CAPITAL RESEARCH CENTER

Organization Trends

The Irresponsible Center for Responsible Lending

By Sean Higgins

***Summary**: The Center for Responsible Lending presents itself as a tireless advocate of poor and downtrodden borrowers facing a credit industry of greedy banks, payday lenders and other financial predators. Yet a review of CRL's advocacy paints a different picture of the organization. It is intimately tied to some of the worst actors in the lending business and its advocacy has too often hurt, not helped, the very people it claims to defend.*

Spoofed: Toxic mortgage king and queen Herbert and Marion Sandler, the prime backers of the Center for Responsible Lending, didn't like being made fun of by "Saturday Night Live" after their questionable business transactions helped caused the stock market crash in the fall of 2008.

The California financiers Herbert and Marion Sandler must have had a rude shock when they saw themselves depicted in an October 2008 comedy routine on "Saturday Night Live," the popular late night television show also known as "SNL."

Presented as a mock C-SPAN broadcast, the sketch brutally parodied the politicians who orchestrated the bailout legislation that fall. President George W. Bush, House Speaker Nancy Pelosi (D-Calif.) and Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, all took their licks, as did homeowners delinquent on their mortgages.

In the comedy skit an actress playing Pelosi introduces actors playing Herb and Marion Sandler, the co-founders of the Golden West financial empire. Played by the comedian Darrell Hammond, "Herbert" explains the couple's plight: "My wife and I had a company which aggressively marketed subprime mortgages, and then bundled them into securities to sell to banks such as Wachovia. Today our portfolio is worth almost nothing, though at one point it was worth close to $19 billion."

Pelosi says that's horrible and asks if the Sandlers were able to sell their portfolio for anything.

"Yes, for $24 billion," Herbert replies.

"So … you're not so to speak actual victims?" Pelosi asks.

"Oh no, that would be Wachovia bank," Herbert chuckles.

"Actually we've done quite well. We're

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very happy," chimes in Casey Wilson, who plays Marion.

"We were sort of wondering why you asked us to come today," Herbert says. As he speaks a C-SPAN caption bearing the toxic mortgage king and queen's names appears on the screen, with the words:

"People who should be shot."

The audience roared with laughter. As Herbert and Marion begin walking away, they thank Pelosi and Barney Frank (played by Fred Armisen) for "helping block congressional oversight of our corrupt activities." Marion and Pelosi exchange pecks on the cheek.

The SNL sketch was notable for its sharp parody of everyone involved in the financial meltdown. But the surprise was the poke at the Sandlers, little-known by the general public but major players in the elite world of liberal philanthropy. The Sandlers' leftist activist grantmaking often exceeds that of George Soros himself, but they have worked hard to create an image of themselves as persons deeply concerned about how to make mortgage financing available to low-income persons. The couple helped create the Center for Responsible Lending (CRL), a leading liberal advocacy group that attacks the lending practices of banks and payday lenders. Over the years the Sandlers have contributed at least $20 million to CRL.

The Sandlers did not appreciate the publicity. They had journalism pundit Paul Steiger call NBC to complain that the sketch was unfair. Steiger is editor-in-chief of ProPublica, a journalism nonprofit that produces left-leaning investigative reports (pro-ACORN, anti-Palin) that it promotes to major media outlets. Herb Sandler just happens to be the chairman of ProPublica, and it's been reported that the Sandlers have committed $10 million to fund its activities. (ProPublica was profiled by Cheryl K. Chumley in the May 2009 *Foundation Watch*.)

Shortly afterwards SNL producer Lorne Michaels apologized and had the "should be shot" caption edited out of the program's video clip, which has since been expunged from the NBC website. NBC folded, but the irony is that the SNL sketch got it right. The Sandlers actions did contribute in significant ways to the housing meltdown.

But don't expect nonprofit groups that are recipients of the Sandlers' philanthropy to make an issue of it.

Groups like the Center for Responsible Lending claim to be dedicated to fighting the very predatory actions that the Sandlers practiced and that SNL skit parodied. That's hardly surprising. CRL wants to be seen as a liberal nonprofit that does good deeds. But as we shall see, its agenda is one-sided, its outrage is selective, its advocacy is often counterproductive, and its ties to the financial world make many of its actions suspect.

The Sandlers and their Philanthropy

Unlike other major philanthropists Herb and Marion Sandler have attracted little attention even though they are big givers to liberal politicians, activist groups and liberal nonprofits. In 2004 they donated $13 million to liberal groups and political committees like MoveOn.org and Citizens for a Strong Senate. Those contributions made them the third largest donors to liberal political groups during the election cycle, just after Soros ($27 million) and Progressive insurance magnate Peter B. Lewis ($23 million). The Sandlers also contributed about $1 million to Democratic political campaigns across the country.

Through their Sandler Foundation, the couple donated more than $23 million to Human Rights Watch, a group adamantly opposed to effective war on terror policies. The Sandler Foundation (2007 assets: $1.1 billion, grants: $94.5 million) also has been generous to the ACLU ($4.6 million in 2007), to ProPublica ($3.75 million in 2007), and the Center on Budget and Policy Priorities ($1.8 million in 2007). The Sandlers also helped found the Center for American Progress, the liberal think tank – "on steroids," according to head John Podesta— that doubles as a rapid response organization for the Democratic Party. The foundation gave it $7.2 million in 2007 and about $10 million in total since 2005.

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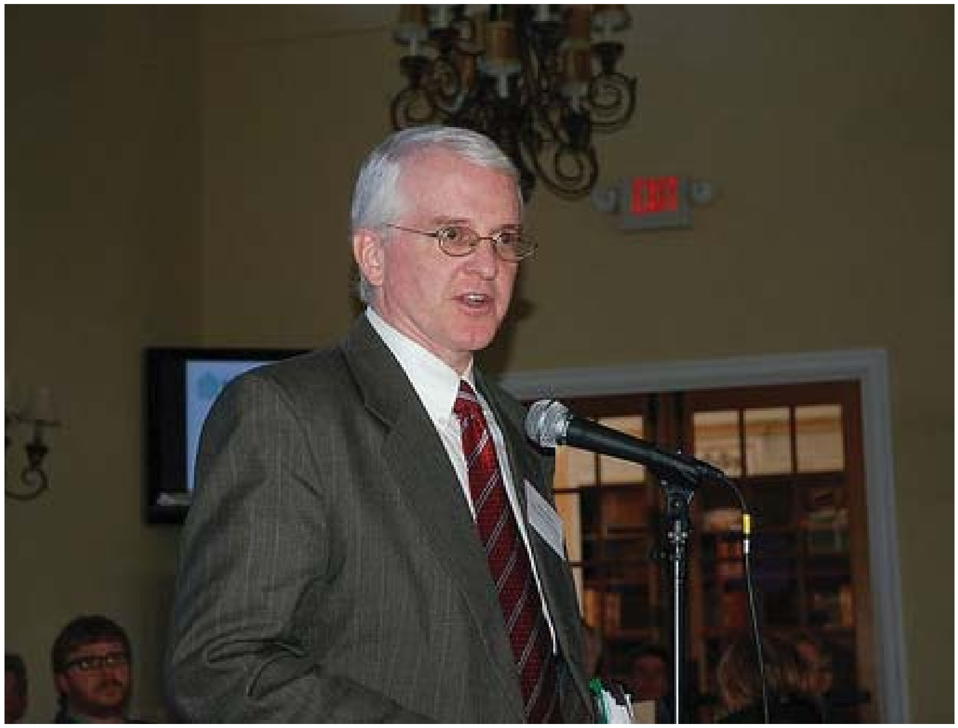
As late as 2004, the Sandler Foundation had little more than $20 million in assets. But after the couple sold Golden West to Wachovia in 2006, they poured $530 million into it in 2006 and $811 million in 2007, according to data from Guidestar.org, the nonprofit database.

The Sandlers' pride and joy – and the reason why the SNL sketch stung so badly – is the Center for Responsible Lending (CRL). Their giving has helped transform what was a tiny North Carolina-founded nonprofit into a major player in financial services and banking policy-making. Indeed, CRL is to those issues what the ACLU is to civil rights or AARP is to seniors' entitlements: It is the dominant left-wing advocacy/lobbying group—the one political and media elites in Washington, D.C. listen to regarding low-income lending policies.

The Sandlers have personally donated more than $20 million to the organization - including $5.2 million from the Sandler Foundation in 2007. Their efforts are key to CRL's reputation as the left's authority on responsible lending.

CRL has aggressively attacked "redlining," the now-outlawed financial practice of outlining (at one time with red ink on a map) the poor minority neighborhoods where banks would not make home loans. It also has lobbied states and the federal government to ban lending practices that it deems "predatory." But CRL's activities have done as much harm as good. Ironically, CRL's eagerness to castigate banks for alleged redlining has caused banks to overcompensate by making more of the subprime loans that have caused so much misery in poor neighborhoods. The group has turned a blind eye towards the lending practices of people like its benefactors, the Sandlers, persons whom Time magazine dubbed two of the "Twenty-five people to blame for the financial crisis."



Center for Responsible Lending CEO Martin Eakes is the "main intellectual engine driving Democratic responses to the housing crisis," according to the Politico newspaper.

Profits Before Philanthropy

In 1963 Herbert and Marion Sandler, now 78 and 79 respectively, purchased what is invariably called a "mom and pop" enterprise called Golden West Savings and Loan Association, located in Oakland, California. They renamed it the World Savings Bank as it grew to be one of the nation's largest savings and loans.

What distinguished World Savings were the Sandlers' social views. They built their business on making home loans to the minority poor who were considered poor credit risks by other lenders. The Sandlers disagreed and claimed loans could be profitable if they were properly scrutinized and carefully managed. Their business model acquired a reputation for thoroughness that was only burnished when World Savings came through the S&L crisis of the late 1980s virtually unscathed.

Behind the scenes, however, World Savings Bank aggressively pushed an exotic form of mortgage called an option adjustable rate mortgage, or option ARM. World Savings gave it a cute name: "Pick-A-Pay." There was nothing cutesy, though, about the way it worked. The customer was given several alternatives for making a monthly mortgage payment. Ostensibly this gave homeowners more flexibility in handling their payments should they encounter money problems. In practice, however, Option ARMs lured borrowers into going deeper into debt. Some of the options offered payment amounts so low they didn't cover the interest on the principal, and by allowing consumers to choose them, the mortgage holder encouraged borrowers to make regular monthly payments that actually put them deeper in debt, owing more and more to the bank with each passing month. Inevitably many borrowers did just that, and World Savings Bank's portfolio soon swelled with "toxic" loans.

"This product is the most destructive financial weapon ever deployed against the American middle class," housing lawyer William Purdy told the New York Times.

By the time it was sold to Wachovia in May 2006 for $25.5 billion World Savings Bank carried an amazing $122 billion in adjustable rate mortgages on its books.

Shortly after World Savings Bank was sold to Wachovia, the loans became a drain on the bank. In the first quarter of 2007 Wachovia reported losses of $2.3 billion. By the second quarter of 2008 it reported losses of $8.9 billion. Wachovia effectively ceased to exist by October 2008 when it was acquired by Wells Fargo in a forced government sale.

How Self-Help Helped Create the Housing Crisis

As the Sandlers' wealth increased so did their interest in philanthropy. As liberals, they wanted to fund political activists and nonprofit advocacy groups. And as bankers they sought out a nonprofit group focused on expanding mortgage lending to low income people. That combination attracted them to Martin Eakes.

Martin Eakes is the "main intellectual engine driving Democratic responses to the housing crisis," wrote the Washington insider journal Politico in a January 2008 profile. Politico reported that Eakes, now 55, held meetings with powerful figures like Federal Reserve Chairman Ben Bernanke and House Financial Services Committee chairman Barney Frank.

How did Eakes come to be in such company? As chief executive officer of the Center for Responsible Lending, Eakes is by all accounts a tireless advocate of financial regulatory reform and foe of the mortgage industry. The Center is an outgrowth of an earlier nonprofit community lender called Self-Help, founded by Eakes and his wife, Bonnie Wright, in Durham, North Carolina in 1980. With degrees from Yale and Princeton and a summer of experience as a Ford Foundation intern, Eakes set up Self-Help to provide loans to poor people with bad credit. He told Politico that Self-Help was "one of the earliest subprime lenders in the nation." (Eakes and his nonprofits were profiled by David Hogberg in the October 2005 *Organization Trends*.)

Over time Eakes began to spin off various parts of Self-Help, creating the Self-Help Ventures Fund and the Self-Help Credit Union in 1984. The Self-Help Community Development Corporation followed along with the Center for Community Self-Help. All were—and are—closely affiliated. They have overlapping staff and missions, according to disclosures in their IRS form 990 tax returns. The family of groups is usually referred to as "Self-Help."

According to Self-Help's website, the organizations exist to, "provide financing, technical support and advocacy for those left out of the economic mainstream" Female, rural, and minority homeowners are specifically mentioned. Self-Help operates a "secondary market program that enables private lenders to make more loans in low-wealth communities."

A note on terminology: At one time there was no such thing as a "secondary market." The primary mortgage market consisted of banks making loans to borrowers, which enabled people to buy homes. But increasingly the banks began to sell securities in a secondary market backed by their mortgages. Buyers of these mortgage-backed securities were buying the promise that they would receive proceeds from the mortgage payments. Fannie Mae and Freddie Mac, were key producers of these instruments. They bought mortgages and repackaged them as mortgage-backed securities. The federal government had to bail out Fannie and Freddie because so many of the mortgages underlying the securities were "toxic." In other words, the mortgage-backed securities were not the sure thing they appeared to be because so many of the people who had to pay the mortgages could not afford them after all. Many borrowers allowed their homes to go into foreclosure because the amount of their mortgage was more than the value of their house. The house was "underwater."

Self-Help has promoted home loan secondary markets in every way possible. It claims to have facilitated the extension of more than $3.6 billion in financing for home mortgages and loans. Self-Help became very popular with left-wing funders and received large grants from the Surdna, Annie E. Casey, and MacArthur foundations to promote its mortgage programs. The Ford Foundation provided a staggering $50 million to subsidize minority and low-income mortgages. A Ford press release explained how Self-Help would use its giant grant:

> Fannie Mae has made a commitment to purchase and/or securitize the total $2 billion in loans Self-Help will acquire. The combined effort will in turn help lenders such as BankAmerica Mortgage, Chase Manhattan, and NationsBank which have expanded outreach and developed special products to increase their services to low-wealth borrowers as part of their efforts under the Community Reinvestment Act (CRA), by enabling them to make additional loans.

Self-Help taps taxpayers directly by doing business with Fannie Mae, a government-sponsored enterprise (GSE) that was nationalized during the housing crisis. According to Self-Help's website, the group offers a "flow" program that provides lenders "the assurance and convenience of a guaranteed buyer for qualified loans to low-and-moderate income homebuyers, along with the ability to sell loans directly to Fannie Mae through Self-Help." Self-Help's portfolio program "purchases selected loans from lenders after a careful analysis of loan characteristics and performance."

The federal government underwrites Self-Help in other ways. The U.S. Department of Agriculture has loaned about $4 million to the Self-Help Ventures Fund. Those loans have a 1% interest rate and the loan does not have to be repaid in full until 2021 at the earliest. The Small Business Administration (SBA) has lent the Ventures Fund another $2.5 million at interest rates varying from 2.63% to 4.5%. Self-Help also gets government grants. In 2005 the U.S. Department of Education gave it an $8 million grant to guarantee loans for charter schools. According to a 2003 report, Self-Help made 31 loans totaling $33 million to 17 schools.

Despite all this back-up support, the Self-Help Credit Union's business appears to have suffered during the housing downturn. Financial reports by the National Credit Union Agency put the assets of the Self-Help Credit Union at nearly $184 million in June 2005. By the June 2009 report, the assets were only $72.7 million.

Martin Eakes's relentless activities at the state level caught the Sandler's attention. "I said, 'Isn't it incredible what he is doing?'" Herbert Sandler told the New York Times. "I said to Martin (Eakes), 'What would it take to do what you do on a national level?'" Together, the Sandlers and Eakes created the Center for Responsible Lending in 2002. Since then, the Sandlers have been major funders of the Center, pouring more than $20 million into it.

With the Sandlers' financial support, Eakes has made the Center for Responsible Lending a powerhouse in the inside-the-beltway politics of financial policymaking. CRL combines think tank policy research with advocacy group lobbying. Its reports and research have generally been uncritically accepted by the mainstream media despite the organization's well known bias on housing issues.

The Housing Bubble and the Financial Meltdown

CRL's mission is to stamp out what it calls "predatory lending," a term of art used to characterize loans made to borrowers who are misinformed or misled about the cost of their loan and its schedule for repayment. Critics typically allege that the lender either knows or should know that the borrower is incapable of fulfilling the loan conditions, but ignores the high risk of default in order to make the deal.

"Community organizing" groups frequently attack what they consider predatory lending, claiming that it has spiked during the last decade. The irony is that by working to expand subprime loans to the poor, long a political goal of the left, CRL has increased the likelihood of predatory lending.

At one time the lending industry was very cautious about making loans. Banks only extended credit to low risk borrowers who were considered certain to repay their loans. Consequently a loan was a difficult, time-consuming process in which borrowers had to prove their creditworthiness. The joke was that to get a bank loan you had to prove that you didn't need it.

Low-income people had a hard time getting credit because it was thought there was a greater risk that they would be unable to repay their loans. And when those with low incomes lived in minority neighborhoods it was easy for left-wing critics to call the lenders racists for discriminating against minority borrowers. Fighting the practice of "redlining" became a social justice cause on the left.

This changed in 1995 when the Clinton administration expanded the scope of the Community Reinvestment Act (CRA). The 1995 CRA revision toughened government oversight over bank lending. Now banks receiving insurance from the Federal Deposit Insurance Corporation (FDIC) were required to make loans in the communities they served. Banks lost some of their discretion to refuse to make loans because FDIC gave them ratings based on their compliance with the CRA. A bank or other financial institution that received a poor CRA rating became a magnet for bad publicity and civil rights lawsuits. Activists would cite the rating as proof that the bank was guilty of racist practices.

This gave the banks a strong incentive to make more loans to residents in "underserved" communities—even to borrowers who were credit risks likely to fall into bankruptcy or foreclosure. But for many years this danger was obscured by the housing bubble as home prices increased higher and faster than at any previous time, giving borrowers a false sense of increased wealth.

Martin Eakes and the Center for Responsible Lending have pushed hard for expanding bank lending to low-income minority communities, and they are in denial about the obvious connection between the housing crisis and the role of the Community Reinvestment Act in expanding high-risk lending. CRL's website says calling attention to the linkage is "scapegoating." Instead, it argues that the problem is inadequate government regulation: "Had regulators leveled the playing field through common sense underwriting requirements and *more vigorously enforced CRA requirements* instead of allowing a race to the bottom, this crisis would have been averted." (Emphasis added.)

Activists like Eakes are unwilling to admit any doubts. They wanted the government to loosen credit. But when prices soar and foreclosures skyrocket they blame only the lenders, not the borrowers or the policy advocates like themselves for the fiscal meltdown and the collapse of the housing bubble.

Eakes has his own "scapegoat" and it's

"predatory lending." As he explained to PBS in 2000, low income borrowers are simply not a risk: "[W]e went for 10 years, we have had our first loss of a home loan of $10,000 in a total of $120 million of lending directly and indirectly we have made, to mostly minority, single moms. We had our first $10,000 this past year. So, whatever people believe, the truth is, if someone has a chance to get a toehold and own a home, they will be far better borrowers than most of the rest of us. That is just a fact."

Trial Lawyers to the Rescue

In interviews, the Ivy League-educated Eakes dwells on his humble North Carolina roots. Articles report that his annual salary is $60,000 (plus $26,000 in "other compensation" according to CRL tax forms). In 1996 Eakes received a $260,000 MacArthur Foundation "genius grant." And he has a nice office: In 2004 CRL purchased an 11-story building in Washington D.C.'s Farragut Square for $23 million. That makes CRL part of Washington's infamous "K Street" corridor of lobbying firms located blocks from the White House.

Besides the Sandlers' $20 million ($13.9 million of it since 2005), CRL has received grants from the usual suspects: the Pew Charitable Trusts ($1 million in 2007), MacArthur Foundation ($500,000 in 2002), Ford Foundation ($200,000 in 2003), Rockefeller Fund ($150,000 in 2002), Philadelphia Foundation ($268,847 since 2000), and George Soros's Open Society Institute ($100,000 since 2003).

However, eyebrows were raised over a recent major donation.

In 2007, hedge fund manager John Paulson [no relation to Treasury Secretary Henry Paulson] had his company contribute $15 million to CRL. The donation was to create an "Institute for Foreclosure Legal Assistance" to be managed by the National Association of Consumer Advocates (NACA), an association of 1,000 class-action attorneys. The Institute's website says the purpose of the group is to make grants of about $250,000 to nonprofit legal aid groups and law school clinics for "homeowner protection." The Paulson gift was made at the same time that Paulson and Co. hedge fund was pushing for a form of bankruptcy reform legislation that would let federal judges rewrite the home mortgages of people in bankruptcy—a process called "cramdown" in the mortgage business. Paulson and Co. senior vice president Michael Waldorf said the firm's generous contribution was in the public interest (a "positive contribution in addressing a serious economic problem.")

By contrast, Business Week surmised that "Paulson … stands to rake in a windfall if the measure passes." How? Paulson made a massive bet against the subprime market. "Economy's Loss Was One Man's Gain" was how a New York Times review of a book on Paulson's feat put it.

As he explained in an interview for Portfolio.com, Paulson saw the turmoil in the housing market early on because the securities traded in the subprime market were far riskier than their ratings indicated: "We thought that many banks and brokerages were massively overleveraged, with very risky assets, and that a small decline in the assets would wipe out the equity and impair the debt."

Financial institutions had every reason to worry that the cramdown legislation would further roil the already troubled secondary market trading subprime mortgage securities. Who would invest if judges were given the authority to rewrite the terms of mortgages? The secondary market would dry up.

According to BusinessWeek, Paulson's plan was to create a broad coalition of consumer and legal aid groups to push for the legislation. He also took short positions on securities he thought would tumble when the housing market did. One of the banks he focused on was Wachovia.

The bet on the fall of the mortgage securities paid off and generated a record $15 billion for Paulson and Co. in 2007. John Paulson's personal payday return was $3.7 billion. The total would have been even higher had the cramdown legislation become law. CRL, whose $15 million grant was small change for Paulson, denied that there was any quid pro quo. Reacting to the BusinessWeek story, the organization said none of the money Paulson contributed would be used to lobby for the cramdown legislation. The insinuation, it said, was "outrageous."

CRL's Crusade Against Payday Lending

CRL and its supporters assume predatory lenders are always at fault, eager to have borrowers fall behind on their payments in order to collect ever-higher payments. That's what's behind the current Democratic bill to create a Consumer Financial Protection Agency, which would expand the federal government's powers to monitor lenders, extend lenders' legal liabilities, and create the basis for a new wave of class-action lawsuits. It's also what's behind legislation introduced by Sen. Dick Durbin, (R-IL) to crack down on the payday lending industry.

Payday lending, sometimes also known as cash advances, is a state-regulated industry in which retail lenders make small short-term loans (e.g. a few hundred dollars for two weeks). Low-income people who find themselves in a sudden cash crunch often rely on such lenders—for instance, for auto repairs so that a borrower has transportation to get to work. Payday lending is a substantial industry throughout the U.S., providing quick, convenient and customer-friendly services.

CRL, however, calls the practice "nothing more than legal loansharking" that forces borrowers into a "debt trap." "The problem for the borrowers—and the payoff for the lenders—is that the terms of these loans are cleverly designed to be very difficult to meet. The borrower must keep coming back and renewing their loan because they aren't allowed to pay it down and can't afford to pay it off. They pay the lender another chunk of interest each time, about $50 for a $300 loan."

Eakes created CRL to fight payday lending**.** In 1999, his Coalition for Responsible Lending, composed of credit unions and nonprofits like the NAACP, succeeded in stopping North Carolina lenders from making loans containing what the Coalition considered excessive balloon payments, fees and refinancing charges. Eakes got Georgia to pass similar legislation in 2004, and CRL is now pushing Durbin's federal legislation.

CRL says banning payday loans would protect Americans, especially African-Americans, from abusive loans. A March 2005 CRL study, "Race Matters," asserts that "abusive loans made by payday lenders are not just an issue of fair and responsible lending, but are a civil rights issue as well."

However, no less an authority than the Federal Reserve Bank of New York has argued against banning borrowers from securing loans from payday lenders. Its November 2007 report on what happened in Georgia and North Carolina warned that there would be unintended consequences if payday lending was outlawed:

Georgians and North Carolinians do not seem better off since their states outlawed payday credit: they have bounced more checks, complained more about lenders, and debt collectors, and have filed for Chapter 7 ("no asset") bankruptcy at a higher rate. The increase in bounced checks represents a potentially huge transfer from depositors to banks and credit unions. Banning payday loans did not save Georgian households $154 million per year, as the CRL projected, it cost them millions per year in returned check fees.

The report also noted that borrowers in Hawaii had "fewer and less chronic" financial problems after the state doubled the legal limit of a payday loan to $600.

A 2009 report by Gregory Elliehausen of the George Washington School of Business seconded the Federal Reserve study, noting that payday loans, while often costly, are "better than the alternatives." Payday loans "increase communities' resiliency to financial difficulties, relax credit restraints without increasing delinquency and reduce the incidence of financial problems."

Elliehausen added that the loans were also popular with consumers: "Nearly all payday loan customers evaluated their own experience with their recent payday loan positively and believed that payday loan companies provide a useful service to consumers."

Conclusion

Such findings have not stopped CRL's crusade against payday loans. It claimed in January 2009 that "payday lending alone costs American families $4.2 billion in predatory fees," arguing that "[f]or every payday lending staff position, 179 Americans are caught in the cycle of high cost payday debt."

The collapse of the housing market and the crisis affecting American financial institutions should have caused the Center for Responsible Lending and its Self-Help affiliates to reexamine their premises about the best ways to help low-income people. And the mainstream media should have more closely examined how the philanthropy of financiers like John Paulson and Herb and Marion Sandler promoted their business interests. Neither reevaluation has occurred.

How ironic that the toughest media scrutiny lending advocates have faced came from a late night comedy skit on television.

Sean Higgins is a Washington, D.C.-based reporter.

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BrieflyNoted

Even with all its troubles, the **ACORN** network has been declared eligible for $3.99 billion in Community Development Block Grants (CDBG) contained in President **Obama**'s fiscal 2011 budget. That's because a temporary injunction issued by Clinton-appointed U.S. District Court **Nina Gershon** prevents the Obama administration from cutting off ACORN as ordered by Congress. The administration has appealed Gershon's order, which finds that the congressional funding ban is an unconstitutional "bill of attainder" because it imposes punishment without trial. CDBG is a program within the Department of Housing and Urban Development. Only in the topsy-turvy world of judicial activism would a court declare that cutting off appropriations for a left-wing group is punishment.

More evidence has emerged that the claimed breakaway of the California chapter of ACORN is a fraud. The address of the "new" **Alliance of Californians for Community Empowerment** (ACCE) is shown in its registration with the California secretary of state's office as 3655 S. Grand Ave., Suite 250, Los Angeles 90007. According to ACORN's website, that address just so happens to be the address of California ACORN's headquarters too. California ACORN is a critical component of the ACORN empire, boasting 37,000 dues-paying members paying up to $120 a year in dues.

It was always just a matter of time. Perpetually money-losing **Air America**, the liberal talk radio network, finally went off the air in January. Having taken in at least $8 million from **George Soros**'s **Democracy Alliance**, the money-losing enterprise had filed for bankruptcy protection in 2006. Instead of recognizing that most Americans don't want to listen to left-wing radio talkers, the network blamed radio industry ad revenues which it said went down for 10 consecutive quarters. Air America Radio was launched in 2004 with now-Sen. **Al Franken** (D-Minn.) as a host. It gave MSNBC TV's **Rachel Maddow** a big career boost.

It's been disclosed that art collector and retired plastics executive **Stefan T. Edlis** is a member of the secretive Democracy Alliance, the billionaires' club that wants to create a leftwing political infrastructure by funding advocacy, media and activist groups. His foundation, **Edlis-Neeson Foundation NFP**, funneled $200,000 to the Democracy Alliance via the **Tides Foundation** in 2008, according to the foundation's 2008 tax return.

Paul Watson, head of the enviro-terrorist group **Sea Shepherd Conservation Society** told the media that his colleague **Pete Bethune**, a fellow anti-whaling pirate, boarded a Japanese whaling fleet security ship, the Shonan Maru 2, to make a citizen's arrest of its captain. "He is there to demand justice for the sinking of his ship," said Watson. Bethune's $2 million high-tech powerboat, the Ady Gil, collided with a Japanese whaling vessel off the Antarctic coast in January after it attempted to disrupt whaling operations. The Sea Shepherd Society unveiled the high-speed Ady Gil at a Los Angeles fundraiser last October. CRC first profiled the Sea Shepherd Society in the February 2004 *Organization Trends*.

Marc A. Thiessen, author of the newly published *Courting Disaster: How the CIA Kept America Safe and How Barack Obama Is Inviting the Next Attack*, praised **Capital Research Center** in the book. "**Matthew Vadum** and the Capital Research Center provided outstanding research assistance," he wrote in the acknowledgements.