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WEDNESDAY, MAY 2,

2018

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VILLARAIGOSA CLAIMS CREDIT FOR ADDRESSING HOUSING CRISIS HE PROFITED FROM

LOS ANGELES, CA – Antonio Villaraigosa’s campaign for governor recently released its first television ad — called “Three Buses” — in which Villaraigosa takes credit for building affordable housing in Los Angeles when he was the mayor, but the ad purposefully leaves out how, at the same time, Villaraigosa was receiving donations from Ameriquest — a company that not only targeted vulnerable communities with its predatory lending practices, but was also one of the mortgage firms that helped fuel the U.S. housing crisis, which led to the Great Recession.

“Antonio Villaraigosa can try to backpedal all he wants, but all voters need to do is follow the money to see he made a deal with predatory lenders that were responsible for the housing crisis,” said Fabien Levy, Deputy Campaign Manager and Communications Director for John Chiang’s campaign. “There’s a clear pattern of selling out to the highest bidder, and in this case that highest bidder specifically hurt California’s communities of color and our state’s most

vulnerable. How can Californians now trust Antonio to lead on affordable housing when he profited from the very same companies that created the problem in the first place?”

When Villaraigosa was speaker of the California Assembly, Ameriquest contributed \$75,000 to a political committee that Villaraigosa controlled. That financial relationship continued, with Ameriquest and its employees contributing more than \$21,000 to Villaraigosa’s mayoral campaigns, in addition to paying Villaraigosa for consultant work between 2001 and 2002. And even when Villaraigosa was mayor, the lavish gifts continued. In 2005, Villaraigosa took a private jet, subsidized by Ameriquest, that cost nearly \$20,000 — raising eyebrows across the city and in the media.

Ameriquest was subsequently ordered to pay a \$325 million settlement for predatory lending — the second-largest consumer protection settlement in U.S. history. Ameriquest employees admitted "the company's fortunes were built on a culture of deception" and “opened the floodgates for subprime lenders” that caused the housing crisis.

Levy added, “John Chiang has not only has refused to accept contributions from predatory lenders, but he’s fighting to hold them accountable for their actions. He’s the only candidate with a track record of financing more affordable housing, and the only candidate voters can trust to place a roof over the heads of four million more Californians.”

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Background:

Villaraigosa consulted for Ameriquest following 2001 election defeat. In

February 2015, the Los Angeles Times reported on Villaraigosa's employment following his 2001 defeat in the mayoral election against James Hahn. According to the Times, Villaraigosa "wound up doing consulting work for politically connected companies that could now provide fodder for opponents in the Senate race." One of those companies was Ameriquest, a "major home mortgage company that would later collapse in the economic crisis." The Los Angeles Times reported in November 2005 that Villaraigosa worked as a consultant to Ameriquest during 2001 and 2002. According to The New Yorker in 2007, Villaraigosa was paid approximately \$10,000 a month for his work. [Los Angeles Times, [2/16/2015](#); [11/25/2005](#); The New Yorker, [5/21/2007](#)]

Villaraigosa took \$19,500 ride on a private jet owned by Ameriquest, 'controversial mortgage firm' under investigation in 33 states. In November 2005, the Los Angeles Times reported that the Los Angeles City Ethics Commission was convening a panel to "determine whether Villaraigosa acted properly in requesting and using a jet provided by a company with a lobbyist pressing its agenda at City Hall" after Villaraigosa borrowed Ameriquest's jet for a ride worth \$19,500. The Times reports:

The mayor said he plans to follow the rules in the municipal code and use his political officeholder account to pay Ameriquest the equivalent of coach fare on a commercial airline for himself and his aide. For each round-trip flight, the mayor's office said the cost is \$438... A flight for five from Van Nuys to Detroit with Clay Lacy Aviation, a charter operator, would cost \$19,500 for a one-way trip and an additional \$300 to stay overnight and return the next day, as the mayor did. In that case, the difference between what Villaraigosa intends to pay for the flight and the cost of an equivalent charter would be \$18,924.

According to the Times, Ameriquest "is in negotiations to settle an inquiry into its lending practices by California, 32 other states and the District of Columbia. The company has been accused of inflating costs for borrowers." [Los Angeles Times, [11/11/2005](#)]

Villaraigosa pays Ameriquest for prohibited gift, jet trip after critics raise questions about ethics. In November 2005, the Los Angeles Times reported that Villaraigosa reimbursed Ameriquest in the amount of \$150 for a gift basket exceeding city ethics gift limits. The Times continues:

It is the second check written to Ameriquest by Villaraigosa in recent months. The Times reported earlier this month that Villaraigosa borrowed an Ameriquest jet to fly Nov. 1 with an aide, two bodyguards from the Los Angeles Police Department and a pastor from Van Nuys to Detroit to speak at the funeral of civil rights veteran Rosa Parks. They returned the next day. At the time, Villaraigosa wrote a check to cover \$438 each for himself and his aide, the equivalent of coach fares on a commercial airline. Critics said he should have reimbursed Ameriquest for much more, given that a private jet company at Van Nuys charges nearly \$20,000 for the same round-trip flight.

[Los Angeles Times, [11/24/2005](#)]

Villaraigosa lobbied by former employer Ameriquest, mortgage firm under investigation, then nominated Ameriquest owner as ambassador to Netherlands. In November 2005, LA Weekly reported that Villaraigosa's office was being lobbied by Ameriquest, a "mortgage firm under scrutiny from regulators around the country," even though Villaraigosa was once a former consultant for the company:

The company is fending off probes into its lending practices while lobbying the mayor's office on mortgage lending. Villaraigosa was once a paid consultant to the firm, which later donated to both of his mayoral campaigns and gave \$100,000 to his inaugural-gala fund-raiser for after-school programs. Villaraigosa's lawyer, Tom Saenz, said the cost would be reimbursed from a political account — in other words, from other contributors.

According to the Los Angeles Times, Ameriquest contributed "\$75,000 to a

political committee that Villaraigosa controlled while he was speaker of the Assembly from 1998 to 2000," and "Ameriquest and its employees have contributed more than \$21,000 to Villaraigosa's 2001 and 2005 mayoral campaigns." The Times noted that Villaraigosa "recently wrote a letter to the U.S. Senate supporting the nomination of Ameriquest's principal owner, Roland E. Arnall, for ambassador to the Netherlands." However, numerous senators objected to the nomination because Arnall was "under a cloud of investigation." [LA Weekly, [11/10/2005](#); Los Angeles Times, [11/8/2005](#)]

Ameriquest ordered to pay \$325 million settlement in 2006 over predatory lending. In January 2006, The New York Times reported that Ameriquest "agreed to pay \$325 million and make changes to its lending practices to settle investigations by attorneys general in more than two dozen states." According to The Washington Post,

It is the second-largest consumer protection settlement in U.S. history... More than 240,000 U.S. consumers will benefit from the settlement to make up for losses they suffered after getting loans from Ameriquest, and they will receive a minimum of \$600 each, prosecutors said... At a news conference in California, state law enforcement officials said that Ameriquest grew and profited by giving loan officers financial incentives to sign consumers to loans that often hurt them. They said they found some cases in which people with good credit who qualified for lower interest rates got higher rates, many cases in which people were promised lower rates but charged higher rates, and numerous instances in which borrowers were encouraged to falsely state they made more money than they did so that they could borrow more than they could afford.

According to Iowa Attorney General Tom Miller, "The culture was to sell, sell, sell and do whatever it takes to sell, sell, sell." [The New York Times, [1/21/2006](#); The Washington Post, [1/24/2006](#); California Attorney General, [1/23/2006](#)]

Ameriquest employees: 'The company's fortunes were built on a culture

of deception.' In May 2007, NPR reported that former employees of Ameriquest said "the company's fortunes were built on a culture of deception." According to Tyson Russum, a former loan officer at Ameriquest in Tampa, Florida, "Managers encouraged loan officers to conceal the actual cost and interest rates on loans." In addition, some fellow employees would "white out income numbers on W2s and bank statements and fill in bigger amounts basically to qualify people for loans that they couldn't afford." In other instances, some loans officers printed "fake fixed rate loan documents and put them on the top of the stack of papers the customer was signing at their closing." According to Mark Bomshow, a former Ameriquest employee in Plymouth, Minnesota, "A lot of Ameriquest customers were not educated, they were vulnerable to this kind of deception, they were trusting. And because of that, they lost a lot." [NPR, [5/14/2007](#)]

Ameriquest 'opened the floodgates for subprime lenders' that caused housing crisis. In March 2008, The Orange County Register reported on Roland Arnall, founder of Orange-based Ameriquest Mortgage. According to The Register, Arnall's,

Biggest contribution to history was pioneering the connection with Wall Street that opened the floodgates for subprime lenders, letting them make loans often with little concern about the borrowers' ability to repay. Wall Street sold the mortgages as securities, fueling a real estate boom followed by the current bust that triggered worldwide economic turmoil, highlighted by this week's collapse of investment bank Bear Stearns Cos.

According to Kurt Eggert, a professor of law at Chapman University, "The emphasis was on quantity rather than quality and that's what brought us where we are now." [The Orange County Register, [3/17/2008](#)]

Reuters: 'Racial predatory loans fueled U.S. housing crisis.' In October

2010, Reuters published an article entitled, "Racial predatory loans fueled U.S. housing crisis":

Predatory lending aimed at racially segregated minority neighborhoods led to mass foreclosures that fueled the U.S. housing crisis, according to a new study published in the American Sociological Review... The U.S. economy is still struggling with the effects of its longest recession since the 1930s, which was triggered in large part by the housing crisis, which was in part triggered by the crash of the subprime loan market. Subprime lending refers to loans made to consumers with poor credit and others considered higher risk. They tend to have a higher interest rate than traditional loans. The study, which used data from the 100 largest U.S. metropolitan areas, found that living in a predominantly African-American area, and to a lesser extent Hispanic area, were 'powerful predictors of foreclosures' in the nation. Even African-Americans with similar credit profiles and down-payment ratios to white borrowers were more likely to receive subprime loans, according to the study. 'As a result, from 1993 to 2000, the share of subprime mortgages going to households in minority neighborhoods rose from 2 to 18 percent,' Massey and Rugh said.

According to City Lab, "In 2006, at the height of the boom, black and Hispanic families making more than \$200,000 a year were more likely on average to be given a subprime loan than a white family making less than \$30,000 a year." In addition, "Blacks and Latinos were 2.4 times more likely to receive a subprime loan than white applicants." [Reuters, [10/4/2010](#); City Lab, [8/16/2013](#)]

Ameriqurest closed in 2007 due to housing crisis. In August 2007, Reuters reported that Ameriqurest, the "largest U.S. subprime lender as recently as 2005," was closing due to the "nation's housing market slump." Citigroup agreed to buy the "mortgage lending and payment collection assets of Ameriqurest's parent, ACC Capital Holdings, for an undisclosed price." [Reuters, [8/31/2007](#)]

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