

BUDGET & FINANCE

MOTION

The perception that homeowners losing their homes due to foreclosures are only those with bad credit or of low income is no longer accurate. The crisis is affecting communities at all levels, but working class communities are the most severely affected, as they were often explicitly targeted and preyed upon by lenders and brokers offering unconventional loans and financing options.

As the local, state, and federal governments work on resolving the current foreclosure crisis, one of the key factors that must be addressed is the modification of loans that are "upside-down." These loans must be modified to the current market value of the home, not the original loan amount, so that homeowners facing foreclosure receive true relief from the burden of the loans they were unjustly pushed into by aggressive lenders and brokers.

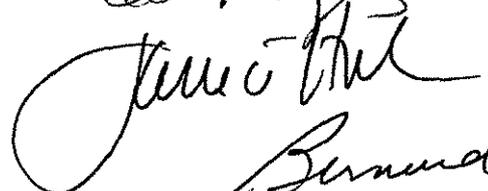
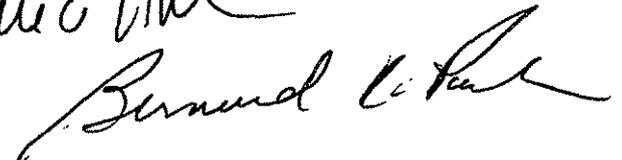
Currently, there is active pressure on financial institutions to modify loans for homeowners susceptible to foreclosure by reducing the principal to the current market value. Many financial institutions are not inclined to do this, particularly with no financial incentive. However, as with local government, financial institutions have an obligation in assisting their customers preserve the American Dream.

I THEREFORE MOVE that the CAO and CLA report within thirty days on the potential divestiture of all deposits in banking and other financial institutions that fail to cooperate with foreclosure prevention efforts that include temporary moratoriums on foreclosures, renegotiation of mortgage principles to reflect current values, and good faith negotiations with mortgagees.

I FURTHER MOVE that the City encourage a similar divestiture by its partner retirement programs – Los Angeles City Employees Retirement System (LACERS), the Water and Power Employees Retirement Program (WPERP), Los Angeles Police Protective League (LAPPL) and the United Firefighters of Los Angeles City (UFLAC).

PRESENTED BY:   
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