



Legislation Text

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Res. No. 1461

Resolution calling on the New York Congressional Delegation and all other members of Congress to support House of Representatives bill H.R. 5830 entitled “The FHA Housing Stabilization and Homeowner Retention Act.”

By Council Members Dickens, Brewer, Fidler, James, Liu, Nelson, Palma and Reyna

Whereas, Large numbers of Americans are now facing foreclosures due to the rise in unaffordable mortgage loans made throughout the last several years; and

Whereas, According to the Center for Responsible Lending, 2.26 million families nationwide will deal with the threat of home foreclosures in the next few years because of subprime loans made primarily since 2005; and

Whereas, A New York Times article from March 13, 2008 reported that by the end of 2007, 7.86% of home loans were delinquent or in foreclosure, which is the highest this rate has been since 1979; and

Whereas, Due to this mortgage crisis, the number of homeowners who refinanced with loans from the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac, in the first quarter of 2008 fell to the lowest levels since 2004; and

Whereas, Legislation pending in the House of Representatives, H.R. 5830, seeks to reduce foreclosures by modernizing the standards and expanding the scope of the Federal Housing Administration (FHA), an agency that provides safe loan alternatives and makes homeownership more accessible; and

Whereas, The FHA currently insures loans for those with weak credit who may not be able to receive an affordable mortgage without this help and requires a small premium from the borrower in order to cover the costs to the lender in the event of a foreclosure; and

Whereas, While FHA loans have better rates than other subprime mortgages, the program expects lenders to create approaches that will help borrowers avoid foreclosure for those at risk of default; and

Whereas, H.R. 5830 would help borrowers refinance to a more affordable 30-year-fixed-rate loan by permitting the FHA to provide up to \$300 billion for new guarantees; and

Whereas, This legislation creates a program where borrowers who have an existing loan can contact a FHA-approved lender to establish the size of a loan that fits the program's requirements and could be easily repaid by the borrower; and

Whereas, Under this program, if the existing lender chooses to participate by agreeing to a reduction of principal that is substantial enough to make the loan affordable, the FHA lender will pay off the discounted mortgage; and

Whereas, In return for the new FHA loan, the government will take a portion of the future appreciation on the home and if the borrower sells the property, the government will retain the greater of three percent of the initial loan balance or 50 percent of the net profit; and

Whereas, It is predicted that this program will cost the government up to \$6 billion while offering 1 to 1.5 million borrowers the opportunity to refinance to an FHA loan; and

Whereas, By creating affordable options for refinancing, this legislation will provide safety for families, protect neighborhoods, and save millions of homeowners from foreclosure; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York Congressional Delegation and all other members of Congress to support House of Representatives bill H.R. 5830 entitled "The FHA Housing Stabilization and Homeowner Retention Act."

CFP
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