



Legislation Text

File #: 111517, **Version:** 1

111517

SUBSTITUTE 1

ALD. COGGS, HINES, HAMILTON, WITKOWSKI, DAVIS, WADE

Substitute resolution urging Governor Scott Walker and Attorney General J.B. Van Hollen to use the foreclosure settlement funding for programs directly related to foreclosure issues.

As a result of a tentative \$25 billion settlement between the federal government, 49 states and the District of Columbia, and the nation's five largest mortgage servicers, Wisconsin is projected to receive an estimated \$141 million intended to provide direct relief for affected homeowners, refinancing benefits for eligible borrowers, and remediation programs and services. Rather than use all the funds for programs directly related to foreclosure issues, Governor Scott Walker and Attorney General J.B. Van Hollen announced their intent to direct \$25.6 million to help balance the state budget. The six zip code areas in the state which have been most affected by the foreclosure crisis are in the city of Milwaukee. This resolution urges the Attorney General and the Governor to use the foreclosure settlement monies for funding programs directly related to foreclosure issues in the most affected areas of the state.

Whereas, The federal government and 49 state attorneys general reached a \$25 billion settlement agreement with the five largest mortgage servicers to address mortgage loan servicing and foreclosure abuses; and

Whereas, The joint agreement is the largest federal-state civil settlement ever obtained and is the result of extensive investigations by federal agencies, including the Department of Justice, the Department of Housing and Urban Development (HUD) and the HUD Office of the Inspector General, and state attorneys general and state banking regulators across the country; and

Whereas, The partnership between the states and the federal agencies made it possible to achieve favorable terms and conditions that would have been difficult for the states or the federal government to achieve on their own; and

Whereas, The agreement requires servicers to implement comprehensive new mortgage loan servicing standards and to commit \$25 billion to resolve violations of state and federal law, including servicers' use of "robo-signed" affidavits in foreclosure proceedings, deceptive practices in the offering of loan modifications, failures to offer non-foreclosure alternatives before foreclosing on borrowers with federally insured mortgages and filing improper documentation in federal bankruptcy court; and

Whereas, The servicers are required to collectively dedicate \$20 billion toward various forms of financial relief to borrowers, with \$10 billion for reducing the principal on loans for borrowers who are either delinquent or at imminent risk of default and owe more on their mortgages than their homes are worth, \$3 billion for refinancing loans for borrowers who are current on their mortgages but who owe more on their mortgages than their homes are worth, and \$7 billion for other forms of relief,

including forbearance of principal for unemployed borrowers, anti-blight programs, short sales and transitional assistance, benefits for service members who are forced to sell their homes at a loss as a result of a Permanent Change in Station order, and other programs; and

Whereas, In addition to the \$20 billion in financial relief for borrowers, the agreement requires the servicers to pay \$5 billion in cash to the federal and state governments to be used to fund housing counselors, legal aid and other public programs aimed to remediate the damages caused by the practices of the lenders; and

Whereas, The state will receive a \$141 million from the banks to help cities and people affected by the foreclosure crisis; and

Whereas, Of the \$141 million received by the state, Wisconsin Attorney General J.P. Van Hollen has sole authority to determine the use of \$31.6 million, and of that \$31.6 million, the governor and attorney general are proposing to use \$25.6 million as a one-time budget fix; and

Whereas, Between 2008 and 2010, almost 16,000 Milwaukee property owners defaulted on their mortgage payments, and another 6,000 homes in the city are in the foreclosure process; and

Whereas, The illegal practices of the lenders in this settlement have led to a large increase in abandoned buildings in the city, resulting in increased calls for police services, higher incidence of fires, both accidental and intentional, and decline and disinvestment in neighborhoods; and

Whereas, The city has approximately 4,800 vacant and abandoned properties that would cost about \$48 million to tear down or stabilize; and

Whereas, The monies received by the state could be utilized to stabilize some of the abandoned properties, saving housing stock in the hardest-hit areas and reducing the negative effect of the abandoned buildings; and

Whereas, The six zip code areas in the state which have been most affected by the foreclosure crisis are in the city of Milwaukee; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Common Council urges Attorney General J.B. Van Hollen and Governor Scott Walker to use the foreclosure settlement funding for its intended purposes of remediating the effects of the foreclosure crisis in the areas affected most; and, be it

Further Resolved, That the City Clerk shall send copies of this resolution to Governor Scott Walker and Attorney General J.B. Van Hollen.

LRB137292-2
Rich Watt
2/29/2012