

**CITY OF BALTIMORE
COUNCIL BILL 13-0135R
(Resolution)**

Introduced by: Councilmembers Henry, Middleton, Branch, Welch

Introduced and read first time: November 18, 2013

Assigned to: Housing and Community Development Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Department of Housing and Community Development

A RESOLUTION ENTITLED

1 A COUNCIL RESOLUTION concerning

2 **Local Principal Reduction Programs**

3 FOR the purpose of supporting the city of Richmond, California in its efforts to save homes and
4 neighborhoods through the use of a Local Principal Reduction program; and calling for
5 Baltimore to explore the use of a similar program here at home.

6 **Recitals**

7 **WHEREAS**, the economic crisis caused by the big Wall Street banks has devastated our
8 communities: Nearly five million families have lost their homes to foreclosure; nine million
9 Americans have lost their jobs; 10 million families now owe more on their mortgages than their
10 homes are worth; and state and local governments that have seen their property and sales tax
11 receipts plummet are facing crippling budget crises.

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

20 **WHEREAS**, resetting mortgages on underwater homes to fair market value to fix the housing
21 crisis is critical to our economic recovery and creating jobs: The overhang of underwater
22 mortgage debt is one of the primary drags on economic recovery. Underwater homeowners owe
23 nearly \$1 trillion more on their mortgages than their homes are worth, money that would
24 otherwise go into our economy in the form of consumer spending. More and more economists are
25 saying resetting mortgages is the best way to stabilize the housing market, which is critical for a
26 strong economic recovery. Resetting mortgages on underwater homes to fair market value would
27 reduce foreclosures and stabilize the real estate market to create revenue and jobs in our city and
28 nationally.

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter deleted by amendment.

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1 **WHEREAS**, underwater mortgages are at significantly greater risk of going into foreclosure:
2 Research shows that homeowners who are severely underwater on their mortgages are 150% to
3 200% more likely to default on their mortgages.

4 **WHEREAS**, the foreclosure prevention efforts that have been implemented thus far at the
5 local, state, or federal levels have failed to adequately address the crisis.

6 **WHEREAS**, the City of Richmond, California is boldly advancing a Local Principal Reduction
7 program to acquire underwater mortgages in private label securities at their current market values
8 and then refinance the homeowners into new loans with reduced principal in order to bring their
9 mortgages in line with current market values.

10 **WHEREAS**, the City of Richmond is offering to purchase the loans at fair market value, but
11 may consider using eminent domain to acquire the loans if its offers are not accepted.

12 **WHEREAS**, the City of Richmond would pay fair market value to the investors of the
13 underwater mortgages even if it used eminent domain to acquire them.

14 **WHEREAS**, the City of Richmond’s use of eminent domain to acquire underwater mortgages
15 would serve the public purpose of preventing blight and preserving the community and tax base.

16 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE**, that the City
17 Council of Baltimore stands united with the Mayor and City Councilmembers of Richmond,
18 California and any other city or community that attempts to utilize similar lawful methods at their
19 disposal, as they work to save homes and save neighborhoods.

20 **AND BE IT FURTHER RESOLVED**, That the City Council of Baltimore calls on the Securities
21 Industry and Financial Markets Association (SIFMA) and the Federal Housing Finance
22 Administration, which oversees Fannie Mae and Freddie Mac, to stop threatening our
23 communities with reprisals and litigation and instead work with them to negotiate principal
24 reduction for underwater mortgages to current market values in order to the stop the housing
25 crisis, strengthen local economies and help keep families in their homes.

26 **AND BE IT FURTHER RESOLVED**, That the Council calls on the City to explore how a Local
27 Principal Reduction program similar to the one being implemented by the City of Richmond
28 could work here in Baltimore City, by having Baltimore Housing develop a brief report to be
29 presented to the Council’s Housing & Community Development Committee, on what this
30 program would look like in our city, including an analysis of the number of loans that might
31 qualify, an estimate of the average benefit to borrowers and the attendant economic benefit, as
32 well as the names of potential funding partners available for the city to work with.

33 **AND BE IT FURTHER RESOLVED**, That a copy of this Resolution be sent to the Mayor, the
34 Maryland delegation to the 113th Congress, the Director of Finance, the Housing Commissioner,
35 the head of the Securities Industry and Financial Markets Association (SIFMA), the head of the
36 Federal Housing Finance Administration, the Mayor and City Council of Richmond, California,
37 and the Mayor’s Legislative Liaison to the City Council.