The New York City Council

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Legislation Details (With Text)

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Title: Resolution calling on the Federal Housing Finance Agency to reject state-level guarantee fee pricing which will increase the cost of single-family mortgages in New York.

Sponsors: Lewis A. Fidler, Margaret S. Chin, Inez E. Dickens, Mathieu Eugene, Sara M. Gonzalez, Letitia James, Karen Koslowitz, Rosie Mendez, Annabel Palma, Domenic M. Recchia, Jr., Jumaane D. Williams, Ydanis A. Rodriguez, Daniel J. Halloran III

Indexes:

Attachments:

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Res. No. 1586

Resolution calling on the Federal Housing Finance Agency to reject state-level guarantee fee pricing which will increase the cost of single-family mortgages in New York.

By Council Members Fidler, Chin, Dickens, Eugene, Gonzalez, James, Koslowitz, Mendez, Palma, Recchia, Williams, Rodriguez and Halloran

Whereas, Fairness, accuracy, and due process in the home foreclosure process protects the rights of home owners and preserves the integrity of our legal proceedings; and

Whereas, Since the beginning of the Great Recession in 2008, 238,692 homes have been foreclosed upon in New York State according to the Center for Responsible Lending, 22,886 of which are in New York City; and

Whereas, According to the Neighborhood Economic Development Advocacy Project, in 2011 the number of homes at risk for foreclosure statewide remained distressingly high with 345,435 mortgages at risk, of which 94,890 were in New York City; and

Whereas, A report entitled "Do Foreclosures Cause Crime?" by the Furman Center for Real Estate and Urban Policy at New York University found that violent crime increases about two percent on blocks where a home becomes foreclosed and by approximately six percent if a second home is foreclosed on the same block; and

Whereas, According to the report entitled "Neighborhood Effects of Concentrated Mortgage Foreclosures," a single foreclosure can reduce the price of nearby homes by one to two percent and three foreclosures can reduce the price of nearby homes by about three percent; and

Whereas, According to the Federal Reserve Bank of New York, it is anticipated that there will be 210,000 new foreclosure filings in New York State in 2012 and 52,000 in New York City; and

Whereas, On average it takes 820 days to complete a foreclosure proceeding in New York State according to data compiled by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac); and

Whereas, In recent years, banks and entities filing foreclosure proceedings have been criticized for commencing these actions in large volume without review and without regard to accuracy of the claims or supporting documentation, a practice dubbed "robo-signing"; and

Whereas, The New York State Unified Court System, in response to these abuses and to protect homeowners and rescue the integrity of the foreclosure process, among other actions, requires lawyers to verify the accuracy of the foreclosure documents they file, in addition to conference in good faith with delinquent borrowers; and

Whereas, New York State also amended its foreclosure laws to require banks and entities initiating foreclosure proceedings to participate in settlement conferences with delinquent borrowers for the purpose of evaluating the potential for a resolution in which payment schedules or amounts may be modified or other workout options may be agreed to; and

Whereas, Such mandatory conferences are intended to protect communities and assist homeowners in

avoiding foreclosure, thereby avoiding the adverse effects that foreclosures can have on neighborhoods; and

Whereas, The Federal Housing Finance Agency (FHFA) was created by the Housing and Economic Recovery Act of 2008 to provide regulatory oversight over Fannie Mac, Freddie Mac, and the Federal Home Loan Banks and serves as a conservator for these enterprises; and

Whereas, On September 20, 2012, FHFA proposed an increase to the guarantee fees charged by Fannie Mae and Freddie Mac on single-family mortgages in five states, including New York, where the costs associated with foreclosure proceedings are higher, on average, than the national average due to regulatory or judicial actions; and

Whereas, Under the proposed guarantee fee pricing increase, according to the Financial Times, home buyers in New York are facing a potential increase of 30 basis points on mortgages to cover these additional fees, which would increase a monthly mortgage payment by $3.50 to $7.00 per month for a homeowner with a 30-year fixed rate mortgage of $200,000; and

Whereas, According to data provided by Fannie Mae and Freddie Mac, the FHFA proposed state-level guarantee fee pricing action would affect nearly 88,000 borrowers of mortgages on single-family homes in New York City; and

Whereas, The Financial Times reported an FHFA spokesman as saying, "If those states were to adjust their laws and requirements sufficiently to move their foreclosure timelines and costs more in line with the national average… the fees imposed under the planned approach would be lowered or eliminated"; and

Whereas, The regulatory and judicial actions instituted by our State and courts in response to the foreclosure crisis and illegal activity, are now being wrongfully cited by the FHFA as justification for imposing additional fees on New York home buyers; and

Whereas, Due process and fairness should not be sacrificed to allow faster foreclosures nor should the FHFA ignore that homeowners were victimized by illegal foreclosure practices necessitating state regulatory and judicial action; and

Whereas, If the FHFA takes its proposed action, New York would be required to either allow expedited foreclosures which could allow wrongful foreclosures or allow the local market for home sales to be chilled by the increasing the costs of mortgages; and

Whereas, The FHFA will determine a final methodology for state-level guarantee fee pricing after the public comment period but the pricing increase is not necessary or beneficial; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the Federal Housing Finance Agency to reject state-level guarantee fee pricing which will increase the cost of single-family mortgages in New York.

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BJG
11/14/2012