



BALTIMORE  
HOUSING

SHEILA DIXON  
Mayor

PAUL T. GRAZIANO  
Executive Director, HABC  
Commissioner, HCD

## MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council  
c/o Karen Randle, Executive Secretary

From: Paul T. Graziano, Commissioner

Date: March 11, 2009

Re: City Council Bill 09-0289 Foreclosure Chattels - Notice of Dispossession

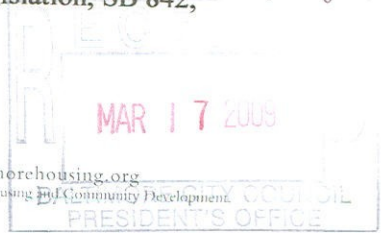
The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 09-0289, which was introduced for the purpose of extending, for certain types of foreclosed properties, the period for providing prior notice of the execution of a writ of possession; providing for a special effective date; and providing for the automatic termination of the Ordinance on a certain date.

The laudable intent of the proposed legislation is to encourage foreclosure purchasers or banks to negotiate loan modifications with a borrower by effectively create a one-year moratorium on any individual eviction of an occupant resulting from mortgage foreclosures. Unfortunately, DHCD believes that an approach that impacts Baltimore City exclusively could disadvantage our community as financial institutions would be less likely to make home loans to city home purchasers than in surrounding jurisdictions. Additionally, the proposed legislation might create an unintended consequence when some borrowers will discover that they can stop paying their mortgage and still retain control of the property for at least a year or more. We fear that during this moratorium period, an unscrupulous property owner will continue to charge rent to their tenants, taking advantage of the fact that many tenants will not know that they are not legally obliged to pay rent during this time. As a result, the borrower/owner will see a windfall from rental revenue while defying their mortgage obligations or an immediate consequence for failing to pay their mortgage.

City Council Bill 09-0289 also presents challenges for the effective enforcement of the Property Maintenance Code. The foreclosing party, often out of state financial institutions, would become absentee landlords for a year or more. These entities would lack the financial incentive to maintain the property in habitable condition. Although the City will always strive to enforce applicable codes, Housing Court proceedings are the most complicated when the defendant is a corporate entity headquartered outside of the State of Maryland. Worse still, tenants, who lack DHCD's legal resources, will find themselves at even a greater disadvantage in rent escrow proceedings as they attempt to compel their new landlords to uphold their lease and maintenance obligations.

DHCD believes the best solutions to mitigate these foreclosure problems must be federal and state legislation. At present, there are several state laws pending that could be helpful to Baltimore City, including changing state law so that a lease is not extinguished at foreclosure and better notification to tenants of pending foreclosures. Mayor Dixon's Administration supports two of these bills. The first, is emergency legislation, SB 842, -

*Unfair.*



which would require notices for residential property foreclosures to include three items: 1) contact information for the person authorized to conduct the sale; 2) the date, time and terms of the sale; 3) and an explanation that as the person who lives in the property, "you could be evicted, even if you are a tenant and even if you have paid the rent due and complied with your lease." If passed, these notice requirements would take effect on May 1, 2009. The second bill, SB 829, would require foreclosure sale of residential property to be subject to existing tenancies for a period of up to three months after the sale. This would allow tenants time to renew a lease with the new owner or to relocate with in a reasonable time frame.

DHCD, working with our federal, state, non-profit and foundations partners, have also developed a comprehensive plan to assist City residents with foreclosures issues:

- Marketing and out reach about available assistance to households threatened with foreclosure
- Foreclosure counseling to households undergoing, or at risk of, foreclosure
- Mortgage intervention assistance providing loans and/or grants of up to \$5,000 to households when such assistance, in combination with counseling, would likely result in retention of the home
- Low-interest, flexible term mortgage refinancing to households that, once refinanced, would be able to retain their homes
- Focused code enforcement on foreclosed houses to insure that their condition meets housing code requirements and aggressive action against owners whose buildings are a blighting influence
- Neighborhood asset control through which non-profit housing providers, buy, rehab and sell foreclosed properties to homeowners, insuring that communities do not enter a foreclosure fueled disinvestment cycle.

The Department of Housing and Community Development opposes the adoption of City Council Bill 09-0289.

PTG:pmd

cc: Ms. Angela Gibson  
Mr. Andrew Frank  
Ms. Diane Hutchins