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CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

MEMORANDUM

Agenda Item No. 14(A)(1)

TO: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

DATE: December 18, 2007

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Resolution urging CEOs of the 25 largest sub-prime lenders to freeze foreclosures in Miami-Dade County

R-1389-07

The accompanying resolution was prepared and placed on the agenda at the request of Commissioner Audrey M. Edmonson.

R. A. Cuevas, Jr.
County Attorney

RAC/bw

MEMORANDUM

(Revised)

TO: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

DATE: December 18, 2007

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Agenda Item No. 14(A)(1)

Please note any items checked.

- ✓ "4-Day Rule" ("3-Day Rule" for committees) applicable if raised
- ____ 6 weeks required between first reading and public hearing
- ____ 4 weeks notification to municipal officials required prior to public hearing
- ____ Decreases revenues or increases expenditures without balancing budget
- ____ Budget required
- ____ Statement of fiscal impact required
- ____ Bid waiver requiring County Manager's written recommendation
- ____ Ordinance creating a new board requires detailed County Manager's report for public hearing
- ____ Housekeeping item (no policy decision required)
- ✓ No committee review

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 14(A)(1)
12-18-07

RESOLUTION NO. R-1389-07

RESOLUTION URGING THE CEOS OF THE 25 LARGEST SUB-PRIME LENDERS TO FREEZE FORECLOSURES IN MIAMI-DADE COUNTY; TO REACH OUT TO HOMEOWNERS IN FORECLOSURE; TO MEET WITH THE COUNTY TO DISCUSS LENDING AND FORECLOSURE POLICIES

WHEREAS, sub-prime lending has grown rapidly in Miami-Dade County during the last few years; and

WHEREAS, the Center for Responsible Lending estimated in a December 2006 report that one in five sub-prime loans will end up in foreclosure; and

WHEREAS, approximately 80% of sub-prime loans are Adjustable Rate Mortgages (ARMs) for which the interest rate increases after two years and then every six months after; and

WHEREAS, many borrowers with sub-prime ARMs were never given a choice between an adjustable or fixed rate or were promised a fixed rate but given an ARM; and

WHEREAS, sub-prime lenders made ARMs without regard to whether the borrower would be able to afford the payments after the rate increases; and

WHEREAS, sub-prime lenders made ARMs assuming that homeowners would refinance before the interest rate increased; and

WHEREAS, many homeowners with sub-prime ARMs have not been able to refinance due to the stagnation or decrease in home values; and

WHEREAS, more than two-thirds of sub-prime loans have prepayment penalties, compared to just 2% of prime loans; and

WHEREAS, prepayment penalties trap borrowers into sub-prime loans with high or adjustable rates; and

WHEREAS, some mortgage brokers and lenders made loans to people despite knowing that the family would not be able to afford the loan; and

WHEREAS, 46% of sub-prime loans made in 2006 required little or no income documentation; and

WHEREAS, approximately 70% of sub-prime loans were refinances for families who had already bought a home; and

WHEREAS, less than half of all sub-prime loans include taxes and insurance in the monthly payment; and

WHEREAS, many borrowers end up in foreclosure when they have to make a lump sum payment of their taxes and insurance; and

WHEREAS, these practices are commonly referred to as "predatory lending"; and

WHEREAS, these predatory loans have led to an increase in foreclosure rates which hurts the families who are losing their homes as well as the neighborhoods where there are a concentration of foreclosed homes; and

WHEREAS, these vacant homes attract crime and cost Miami-Dade County money in crime prevention and the deterioration of neighborhoods; and

WHEREAS, the mortgage industry maintains that their companies lose money on foreclosures and only foreclose as a last resort; and

WHEREAS, most Pooling and Servicing Agreements (PSAs) allow servicers to modify loans in order to make them affordable for the homeowner; and

WHEREAS, many homeowners facing foreclosure report that their servicer never offered them an opportunity for loan modification; and

WHEREAS, Freddie Mac reports that half of all foreclosed homeowners never talked with their lender,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board:

Section 1. Urges the 25 largest sub-prime mortgage lenders and servicers in the County to voluntarily suspend foreclosures of owner-occupied properties in Miami-Dade County for a period of three (3) months and make every effort during the suspension period to help their customers avoid foreclosure and remain in their homes, including modifying loans by reducing the interest rate and/or the principal to achieve an affordable monthly payment.

Section 2. Directs the Clerk of the Board to transmit certified copies of this resolution to the CEOs of the 25 largest sub-prime lenders and servicers in the County.

Section 3. Requests of the CEOs of those companies to work with Miami-Dade County and community-based organizations during the suspension period to reach those homeowners who are not communicating with the servicer.

Section 4. Requests that these lenders and servicers provide a timely response to Miami-Dade County noting whether the company will agree to the voluntary foreclosure suspension.

Section 5. Requests that those lenders, who refuse to implement the voluntary suspension, appear before the Miami-Dade County Commission to discuss the company's lending and servicing practices.

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The foregoing resolution was sponsored by Commissioner Audrey M. Edmonson and offered by Commissioner Sally A. Heyman , who moved its adoption. The motion was seconded by Commissioner **Carlos A. Gimenez** and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman	nay		
Barbara J. Jordan, Vice-Chairwoman	aye		
Jose "Pepe" Diaz	aye	Audrey M. Edmonson	aye
Carlos A. Gimenez	aye	Sally A. Heyman	aye
Joe A. Martinez	aye	Dennis C. Moss	aye
Dorrin D. Rolle	aye	Natacha Seijas	aye
Katy Sorenson	aye	Rebeca Sosa	aye
Sen. Javier D. Souto	aye		

The Chairman thereupon declared the resolution duly passed and adopted this 18th day of December, 2007. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: **Kay Sullivan**
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

Thomas H. Robertson