



Legislation Text

File #: Res 1605-2012, **Version:** *

Res. No. 1605

Resolution calling on the United States Congress to pass, and the President to sign, a bill that would allow bankruptcy courts to impose a reorganization plan, known as a “cramdown,” on mortgage debts, which would encourage mortgage companies to modify loans and provide a back-up plan for borrowers who cannot get the mortgage assistance they need.

By Council Members Vann, Brewer, Chin, Dickens, Eugene, Ferreras, Fidler, James, Koppell, Lander, Mendez, Williams, Wills and Rodriguez

Whereas, During the first years of the housing crisis, recognition of the various obstacles that impede loan modification-principal reduction in particular-led to several advocates proposing that bankruptcy courts in personal bankruptcy proceedings should be allowed to modify the terms of a mortgage without the consent of the mortgagee; and

Whereas, While this process, known as “cramdown” or “stripdown,” is a tool which bankruptcy courts can use for other classes of debts, under current federal law, bankruptcy courts are not allowed to perform cramdowns on loans secured by mortgages on debtors’ primary residences; and

Whereas, While United States bankruptcy law provides for an automatic stay of any legal process against debtors or their assets during the pendency of a bankruptcy action, creditors of loans secured by primary residences may receive relief from the stay and proceed with foreclosure immediately upon being granted relief; and

Whereas, President Obama sponsored cramdown legislation as a United States Senator, endorsed it as a presidential candidate, and repeatedly promised voters that he would fight for changes to bankruptcy laws to assist homeowners before he took office; and

Whereas, A 2009 bankruptcy reform bill, known as the “cramdown bill,” would have given bankruptcy

courts authority to write down mortgages on a primary residence to the current fair-market price of the property and would have enabled the courts to also monitor and stop other widespread abuses such as robo-signing, where banks used fraudulent affidavits to foreclose on homeowners; and

Whereas, The cramdown bill, H.R. 1106, also known as the Helping Families Save Their Homes Act of 2009, passed the United States House of Representatives on March 5, 2009, but was blocked in the U.S. Senate; and

Whereas, According to RealtyTrac Inc., in October 2012, two thirds of the nation's largest metropolitan areas posted decreases in new foreclosures but New York City experienced a 69 percent increase in default, auction and repossession filings; and

Whereas, The foreclosure process in New York State averaged 1,072 days during the third quarter of 2012; and

Whereas, The rising number of properties facing foreclosure remains a threat to home price stability and growth within New York City; and

Whereas, Cramdown in bankruptcy is still an appropriate policy in addressing the continued aftermath of the recent housing crisis and current reform and action is needed to stem the rising tide of foreclosure filings within the City, now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States Congress to pass, and the President to sign, a bill that would allow bankruptcy courts to impose a reorganization plan, known as a "cramdown," on mortgage debts, which would encourage mortgage companies to modify loans and provide a back-up plan for borrowers who cannot get the mortgage assistance they need.

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