



Office of the City Clerk



R2012-695

Office of the City Clerk

City Council Document Tracking Sheet

Meeting Date:	7/25/2012
Sponsor(s):	Burke, Edward M. (14) Austin, Carrie M. (34)
Type:	Resolution
Title:	Call for hearing(s) on implementation of program for acquisition of underwater mortgages through eminent domain
Committee(s) Assignment:	Joint Committee: Finance; Housing and Real Estate

RESOLUTION

WHEREAS, the City of Chicago continues to be plagued by the harmful effects of the mortgage foreclosure crisis; and

WHEREAS, according to the Illinois Foreclosure Listing Service, as of May of 2012, Illinois ranked 5th for the highest foreclosure rate in the United States, following Georgia, Arizona, Nevada, and California; and

WHEREAS, 4,747 new foreclosures were reportedly filed in Chicago during the first quarter of 2012; and

WHEREAS, in May of 2012, it was reported that average home prices in the Chicago area had fallen 39% since they peaked in September 2006; and

WHEREAS, homeowners who owe more debt on their homes than the current market value of their homes have what are termed underwater mortgages; and

WHEREAS, in March of 2012, nearly 667,000 Chicago area homes were underwater on their mortgages, and 13% of those homeowners were also delinquent on their mortgage payments by three months or more; and

WHEREAS, in Cook County, 44.5% of homes with a mortgage were underwater, accounting for a reported \$37 billion in lost equity; and

WHEREAS, recent estimates suggest that nationwide more than 20% of all properties with a mortgage are underwater, and the amount of underwater mortgage debt is nearly \$1 trillion; and

WHEREAS, renegotiation of underwater mortgages by the private sector has been nearly nonexistent; and

WHEREAS, even with record low mortgage interest rates, many homeowners have found it difficult to refinance due to newly tightened lending standards and depressed home values; and

WHEREAS, officials in San Bernardino County, California are reportedly considering what *The New York Times* has described as an "intriguing idea" to address the foreclosure crisis in its community; and

WHEREAS, the plan is to use the power of eminent domain to purchase underwater mortgages out of securitized packages of loans at a steep discount, write them down to fair market value, and then create a new mortgage with a much reduced principal and monthly payment; and

WHEREAS, earlier this year, the county of San Bernardino and the cities of Fontana and Ontario, California created the Homeownership Protection Program Joint Powers Authority and expressly gave the new agency the power to buy mortgage loans by voluntary purchase or through eminent domain; and

WHEREAS, under the plan being considered in San Bernardino County, private investors would provide the funding to acquire the underwater mortgages; and

WHEREAS, the plan recognizes that the best way to keep troubled homeowners in their homes is by reducing the principal on their mortgages, thus lowering their debt burdens and more closely aligning their mortgages with the true value of their homes; and

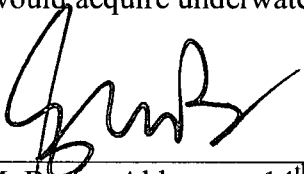
WHEREAS, officials in Nevada, Florida, and New York are also being persuaded to try the idea; and

WHEREAS, legal experts have opined that government entities may use eminent domain to acquire mortgages so long as certain legal standards are met; and

WHEREAS, the City of Chicago recognizes the importance of keeping residents in their homes and is committed to eradicating the spread of vacant properties across the City; and

WHEREAS, the implementation of a similar proposal in Chicago could save homeowners substantial money, reduce the risk of foreclosures, help people remain in their homes, and revitalize our local economy; NOW, THEREFORE,

BE IT RESOLVED, that the Corporation Counsel, the Commissioner of the Department of Housing and Economic Development, the Chief Financial Officer, and representatives from the residential mortgage industry are hereby invited to appear before the Joint Committee of the Committee on Finance and Committee on Housing and Real Estate to testify at a hearing concerning the implementation of a program under which the City of Chicago would acquire underwater mortgages through eminent domain.



Edward M. Burke, Alderman, 14th Ward



Carrie M. Austin 34