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CONSENT CALENDAR

December 11, 2007

To: Honorable Mayor and Members of the City Council

From: Councilmembers Kriss Worthington, Darryl Moore and Max Anderson

Subject: Recommend Policies to Address Foreclosures and Subprime Lending - Endorsing House Resolution 1852

RECOMMENDATION:

Adopt a Resolution regarding subprime lending and foreclosures, recommending policies to address foreclosures in the City of Berkeley, and endorsing House Resolution 1852, the Expanding America Homeownership Act.

BACKGROUND:

Recently, the subprime lending industry has grown rapidly and has been a source of mortgage financing for a significant number of homeowners. Some of the lenders have aggressively marketed high-cost home loans with knowledge that borrowers may be unable to repay and have engaged in unfair credit practices. These actions have led to a number of foreclosures, hurting families and affecting the stability of communities. Sub-prime lending has been a major problem in communities in the East Bay, including Oakland where a large number of foreclosures have recently occurred.

Many efforts are currently underway to address the sub-prime lending issue including House Resolution 1852, the Expanding America Homeownership Act introduced by Congresswoman Maxine Waters. There also many steps that local governments can take to reduce the number of foreclosures by regulating lenders and providing financial assistance and outreach to help homeowners. A similar resolution was unanimously adopted by the Oakland City Council on November 1, 2007 and recommends a number of policies to address foreclosures due to sub-prime lending.

The text of the bill can be found at the following address: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h1852rh.txt.pdf. A copy is also available at our office for people to read.

It is important that the City of Berkeley join Oakland and other cities and organizations in urging lenders to stop this predatory lending and help reduce the growing number of foreclosures.

FINANCIAL IMPLICATIONS:

Minimal

CONTACT PERSONS:

Councilmember Kriss Worthington, 981-7170.

Councilmember Darryl Moore, 981-7120

Attachments:

1. Resolution

RESOLUTION NO. ##,###-N.S.

RESOLUTION REGARDING SUBPRIME LENDING AND FORECLOSURES AND
RECOMMENDING POLICIES TO ADDRESS FORECLOSURES IN THE CITY OF
BERKELEY

WHEREAS, the subprime lending industry has grown rapidly in the San Francisco Bay Area and has been a source of mortgage financing for a significant number of homeowners in cities throughout the region, including Berkeley; and

WHEREAS, some of these lenders aggressively market high-cost home loans with the knowledge that borrowers may be unable to repay, and engage in other unfair credit practices; and

WHEREAS, these subprime loans have led to an increase in foreclosures, hurting families and disrupting the stability of neighborhoods and communities; and

WHEREAS, as the California Reinvestment Coalition has shown in a recent report, despite claims from lenders that they work with borrowers to restructure loans, the most common consequence of missed payments on subprime loans is foreclosure; and

WHEREAS, the immediately most effective way to stem the tide of foreclosures due to subprime loans is to convert adjustable rate mortgages to affordable fixed-rate loans; and

WHEREAS, although mortgage providers may be unable to restructure loans due to overly-aggressive investors who resist reduced profits, any solution to the subprime mortgage crisis must focus on financial assistance on individual mortgage holders and not be a "bail out" for banks and other lenders; and

WHEREAS, many efforts are currently underway in Washington to address this issue on the Federal level, including, but not limited to, the important reforms presented in Congresswoman Maxine Waters' Expanding America Homeownership Act of 2007 (HR 1852).

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it hereby supports HR 1852, and directs the City Clerk to transmit this resolution to our Congressional representatives; and

BE IT FURTHER RESOLVED, that the Council urges, in written communication, that all subprime lenders doing business in Berkeley work with Berkeley mortgage holders to restructure loans to affordable, fixed-rate products, and

BE IT FURTHER RESOLVED, the Council hereby directs City staff to compile foreclosure information for the City of Berkeley and report to the City Council about the number of foreclosures, lenders involved, and any efforts made by lenders to restructure loans to make them more affordable, complaints received from borrowers, and any information provided by community organizations, and

BE IT FURTHER RESOLVED, that the Council hereby asks staff to investigate the following policies and to return to the Council with recommendations for implementation in the City of Berkeley:

1. A program in which the City of Berkeley will be informed of any new foreclosure petition filed in the City and have staff perform proactive outreach to those borrowers to assist them with information and counseling; and
2. Efforts to ensure that all Berkeley tenants currently renting properties at risk of foreclosure be proactively informed of their specific rights under State and local tenant protection regulations; and
3. A program that will offer one-time loans to Berkeley residents to prevent default; and
4. A program that would avoid neighborhood blight by requiring lenders who have foreclosed on properties in Berkeley to adequately maintain those properties; and
5. A program by which the City can purchase foreclosed properties to create affordable homeownership opportunities; and

BE IT FURTHER RESOLVED, that the Council hereby calls upon banks and other financial institutions to openly and responsibly deal with the legitimate financial problems faced by their borrowers; and

BE IT FURTHER RESOLVED, that the Council calls for a convening of banks and other lenders in the region and community organizations to discuss further steps to prevent foreclosures and to avoid, or mitigate, the negative effects of concentrations of vacant and/or under maintained properties in the City of Berkeley.

