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Richmond CARES

Community Action to Restore Equity & Stability

A Plan to Save Homes, Save Neighborhoods, Save Richmond

Richmond CARES

A Program to Help Rebuild Our Neighborhoods & Reboot Our Economy

Wall Street's recklessness & greed crashed the economy and left Richmond neighborhoods reeling. Predatory lending stripped families of their hard-earned wealth. The community of Richmond is stepping in to fix some of what Wall Street broke.

The City of Richmond has taken initial steps to establish a program called Richmond CARES – Community Action to Restore Equity and Stability. This Local Principal Reduction program will reduce foreclosures, improve neighborhood home values & help the local economy.

Working with homeowners who opt-in to the program, the City will buy certain troubled underwater loans that the banks are unwilling to fix and modify them to be in line with current market home values. The idea is to start with a pilot program and then expand.

IMPORTANT FACTS

- Only homeowners who choose to will be in the program – it's voluntary
- The property value of neighboring homes will benefit as foreclosures & blight are prevented and the housing market is stabilized
- The entire city will benefit from reduced blight, improved home values & increased consumer spending
- The City's private partner in this program, MRP (Mortgage Resolution Partners) has agreed to cover all costs for this program

Frequently Asked Questions

Question: Will this program take people's homes?

Answer: No. First, the program is entirely voluntary. Homeowners will "opt-in" if they think the program can benefit them. Second, the entire goal of this program is to keep people in their homes. Mortgage loans are often bought and sold many times. In this case, the City or a Joint Powers Authority (JPA) the city sets up will buy the loan in order to help the homeowner modify or refinance into a better loan with substantially reduced principal.

Question: How will the City pay for this program?

Answer: The City is partnering with private investors who have the capital to acquire the loans and cover the operational and legal costs of the program. The City would be in charge, making all programmatic decisions and designing the program, but the money would come from these investors.

Question: Will this help or hurt home values in Richmond? I'm hearing both arguments.

Answer: This program will reduce foreclosures and therefore help property values. Foreclosures have a huge negative impact on home values. Those who are saying it will hurt property values are confused. The concern stems from the incorrect belief that properties are being sold at below market value and so will factor into the "comps" – what comparable homes are selling for in the area – when the price of other homes is determined. This is not the case. These homes are not in fact being sold. The loan is being sold, or taken through eminent domain. The house itself will not be going through the sale process.

Question: Will the future cost of credit – mortgages – go up, as the opponents are saying? ✓

Answer: Wall Street is threatening this, but it would be discriminatory and illegal. There is nothing that Richmond is proposing to do that should impact the future cost or availability of credit. Richmond is using legal means to acquire the loans, paying whatever is deemed to be "fair market value" for the loans, making sure that current investors are fairly compensated and left whole.

Question: What's the risk for the City?

Answer: This program only moves forward if the City is not put at undue risk. A front-end agreement when this program started is that all costs will be covered by the outside funding partners and that they must indemnify taxpayers from legal and financial liabilities. The City and the program partners are currently working on this, to design the program in a way that will protect the City.



San Francisco Chronicle
"Almost every Richmond resident at a community meeting raised their hand to indicate their homes were underwater."

6/16/2013

Question: But wasn't the City just sued by Wells Fargo & Deutsche Bank?

Answer: The City was sued, which was always a real possibility given Wall Street's opposition. But the City is not covering the costs of dealing with the lawsuit – our outside partners have lined up a top national law firm to defend the City at no cost to us. And of course, we think Wall Street's lawsuit has no merit. The law is on our side. They filed this lawsuit because they want to scare us and other cities and they have endless money to throw at this.

Question: How valuable is this program, really? Is it worth all this trouble?

Answer: Many community leaders and elected leaders certainly think so!



Richmond neighborhoods have been devastated by the housing crisis. Property values plummeted 58%. **Half** of all homeowners owe more on their mortgages than their homes are worth. Thousands of homeowners and tenants have lost their housing due to this crisis. -Richmond's economy needs a boost! This program can give Richmond this boost by reducing debt for struggling homeowners and pumping millions back into the local economy .

ACCE (Alliance of Californians for Community Empowerment)

322 Harbour Way, #25, Richmond, CA 94801

contracosta@calorganize.org www.SaveRichmondHomes.org



Restore Community Wealth STATEMENT OF PRENCIPLES

We support advancing the program called CARES (Community Action to Restore Equity and Stability) in the City of Richmond, CA. The goal of the program is to reset underwater mortgages, prevent foreclosures, and stabilize local economies by rebuilding community wealth. The program uses the eminent domain law, if necessary, to obtain troubled mortgages.

We agree that the program should be designed to adhere to the following principles:

1. The program must not leave any homeowner worse off.
2. The primary purpose of the program must be to put homeowners into good, sustainable mortgages with reduced principal and payments that they can afford.
3. Homeowners must be able to choose whether or not to participate in the program.
4. The servicing of loans in the program must adhere to the highest standards, both during any transitional period while they are being refinanced, and in the long run. These standards must include engaging in responsible loss mitigation if loans become distressed in the future. The program design must ensure sufficient servicer capacity to meet such standards.
5. The program must be designed to benefit the community in which it takes place and the individual homeowners participating in the program.
6. The program must prioritize maximizing sustainable homeownership and community benefit and minimizing the displacement of both homeowners and tenants.
7. Homeowners and community residents must be part of the planning and decision-making process in the design of the program.
8. Local government – with input from affected constituencies including homeowners and community based organizations – must have control over the design of the program, and oversight to ensure that it adheres to goals and program rules. Local government should work to make sure that the program adheres to these principles and that any contracts/agreements with outside entities are consistent with these principles
9. The implementation of the program should not cause taxpayers to incur any significant expenses, such as the cost of acquiring underwater mortgages or the potential legal costs of defending the program or its implementation.
10. Taxpayers must be indemnified for any legal or financial liabilities arising from the program.

Signature	Title / Organization	Date
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OAKLAND

2018 OCT 30 AM 9:21

Approved as to Legality & Form

City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBERS DESLEY BROOKS, NOEL GALLO, & LARRY REID

Resolution recognizing the devastating effect of the foreclosure crisis on local communities, supporting the City of Richmond's strategy of Local Principle Reduction to assist homeowners in risk of foreclosure remain in their homes, and declaring Oakland's intention to study whether it should embark upon a similar strategy.

WHEREAS, The financial crisis has devastated local communities as nine million Americans have lost their jobs, 10 million families have owed more on their mortgages than their homes are worth, and state and local governments have faced crippling budget crises; and

WHEREAS, The City of Richmond, California was particularly hard hit by the foreclosure crisis, where roughly half of all homeowners with mortgages in the City are underwater, meaning the homeowner owes more on his or her mortgage than the home is worth; and

WHEREAS, Homeowners who are severely underwater on their mortgages are 150% to 200% more likely to default on their mortgages; and

WHEREAS, The foreclosure prevention efforts that have been implemented thus far at the local, state, or federal levels have failed to adequately address the crisis; and

WHEREAS, The City of Richmond is boldly advancing a Local Principal Reduction program to acquire underwater mortgages in private label securities at their current market values and then refinance the new loans with reduced principal in order to bring the mortgages in line with current market values; and

WHEREAS, The City of Richmond is offering to purchase the loans at fair market value, but may consider using eminent domain to acquire the loans if its offers are not accepted; and

WHEREAS, The City of Richmond would pay fair market value to the investors of the underwater mortgages even if it used eminent domain to acquire them; and

WHEREAS, The City of Richmond's use of eminent domain to acquire underwater mortgages would serve the public purpose of preventing blight and preserving the community and tax base; and

WHEREAS, Wall Street banks and the financial industry's leadership have chosen to threaten the City of Richmond and other cities who are working on this innovative program with retribution if they move forward with their plans in an effort to bully local communities into backing off from utilizing the legal mechanisms at their disposal to address the crisis and to prevent further devastation, now, therefore, be it

RESOLVED, That the Oakland City Council stands united with the Mayor and City Councilmembers of Richmond and any other city or community that attempts to utilize similar lawful methods at their disposal as they work to save homes and save neighborhoods; and be it

FURTHER RESOLVED, That the Oakland City Council calls on Wall Street banks, the Securities Industry and Financial Markets Association (SIFMA), and the Federal Housing Finance Administration which oversees Fannie Mae and Freddie Mac, to stop threatening communities with reprisals and litigation and instead work with them to negotiate principal reduction for underwater mortgages to current market values in order to stop the housing crisis, strengthen local economies and help keep families in their homes; and, be it

FURTHER RESOLVED, that as a first step towards exploring the potential applicability of the Richmond strategy to Oakland, the City Council will seek an outside expert to, at no cost, provide the City Council with an analysis that includes: 1) the number of underwater mortgage loans in Oakland that are held in Private Label Security trusts, 2) the amount of mortgage principal reduction that could potentially be provided to homeowners as a result of implementing a strategy similar to the one that the City of Richmond is advancing, and 3) the potential benefit to the community and local economy if such a strategy were to be advanced in Oakland.

FURTHER RESOLVED, That the Council President will present a letter of inquiry to the Alameda County Assessor to determine how many homeowners are currently at risk of foreclosure in Oakland; and, be it

FURTHER RESOLVED, That, upon receiving a report from an outside expert, the Council will ask the City Attorney to assess any legal risks to the City if it were to pursue the strategy; and, be it

FURTHUR RESOVLED, That before any policy change or administrative action which encourages the use of eminent domain for properties undergoing foreclosure is implemented the Council will hold a hearing to consider this policy or action.
IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS GALLO GIBSON-MCELHANEY, KALB, KAPLAN , REID, SCHAAF
and PRESIDENT KERNIGHAN

NOES-

ABSENT-

ABSTENTION -

ATTEST _____

LaTondaSimmons
City Clerk and Clerk of the Council
of the City of Oakland, California