$8 billion. This goal exceeds by \$600 million, or 7.5 percent, the combined existing goals even though the new Bank of America will be smaller than the combined assets of the current banks. We believe this new goal exceeds the standard you have requested. However, it should be recognized that performance -- not goals -- is the most appropriate measure of a CRA program.

## II. Multi-family affordable housing lending

A. Increased dollar goal. In 1989, Bank of America set an annual goal of \$50 million in multifamily affordable housing finance beginning in 1990. We fell short of that goal the first year, but added the shortfall to the 1991 goal. We expect to provide a variety of financing for low-income housing in 1991 totaling between \$80 million and \$100 million.

Security Pacific, in negotiations with Communities for Accountable Reinvestment, agreed to a "Focus Funding" program under which it would provide long-term, low-income housing financing in 1991 totaling \$10 million at 6 percent interest. In addition, it agreed to consider expanding the commitment to \$15 million in 1992 and, beyond 1992, agreed to meet and discuss renewal of the program on an annual basis.

While the new BankAmerica will honor the Focus Funding commitment, we believe there are potentially more effective ways to increase the supply of low-income housing.

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Bank of America has been working with the California Reinvestment Committee to explore alternatives to Focus Funding that will create more affordable housing and/or increase the depth of affordability. One particularly exciting and unique concept raised in preliminary discussions is to create a predevelopment and site acquisition fund for affordable housing. This higher-risk program has not been finalized and would need regulatory approval, but at this time, it is envisioned to total approximately \$2 million divided among the HUD preservation/prepaid market, and urban and rural markets. Bank resources will be made available at below-market rates to intermediaries, which will select, structure, and underwrite the individual transactions subject to bank approval. Bank dollars will be matched by public sector funds and available only to nonprofit developers. This fund, if realized, would provide a valuable new resource that could have a significant effect on creation of new low-income housing in many different markets of California, including Los Angeles.

**B. Targeting Very-Low Income.** The California Reinvestment Committee and Bank of America agreed in 1989 that the bank's affordable housing finance programs would target California residents earning 80 percent or less of median income, and that within that goal, "a significant amount of these funds will be loaned for affordable housing for individuals and families earning 50 percent or less of HUD's area median income (or 60 percent where tax credits are used)." In 1991, as of Sept. 30, 55 percent of the units financed by Bank of America have been for very-low income (50 percent

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and below) and 45 percent for low-income (50 percent to 80 percent). We will continue to target a significant portion of this portfolio toward housing that will meet the needs of very low-income tenants.

C. Mobile Homes. Since 1983, Bank of America has actively supported resident purchase of mobile home parks. It is one of the only banks serving this market and we intend to continue to do so. Most of the application inquiries Bank of America State Bank sees are cases where less than 25% of the residents fall below the 80 percent of median income affordability qualification, so these projects are not considered for affordable housing credit. In 1991, Bank of America State Bank expects to provide resident conversion financing covering 196 affordable spaces. One of these projects did not qualify for financing until BofA State Bank took the initiative to identify and convince an organization to make a below-market-rate deposit so the interest savings could be passed on to the mobile home park residents.

Bank of America will expand its lending on co-ops located in designated low-income co-ops as initiated in the Santa Elena park in Soledad, California. Before year-end 1991, Bank of America will implement a \$10 million, 3-year pilot program utilizing the BASIC program. A limitation of financing 25 percent of the co-ops in any single park will apply. However, we will review exceptions to the rule on a case-by-case basis, and will waive the requirement if extenuating circumstances exist, as was the case in Soledad.

### III. Single Family Lending in Low-Income Census Tracts

Bank of America's HMDA figures show we are making progress in lending to lower-income and minority customers, but there remains more we must do. BankAmerica has been monitoring performance in this area for some time through the services of independent experts in the field, and we've taken a variety of actions to expand credit opportunities to lower-income and minority customers.

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- In 1989, we introduced BASEC, a consumer loan product (including home improvement and mobile home purchase loans) with special underwriting criteria allowing lower-income customers to qualify.
- In 1990, we introduced Neighborhood Advantage, a home loan product targeted to lower-income census tracts that requires 30 percent less income to qualify than standard loans.
- Active participation in both Realists (African American Real Estate trade association) and Bay Area Urban Bankers (African American financial trade association) lenders' fairs throughout the Bay Area and in Los Angeles has increased our presence in minority communities. BoFA is also financing the first computerized membership directory for the California Association of Real Estate Brokers (Realists) with the agreement that we will have access to the directory for purposes of direct mailing to the African American membership statewide to market our home lending program.

More recently we have:

- Increased financial incentives for bank officers to make creditworthy loans in lower-income neighborhoods and to minority customers.
- Developed a unit to focus exclusively on originating CRA-related home loans through our realty channels. This effort is in addition to Neighborhood Advantage loan originations through our branches.
- Instituted a three-tier review process for loan applications involving Neighborhood Advantage and/or minority applicants. If the original underwriter in the Residential Loan Center does not approve the application, it is passed to a senior officer at the RLC for another review. If a decline is recommended at that level, it is forwarded to corporate underwriting officers in our San Francisco headquarters. We have set aside \$30 million to fund loans of this type that do not fit either conventional or

Mayor Tom Bradley  
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Neighborhood Advantage underwriting criteria. This process will help us become more aware of potential obstacles to approving loans at the field level and enable us to modify the process where appropriate.

- Initiated a two-step review process in the appraisal department, including the appointment of an "appraisal ombudsman" who can review loans applications where appraisal is an issue. The ombudsman has the authority to override field appraisals.

Bank of America is also exploring a program to allow Neighborhood Advantage applicants to qualify by income, instead of limiting the product to lower-income census tracts. While a geographical focus is effective in recapitalizing lower-income areas, qualifying by income would make Neighborhood Advantage available in all areas of California. We expect these and future actions to significantly increase the volume of lending to lower-income neighborhoods.

#### IV. Economic Development

Banks have traditionally addressed a major portion of community credit needs through the housing sector. In recent years, BoFA and other banks have become more active in economic development programs, which build capacity in the community to promote and sustain the growth of microbusinesses, small businesses, and other prosperity-generating endeavors. Bank of America has been encouraged by the success of such groups as the Los Angeles-based Coalition for Women's Economic Development and has made philanthropic contributions in support of these groups. In addition, we have provided technical support through the expertise of our community development lending officers.



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These groups offer great potential to facilitate economic development and we intend to continue our support in a variety of ways. We will recommend to the BankAmerica Foundation's Board of Trustees that they allocate 10 percent of the Foundation's budget annually (with a minimum level of \$1 million) for community development grants. We will seek community input to design a program that may include economic development initiatives (capacity-building for nonprofits to manage commercial ventures, recoverable grants for specific projects, and childcare) in addition to affordable housing.

We also offer a variety of government-guaranteed loan programs in support of economic development. Small Business Administration loans are considered one such vehicle to enhance community development and Bank of America State Bank has established a post-merger goal of \$100 million a year in government-guaranteed small business loans.

BoFA State Bank has made a conscious effort to expand its lending to minority- and women-owned small businesses in our community, and to provide small loans of \$100,000 or less. These two segments are reported as part of our total SBA lending activity. This year, BoFA State Bank, after removing its minimum loan size, reported that 43 percent of its small business loans were \$100,000 or less and 31 percent of its loans went to minority- or women-owned businesses.

Clearly, SBA loans are not sufficient to meet all economic development credit needs. BoFA State Bank has an officer responsible for developing new programs with public and nonprofit resources. For example, it is the only bank to participate in California's regional guarantee program on a state-wide basis, which meets some capital needs not addressed by the SBA. Other examples include the FEHA Community Facilities Loan Program, which financed a medical clinic owned and operated by a nonprofit serving the Native American community, and the FEHA Business and Industry Loan Program, which can be used for nonprofit borrowers involved in a business venture. Both of these programs target rural areas. Recently, BoFA State Bank initiated a linked deposit agreement with Catholic Healthcare West to accept a

Mayor Tom Bradley

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below-market-rate deposit in return for making below-market-rate small business loans of \$25,000 and below in special geographic markets.

Often, special credit needs are addressed through localized programs. Going forward, BofA State Bank will continue to meet with interested public sector officials in establishing local programs to augment its lending programs that leverage federal, state and local resources with bank resources.

We also intend to aggressively expand our presence in the conventional small business lending market. We expect the merged bank to provide at least \$200 million a year in conventional small business loans under \$50,000, in addition to significant loan volumes above that level.

We are open to discussion on the future of the Los Angeles Community Development Corporation, with the preference that it have a greater range than just the city of Los Angeles. We would also like to explore different market niches that the L. A. CDC might focus on.

#### V. Bank Services

A. Limited Checking. Bank of America's Limited Checking Account was designed to meet the needs of lower-income customers. For \$3.50 a month, with no minimum balance and an opening deposit of only \$25, customers have full access to Bank of America services. Not only do they have a checking account, but they receive a VERSATEL card, and the ability to cash checks, withdraw funds, and make deposits at any branch.

Following the merger, we anticipate increasing the number of checks honored without charge each month from eight to 10, and we intend to introduce Limited Checking in out-of-state subsidiaries as soon as possible. Attached (Item A) is a detailed description of BofA's Limited Checking account.

Mayor Tom Bradley  
 December 9, 1991  
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**B. Check Cashing.** Bank of America is actively working toward requiring only one piece of identification to open an account or cash a check for non-customers. Specifically, we expect that a driver's license, California ID, or a current passport (U.S. or foreign) will be acceptable forms of identification. Our goal is to encourage increased use of the banking system.

Currently, branch managers have the freedom to accept only one ID for individuals or groups of people who come in under the aegis of a social service agency or an employer. We do not require or ask for a credit card, although they are acceptable as identification.

We offer free check-cashing to all depositors, with a VERSATEL card sufficient for identification. We encourage direct deposit of checks and will be happy to continue promoting this service with state and county agencies, although they have shown a reluctance to support this service in the past.

We will continue to charge market rates for cashing checks for non-customers. We believe that promoting banking relationships is in the best interest of our communities, and that the low cost of Limited Checking makes it affordable to everyone.

**C. Branch Closings.** We recognize the importance of a branch presence in meeting our communities' financial service needs. To that end, recognizing that some branch divestitures may be mandated by anti-trust considerations, we will use the following parameters as we identify branches for consolidation.

- We will maintain or enhance the existing level of service. No new underserved areas in lower-income markets will be created by the closure of a Bank of America or Security Pacific branch.
- If a Bank of America or Security Pacific branch is the only provider of financial services in a lower-income community, it will not be closed.

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Mayor Tom Bradley

December 9, 1991

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- When branches are consolidated, we will retain and transfer all customer records and account histories to the new branch.
- We will provide a minimum 120-day notice of branch closures in lower-income neighborhoods.
- In the unlikely event we are unable to sell surplus sites, we will consider transferring them to community-based, nonprofit economic development organizations on a case-by-case basis, depending on such factors as ownership status, lease requirements, and market conditions.
- As staff size is affected by consolidations, we will ensure that women and minority employees are not disproportionately affected. Efforts to increase the employment of women and minorities throughout the corporation will continue.

We are also exploring ways in which the merger can provide opportunities to expand banking services in areas such as South Central Los Angeles. Due to the sensitive nature of some of our ideas we're not free to discuss them at this time.

#### VI. Benefits for Displaced Employees

The centerpiece of our Merger Transition Program, which applies to both BankAmerica and Security Pacific employees, is a severance package that will compensate displaced employees with three weeks pay for every year of service, with a minimum of three months' compensation and a maximum of 18 months.

Mayor Tom Bradley  
December 9, 1991  
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In addition to the severance package, the Merger Transition Program includes these benefits:

- **Outplacement and Career Transition Assistance.** Outplacement firms and career resource centers will provide one-on-one counseling, intensive individualized job search strategies, and a wide variety of administrative services for displaced employees to conduct a job search or pursue alternative career opportunities.
- **Business Loans.** The bank will establish a revolving fund of approximately \$8 million for unsecured small business loans to creditworthy employees who leave the bank and establish their own businesses. Loans up to \$25,000 will be provided after recipients attend small business training classes and receive approval from a designated Loan Committee using liberalized credit criteria.
- **Tuition Assistance for Retraining.** The bank will provide financial assistance, up to \$1,500 per year, for tuition, fees, books, and supplies for displaced employees who learn new work skills through vocational schools, community colleges, four-year colleges and universities, post-graduate school, or certificate or licensing programs.
- **Salaries for Non-Profit Work.** The bank will provide up to 75 percent of the original salary, up to \$30,000 per employee, for displaced employees who accept executive or professional positions in non-profit organizations.
- **Continuation of Multi-Year Banking School Programs.** Employees currently enrolled in a bank-sponsored multi-year banking school program would continue the program at bank expense until completed. This benefit is open to salaried employees below the level of senior vice president who are currently enrolled in such programs.
- **Immediate Vesting in Retirement Plans.** All employees covered by BankAmerica and Security Pacific pension plans who are not fully vested when displaced will be fully vested.

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- **Employee Loan Rates.** Salaried employees are eligible to retain their special loan rates on existing loans, both consumer (excluding credit cards) and real estate, provided they continue to meet the other conditions associated with the loans.
- **Extended Bank Services.** Free checking services and preferred rates on VISA credit cards will be available for displaced employees for one year after they leave the bank. All displaced employees are eligible, including hourly employees who have a VISA card at the time of displacement.
- **Health Care Coverage.** Employees who elect to receive their severance pay in installments may continue their health care coverage at the active employee rate for the life of the severance payments.
- **Hardship Financial Assistance.** The bank will provide one-time grants for the remainder of the school year, up to \$1,000 per employee, for tuition of dependents in college and private schools. Children of displaced employees will be eligible for the BankAmerica Scholarship Program for one year after separation.

#### VII. Minority Purchasing

In the first three quarters of 1991, Bank of America's volume of minority business contracts reached \$24.5 million, and contracts with women-owned businesses totaled \$18.6 million. We are actively working to increase business with minority and women-owned firms, and will be setting and closely monitoring aggressive internal goals.

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VIII. Structure for Community Issues

Bank of America and Security Pacific have longstanding, productive relationships with leading community groups in California. As mentioned earlier, BofA has held a significant number of meetings with those groups, and with city representatives, to discuss community issues related to the merger of BankAmerica and Security Pacific. We expect those meetings to continue and in some cases, notably with the California Reinvestment Committee, we have agreed to a schedule of regular ongoing meetings.

In addition, Bank of America State Bank has created a 10-member Advisory Board comprised of community development and housing specialists from throughout California (See Item B, attached). This group advises BofA State Bank on specific community credit needs and provides counsel on how BofA State Bank can best meet those needs.

Bank of America has also agreed to establish a small advisory board that would represent California community interests and meet regularly with the Social Policy Committee of Bank of America. The Social Policy Committee is comprised of senior management and makes policy recommendations to the bank's Managing Committee. The Social Policy Committee was instrumental in developing Neighborhood Advantage, BofA's lower-income home loan product, and the creation of a community advisory board would provide a direct channel into the policy-making process at the bank.

Enclosed are two recent publications related to community issues -- Bank of America's annual Community Reinvestment Act Statement and the Fall issue of Community & the Bank, which contains a record of BofA's CRA activity through the third quarter of 1991.

Mayor Tom Bradley  
 December 9, 1991  
 Page 16

Both Bank of America and Security Pacific appreciate the recent opportunity we had to serve on the Los Angeles Community Reinvestment Committee. We believe this multilateral approach to the challenges of housing and economic development is effective and productive. We look forward to the new BankAmerica's increased involvement in the growth of Los Angeles.

We hope this letter has been responsive to the concerns you have regarding the merger. If either one of us can be of further assistance, please don't hesitate to call.

Sincerely,

*Richard Rindley*

cc: The Honorable John Ferraro  
 The Honorable Mark Ridley-Thomas  
 The Honorable Mike Hernandez  
 The Honorable Joel Wachter  
 The Honorable Joy Picos  
 The Honorable Zev Yaroslavsky  
 The Honorable Ruth Galsater  
 The Honorable Ernest Berencini  
 The Honorable Rita Walters  
 The Honorable Nate Holsen  
 The Honorable Marvin Brande  
 The Honorable Hal Berman  
 The Honorable Michael Woo  
 The Honorable Richard Alatorre  
 The Honorable Joan Mills Flores





ITEM A

### Bank of America Introduces Limited Checking

Bank of America announces a new checking account—Limited Checking. For a monthly service charge of \$3.50\*, Limited Checking gives you:

- 8 checks or point-of-sale (POS) transactions\*\* per month

AND

- 8 VERSATELLER® ATM cash withdrawals per month.

There is a \$.50 charge for each additional check, point-of-sale (POS) transaction or VERSATELLER ATM cash withdrawal each month.

For more information about Limited Checking, ask at any Bank of America branch.

#### WHICH BoFA CHECKING ACCOUNT BEST SUITS YOUR NEEDS?

BoFA offers a wide range of checking plans to meet a variety of checking needs. Please take a look at the chart below to see which BoFA checking account best meets your needs.

	Monthly Service Charge*	Pen-Itan® Charges	VERSATELLER® ATM Charges	To Waive Monthly Service Charges Keep this Minimum Balance	Minimum Opening Deposit
Alpha Interest Checking	\$7*	NONE	NONE	\$2,500 combined checking and savings	\$200
Alpha Checking	\$8*	NONE	NONE	\$1,500 combined checking and savings	\$200
Custom Interest™ Checking	\$8	NONE	NONE	\$1,000	\$500
Custom Flat Fee® Checking	\$8	NONE	NONE	Not applicable	\$100
Custom Choice® Checking	\$3	.30 each	.30 each cash withdrawal	\$500	\$100
Limited Checking	\$3.50	.50 each, in excess of 8	.50 each cash withdrawal, in excess of 8	Not applicable	\$25

\*Monthly service charges include our TRAILBLAZER® SERVICES®. For an additional \$1 monthly service charge, you can have your checks and bills printed with your monthly statement.

\*\*Pen-Itan charges apply to point-of-sale (POS) transactions.

†Monthly service charges for the Alpha Account will increase by 50¢ on 8/1 and 2/1 respectively for statements dated on or after April 1, 1985.

For an additional \$1 monthly service charge, you can have your checks and bills printed with your monthly statement.

\*\* A point-of-sale (POS) transaction is approximately equal to a check received using either your VERSATELLER® Card or a debit card issued by another party.

MBC4328 (2-83)

**BANK OF AMERICA STATE BANK  
ADVISORY BOARD MEMBERS**

**Carla Dartis**  
Drew Economic Development Corporation  
3209 North Alameda Street, Suite J1  
Compton, CA 90222

**Rick Devine**  
Devine and Gong, Inc.  
21 Sutter  
San Francisco, CA 94104

**Art Goodman**  
CDC Small Business Finance Corporation  
5353 Mission Road, Suite 218  
San Diego, CA 92108

**Stan Keasling**  
The Rural California Housing Corporation  
2125 19th Street, Suite 101  
Sacramento, CA 95818

**Dan Lopes**  
Calif. Community Reinvestment Corp.  
P.O. Box 10639  
Burbank, CA 91510

**John Kealey**  
Coachella Valley Housing Coalition  
45701 Monroe Street, Suite 6  
Indio, CA 92201

**Sherrie Fugh**  
California Community Economic Development Association  
1950 Addison Street, Suite 200  
Berkeley, CA 94704

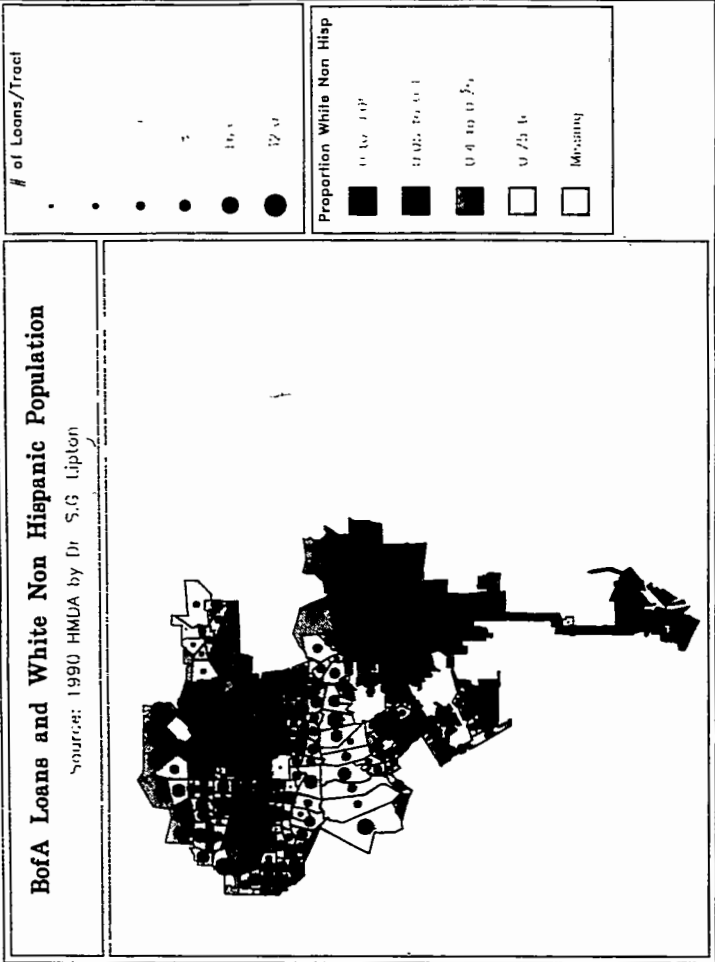
**Russell Sakaguchi**  
ARCO Foundation  
515 South Flower  
Los Angeles, CA 90071

**Fan Salcedo**  
El Paraje CDC  
420 Main Street, #208  
Watsonville, CA 95076

**Clarence Williams**  
California Capital Small Business Development Corp.  
926 J Street, Suite 1500  
Sacramento, CA 95814

10/22/91

EXHIBIT D-1  
 B of A Home Purchase Loans 1990



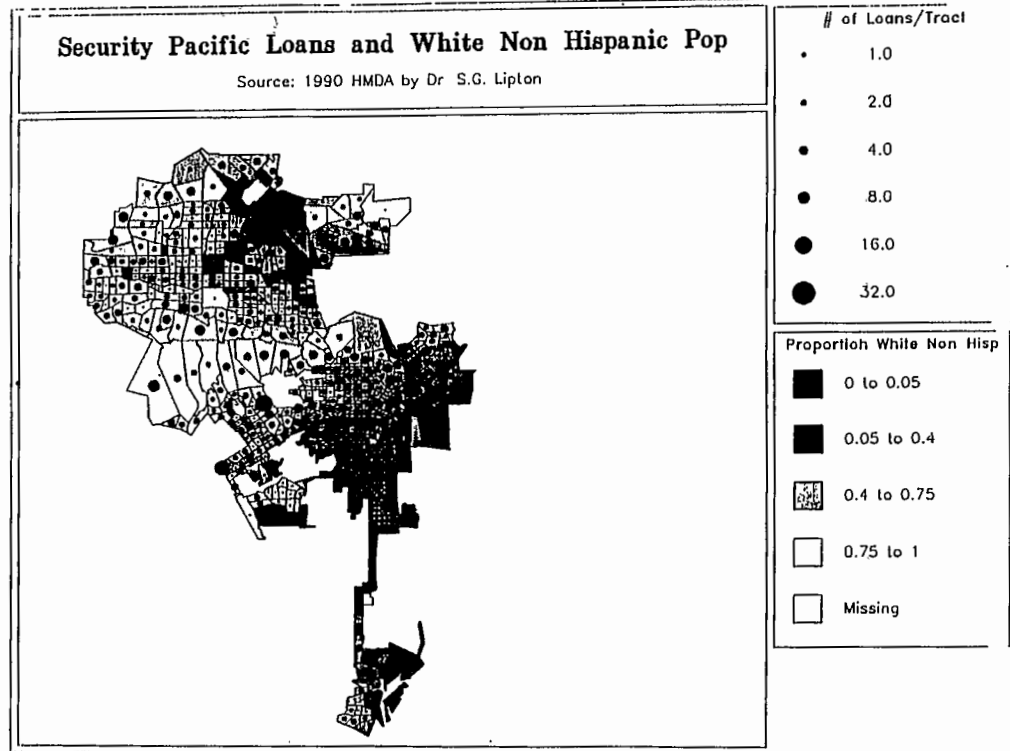
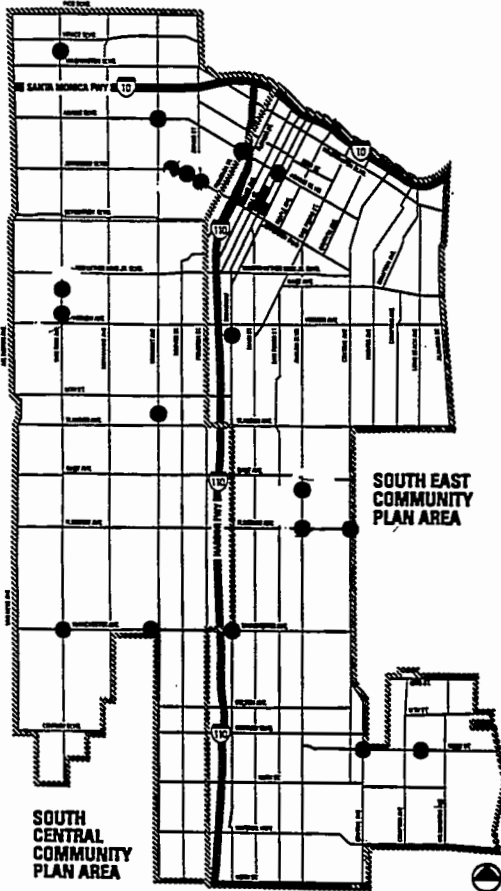


EXHIBIT E-1  
South LA Banking Institutions

**Banks and Savings & Loan Associations**

of the Los Angeles County Board of Supervisors, South Central Division, Exhibit E-1



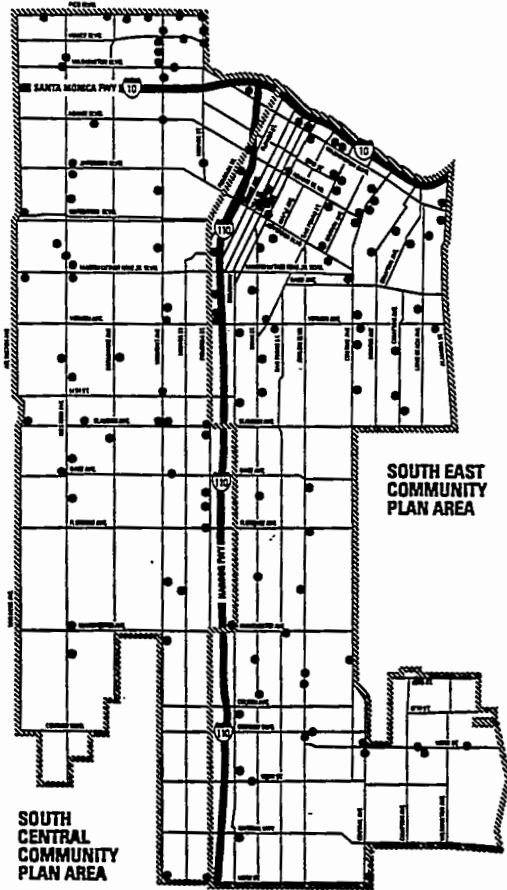
**Banks**

- Bank of America
  - 1. Industrial Branch  
6400 South Avalon Blvd. 291.0530
  - 2. Martin Luther King Jr. Branch  
4103 South Western Ave. 291.0503
  - 3. Station-Vermont Branch  
5700 South Vermont 291.0530
  - 4. University Village Branch  
905 West Jefferson 291.0530
  - 5. Wertz Branch  
10340 South Central Ave. 291.0503
  - 6. Western & 87th St. Branch  
8701 S. Western Ave. 291.0503
- First Interstate Bank of California
  - 7. Adams & Broadway Branch  
141 West Adams 614.3786
  - 8. Florence & Central Branch  
1144 East Florence Ave. 585.6911
- Security Pacific National Bank
  - 9. Broadway & Manchester Branch  
8564 South Broadway 753.1721
  - 10. 18th & Western Branch  
1819 South Western Ave. 734.9324
  - 11. Figueroa & Adams Branch  
2703 S. Figueroa 748.1383
  - 12. Florence & Avalon Branch  
501 E. Florence Ave. 753.9501
  - 13. 43rd & Western Branch  
4277 South Western Ave. 294.6171
  - 14. University Village  
821 West Jefferson Blvd. 748.4189

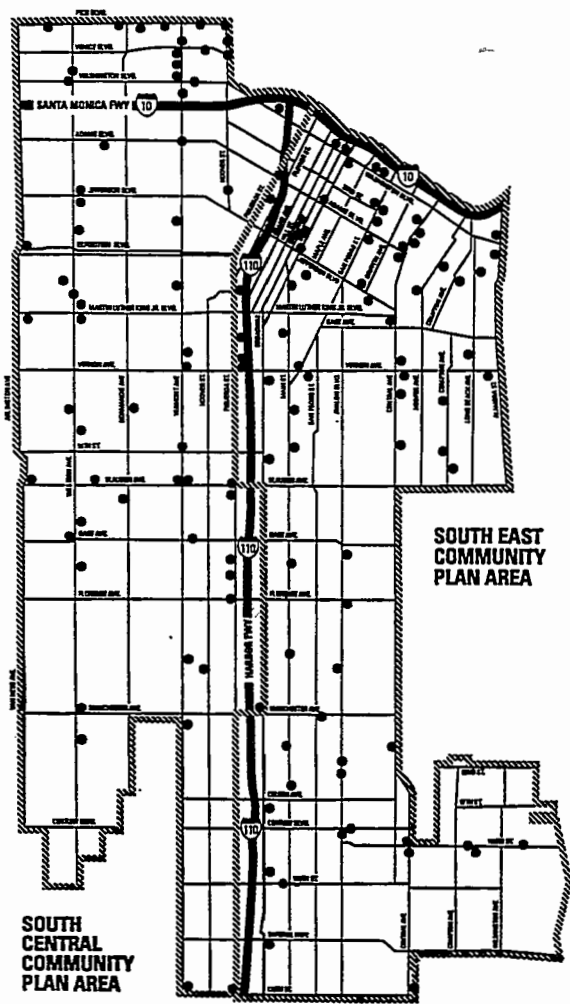
**Savings & Loan Associations**

- California Federal Savings & Loan Assoc.
  - 15. South Central Los Angeles Branch  
1621 East 103rd St. 564.5921
- Great Western Bank
  - 16. 1027 Manchester Ave. 852.9552
- Home Loan Counseling Center
  - 17. 1115 West Adams Blvd. 747.0007
- Western Federal Savings & Loan Assoc.
  - 18. USC Branch  
3301 South Hoover 748.5727
- Broadway Federal Savings & Loan Assoc.
  - 18. 4501 South Broadway 232.4271

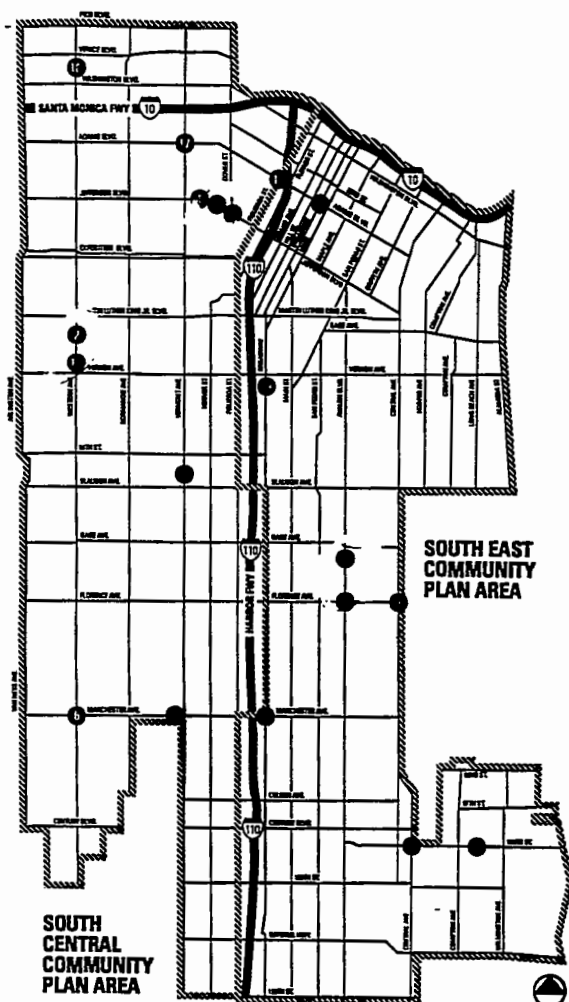
**Check Cashing Facilities**  
in the Los Angeles Community Reinvestment Committee's South Central Demonstration Project Area



**Check Cashing Facilities**  
in the Los Angeles Community Reinvestment Committee's South Central Demonstration Project Area



**Banks and Savings & Loan Associations**  
in the Los Angeles Community Reinvestment Committee's South Central Demonstration Project Area



**Banks**

**Bank of America**

1. Industrial Branch  
6400 South Avalon Blvd. 291.0530
2. Martin Luther King Jr. Branch  
4103 South Western Ave. 291.0503
3. Steuson-Vermont Branch  
5700 South Vermont 291.0530
4. University Village Branch  
985 West Jefferson 291.0530
5. Watta Branch  
10340 South Central Ave. 291.0503
6. Westam & 87th St. Branch  
8701 S. Westam Ave. 291.0503

**First Interstate Bank of California**

7. Adams & Broadway Branch  
141 West Adams 614.3786
8. Florence & Central Branch  
1144 East Florence Ave. 589.6911

**Security Pacific National Bank**

9. Broadway & Manchester Branch  
8564 South Broadway 753.1721
10. 18th & Western Branch  
1819 South Western Ave. 734.9324
11. Figueroe & Adams Branch  
2703 S. Figueroe 746.1383
12. Florence & Avalon Branch  
501 E. Florence Ave. 753.3501
13. 43rd & Western Branch  
4277 South Western Ave. 294.6171
14. University Village  
821 West Jefferson Blvd. 746.4189

**Savings & Loan Associations**

**California Federal Savings & Loan Assoc.**

15. South Central Los Angeles Branch  
1601 East 103rd St. 564.5991

**Great Western Bank**

16. 1027 Manchester Ave. 652.3552

**Home Loan Counseling Center**

17. 1115 West Adams Blvd. 747.0607

**Western Federal Savings & Loan Assoc.**

18. USC Branch  
3301 South Hoover 746.5727

**Broadway Federal Savings & Loan Assoc.**

19. 4501 South Broadway 232.4271



Mr. William Anderson  
 Director  
 Veterans Administration Medical Center  
 Bldg 218  
 Wilshire & Sawtelle Blvds  
 Los Angeles, Ca. 90073

7 November, 1991

Dear Mr. Anderson:

I am writing this letter to thank you for your concern and involvement - in my opinion - beyond the call of duty for sponsoring and fostering the Federal Job Fairs ... and to compliment Mr. John Costello for his ingenuity and positive enthusiasm in designing them in the first place.

I, (one of many I am sure) was a public relations and television executive who, having made some money, decided to get out of the rat race in that business, and live a little longer. I heard about Mr. Costello's Federal Job Fairs in the media (both radio and television as I remember) and, after some searching, located Mr. Costello as their primary contact. He was positive and offered me an appointment, an interview and, ultimately, advice to take the Government-offered Administrative Careers With America exam series. I scored highly on the exams (92-98%) and was offered a position through the OPM Office in El Monte, with The National Archives, Pacific Southwest Region in Laguna Niguel.

I've been at work for the Federal Government (National Archives) in Laguna Niguel for three months now - and have received one promotion already. I would not only have not known about this job without the media coverage of your Federal Job Fairs, but I wouldn't have known how to find my way into the Governmental quagmire. What the Job Fairs did is personalize the Federal Government and make the possibility of getting a job with the Fed seem plausible. From my first interview with Mr. Costello and Sharon Alvarez (and again, from what was easily perceived as their willingness to be of real assistance) I knew that a job might be possible given a little time and direction.

I was later offered an interview with the FAA and had to turn it down as I was already employed - again as a result of their guidance. I hope you keep up the good work - your Federal Job Fairs should be city-by-city, country-wide!

Sincerely,

*William B. Doty*

William B. Doty  
 32941 Danacedar  
 Dana Point, Ca. 92629

cc. Hank Mear Jr. Chief, Personnel Svc. (05)  
 Sharon Alvarez, Chief Dev.  
 John Costello



★ Take a Personal Look at a Career in Public Service ★

VA DELEGATED EXAMINING UNIT'S 4<sup>th</sup> ANNUAL -

# FEDERAL JOB FAIR

ARMY RESERVE CENTER  
1250 Federal Ave.  
Los Angeles, CA  
February 4 and 5, 1992

10:00 a.m.-3:00 p.m.

**OVER 1,000 CAREER OPPORTUNITIES**  
**For Entry Level to Experienced Professionals**

This is your chance to speak with over 30 separate federal agency recruiters about various career opportunities. Be sure to bring plenty of SF-171's.

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Serving the People of California

State of California / Health and Welfare Agency  
1001 South Grand Avenue, Santa Ana, CA 92705



Pete Wilson, Governor

DATE: 10 February 1992

John Costello  
Department of Veterans Affairs  
VA-DEU (05)  
Building 218, Room 36  
Los Angeles, CA 90024

Dear Mr. Costello:

As you are aware, the unemployment rate here in California is very high. Unfortunately, a large number of these unemployed personnel are Veterans, not just the recently discharged, but Veterans going all the way back to World War II.

When the Federal Job Information Center, formerly located at the Language and Assessment Center, closed early 1991 we had no place to send our Veterans for the services formerly provided. As a result, we here at the Santa Ana EDD Office decided to set up our own Federal Job Information center in our office. We had everything except appropriate personnel who would staff it and be able to provide the necessary information.

Through the efforts of one of our DVOPs, Howard Foster, we were able to contact various Federal Agencies who have been extremely supportive of these efforts. And, one of the most supportive has been your very own VA Designated Examining Unit from Los Angeles.

Thanks to you personally, because you have been coming down here on a regular basis, and those personnel from other Federal Agencies, our Federal Job Information Center has been a resounding success with some of you seeing as many as 50 Veterans in a single day.

Thanks so very much for your support and I hope we will be able to count on you in the future since the unemployment rates do not appear to be improving and we will continue to have a substantial number of Veterans who will benefit from you, and the other Federal Representatives, who have been so supportive.

*Neil Rexch*  
Neil Rexch  
Local Veterans Employment Representative



6922 Hollywood Boulevard

Suite 415

Los Angeles, California 90028

Phone: (213) 462-5111

Fax: (213) 462-2228

October 15, 1991

## LOS ANGELES COUNTY AEROSPACE TASK FORCE (ATF) FACT SHEET

**PROBLEM:** During the period of December 1986 through August 1991, 73,500 aerospace employees were displaced within Los Angeles County. Additionally, 110,200 jobs in supporting industries were also lost for a total of 183,700 unemployed. By 1995, this aerospace unemployment total is expected to rise to 395,000 because of downsizing.

**ATF CREATED BY:** Los Angeles County Board of Supervisors on May 22, 1990. The Economic Development Corporation provides staff support for the ATF in cooperation with the Community Development Commission.

**PURPOSE:** Mitigate the impact of downsizing taking place in the aerospace industry.

- Create public awareness about downsizing problem
- Promote economic diversification and development
- Gather support for these efforts from government, industry, labor, academia and the public

**STRUCTURE:** Steering committee and the following subcommittees: Alternative Business Opportunities; Public Awareness; Training/Retraining.

**ATF STRATEGY:** To create an effective ATF strategy the Community Development Commission applied for and received a \$90,000 grant from the Economic Development Administration and the Department of Defense. The Commission provided an additional \$30,000 in Community Development Block Grant funds and will apply for another grant to implement the strategy. In June 1991, the Economic Roundtable was selected to develop the strategy and will submit its recommendations in approximately eight months. The strategy will integrate information about:

- Aerospace and defense employment in the county, reemployment opportunities, and training needs.
- Alternative business opportunities, a survey of affected industries, and an analysis of the prospects for industry growth and diversification. A business forecast for local aerospace firms will also be generated along with recommendations for reducing industry disincentives and the development of an export strategy. The ATF will develop a Business Opportunities Clearinghouse.
- A case study of an impacted community. Based on econometric projections, analysis of secondary job and business losses, and identification of constraints on land reuse, the model will give local policymakers a clearer understanding of the problem and a blueprint for action.

HENRY B. GONZALEZ TEXAS  
 FRANK ANNUNZIO ILLINOIS  
 STEPHEN L. NORCORN CAROLINA  
 CARROLL MURPHY KY. KENTUCKY  
 JOHN J. LAFAYETTE NEW YORK  
 MARY ROSE CASAR OHIO  
 BRUCE A. VENTO MINNESOTA  
 DONALD BARNARD GEORGIA  
 CHARLES E. WILSON NEW YORK  
 BARNEY FRANK MASSACHUSETTS  
 BEN JACOBSON ARIZONA  
 THOMAS H. CASPER DELAWARE  
 ESTEBAN E. TORRES CALIFORNIA  
 GERALD D. RIFE WISCONSIN  
 PAUL E. SANFORD PENNSYLVANIA  
 ELIZABETH J. PATTERSON SOUTH CAROLINA  
 JOSEPH P. FENNEY MASSACHUSETTS  
 FLOYD D. FAKE NEW YORK  
 ANNE M. WHELAN MARYLAND  
 PETER HOGAN MISSOURI  
 RICHARD E. NEAL MASSACHUSETTS  
 CHARLES LUFEN OHIO  
 MAXINE WATERS CALIFORNIA  
 LARRY LARGO OHIO  
 BILL ORTON UTAH  
 JIM BACCUS FLORIDA  
 JAMES MORAN JR. VIRGINIA  
 JOHN COX JR. ALABAMA  
 TED WEISS NEW YORK  
 JIM SLATTERY KANSAS  
 GARY L. ACEERMAN NEW YORK

U.S. HOUSE OF REPRESENTATIVES  
 COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED SECOND CONGRESS  
 2129 RAYBURN HOUSE OFFICE BUILDING  
 WASHINGTON, DC 20515

1

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 SAM JOHNSON TEXAS  
 BERNARD SANDERS VERMONT  
 (202) 225-4247

FOR IMMEDIATE RELEASE

WASHINGTON, D.C., January 3, 1992 -- Because of the urgent need to jump-start the economy and to help cities and states rebuild after having seen their federal funding slashed over the past decade, Chairman Henry B. Gonzalez of the House Banking Committee today introduced H.R. 4073, the "Emergency Community Development Act of 1992," which will authorize \$15.8 billion to be appropriated for housing and community development programs which in turn will generate \$29.1 billion in economic stimulus and will create more than 750,000 permanent jobs.

"Despite the last minute rally of the stock market during the waning days of 1991, the reality is that the nation continues to be in a deep recession," said Chairman Gonzalez. "The public's confidence is low, the unemployment rate is high and about one million unemployed persons are so discouraged they have stopped looking for work at all. The outlook is grim and a shot in the arm is badly needed."

"This is why I have introduced this bill. States, cities and towns, both rural and urban, can use these monies to repair their crumbling infrastructures, to build and repair affordable housing, and to fund public service employment. The bill will also increase homeownership by subsidizing low cost loans and down payments for eligible first-time homebuyers," he said.

"The bill will distribute \$10 billion principally through the Community Development Block Grant (CDBG) formula for funding cities, counties and the states. Cities will be able to repair and construct local roads, bridges, water and sewer systems, to build neighborhood libraries, clinics and drug treatment centers, and still have funds to staff these facilities," said Mr. Gonzalez.

"This bill is expected to create approximately 300,925 jobs in infrastructure construction and public service employment. At least one-half of these funds would be required to be used in moderate and low-income neighborhoods to meet their pressing revitalization needs," he said.

"The funds will also be used for the construction of affordable housing to meet the needs of low and moderate income families," said Mr. Gonzalez. "The need is pressing. In 1987, studies showed that more than two-thirds of the poor families in the nation lived in substandard housing or paid more than half their incomes for housing. In 1991, moderate and middle-income families are now experiencing the same housing problems as the poor, although to a lesser degree. These statistics speak for themselves. Thus the housing provisions in the bill address the needs of both groups."

The bill authorizes funds aimed at stimulating the housing construction industry. This component would focus on the major housing needs in the nation, including the need for homeownership for lower middle income and lower income families, and for rental housing for these groups.

The bill would generate \$10.4 billion in new rental housing construction, creating 265,734 jobs. The bill provides \$500 million in downpayment and interest subsidies to fund provisions in current law aimed at eligible first-time homebuyers. This will generate \$3.9 billion in single-family housing activity for more than 52,600 households.

The bill's single-family housing stimulus provisions would add \$106 million in rural housing loans for a total single-family housing stimulus to create more than 87,472 new jobs. In addition, the bill contains several provisions for the homeless which include \$430 million of construction activity that is estimated to generate 10,847 jobs.

"A key provision of the bill would fund the vacant public housing provision which is in the Cranston-Gonzalez Affordable Housing Act, which is now law but which has never been funded. Reinvesting in the 80,000 vacant public housing units means as many poor families -- many now homeless -- can be housed. In the process, it is estimated that the \$2 billion authorized for this purpose will create 52,000 jobs," said the Texas Democrat.

"I think it tragic that over the past decade the Federal government has essentially abandoned the cities and the states. As adjusted for inflation, federal aid to the cities and states has been cut in half. This is why a bill designed to bring the federal government back into partnership with the states and cities is critical if we are ever to bring our economy back to life. For this reason I plan to bring this bill before the Congress as soon as the Congress reconvenes."

\*\*\*

HENRY B. GONZALEZ, TEXAS, CHAIRMAN  
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 MARGE ROUREMA  
 DOUG BERKUTER, NEB.  
 THOMAS RIDGE, PENNSYLV.  
 TERRY ROTH, WISCONSIN  
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 RICHARD W. BAKER, LOUISIANA  
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**FOR IMMEDIATE RELEASE**  
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WASHINGTON, D.C., February 5, 1992 --- Chairman Henry B. Gonzalez said today that the Committee on Banking, Finance and Urban Affairs will travel to the Patriotic Center, 1816 Figueroa Street, Los Angeles, California on Monday, February 10 at 9:30 a.m. for the fifth in a series of congressional field hearings on economic distress.

"We plan to hear from people in the Los Angeles area who are on the economic firing line -- those seeking shelter, those living in public housing, those struggling to hold onto their homes, those unemployed, underemployed or afraid of losing their jobs, those providing social services, those receiving social services," said Mr. Gonzalez.

"The aerospace and defense industries are the major employer in the Los Angeles area and we will also look at the effect of the recession and budget cuts on these industries," said Chairman Gonzalez.

"Another issue especially pertinent to this hearing is the effect of bank mergers on the local community and on the California economy in general. The proposed Bank of America-Security Pacific merger will change the banking scene drastically throughout California and we want to know exactly what this means for credit flows and services for neighborhoods and families," said Mr. Gonzalez, a Texas Democrat.



Mr. Gonzalez said the Committee will also examine why some young people in Los Angeles, despairing of ever finding a decent job -- and somehow believing that they have no future -- have chosen to join a gang. The Committee will hear from former gang members and from those who have worked to encourage them to leave their gangs for a better future.

"Since early January the Committee has conducted field hearings in Bridgeport, CT, Spartanburg, SC, Baltimore, MD, and Cleveland, OH to let people speak out on economic problems. The economic picture the Committee is getting as it travels around the country points to a need for a real program for economic growth, not empty promises that all will soon get better," said Mr. Gonzalez.

"For this reason I introduced an economic stimulus bill on January 3 which will help cities and states rebuild their long-neglected infrastructures such as streets, sidewalks, water and sewer systems, build new affordable housing and renovate existing housing, and pay for the staffing costs at a drug treatment center and for other public services," he said. "By providing these funds to the cities and states, money will then be freed up that localities can use to deal with other pressing problems."

"My bill will free up \$15.8 billion in housing and community development funds which in turn will generate \$29.1 billion in economic stimulus and will create more than 750,000 permanent -- not quick hit -- jobs in construction, infrastructure repair, and public service employment," said Mr. Gonzalez. "Experts will tell you that housing construction is one of the best economic stimulus there is. This is why my bill is essential after years of cuts in federal spending for our cities and states."

"It is tragic that the Federal government has abandoned the cities and rural areas around the country," said Mr. Gonzalez. "Over the last decade Federal aid to states and cities, adjusted for inflation, has been cut in half. I am anxious to learn what effect this cutback in Federal funding has had on the Los Angeles area and why it is difficult or nearly impossible for a city or county, without Federal help, to extricate itself from its economic problems."

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# # #

ECONOMIC OVERVIEW OF LOS ANGELES

Los Angeles is the largest county in the nation. The county is approximately 4,000 square miles (about the size of Delaware) and has a population of 10 million people, which is larger than the population of 42 states. Since 1980, Los Angeles County's population has increased 18% and is now comprised of 41% White, 39.8% Hispanic, 11.2% Black, 10.8% Asian, and .5% Native American.

The GNP of Los Angeles County is 8th in the world, with a median family income of \$42,000. However, over half of those making less than \$42,000 are making under \$21,750. Of the County's lower-income population, 51% is paying more than 30% of their income for housing while 17% of all households, in the unincorporated area are paying over 70% for housing. According to the Comprehensive Housing Affordability Strategy for the City of Los Angeles, the median priced home is approximately \$212,770. In order to purchase such a home, one would have to have an income of approximately \$67,000, which is 62% greater than the median income. Since 1980 the median rent asked has risen 135% while the median family income has only risen 85%, making it increasingly difficult for families to find decent, affordable housing in this area. As a result, many families have found it necessary to move farther and farther away from the City, increasing the already problematic traffic situation and placing families without transportation in potentially greater financial straits. \*

Los Angeles County has about 90 incorporated cities, ranging in size from 68 registered voters to several million. Each of these cities has some form of local government. Some incorporated cities such as Beverly Hills and Hollywood are actually inside both Los Angeles County and the City of Los Angeles have their own government and police force. Add to this some 20 congressional districts and a very powerful state government and one can get a good picture of the incredible amount of area and number of people that make up Los Angeles. The City of Los Angeles has a mayor and fifteen City Council members. The County also has its own government composed of five County Supervisors.

\* Professor Jon Goodman, Director, The Entrepreneur Program and Professor, School of Business Administration, University of Southern California. Professor Goodman has studied the Los Angeles economy for many years. She believes that the recession in Los Angeles has not been a result so much of the decline in L.A.'s five principal industries: agriculture, real estate, entertainment, aerospace and financial services, but more a result of inflation and the loss of home equity. Professor Goodman has worked with a variety of organizations that target high school students all the way to corporate industry.

YOUTH PROBLEMS AND YOUTH OPPORTUNITIES

The CRIPS, the BLOODS, the PLAYBOY CRIPS, the ROLLING 60'S, and the GRAPE STREET GANG. These are just a few of the gangs prevalent in South Central Los Angeles. These groups of urban youths have a long history of violence that has terrorized Los Angeles neighborhoods and prompted the development of neighborhood groups, community action committees, and government initiatives targeted at ending the violence and getting these young people into jobs or educational programs. This panel represents citizens who work reforming gang members and improving the quality of life for communities in the Los Angeles area.

Jim Brown, Director, Project Ameri"can. Mr. Brown is a former running back for the Cleveland Browns and a member of the National Football League Hall of Fame. Mr. Brown now directs Project Ameri"can - an organization that works with gang members and urban youth in an attempt to introduce them to opportunities outside of gang membership. Jim Brown is known for his tough and effective work with gang members and also for the progress he has made in getting gang members off of the streets and into jobs or educational programs. Twice a week Mr. Brown hosts group sessions for gang members in his own home.

Claudia Moore, a Member of the City of Los Angeles Housing Commission who worked her way up to become President of the Los Angeles resident Advisory Council, an organization of public housing community groups that advise the city on the needs of public housing residents. Through her work with this organization, Ms. Moore has gained the respect of the community and now also a seat on the City's Housing Commission. Ms. Moore is also a senior caseworker for Project Build, a group started by Congresswoman Waters when she was in the State Assembly to provide job training and educational opportunities for residents of the city's housing projects. She continues to live in one of the city's public housing projects, Nickerson Gardens and has seen first hand the effect a lack of education and economic opportunity has had on the city's young people.

Brother Modesto, through the Catholic Church and the Solidad Enrichment Program, Brother Modesto has established some 13 schools to educate former gang grassroots members and other troubled youths. Solidad Enrichment Program emphasizes parent participation and job skills training programs as a part of their curriculum. Brother Modesto also works with the local business community to establish sponsors or mentors to introduce the students to corporate America.

Gus Freas teaches classes on the impact drugs and gangs have on the country. He has worked to establish a holistic approach to the gang problem by trying to establish a city commission on gangs.

HOUSING AND HOMELESSNESS

This panel will highlight the plight of the homeless, assisted project tenants and first-time homebuyers in the Los Angeles area. Each panelist will speak about her or his particular story of securing affordable housing. Issues such as loss of housing, unemployment, lack of job skills, and the need for more affordable housing will be mentioned.

Andy Raubeson, Executive Director, Single-Room Occupancy Housing Corporation. The SRO Corporation was established in March 1984 and is a private nonprofit organization dedicated to providing clean, safe and affordable housing to homeless and very low-income individuals in Los Angeles' central city East -- more commonly known as "Skid Row." SRO Housing operates 11 hotels with a total of 1009 units. SRO Housing Corporation received the National Alliance to End Homelessness Award for the organization which had done the most to end homelessness in the United States. Comprehensive services are provided on site, and include money management, transportation, daily congregate meals, and health screening.

Silviano Jimenez, underemployed father of nine children living in a one-bedroom apartment. Mr. Jimenez is married and has nine children, ages 20, 18, 17, 16, 11, 9, 8, 1 and 25 days old. Although he previously worked as a boxer, Mr. Jimenez now collects bottles to pay for clothes and food. His oldest two children work at fast-food restaurants to help make ends meet. Mr. Jimenez offered to split up his family if the public housing authority could find an available two or three bedroom apartment for his children, as it could take years before a five-bedroom apartment he needs would become available at the public housing authority.

Alvin Jones, a homeless Vietnam veteran who returned from the war in 1971. Mr. Jones found it very difficult to return to civilian society after the war. His friends and family kept their distance and he found that the greater community stigmatized him as a "Vietnam Veteran." He became an alcoholic and eventually lost his job. He soon was living on the street in Skid Row where he stayed for 4 or 5 years. He has now cleaned himself up and is helping other homeless veterans.

Terry Shirley, 34 year old former resident of the Regal Hotel. Ms. Shirley had no job skills and was unable to gain employment. After living on the streets, she contacted SRO and was placed in their Regal Hotel facility. She now has a job for the first time in her life and she has moved out of Skid Row.

David Etezadi, Attorney at Law, Legal Aid Foundation of Los Angeles. Mr. Etezadi has worked with the preservation and prepayment issue for three years. The Legal Aid Foundation of Los Angeles practices full service poverty law, housing law, welfare law, etc. Mr. Etezadi has specialized in technical and

community education regarding the issue of prepayment of HUD insured mortgages.

Theodora Rolette, Mission Plaza resident. Ms. Rolette has three children, ages 27, 26, and 24. Although employed as a systems analyst for the Los Angeles Times for 21 years, Ms. Rolette is now retired. Her husband works for the railroad. The Rolettes have lived in Mission Plaza since November 20, 1970. She was born in North Dakota on a Sioux Native American reservation.

Carol Berman, Oceanview Apartments. Ms. Berman has lived in Oceanview apartments since 1987. Her housing is Section 8 assisted housing and the developer could choose to opt-out of the low-income restrictions as early as 1994. Ms. Berman is 56 years of age, graduated from college, and has worked at a variety of jobs ranging from actress, waitress, receptionist and barmaid to cat-sitter. Before receiving housing at Oceanview, Ms. Berman faced imminent loss of shelter due to lack of permanent housing.

Brenda Shockley, Housing Consultant. Founder of Charles Drew Economic Development Corporation, which is involved in development of low income housing and day care in Watts community. She is presently an attorney and served as a member of the L.A. 2000 Committee which attempted to focus on the future of Los Angeles in the year 2000.

Marvin Greer, Developer, The Williams, Greer Group. Mr. Greer has a number of years working with low-income housing development. Mr Greer is a partner in The Williams, Greer Group which recently completed Westminster Park Plaza. Westminster Park Plaza is a 130 unit, \$10 million apartment complex in Watts. Mr. Greer is Chairman of Los Angeles Mayor Tom Bradley's task force on housing development in South Central Los Angeles.

Mrs. Donna Spenser, first-time homebuyer. Mrs. Spenser is 29 years old and her husband is 28 years old. Mrs. Spenser has a college degree in electrical engineering and her husband, a construction worker, has two years of community college education. Mrs. Spenser is currently employed as an engineer. Since their marriage two and a half years ago, the Spensers have been saving for their first home. They have been looking at homes in the \$150-\$200,000 range and their household income is approximately \$75,000 a year.

Mr. Reuben and Mrs. Dale Hill, first-time homebuyers. Mr. and Mrs. Hill are 35 and 31 years old, respectively. They have a three-year old daughter. The Hills are both college graduates and have lived in the City for approximately ten years. Although married for five years and having saved throughout that time for their first home, the Hills are experiencing difficulties in making the purchase. They have been looking at homes in the \$180-\$250 thousand dollar range and their household income is \$55,000 a year.

# Public Housing Demand Explodes; Waits Hit 5 Years

■ **Urban life:** L.A.'s list of applicants grows from 12,000 to 20,000 in a year. Slumping economy is partly blamed.

By LOUIS SAHAGUN  
TIMES STAFF WRITER

A waiting list of families wanting to live in Los Angeles' public housing projects nearly doubled over the past year to 20,000 applicants in line for 100 vacancies each month, city housing officials said.

The demand so greatly outstrips supply that many families will have to wait five years before they can move into the city's 18 housing projects, according to Los Angeles Housing Authority officials.

"People talked about a housing crisis in the 1980s," said Michael Bodaken, Mayor Tom Bradley's housing coordinator. "If it was a crisis then, what do we call it now?"

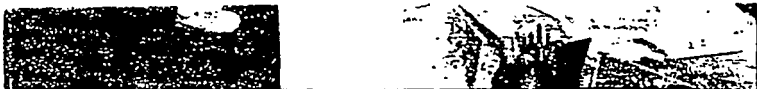
With hundreds of families trooping to the Housing Authority's applications center each week, housing officials are considering seeking federal approval for a temporary cap on the list that included only 12,000 names a year ago.

The cap, said Housing Authority spokesman Marshall Kandell, would help reduce a backlog that grew by 1,600 applications last month.

"What sense is there in having a five-year wait?" Kandell said. "It's discouraging to keep [applications] open if some people have practically no chance of getting to the top of the list."

Duane Walker, manager of the application center's beleaguered

Please see HOUSING, A22



KEN LUBAS Los Angeles Times

Housing applicant Maria Luisa James, left, with city's Duane Walker. Translator Sonia Merdoza is center.

## HOUSING: Urban Demand Exploding

Continued from A1  
22-member staff, blamed the recession, shrinking job markets, rising rents, expensive housing and the continuing stream of immigrants to Southern California for placing "an extremely large burden on our ability to provide service to the community."

"This is gut-wrenching stuff I'm having to deal with every day," Walker said. "It takes a special person to relate the harsh realities of our time frames to people in immediate need of housing."

Among the applicants are Silviano Jimenez, his wife and their nine children, who waited a year in their cramped one-bedroom apartment for word of action on their request for public housing.

Jimenez was prepared for good news when he was finally summoned to the center at Avalon Boulevard and Slauson Avenue for an interview last Thursday.

Instead, the 42-year-old former flyweight boxer, who now scavenges bottles and cans for a living, was told it could take years before the five-bedroom apartment he needs becomes available.

Jimenez immediately offered to split up his family if something smaller would be available sooner.

Walker shook his head sadly and said, "If you split up your family it could still take a year or more."

Fighting back tears, Jimenez said, "It's going to be hard to tell my wife that it will take a miracle to get the apartment we need."

A few minutes earlier, Walker had to give bad news to Maria Luisa James, 33, who applied for public housing three years ago. She had been bumped to the bottom of the waiting list for recently moving to an apartment a few blocks outside of the city limits—only city residents are eligible to get public housing in Los Angeles.

"I'll move back to the city—my children need a playground," said James, who spends more than half of her welfare payments on the \$300-a-month one-bedroom apartment she shares with two young children.

"If you move back," Walker explained, "you'll still have a con-

siderable wait until we can have you in for an interview."

"I can wait," James said, daubing her eyes with a tissue. "I've waited this long."

While the number of requests for public housing is dwarfed by the 50,000 low-income people on an already-closed waiting list for Section 8 federal rent-assistance programs, housing officials said they were unprepared for the onslaught of applications for so-called "last-resort housing" in city projects.

The two-year recession, coupled with a lack of affordable housing, seems to be driving more poor, elderly and disabled people than ever to seek public housing units. Where residents are required to pay only 30% of their income on rent, officials said.

Housing officials said the vacancy rate of rentable public housing units has dropped from about 3% in June to about 1%. The total number of units citywide is 3,800.

City Councilwoman Joan Milke Flores, whose 15th District in the southern part of Los Angeles includes one-third of the city's public housing units, said, "I would not like to put a cap on the waiting list."

"I'd rather see more scrutiny of those filing applications," Flores said, "and move up to the top of the list those who are most needy."

Under HUD regulations governing public housing nationwide, people get preferential status if they are being forced out of their residences, live in substandard housing, pay more than 50% of their income for rent, are veterans or live and work in Los Angeles.

The city's shortage of public housing is so acute, however, that even preferred applicants who once waited a few months for available units are facing delays of a year or more, officials said.

The public housing shortage is not unique to Los Angeles. Housing authority officials in New York and Chicago, for example, said applicants in those cities are having to wait from two to five years for units.

"It's an all-out war of need," said Juanita Tate, executive director of

Concerned Citizens of South-Central Los Angeles, a group that is building low-income apartments in a part of town where the need is acute.

"Everybody wants to talk about the problem, but nobody wants to do anything about it," Tate said. "Right now, public housing is concentrated mostly in East and South-Central Los Angeles, and homeowners groups will fight any plan to increase affordable housing in their back yards."

When Bradley in August proposed a levy on commercial construction as a way of injecting up to \$30 million a year into much-needed affordable housing and apartment construction, critics immediately objected on grounds the plan would further dampen the economy and reduce property values in the vicinity.

Many people who have obtained housing in the projects consider themselves fortunate, although the complexes have problems of their own.

"Crime here is tough, living conditions here are tough, too," acknowledged Howard Wasserman, manager of the sprawling Jordan Downs project in South-Central Los Angeles. "But people still want to come here because we have a residents' council, a maintenance staff on site and rent is 30% of their income."

Those were reasons enough for Jorge Bernal, his wife, Maria, and their three young children, who were living on a bed in a relative's garage when they applied for a unit at Jordan Downs two years ago.

They moved into the complex in November, and since then Bernal, 31, has been telling his friends and relatives in Los Angeles and Mexico to apply for a unit.

"It was worth the wait," said Bernal, sitting on a couch with his family in their freshly painted living room. "Here we're paying \$180 a month for a three-bedroom apartment, which is great considering I earn minimum wage."

"We're very comfortable here," added his wife. "We're going to stay as long as possible."



**LOS ANGELES MISSION STATISTICS  
THREE YEAR COMPARISON**

<u>DESCRIPTION</u>	<u>YTD DEC</u> <u>91-92</u>	<u>YTD DEC</u> <u>90-91</u>	<u>YTD DEC</u> <u>89-90</u>
Meals Served	131,245	121,070	112,888
Beds Provided	26,884	23,352	20,821
Clothing Issued	44,879	46,144	33,217
Shaves	2,329	1,870	645
Showers (Both Men & Women)	5,018	6,454	5,203
Personal Item Kits (Women)	1,247	1,561	1,080
Attendance at Noon Service	29,409	32,116	33,215
Attendance at Evening Service	30,023	32,758	33,251
Seekers	1,733	1,647	2,081

SEARCH FOR WORK

Los Angeles, like most other cities across this nation, is experiencing an increase in unemployment opportunities. The unemployment rate is 8.1% compared to a national unemployment rate of 7.3%. There are many factors affecting the unemployment rate. The declining economy has meant sharp reductions in the amount of money available for many of California's major industries; namely, financial services, defense, and entertainment.

John Costello, Director, Veteran's Affairs Job Fair in Los Angeles. Mr. Costello organized a job fair held on February 4th and 5th in Los Angeles. Each day more than 6,000 people attended in the hopes of finding a job. The fair attracted people from all walks of life, both professional and unskilled workers.

Wallace Ussery, Owner and Manager, Slauson Farms Market. Mr. Ussery's market has experienced financial hardship in recent years resulting in the lay off of nearly half of his employees. Mr. Ussery has worked in the grocery business most of his life and would like to continue to be a source of employment in the community. Unfortunately, Mr. Ussery's store was recently damaged in a fire leading to even further economic setbacks.

Jessie Martinez, Carpenter's Local 309 and Member, East Valley Organization. Local 309 has 3,000 members, of which 35% to 40% are unemployed. They are relying on public works and highways to keep the members working.

Bill Garcia, underemployed construction foreman. Mr. Garcia worked 20 years as a supervisor or foreman. He is now back to using his tools to earn what he can. He has found it very difficult to find work even as a skilled worker and is especially worried about the loss of health care benefits.

AL MARTINEZ

# When Music Fades

The muscle of America is in its blue-collar workers, the kind of people Walt Whitman wrote about 125 years ago when he celebrated the music of their labor.

I remember his poetry because my father lived by brass and sweat, and a lot of my relatives still do. The melody of their toil is never far away. They work on production lines or on loading docks and come home with their backs aching but their souls intact from a good day's labor.

Their environment is noise and steam and the glare of welding torches, the clang and hum of machinery still providing music *fortissimo* in the factories of production.

I've listened to that kind of music most of my life, and I still do, but it grows discordant and less joyful under the deepening influence of recession.

That's what got me into an unemployment office out in Canoga Park the other day, where music and dignity die quietly in the hushed environment of people out of work.

There's pain there, my friends, and a quality of despair among those who wait in long lines to sign up for unemployment checks or to ask about whatever jobs are available.

And there are ironies in abundance when thick-armed men who wrestled teenage for a living are told they could have a job tomorrow if they were only genetic disease specialists or clinical lab technicians.

"What about me?" I heard an unemployed foundry worker ask. "What kind of work do you have for me?"

The woman at the window just shook her head.

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think, is that the guy is working 20 hours a week on his own time to try to make a miracle happen.

It isn't just the job he's trying to save, Dennis says. He's an electrician and can always find work.

It's the other guys, the 3,000 or so at the plant, whose standard of living has brought them homes and campers and good vacations, elements of comfort that will vanish like smoke in the wind when GM shuts down.

"What's going to happen to their American dream when the work ends?" Dennis asks. "I'm doing it for them."

There's a kind of music to that too, orchestrated by people who think about each other when the chips are down and the game is ending.

That was on my mind when I stood across the street from GM and stared at its parking lot.

The plant is shut down for a couple of weeks and the lot was almost empty, and I said to myself this is the way it's going to look at the time.

There's nothing sadder than a workplace gone dead.

I was in that kind of mood when I stopped by the unemployment office in the Valley and listened to the muted sounds of desperation.

As I watched men and women without jobs struggle for composure, I found myself hoping against all odds that Dennis Dalrymple's dream would come true, because if it doesn't, the music Walt Whitman heard will go completely sour.

And then it will be gone altogether, and the silence will swallow us all.

I ended up hanging out at the unemployment office after a conversation with Dennis Dalrymple at the UAW office across from the General Motors Plant in Van Nuys.

A friend kept telling me about Dennis and how he had his own show on public access cable television and was fighting to keep the GM plant open.

The company announced last year it was shutting down the local plant in August, one of 25 GM facilities that will eventually close its doors, putting 74,000 men and women out of work.

Dennis is 54 and has worked at the Van Nuys plant for 16 years. For the past two years he's had a kind of talk-interview show on cable trying to upgrade labor's image.

On one show, he had the guys in Local 645 dress up in tuxedos and discuss American labor while Rossini avertures played in the background, telling the world that labor knows music other than the drumbeats of production.

A Bronx-born Irish Catholic, Dennis was raised in a working-class family. He's dutiful used to take him to union meetings when he was 10 and tell him someday he'd understand the value of collective bargaining.

He does now. That's why he's got the show, which he writes as well as produces. Being in a spotlight is nothing new, by the way. He tried stand-up comedy for years and will say with a quick smile he's bombed in the best clubs in town.

When GM announced it was shutting down his plant, Dennis began using his show to drum up interest in turning the big factory into a manufacturing center for mass transit.

He's had politicians and transportation experts on his show who say the idea is a good one and they'll back it. "It's going to happen," Dennis will tell you. "I feel it in my bones."

□

EFFECT OF THE RECESSION ON THE AEROSPACE INDUSTRY

The defense and aerospace industries have recently experienced significant reductions due to a shifting of priorities at the national level and the current recession. As major employers in Los Angeles and the surrounding counties, cutbacks in these industries have had a tremendous impact on the local economy. Many of the defense contractors have made significant cuts in staff due to shifts in the national budget away from defense spending and the current recession. This has resulted in losses of jobs from line workers to engineers at the big contractors and at other small business called "job shops" which subcontract to the major defense contractors.

Ruth Jernigan, the Community Action Program of the United Auto Workers provides job retraining and employment services for workers coming out of the aerospace industry.

Michael Lido, unemployed defense production manager. Mr. Lido is 45 years old, married and has one child. He worked for Titan Industries from 1971 to 1991 as a production manager. Because of defense cutbacks, Titan has closed most of its engineering division in Los Angeles. He has recently completed a job retraining class in the handling of hazardous materials and is now searching for work. At present, his wife is supporting the family on her income as a day care worker.

Robert Ozuna, President, New Bedford Panoramex Corporation. Mr. Ozuna founded the New Bedford Panoramex Corporation which is a control systems and electronics contractor to the defense and aerospace industries. Through the 1970's and 1980's, NBP prospered, expanding from approximately 15 employees to 300 employees in 1989. Most of NBP's revenues have been generated through military and aerospace industry contracts. However, recent downsizing of the military budget, the recent failure of three major air carriers and the current recession have all significantly reduced NBP's revenues. Since 1989, NBP has reduced its staff by 50% to 160 employees and if no new contracts are awarded, NBP will be forced to cut its work force by another 10% in July.

Reginald Collier, unemployed aerospace engineer. Mr. Collier was laid off November 20, 1991 after working 10 years for a major defense contractor. He has one child and he and his family are presently living on his wife's salary.

# 200,000 State Jobs Seen Periled by Defense Cuts

■ **Military:** The loss of 600,000 nationwide by 1997 is predicted. Northrop will eliminate 1,500 positions.

By RALPH VARTABEDIAN  
TIMES STAFF WRITER

The precipitous defense spending cuts unveiled Wednesday by the Pentagon could throw as many as 600,000 U.S. workers out of jobs nationwide—including more than 200,000 in California, according to projections by defense analysts.

The first of the local employment cutbacks were announced only hours after the spending reductions were released in Washington, when Northrop Corp. said that it would eliminate 1,500 jobs on the B-2 Stealth bomber program in Palmdale and Pico Rivera through layoffs and attrition.

The Air Force will halt B-2 production after just 20 aircraft, meaning that the last plane will leave its Mojave Desert plant by no later than 1998 and the vast majority of Northrop's 13,400 jobs on the program would be eliminated. The program accounts for 40,000 jobs in California.

Defense Secretary Dick Cheney unveiled a Pentagon budget Wednesday that would reduce spending by 7% in fiscal 1993, compared to this year, and by 1997 would drive down the defense budget by 37%, compared to its peak in 1985. In defense procurement, the funding cutback is a

stark 50%, going from a peak of about \$120 billion in the mid-1980s to a projected \$54.4 billion by 1993.

The cutbacks will have a profound economic impact, even beyond the direct defense industry jobs. The U.S. labor market will be flooded with 138,000 military personnel to be released during the current fiscal year and a total of 321,000 by 1995, senior defense officials said in briefings Wednesday.

The economic forecasting firm DRI/McGraw Hill projected that anticipated budget cutbacks would result in the loss of 600,000 jobs in the U.S. economy by 1997, based on both the loss of direct defense industry jobs and a broad range of jobs throughout the economy. On a similar basis, the California impact was 200,000, according to Sal Monaco, a principle in DRI's aerospace practice.

David Hensley, an economist at UCLA's Business Forecasting Project, said he estimates that the budget cutbacks will result in the loss of 71,000 direct aerospace jobs in California over the next five years, not including indirect effects through the economy. Hensley said 61,000 jobs have already been lost since the state's aerospace employment peaked in 1988 at 375,000.

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head, which was to have given unrecedented destructive capa-

on developing and building modifications to enhance existing weapons.

In drafting the revised budget plan, the Pentagon announced

## DEFENSE: 200,000 State Job Losses Seen

Continued from A1  
jobs.

Both the DRI and the UCLA forecasts do not account for possible job growth in other segments of the economy that would result from alternative government spending or from reductions in the federal deficit, which could mitigate the loss of jobs resulting from defense cutbacks. Monaco said he is skeptical that a reduction in the budget deficit alone would create enough stimulus in the economy to offset the loss of defense jobs in the near term.

Cheney unveiled a long list of canceled defense programs Wednesday, many of them unfamiliar to the general public but representing the bread and butter of the defense industry—including a key Navy missile program at Texas Instruments, an early warning aircraft at Grumman, a nuclear attack missile at Boeing, an attack submarine program at General Dynamics and torpedo propulsion system at Hughes Aircraft.

As bad as California contractors were hit, Hughes Chairman Malcolm Currie remarked in an interview Wednesday: "It could have been much worse."

Indeed, the Pentagon budget calls for \$2.7 billion in funding to

produce eight C-17 cargo jets at McDonnell Douglas in Long Beach, a sharp increase in production. Previously, funding had been approved for 10 C-17s.

"Clearly on the surface, McDonnell Douglas fared very well, at least the initial volley," Herbert Lanese, chief financial officer for the St. Louis-based firm, told a wire service, but he cautioned that a lot could change between now and the time Congress acts on the Bush budget.

Although substantial cuts were made against most programs, funding for the Strategic Defense Initiative, also known as "Star Wars," was boosted to \$5.3 billion from \$4.1 billion. California contractors account for the leading positions in the program.

Meanwhile, the Navy is seeking funding to produce another 48 F-18 jet fighters for \$1.8 billion, about 40% of which is produced in El Segundo by Northrop. The B-2 decision, in which the Air Force will spend \$2.6 billion for the last four aircraft, saved Northrop from an immediate cancellation that would have devastated the program.

In other Southland programs, the Pentagon is seeking \$200 million to continue development work on the National Aero Space Plane,

a program led by Rockwell International in Palmdale.

"Overall, we came out on the plus side," said Sam Iacobellis, executive vice president at Rockwell. He said that the company will take cuts in its Midgetman missile program in Orange County, but anticipates new work to reduce the payloads on the Minuteman 3 missile, as part of strategic weapons reductions outlined by Cheney.

But the overall message brought out by Cheney on Wednesday was that the industry will face cutbacks through the mid-1990s.

"It keeps extremely negative pressure on defense employers year after year after year," remarked First Boston aerospace analyst Peter Aseritis.

Currie, the Hughes chief, said: "The industry is going to continue to go down. As the existing production programs end over the next several years, that is going to be the real crunch period for the industry."

The Pentagon plan includes an end to production of the Grumman F-14 and McDonnell F-15 jet fighters, both of which have significant content in California, including radars built by Hughes. The firm also builds the radar for the B-2 bomber.

EFFECTS OF BANK MERGERS ON THE CALIFORNIA ECONOMY

The merger of Bank of America and Security Pacific is especially relevant to the California economy and is a topic hotly debated at this time. The communities are concerned about the loss of branches and lack of credit availability that may result from the merger.

Gilda Haas, Director and Founder of Communities for Accountable Reinvestment. This organization does economic research on community reinvestment and works with financial institutions on the West Coast in an attempt to improve the nature of lending in low-income urban communities. Ms. Haas has done a great deal of research on the effects of the proposed Bank of America/Security Pacific merger. Ms. Haas believes that the closing of over 100 branch offices in Southern California as a result of the merger could lead to the loss of 20,000 jobs in the region and will place up to one million square feet of office space on an already depressed Los Angeles commercial real estate market. Additionally, Ms. Haas' organization is concerned that the recent concessions in the area of community lending that her group negotiated with Security Pacific could be lost in the merger.

Robin Cannon is an employee of the City of Los Angeles' Information Systems department and also a member of Concerned Citizens of South Central Los Angeles. Ms. Cannon lives in an area that has been subject to a large number of branch closings in recent years and now does not have a branch of any financial institution within a three mile radius of her urban Los Angeles home. Ms. Cannon has been working with other members of the panel to establish a community credit union in her neighborhood so that residents of the area may have access to basic financial services, rather than having to rely on cambios and check cashing establishments just so they may pay their bills and have cash for basic living expenses.

Clyde Johnson is the President of the Black Employees Association of Los Angeles County and has been working with Ms. Cannon to obtain a charter for a community credit union to service their area. Last Wednesday, the application for the charter was denied by the National Credit Union Administration. Mr. Johnson plans to appeal the rejection.

Gregory Span is the owner and operator of the 27th Street Bakery. The bakery was started by Mr. Span's father and grandparents in 1948 and has been a growing business ever since. Since 1985, Mr. Span has been attempting to expand his operation due to a very high demand for the bakery's sweet potato pies. Although Mr. Span has gross sales approaching \$300,000 annually, he has been unable to obtain the necessary credit for expansion. Mr. Span has applied for loans and grants through the state, city, county, Small Business Administration, and a host of other sources. As of this time, he is still unable to obtain the needed credit. Mr. Span will be accompanied by his sister, Jeanette Bolden, a two time U.S. Olympian in track and field events.

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