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

MEMORANDUM

Agenda Item No. 14(A)(2)

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 Federal Reserve Board to restrict or control use of adjustable interest rates

R-1390-07

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)(2)

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)(2)
12-18-07

RESOLUTION NO. R-1390-07

RESOLUTION URGING THE FEDERAL RESERVE BOARD TO RESTRICT OR CONTROL THE USE OF ADJUSTABLE INTEREST RATES; ELIMINATE OR RESTRICT PREPAYMENT PENALTIES; REQUIRE ESCROWS FOR TAXES AND INSURANCE FOR SUB-PRIME LOANS

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

WHEREAS, some mortgage brokers and sub-prime lenders aggressively market high-cost home loans that borrowers are unable to repay and engage in other unfair credit practices that strip retirees and working families of the equity they have in their homes; and

WHEREAS, approximately 80% of sub-prime loans have adjustable interest rates that will increase after two years; and

WHEREAS, sub-prime lenders have made these adjustable rate mortgages without regard for whether the borrower will be able to afford the payments after the rate increases; and

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

WHEREAS, approximately 70% of the sub-prime loans were refinancing loans for families who had already bought a home; 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 strip their equity; and

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

WHEREAS, many borrowers of sub-prime loans want to have their taxes and insurance included in their monthly payment, and many borrowers have been mislead to believe their payment includes taxes and insurance; 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, many families have not had an opportunity to modify their loans to make them affordable; and

WHEREAS, the federal Home Ownership and Equity Protection Act (HOEPA) instructs the Federal Reserve Board to protect consumers from predatory lending (15 U.S.C. § 1639(L)(2)) ; and

WHEREAS, any regulations issued by the Federal Reserve would have the same effect as law and would cover all mortgage lenders in the country,

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

Section 1. Urges the Federal Reserve Board to enact regulations that: A) Restrict and/or regulate the use of Adjustable Rate Mortgages in the sub-prime market; B) Eliminate or restrict the use of prepayment penalties; and C) Require the use of escrow accounts for the collection of money to pay for taxes and insurance on sub-prime mortgages.

Section 2. Directs the Clerk of the Board to transmit certified copies of this resolution to the Chairman of the Federal Reserve Board.

Section 3. Directs the County's federal lobbyists to advocate for the issues identified in section 1 above, and directs the Office of Intergovernmental Affairs to include this item in the 2008 federal legislative package.

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