

**TOWN OF FAIRFAX  
COUNCILMEMBER REPORT**

**To:** Mayor and Town Council                      **Meeting Date:** November 3, 2010

**From:** Councilmember John Reed

**Subject:** Resolution Requesting Mortgage Lenders Amend Their Home Loan Modification Programs to Better Serve Fairfax Homeowners

The current home foreclosure crisis is deepening in our Town, the County, and our larger California community. Recent statistics have 4.2 million loans now in or near foreclosure nationally. Estimates of homes lost and families uprooted since the beginning of the on-going recession are expected to reach 10 million over the next two years. (New York Times, 10/15/10, National Edition, p. A22.) Here in Marin County, 609 “Notices of Default” were recorded in the first half of this year alone. (Marin Independent Journal, 10/24/10, p. A2.) These are just the reportable numbers. They do not include the even greater number of households who are a month or two behind in their mortgage payments, or the many households current on their payments but wondering why they are sending the banks so much money for property that has become significantly devalued.

The foreclosures on these properties will, if the banks insist, ripple through the lives of our communities for years. Neighbors on each of our streets will be tossed out and away, the rest of us will see our property values decline precipitously, and our local governments will have to cut services, raise taxes, or simply fail. We have to cauterize this wound now – and quickly. Lenders must implement more flexible loan modification programs that keep homeowners in their homes, including the writing down of mortgage principal as a complement to long-term repayment with very modest rates of interest. Hiding behind the arguments that they don’t have to under the law, court rulings, or the mind-bending legal constraints of “securitized” loans has to end – now.

With so many on the edge of foreclosure, we must motivate the large lenders to adopt more flexible loan modification programs. We do this by telling the banks that if they do not change their practices to reduce significantly the number of home foreclosures, local governments, as well as unions and non-profits will respond by moving our considerable collective funds to other repositories. The Resolution for consideration takes a measured step toward this goal. Working on a model developed by the NY City Comptroller, it calls for the Town to send the attached draft letter to the five largest mortgage lenders – Bank of America, JPMorgan Chase, Wells Fargo, HSBC, and Citibank – requesting that they adjust their banking practices consistent with the larger community concerns of stable home ownership. In opening this dialogue, it both highlights the central concerns of the community, and puts the banks on notice that their current business practice regarding loan modifications has to change voluntarily or elected representatives will take defined action.

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX  
REQUESTING MORTGAGE LENDERS AMEND THEIR HOME LOAN  
MODIFICATION PROGRAMS TO BETTER SERVE FAIRFAX  
HOMEOWNERS**

Whereas, the current home foreclosure crisis is deepening in our Town, our County, and our State; and

Whereas, the continued increase in the number of home foreclosures will, if not halted, ripple through our neighborhoods, impacting immeasurably the quality of life in our communities, taking a particular toll on our children and senior citizens; and

Whereas, home foreclosures lead directly to a decrease in property values and the tax base municipalities depend upon to provide essential government services; and

Whereas, the large national banks that currently hold mortgages in the greatest number have both the responsibility and the capability to contain the home foreclosure crisis by implementing more flexible loan modification programs, including the power to reduce mortgage principal to reflect reductions in current property values; and

Whereas, local governments, as the incubators of innovative public policies have both the authority and obligation to take bold action to abate harms threatening their communities; and

Whereas, local governments, as depositors of public monies in banks can, consistent with applicable law, select financial institutions which are not participants in the current home foreclosure crisis; and

Whereas, as a measured first step the Town of Fairfax will request by letter that five of the largest lenders holding mortgages in our community – Bank of America, JPMorgan Chase, Wells Fargo, HSBC, and Citibank - amend substantially their home loan modification practices.

NOW THEREFORE, the Town Council requests that Bank of America, JPMorgan Chase, Wells Fargo, HSBC, and Citibank take immediate action to amend their home loan modification programs to better serve Fairfax homeowners, authorizes the sending of a formal letter consistent with that attached to this Resolution, and reserves the right to take additional action following receipt and consideration of each bank's response.

The foregoing Resolution No. \_\_\_\_\_ was duly introduced and adopted at a regular meeting of the Town Council of the Town of Fairfax held in said Town on the 3rd day of November, 2010, by the following vote:

AYES:  
NOES:  
ABSENT:

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Lew Tremaine, Mayor

Attest:

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Judy Anderson, Town Clerk

RESOLUTION \_\_\_\_\_ : Draft Letter

November \_\_\_\_, 2010

RE: Home Loan Foreclosure Crisis

Dear [CEO]:

Although the economy shows fragile signs of improvement, the foreclosure crisis remains unabated and continues to confound homeowners in the Town of Fairfax. It is increasingly clear that voluntary federal programs designed to encourage loan modifications are not having the full desired effect. To promote and encourage a change in the current state of loan modification efforts by the nation's largest mortgage lenders, the Fairfax Town Council adopted the attached Resolution on November 3, 2010 directing that this letter be sent to the designated banks, with further Council action to follow based on the correspondence we receive in reply.

Our nation's large institutional lenders can and must do more. Foreclosures not only force people from their homes, with the evident hardship on our neighborhoods and communities, they are having a long-term impact on our local and regional economy. It is in everyone's interest to reduce foreclosures and BANKNAME has a responsibility to revise its loan modification practices.

Accordingly, please provide the Fairfax Town Council with detailed responses to the following questions:

1. What efforts are undertaken to respond promptly to customers' requests and inquiries about loan modifications?
2. What efforts are undertaken to halt foreclosure proceedings while the bank evaluates a borrower's eligibility for a loan modification or other foreclosure prevention options?
3. What efforts are undertaken to expedite the loan modification process?
4. What efforts are undertaken to increase the number of loan modifications involving principal write-down, and to increase the number of loan modifications in which the principal is reduced to no more than the market value of the property?
5. What efforts are undertaken to work with qualified non-profit housing developers to purchase the homes of borrowers not eligible for loan modifications, and to allow the current owner or renter to remain in the property?

Given the importance of this matter, we look forward to your expeditious response no later than January 1, 2011.

Sincerely,

Lew Tremaine  
Mayor