RESOLUTION 2008R-023
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Calling For a Voluntary Moratorium on Foreclosures by Subprime Mortgage Lenders.

Whereas, subprime lending has grown rapidly in the city of Minneapolis, especially North Minneapolis, during the last few years ("*Can HMDA Data Herald Neighborhood Changes?", Federal Reserve Bank of Minneapolis – Community Dividend 2006)*; and

Whereas, the Center for Responsible Lending estimated in a December 2006 report that one in five subprime loans will end up in foreclosure *("Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners" Center for Responsible Lending (December 19, 2006)*; and

Whereas, many homeowners with subprime ARMs have not been able to refinance due to the stagnation or decrease in home values *("The Subprime Meltdown- A Primer" , National Economic Research Association, June 21, 2007*); and

Whereas, more than two-thirds of subprime loans have prepayment penalties, compared to just 2% of prime loans *("Blame the Borrowers? Not So Fast", Gretchen Morgenson, The New York Times, November 25, 2007)*; and

Whereas, prepayment penalties trap borrowers into subprime loans with high or adjustable rates *("The Subprime Meltdown- A Primer" , National Economic Research Association, June 21, 2007*); and

Whereas, some mortgage brokers and lenders made loans to families who could not afford the loan *("The Subprime Meltdown- A Primer", National Economic Research Association, June 21, 2007*); and

Whereas, 46% of subprime loans made in 2006 required little or no income documentation *("Subprime 'Liar Loans' Fuel Bust With $1 Billion Fraud", Bloomberg News, April 25, 2007)*; and

Whereas, subprime loans have led to an increase in foreclosure rates which hurts Minneapolis neighborhoods as well as the families who are losing their homes *("The Subprime Meltdown- A Primer" , National Economic Research Association, June 21, 2007*); and

Whereas, these vacant homes attract crime and cost the City of Minneapolis and other cities money in crime prevention and the deterioration of neighborhoods *("The Municipal Cost of Foreclosure: A Chicago Case Study", Homeownership Preservation Foundation, February 27, 2005)* ; and

Whereas, the City of Minneapolis has seen a tripling of foreclosures in 2007 as well as a tripling in vacant and boarded properties at a cost to the city of $1.9 million;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City of Minneapolis calls on the 25 largest subprime mortgage lenders and servicers in the country to voluntarily agree to a 3 month suspension on foreclosures of owner-occupied properties in the city of Minneapolis.

Be It Further Resolved that the City of Minneapolis calls on these lenders and servicers to make every effort during the suspension period to help their customers avoid foreclosure and remain in their homes, including modifying loans by reducing the interest rate and/or the principal to achieve an affordable monthly payment.

Be It Further Resolved that the City of Minneapolis encourages lenders holding rental properties to keep these properties occupied with tenants for as long as possible.

Be It Further Resolved that the City of Minneapolis encourages these companies to continue to work with the City of Minneapolis and community-based organizations during the suspension period to reach those homeowners who are not communicating with the servicer.