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Interview with Sen. Barack Obama; Mortgage Crisis Affects Thousands of Homeowners

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LARRY KING, HOST: Tonight, Barack Obama sounds off right here on the magazine cover that created a firestorm. Some were outraged. Now it's his turn.

(BEGIN VIDEO CLIP)

SEN. BARACK OBAMA (D), PRESIDENTIAL CANDIDATE: I've seen and heard worse.

(END VIDEO CLIP)

KING: What does he think about being portrayed as a Muslim?

(BEGIN VIDEO CLIP)

OBAMA: I'm a Christian and I wasn't raised in a Muslim home and I pledge allegiance to the flag.

(END VIDEO CLIP)

KING: And then, foreclosure nightmare -- are you in danger of losing your home?

Surprising confessions from a mortgage loan officer. And a former mortgage company worker forced to live out of her car.

It's all right now on LARRY KING LIVE.

We welcome to LARRY KING LIVE Senator Barack Obama, the presumptive Democratic presidential nominee. He made a major foreign policy address today in Washington. We'll get to that in a moment.

But I've heard a lot of others comment on it. We haven't heard you speak about it yet. That "New Yorker" cover which depicts you and your wife, and you dressed in a Muslim outfit, your wife in a kind of military outfit, Osama bin Laden's picture burning.

What do you make of that?

OBAMA: Well, I know it was the "New Yorker's" attempt at satire. I don't think they were entirely successful with it. But you know what, it's a cartoon, Larry, and that's why we've got the First Amendment. And I think the American people are probably spending a little more time worrying about what's happening with the banking system and the housing market, and what's happening in Iraq and Afghanistan, than a cartoon. So I haven't spent a lot of time thinking about it.

KING: But didn't it personally sting you?

OBAMA: No. You know, we've -- one of the things, when you're running for president for almost two years, is you get a pretty thick skin. And, you know, I've seen and heard worse.

I do think that, you know, in attempting to satirize something, they probably fueled some misconceptions about me instead. But, you know, that was their editorial judgment. And, as I said, ultimately, it's a cartoon, it's not where the American people are spending a lot of their time thinking about.

KING: Considering that, though, there's a lot of e-mails going around. It gets rather terrible. A "Newsweek" poll shows that 12 percent of America believes that you're a Muslim and 26 believe -- 26 percent believe you were raised in a Muslim home -- a lot of misinformation.

How do you fight that?

OBAMA: Well, you know, by getting on LARRY KING and telling everybody I'm a Christian and I wasn't raised in a Muslim home and I pledge allegiance to the flag and, you know, all the things that have been reported in these e-mails are completely untrue and have been debunked again and again and again. So, hey, all you can do is just tell the truth and trust in the American people that, over time, they're going to know what the truth

is.

One last point I want to -- I do want to make about these e-mails, though. And I think this has an impact on this "New Yorker" cover. You know, this is actually an insult against Muslim-Americans, something that we don't spend a lot of time talking about. And sometimes I've been derelict in pointing that out.

You know, there are wonderful Muslim-Americans all across the country who are doing wonderful things. And for this to be used as sort of an insult or to raise suspicions about me I think is unfortunate. And it's not what America is all about.

KING: All right. Let's turn to Iraq.

Do you go, by the way, with any kind of agenda?

OBAMA: You know, well, my agenda is making sure that we have a strategy to keep America safe and to meet our long-term national security interests. And the speech I gave today, Larry, really tried to describe what I think is the central difference between myself and John McCain.

John McCain, who supported the war from the start, said we'd be greeted as liberators, has really focused on the tactical issues in Iraq. And the surge has no doubt reduced violence. And I think all Americans are thrilled by that.

But what George Bush and John McCain have missed consistently from the start of this process is the broader strategy.

You know, was it a wise thing to go in there and what are the costs and benefits of staying there indefinitely?

We're spending \$10 billion a month there. We've spent \$200 billion since the surge began. Meanwhile, the situation where -- you know, where the central front against terrorism should be taking place, in Afghanistan, the situation has deteriorated. And we had this brazen attack on a U.S. base where nine servicemen were killed.

And we've got to recognize that perpetuating the strategy that we have in Iraq is costing us elsewhere, not only in Afghanistan, but also investments that we could be making here at home.

Imagine what we could have done with \$200 billion invested in clean energy technology and figuring out how we're going to raise -- how we're going to raise fuel efficiency standards on cars. John McCain wants to spend \$300 million in a prize to try to figure out the next round of car technologies. And meanwhile, we're spending \$200 billion on a surge in Iraq.

It's just not a wise policy. That's why I want to bring this war to a close. But I do want to consult with our commanders on the ground to find out tactically how do we do it in a safe way and how do we make sure that the gains that have been obtained with respect to violence in Iraq are sustained.

KING: Senator McCain said that you were wrong about the surge and wrong in your Iraq proposals. Now, here's an example of what -- here's a sample of what he said. And we'll get you to comment.

Listen.

(BEGIN VIDEO CLIP)

SEN. JOHN MCCAIN (R), PRESIDENTIAL CANDIDATE: Senator Obama is departing soon on a trip abroad that will include a fact-finding mission to Iraq and Afghanistan. And I note that he's speaking today about his plans for Iraq and Afghanistan before he's even left, before he's talked to General Petraeus, before he's seen the progress in Iraq and before he has set foot in Afghanistan for the first time.

(END VIDEO CLIP)

KING: Now, Senator Obama, Senator McCain is saying that you're going about it backwards.

OBAMA: Well, I mean, Senator McCain obviously is involved in a political campaign. I understand that. You know, when I said that I was going to be talking with commanders and we would be refining our plan, he suggested that somehow we had changed our mind.

Where Senator McCain I think is confused is the difference between tactics and strategy. I am absolutely convinced that, strategically, it is time for us to bring this war to an end. And we can bring our combat troops out over the course of 16 months, which would mean that we would have gotten our combat troops out two years from now -- seven years from the time that the war began.

And that is not a precipitous withdrawal. It is a pace that I think would allow us to do what we need to do in Iraq, and that is to make sure that their army and their police forces are sufficiently trained to manage day-to-day operations inside of Iraq.

I've also said that we'll leave a residual force there to engage in counterterrorism activities inside of Iraq, as well, to protect our bases and our diplomats and civilian workers there. But this gives us ample time to wind this thing down in a way that allows us to support what's happening in Afghanistan and relieves the extraordinary stresses that have been placed on military families.

Larry, when you travel around the country, you meet folks all the time -- their spouses are on their third or fourth tour of duty. The family has been completely upended. And it's not sustainable over time. And I think everybody has acknowledged that. Not to mention the amount of money that we're spending there -- \$10 billion a month at a time when we've got enormous needs here at home.

We've got to stabilize the housing market. We've got to help people. And we've got 7,000 people a day who are undergoing foreclosure proceedings on their homes. We have, you know, the extraordinary burden of gas prices that are hitting people all across the country. And one of the things that I think we need to do is to have another round of stimulus, providing energy rebates to families to help absorb these rising costs.

We're going to have a lot of needs, both here and in Afghanistan. And we've got to -- my job as commander-in-chief is going to be to look at the total picture and not just a narrow slice of the picture, as John McCain has had a tendency to do.

KING: Who should Senator Obama pick as his running mate?

Vote now at CNN.com/larryking. It's your chance to have your say.

But first, we'll ask Senator Obama about the vice presidential contenders, next. You're watching LARRY KING LIVE.

(COMMERCIAL BREAK)

KING: We're back with Senator Barack Obama, the presumptive Democratic presidential nominee.

Senator McCain said that he will get bin Laden and bring him to justice.

How far would you go? Would you go -- would you go into Pakistan to try to get him if you knew he were there?

OBAMA: Well, as I've said before, Larry, I said this last August. I think it is extraordinary, the failure of this administration, to roll up al Qaeda leadership in a serious way. We know they're based now in Pakistan. And I've said that if we had actionable intelligence on those high-value targets, then we should go after them.

Now, I think that we're -- in order for us to be effective in dealing with the resurgence of al Qaeda and the Taliban as they use Pakistan -- the northwest provinces -- as a sanctuary, we've got to have a stronger relationship with the Pakistani government -- the new Pakistani government.

We had put all our eggs in the Musharraf basket. President Musharraf has lost credibility with his people. And what we need to do is to form an alliance with the Pakistani people, saying that we're willing to significantly increase aid for humanitarian purposes, for schools, for hospitals, for health care. We want to support democratic efforts in Pakistan.

But in exchange, we've got to have some firmness about going after al Qaeda and Taliban, because it's not good for American security, but it's also not good for Pakistani security.

KING: But would you go in? Would you go in to Pakistan, militarily, to get him?

OBAMA: As I've said before, I would use -- if I had actionable intelligence, we would go after bin Laden.

KING: And bring him back here, if possible?

OBAMA: Well, I think that, you know, we want to capture him or kill him. And as I've said -- as I just said this past weekend, if we captured him, then we would want to put him on trial. And I think he would be deserving of the death penalty.

KING: If president, you're the commander-in-chief.

How will you perceive dealing with your generals, your chiefs of staff and the like?

Are they -- their impact important, very important, deciding?

How do you view it?

OBAMA: Well, I think they're critically important. And developing a strong relationship with our top military officers is critical for any commander-in-chief. And I've been so impressed with the work that they have done consistently, even when they've been handed a very difficult and, in some cases, misguided mission, they've still executed with extraordinary skill and precision.

And I think, for example, General Petraeus has done a terrific job with the cards that have been dealt to him.

But -- and this, I think, is the difference between myself and George Bush, and it's a difference between myself and John McCain. My job as commander-in-chief is to set the mission. It is to determine the strategy and then to ask our military to carry it out. Now, how I set that strategy is going to be informed by what capabilities we have, what information is on the ground. But, ultimately, the buck stops with me.

And so you will not hear me say what President Bush has said, which is General Petraeus has told me this is what we have to do and I'm just doing what he says. That's not -- that's not how the American government is supposed to work, and that is not supposed to be the role of the commander-in-chief. The role of the commander-in-chief is to take all of our national security interests into account and shape an overarching strategy that deals with the new challenges of the 21st century.

And I talked today, Larry, about not only Iraq, not only going after al Qaeda in Afghanistan and strengthening our situation there, but also locking down loose nuclear weapons and dealing with a new round of nuclear nonproliferation talks, making sure that we have an energy policy that frees ourselves from dependence on foreign oil.

Those are critical issues. That is part of what I have to take into account as commander-in-chief.

KING: A couple of other bases.

How is the vice presidential search going?

I know you're not going to tell us who he or she is tonight, but how far away is it?

OBAMA: Well, Larry, what I've said is I will not talk about the vice presidential process until I introduce my vice presidential nominee. And I'm sure that person will want to be on LARRY KING LIVE.

KING: That's -- that's all in the past. They come on the first night.

But the question was how is the process going?

OBAMA: Yes, the process is going well. We've got extraordinary talent in the country. And I'm sure that we're going to be able to identify somebody

who has, you know, a similar vision of mine, the need to fundamentally change how Washington works so that the American people are seeing the economy work for them and so that we have a national security strategy that makes sense.

KING: How will you utilize the talents of President Clinton?

OBAMA: Well, as you know, Bill Clinton is one of the smartest people out here and certainly one of the most brilliant political minds we have. He's got extraordinary relationships all across the globe. And so I want him as an adviser and, you know, I would want him to be involved in implementing strategies on a range of issues.

So, you know, he's an enormous resources, as all former presidents are. I mean, I've said this before. I think on the foreign policy front, George Bush, Sr. Has a lot of wisdom to impart. And his foreign policy team, you know, people like Jim Baker and Brent Scowcroft and Colin Powell, are extraordinary thinkers. So I think you want to utilize all the talents out here. And part of what I'm interested in is bringing that tradition of bipartisanship to our foreign policy back to Washington.

KING: And, finally, Senator Obama, we're going to follow you with a discussion about what's going on in the country today with foreclosures and the like.

So, in that regard, what do you think of this -- what's your general look at how we deal with this ongoing tremendous problem?

OBAMA: Well, it is a huge disaster. We've got 7,000 foreclosures a day. And so much of this could have been prevented if we had had stronger oversight on the subprime lending market, if we had implemented some simple reforms around Fannie Mae and Freddie Mac, if we had had some serious efforts to curb predatory lending, a lot of these problems that we've seen could have been prevented. Not all, but a lot of them.

And so now, moving forward, I was glad to hear the president today say that he has embraced the housing bill that's coming out of the Senate and the House. I think it is very important for us to get the ball rolling in stabilizing homeowners right now who can pay a mortgage but may have gotten in over their heads in terms of either the rates or because housing values have gone down precipitously.

We need to get that bill passed. I think some of the ideas that were offered with respect to Fannie Mae and Freddie Mac are good ones. I just want to make sure that we're not bailing out shareholders and CEOs, but that we're focused on maintaining liquidity in the housing market.

If we do those things, then at least we can get a floor and banks can start making -- and lenders can start making some serious adjustments, writing down bad debt.

What we need is some clarity in the market so that people are not punishing sound borrowers, are not under-evaluating assets. You know, if we can just get back to where people have confidence that they know what's out there, what bad debt is there and can identify sound borrowers, then we can get credit flowing again. And that obviously will provide a big boost to the economy.

KING: Always good seeing you, Senator. Thanks for joining us.

OBAMA: It was great to talk to you, Larry. Thank you so much.

KING: Barack Obama, the presumptive Democratic nominee.

Next, are you living in fear of losing your home?

Stick around.

(COMMERCIAL BREAK)

KING: Let's meet our panel. In L.A. Michael Corbett, "Extra's" real estate correspondent, host of "Mansions and Millionaires" and author of "Find It, Fix It, Flip It" and "Ready, Set, Sold!"

In New York, our own Gerri Willis, personal finance editor of CNN business news, host of CNN's "OPEN HOUSE" and author of "Home Rich."

In Salt Lake City, Barbara Corcoran. We caught her on vacation. The real estate expert, founder of The Corcoran Group and author of "Nextville."

And in New York, Richard Bitner, author of "Confessions of A Subprime Lender: An Insider's Tale of Greed, Fraud and Ignorance." He is now managing director of housingwire.com.

OK, quickly, because we have a short segment here and then longer later and some revelations coming from one of -- another guest coming to us.

But, Michael, is it going to get worse before it gets better?

MICHAEL CORBETT, CELEBRITY REAL ESTATE CORRESPONDENT, "EXTRA": I absolutely think so. A senior economist over at Wachovia Bank said, you know, we're probably not going to see the bottom of house prices, I think, until the beginning of next year. And I'm pretty much a believer in that. But it will get better. But it will get worse first.

KING: Does that mean, Gerri, right now don't buy or what?

GERRI WILLIS, CNN PERSONAL FINANCE EDITOR: No, I don't think it means that at all. In fact, I'd say just the opposite. You know, these prices are falling. In some markets, they've fallen a lot already. It's time to start shopping, maybe looking at what you might want to buy. I think it's time to pull out your purse strings.

KING: Barbara Corcoran, what's your view?

BARBARA CORCORAN, REAL ESTATE EXPERT: I think you ought to be out there shopping the market now. You have three times more inventory. Prices have been reduced by over 15 percent in many markets, some markets 66 percent. And there's cheap money still.

Why wouldn't you be shopping right now?

I can't imagine why people are sitting at home in their Lazy Boy chairs.

KING: Richard, will the foreclosures get worse?

RICHARD BITNER, AUTHOR, "CONFESSIONS OF A SUBPRIME LENDER: AN INSIDER'S TALE": Yes, they will, Larry, unfortunately. Michael made a good point when you started this segment. You know, we've still got a lot of banks right now that have not written down the full extent of the loans that they need to. And I think until we actually hit the bottom -- and nobody knows when that is, although we're thinking at this point in housing, Larry, it's going to be the latter part of next year. That's when we could finally start to see this market turn around.

KING: We have an e-mail question from Richard in Hollywood, California related to all the troubles of Fannie and Freddie and the like: "My mortgage is through IndyMac Bank. What do I need to know or do differently" -- Michael?

CORBETT: Really what he needs to know is at the moment he's fine and those mortgages are being honored. What he needs to know is he needs to stay on top of it. He needs to make sure he's not falling in arrears. He needs to make sure he doesn't fall into the foreclosure pit hole that everybody else is right now.

So, for the moment, he's fine.

KING: Do you agree, Gerri?

WILLIS: Absolutely. The new entity has to honor the terms of his loan -- the interest rate, etc. So things should pretty much continue the same way. He should get a notice of the -- where he's sending that check to and make sure, you know, that he keeps up his end of the bargain. But he should be fine.

KING: Barbara, do we know how this happened?

CORCORAN: How the whole thing got started?

KING: Yes.

CORCORAN: Over exuberance, over confidence, a lot of people pumping people up, making them feel if they didn't buy now, they were going to miss their chance at the American dream. Everybody participated. Everyone was greedy and everyone, sadly, is paying the price. But most of all, the people least deserving to pay the price, which are the people who are so hit hard and losing their homes, many of them unsuspecting and undeserving. It's a shame. I'm embarrassed by it.

KING: Richard, this may sound stupid, but why would a bank finance a home for someone who can't afford it?

BITNER: Well, that, indeed, is the \$64,000 question. You know, I think one of the things that we fell into as a trap even within the industry is that we were largely making decisions based upon the guidelines that were sent down from Wall Street. That's not to make an excuse for the actions that were taken. But largely what we were doing is, particularly as a midsized lender, was using the guidelines sent to us by the Merrill Lynchs of the world and other institutions. And largely based on the belief that the billions of dollars in securities they were putting together were going to meet the guidelines they were looking for.

You've got to remember something, Larry, this wasn't a process that happened overnight, where we went from unacceptable to -- acceptable to unacceptable. This was a gradual, slow process that went over a three or four year period of time, where gradually we saw these guidelines get chipped away until suddenly almost anyone could get a loan.

KING: Do you want the inside story on how the loan business works?

We'll have that plus a home tour you won't believe -- somebody forced to live in her car.

Don't go away.

(COMMERCIAL BREAK)

KING: We're back.

Joining us in Houston, Mark Zachary, former regional vice president for Countrywide, once the nation's largest home lender and loan servicer. He has filed suit against Countrywide. With him is Philip Hilder, his attorney, a former federal prosecutor, by the way.

Mark, what's the rub? What was your job with countrywide?

MARK ZACHARY, FMR. REGIONAL V.P. COUNTRYWIDE: Larry, I was regional vice president for Countrywide, overseeing the Houston division.

KING: And in essence, you're saying they did what wrong?

ZACHARY: Well, there were three areas of concern that we -- that we brought up to their attention over several months. One was inflated appraisals. One was flipping loan docs type from full doc, where we would verify income, to no doc loans or stated income loans. And the third major thing that we brought to their attention were the -- what was referred to as shadow approvals, where there would be loans approved without even going in front of an underwriter.

KING: You knew it was going on, Mark. For how long did you put up with it?

ZACHARY: I started in August of 2006, and my first e-mail to senior management was mid-September. So, roughly, four to six weeks after I started, I noticed those things going on.

KING: Does that mean that the fall of that company and what happened to it did not surprise you?

ZACHARY: Not at all.

KING: The company has a statement. I want the lawyer to comment on it. Here is what Countrywide said -- we asked them for this, and they said, "while we cannot comment on pending litigation, we will say that during Mr. Zachary's employment with Countrywide, the company invested each of his claims and found no merit to his accusations. Further, we can confirm Mr. Zachary's termination was performance related and not related to any concerns he raised. Countrywide has a firm policy against any such action."

Philip, what do you make of that? PHILIP HILDER, ATTORNEY: Absolutely untrue. Those are comments, deceitful comments by the company, in the same manner in which they've operated, quite frankly. We know that they haven't fully investigated, because if they did, they would be supporting what we have to say.

KING: In any way, Mark, was the consumer partially possible?

ZACHARY: You know, there has to be some shared responsibility, but you have buyers that are wanting in their home for the first time. This is first-time home buyers in a lot of cases. They are buying on the emotion. They want out of those apartments. They want out of those duplexes. They want a backyard for their kids to play in. And so they, you know, worked on that emotion, and got them in the loan programs that clearly did not qualify for.

KING: Wasn't that self-defeating for Countrywide, though? Didn't they know that payments were going to stop?

ZACHARY: I'm -- you know, long-term, I don't know. Short-term, it was, what can I do to get one more loan done? Because when you are funding more loans, you have people buying your stock, you have -- you have bonuses that are paid to executives. I was bonused on the number of loans that we could produce out of our branch. So, short-term, it adds money to the -- to the pockets of the vice presidents and managers within that organization.

KING: Philip, you're a former prosecutor. How egregious is this?

HILDER: Very egregious, Larry. First of all, what Mark witnessed was downright appraisal fraud. The company was rolling up an additional six percent, pumping up appraisals. Furthermore, there were these mortgage-backed securities that were sold on the secondary market that were not supported, because of what has been termed as liar loans.

In fact, these liar loans -- the problem is that the mortgage company was engaged in the activity that they knew people were not qualified for a prime loan and they would then turn them over to another division within the company, and give them a loan on their stated -- on their word, essentially, knowing that they could not support and were not credit-worthy. Serious problems.

KING: We're going to do a lot more on this. Mark Zachary and Philip Hilder, thank you.

And we want our panel's opinion on what they just heard. By the way so, many people have barely hanging onto their homes. You're going to meet a family furiously treading water, next.

(COMMERCIAL BREAK)

KING: Before we meet a couple with a very particular problem, I want the panel's opinion on what they just heard -- Michael? CORBETT: It's interesting, the Fed today addressed this very same issue. It's mind boggling to me that a mortgage company or a bank wouldn't verify someone's income. Why would you make a loan to someone if you haven't verified their income? This is such a problem that the Fed today is providing legislation, saying, you have to do it from now on.

KING: Gerri, are you shocked?

WILLIS: No, not at all. I've been in the kitchens and the living rooms of the folks on the other side of that loan, and have described the process just as that Countrywide ex-official did. And so, I'm not surprised to hear him say some of these shoddy practices existed.

KING: Barbara, are you surprised?

CORCORAN: Well, you know, these liar loans have been around for 25 years. They are intended for self-employed people who took income other than salary. They had good intent originally. I don't think anybody is surprised to here the shenanigans, not at all, no.

KING: Richard?

BITNER: Well, I'm glad Barbara brought that up. I may be the only person in this room that actually thought there was some value to stated income loans when they were done correctly, starting 20 years ago. Unfortunately, the industry went tremendously sideways.

One of the things I do want to point out though is, I experienced some of the same problems since I actually sold loans to Countrywide with their appraisal division. I used their group, often times found over inflated appraisals coming back in. So I'm not surprised that we heard what we did.

KING: Going to go to California. Standing by are Cesar Trujillo and Miriam Leon. They have two daughters together. Miriam has the third daughter by a previous marriage. There's the whole family. They are behind on their mortgage payments and they're in debt.

Cesar, how did you get in this situation?

CESAR TRUJILLO, IN DEBT HOMEOWNER: Well, we were doing pretty good until -- up to a point where we got modified. There was some kind of miscommunication, and once we got modified, they -- we were told not to make payments until the modification went through. And apparently it wasn't true and now we're behind.

KING: So, Miriam, how far behind are you?

MIRIAM LEON, IN DEBT HOMEOWNER: Two months behind, at least in our payments.

KING: And what is the mortgage holder telling you?

TRUJILLO They want their money. KING: Are you going to have to lose your home?

TRUJILLO: I sure hope not. We've worked very hard for our home.

KING: What is the house currently worth, Cesar?

TRUJILLO: The lower 300s.

KING: You both work, right?

LEON: Yes.

TRUJILLO: Correct.

KING: How much is the monthly mortgage payment?

TRUJILLO: \$2,200, \$2,100.

KING: And with two jobs, that's an impossible payment to make?

TRUJILLO: Well -- you add --

LEON: Child care --

TRUJILLO: Child care. You add food, bills --

LEON: Commute, so gas adds to that.

KING: So the obvious question, what are you going to do?

TRUJILLO: Keep on trucking.

LEON: As much as we can.

KING: Good luck to both of you, Cesar and Miriam.

Gerri, what are do they mean by they were modified?

WILLIS: It sounds like they got a revision to their loan, so there was some change in terms. And a lot of this has been done across the country. It's supposed to make it easier for you to keep your home. But in some cases, it only delays the inevitable. I guess what I wonder from this family is, have they gotten a notice of default yet, because that's really the tipping point. Once that happens, your options really decline.

KING: Cesar, have you had the notice of default?

TRUJILLO: Not as of today.

WILLIS: Well, that's good.

KING: Hang tough. We'll follow up. Thank you so much. The mortgage mess has many consequences. A former worker in the industry invites us into her new home. It's her car.

You're watching LARRY KING LIVE.

(COMMERCIAL BREAK)

KING: We go now to Santa Barbara, California, Barbara Harvey. She used to live in a three-bedroom rented condo with garden and many amenities. Now, she lives in a parking lot. Before we talk with her, let's take a look at the place she and her two golden retrievers call home.

(BEGIN VIDEO CLIP)

BARBARA HARVEY, LIVING IN SUV: This is my car, my CR-V, and it's my home. And this has been home for four months, just around four months now. This is tight. It's not like a beautiful three-bedroom condo that I used to live in. That was nice. That was spacey, lots of space in that. But we're managing. And it's not comfortable. But we're still managing.

I'll show you what I do. I start getting us ready for bed. This is -- these are my clothes. That goes under there. Show you how we fit together in here, because it does work. Little tight, isn't it, huh?

You're such a -- we don't even need blankets tonight, do we? I'm very resourceful, I think, as far as keeping the dogs in here, and learning how to live out of a car. So, here we are. And here we'll stay until life changes.

(END VIDEO CLIP)

KING: Barbara, you were a notary and a loan processor. How did this happen to you?

HARVEY: That's correct. The loan packages stopped coming. They stopped being delivered at my front door. And it was rather quickly. It happened very quickly. Probably by January, I knew I was in trouble.

KING: What do you mean the loans stopped coming to your door?

HARVEY: Well, I signed refinance loans for various lenders, and I would receive packages and go to the homes of people who were refinancing, and I would notarize their signatures. I would go over the paperwork with them and ask them to read it very carefully, to be sure they know what they were signing. And I would then take the packages away, send them back and so --

KING: So that stopped happening?

HARVEY: Yes, yes.

KING: What's your way out now? You're living in a car. You have no income, right?

HARVEY: I have a little Social Security and I've had a part-time job which brings in about 500 a month. So basically, you know, it's a very small income.

KING: How do you get out of this.

HARVEY: How do I get out of it? What I do is, I get a house. I get a job and that's how I get out of it. And it's going to happen. And I know you have to have money for that. I have had donations and offers of help with finding a job. And I think between the two, I'm going to manage to find a house, but it's been a while coming. However, the people in this country are incredibly generous and they have been very, very generous to me. They've found this situation just awful. They can't imagine being in it themselves.

KING: Are they helping you out? Hold on, Barbara. I'm going to take a break and come back and have our panel give you some advice right after this. Don't go away.

(COMMERCIAL BREAK)

KING: We're back. Barbara Harvey is in her car. Our panel is assembled. Michael, what would you say to her?

CORBETT: You know what I would say? You're an incredibly articulate, smart and incredibly resilient woman. I have a feeling that by you putting this out there, you're going to be able to find another job. Yes, what's happening is a by-product is the fact that the market is bad right now and jobs related to the market are disappearing.

KING: Barbara, how do people contact you?

HARVEY: They contact me through New Beginnings, which is 805- 963-7777. Gary Linker is the director of New Beginnings Counseling Center, and this parking program is part of their program.

KING: 805-963-7777 -- Gerri Willis?

WILLIS: This is a tough situation. You know, I think both with Barbara's case and Cesar's case, it may be that some of these folks have to make some tough choices out there. Santa Barbara is an expensive place to live. Maybe it is time to go somewhere else to look for work, where living is more affordable. Cesar may have to think about trying to sell that home or trying to do a short sale where he finds a buyer, maybe somebody who doesn't pay the full value of the house, but maybe the bank will accept that.

I think a lot of folks out there -- and it's not their fault. They're smart people out there who have gotten the wrong end of the stick, especially with Barbara who is actually working in the industry, obviously has a work ethic, smart woman, articulate. But sometimes you have to make hard choices.

KING: How do you take care of the dogs, Barbara?

HARVEY: Well, let's see. It's not difficult. I walk them in the morning. I walk them at night. I feed them in the morning. I feed them at night. If it's hot like it is now, they'll sleep outside on a couple of blankets, on the asphalt. And then 1:00, 2:00, they're ready to come in, into the car. We do fit in here. It's amazing.

KING: I see that. Barbara, do you have a thought?

CORCORAN: She's got a great face. She's well spoken. The first thing you ought to do is buy yourself a really nice outfit, at a discount, of course, a work outfit, drive your little car to every -- each day a different work district. Put your resumes at Kinko on paper and get yourself a cell phone, so people can reach you directly. If you can even plaster your resumes on your car, say looking for work. People will adore you because you're so likable. You're just stuck in one place. You have to drive to where the work is and look the part.

KING: Richard, do you have a thought for Barbara?

BITNER: I certainly do. Barbara, first, I can certainly sympathize with what you've been through. As a fellow mortgage person, I've known dozens of friends and colleagues who have gone through the same unfortunate situation that you've been through, in terms of losing a job. Right now, we've got over 100,000 people that have actually lost their jobs because of the mortgage crisis, directly having worked in the business. The one thing you've got going for you is your attitude. You have the right perspective and the right attitude relative to this. Keep that up and I promise you you'll find yourself back on your feet.

KING: Good luck to you, Barbara.

If you want to help Barbara, find more information, 805-963-7777.

We have limited time left.

Michael, are you optimistic about all of this or pessimistic?

CORBETT: I'm optimistic about it. We talked about this at one point before. This is a natural market correction. We're in for a tough spell and, as everyone said on the panel, people need to tighten up their belts. They need to make some tough choices. But I do think eventually we'll come out of this and rebound eventually.

KING: Gerri, what do you think?

WILLIS: I'm optimistic too, but with the news we've had this week, I think it's going to take a little longer than I originally anticipated. We've got to hope that this problem with Freddie Mac and Fannie Mae gets resolved and resolved quickly, because the operating of those two institutions is critical to the mortgage market. We really need to get that fixed. Once that happens, I think you'll see a turn around.

KING: Barbara Corcoran?

CORCORAN: I think the foreclosures, as much as we hate them, is the beginning of a turn around because it forces the low in the market place, and makes other homeowners have to reduce their price. As sad as it is, it is the beginning of a turn around, and there are already markets in the United States that were hit the hardest that already are beginning to turn around. If the government would step up to the plate like a big brother or a big sister and help out people and do something proactive rather than sitting around and doing so little badgering -- You blah, blah, blah, I'll be quiet. There should be more done.

KING: Richard, 30 seconds.

BITNER: Larry, I'll take the opposite view. I was born an optimist, but I'm still a bit pessimistic, and I think a lot of it is because of the reporting we've been doing over at Housing Wire, relative to how far we still have to go. The key here is we have to hit bottom. We have to get our inventory back in supply. Once we hit that point, then I think we can start to turn the corner.

KING: Outstanding panel; thank you all.

Go to [CNN.com/larryking](http://CNN.com/larryking) for ring tones, transcripts, podcasts. Check our upcoming guest list too. Tomorrow, Venus Williams is here, fresh off her incredible win over her sister at Wimbledon. That's Wednesday night on LARRY KING LIVE.

Time now for Anderson Cooper and a big story out of Washington and "A.C. 360" -- Anderson.

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