

Community Debt Resolution

This model City Council resolution does the following things:

- *Calls on city staff to explore all legal options for reducing foreclosures, including the use of eminent domain to reset underwater mortgages to fair market value.*
- *Calls on Fannie Mae and Freddie Mac to agree to write down the principal on mortgages in their portfolios.*
- *Calls on AG Holder to make the Mortgage Fraud Task Force investigation a priority and to prosecute those responsible for the mortgage crisis.*
- *Calls on city staff to seek to renegotiate any interest rate swap deals without penalties or fees to save the city money within 60 days and to exclude any bank that refuses from future city business.*
- *Calls on city staff to determine how much money the city and city workers' pension funds have lost due to LIBOR fraud and to explore legal options for recovering those losses.*

*You should determine which of these issues are you want to tackle in your city and customize the resolution accordingly. The resolution is color-coded so that "Whereas" and "Resolved" clauses that address the same issues are the same color. You can easily take out all the clauses that are the same color and still have a fully-functional and sensible resolution. For example, if your city does not have any interest rate swaps, then simply delete all of the clauses that are *this color*.*

MODEL RESOLUTION

WHEREAS the economic crisis caused by the big Wall Street banks has devastated our communities: Nine million families have lost their homes to foreclosure; nine million Americans have lost their jobs; 16 million families owe more on their mortgages than their homes are worth; 46 million Americans are now enrolled in the Supplemental Nutrition Assistance Program (SNAP), a 50% increase since the financial crash in 2008; and state and local governments that have seen their property and sales tax receipts plummet are facing crippling budget crises;

WHEREAS foreclosures harm all homeowners and erode the property tax base: The foreclosure crisis has caused a ripple effect where each new foreclosure brings another distressed property on the market, pushing prices lower, and harming the value of all homes within a neighborhood. It is estimated that homes in foreclosure experience a 22% decline in value, but the impact to foreclosed properties themselves is just the tip of the iceberg. It is conservatively estimated that each foreclosed property will cause the value of neighboring homes within an eighth of a mile to drop 0.9%. As housing values decline, property tax revenues decline as well and in turn increase budget deficits and force cuts to services and jobs that support communities;

WHEREAS resetting mortgages on underwater homes to fair market value to fix the housing crisis is critical to our economic recovery and creating jobs: The overhang of

underwater mortgage debt is one of the primary drags on economic recovery. Underwater homeowners owe \$700 billion more on their mortgages than their homes are worth, money that would otherwise go into our economy in the form of consumer spending. More and more economists are saying resetting mortgages is the best way to stabilize the housing market, which is critical for a strong economic recovery. Resetting mortgages on underwater homes to fair market value would reduce foreclosures and re-set the real estate market to create revenue and jobs in our city and nationally;

WHEREAS underwater mortgages are at significantly greater risk of going into foreclosure: Research shows that homeowners who are severely underwater on their mortgages are 150% to 200% more likely to default on their mortgages;

WHEREAS Fannie Mae and Freddie Mac have thus far refused to reset mortgages for homes in their portfolio that are under water to fair market value: Fannie Mae and Freddie Mac own or back more than 60% of all mortgages in the country, but they refuse to write down the principal on those loans as part of a loan modification process to keep families in their homes;

WHEREAS cities and counties elsewhere in the country are using eminent domain to reset mortgages, prevent foreclosures, and stabilize the housing market;

WHEREAS the Mortgage Fraud Task Force has made no discernible progress and has clearly been deprived of the resourced necessary to conduct a full and fair investigation;

WHEREAS the City of ____ (the City) has an interest in reducing the number of foreclosures within the City to keep families in their homes and preserve the community and tax base; and the City has a responsibility to promote policies that benefit the people who live and work in our City;

WHEREAS the City is stuck in costly interest rate swap deals with banks: The City is paying \$___ million a year on its interest rate swap deals with big Wall Street banks. These deals were supposed to save the City money, but when the federal government reduced interest rates to near zero in response to the financial crash, these deals soured. Now the City is forced to pay the banks millions of dollars on these deals as a direct result of the bailout, and it cannot exit the deals unless it pays millions more in penalties and fees.

WHEREAS the City and the City workers' pension funds may have lost millions of dollars as a result of alleged fraud perpetrated by the banks: Sixteen of the world's largest banks allegedly rigged the London Interbank Offered Rate (LIBOR) index to increase their own profits. \$800 trillion of financial securities and debt globally is tied to LIBOR, including derivatives and investments held by the City and its workers' pension funds. The City may have lost millions of dollars on its interest rate swaps as a result of LIBOR fraud. Public pension funds that had investments with returns linked to LIBOR also likely lost millions as a result;

THEREFORE BE IT RESOLVED that the City Council directs staff to explore all legal

options at the City's disposal to reset mortgages to fair market value, including the use of eminent domain to acquire underwater mortgages and write down the principal on those loans;

LET IT BE FURTHER RESOLVED that the City Council calls on Fannie Mae and Freddie Mac to agree write down the principal on underwater mortgages in their portfolios to fair market value;

LET IT BE FURTHER RESOLVED that the City Council calls on U.S. Attorney General Eric Holder to make the investigation by the Mortgage Fraud Task Force a priority and to prosecute those responsible for causing the mortgage crisis that continues to plague our economy and community;

LET IT BE FURTHER RESOLVED that the City Council authorizes staff to seek to renegotiate the City's interest rate swap deals to save the City money without any penalties or termination fees;

LET IT BE FURTHER RESOLVED that any bank that refuses to renegotiate interest rate swap deals within sixty days to save the City money without penalties or termination fees shall be excluded from all future business with the City;

LET IT BE FURTHER RESOLVED that the City Council directs staff to determine how much money the City and City workers' pension funds lost as a result of LIBOR fraud and to explore all legal options at the City's disposal to recover those losses.