

1 [Declaration of Intent - Explore Forming a Joint Powers Authority to Carry Out Local Mortgage  
2 Principal Reduction Programs]

3 **Resolution commending the City of Richmond for their work on creating a Local**  
4 **Principle Reduction Program and declaring San Francisco's intention to explore**  
5 **forming a Joint Powers Authority with Richmond to prevent foreclosures.**

6  
7 WHEREAS, Since the beginning of the housing crisis in 2007, more than four million  
8 families lost their homes to foreclosure leading to state and local governments facing crippling  
9 budget crises; and

10 WHEREAS, Analysis of 2010 U.S. Census data by the Pew Research Center found  
11 that between 2005 and the end of the recession in mid-2009, nationally the net worth of black  
12 households fell 53 percent, Hispanic households fell 66 percent, Asians households fell  
13 54 percent, and White families—while also showing the effects of the housing crisis—suffered  
14 a smaller, 16 percent, decrease in household net worth; and

15 WHEREAS, The housing crisis has been attributed to the creation of a “dual mortgage  
16 market” that followed the impacts of bank redlining which, just as terribly, devastated the  
17 wealth of racial and ethnic communities who were steered or limited to subprime loans that  
18 disproportionately targeted minority - especially African American - borrowers and  
19 communities because of the lack of prime loans among even the highest-income minority  
20 borrowers; and

21 WHEREAS, Numerous studies, lawsuits and settlements have documented that, even  
22 controlling for income, African-American and Latino borrowers were significantly more likely to  
23 be sold high-cost, subprime loans than whites, despite the fact that as many as 50 percent of  
24 those borrowers qualified for prime loans; and

25

1           WHEREAS, Racial inequity in lending actually increased with borrower income levels,  
2 and expanded the degree of neighborhood segregation because loans in these communities  
3 were more costly, and were frequently predatory, carried hidden fees and conditions or were  
4 marketed through deceptive practices like built-in rate adjustment features, making them  
5 unsustainable over the loan’s lifespan; and

6           WHEREAS, Hundreds of San Francisco homeowners whose loans were sold into  
7 private-label securitization trusts (“PLS loans”), which pooled these loans into trusts with many  
8 investors, are unable to access many of the foreclosure prevention programs available to  
9 other struggling homeowners; and

10           WHEREAS, PLS loans tend to be predatory loans, and an examination of these loans  
11 in San Francisco shows that 94 percent of the underwater PLS loans located in the City have  
12 some predatory feature in the terms of the original loan, such as adjustable rate mortgages,  
13 balloon mortgages, interest-only mortgages and negative amortizations; and

14           WHEREAS, PLS loans tend to be subject to pooling and servicing agreements that  
15 would require collective action by a large majority of security holders before the PLS loans  
16 may be modified or sold out of trusts; and

17           WHEREAS, Conducting such a collective action across most holders of the PLS loans  
18 historically has been difficult; and

19           WHEREAS, Approximately three hundred (300) underwater PLS loans were made on  
20 homes located in San Francisco, and these homes are particularly concentrated in San  
21 Francisco’s historically Black, Latino, and Asian working class communities; and

22           WHEREAS, Three zip codes (94124, 94112, and 94134), each with over 80% people  
23 of color, have the highest numbers of homes with underwater PLS loans that could benefit  
24 from a Local Principal Reduction program:

25

1	ZIP CODE	NO. OF HOMES	% BLACK	% LATINO	% ASIAN
2	94124	100	35.8	25.1	27.5
3	94112	85	3.5	30.2	47.9
4	94134	52	10.2	17.4	55.8

5 and

6 WHEREAS, The foreclosure prevention efforts that have been implemented thus far at  
7 the local, state, or federal levels are unable to help these homeowners with underwater PLS  
8 loans obtain loan modifications; and

9 WHEREAS, The City has an interest in reducing the number of foreclosures within the  
10 City to keep families in their homes and preserve the community and the City's property tax  
11 base; and

12 WHEREAS, The 2009 Report of the Mayor's Task Force on African American Out-  
13 Migration called for "urgent action" to reverse the "decline of middle to upper middle-income  
14 African-American households" and focus on "economic development opportunities, and  
15 housing and homeownership," going so far as to highlight that "the mortgage rejection rate for  
16 African-Americans is far above any other group, as one in every three applications by African-  
17 Americans in San Francisco is rejected," forcing many Black families into predatory PLS  
18 loans; and

19 WHEREAS, Cities and towns elsewhere in the country have considered implementing  
20 local programs ("Local Principal Reduction") to reset underwater mortgages by acquiring  
21 certain underwater mortgages for fair market value for the purpose of restructuring and  
22 modifying those loans by reducing the loan principal; and

23 WHEREAS, Cities implementing a Local Principal Reduction program may utilize their  
24 powers of eminent domain to acquire, restructure and/or modify the PLS loans located in the  
25 City to help prevent foreclosures and stabilize the City's housing market; and

1           WHEREAS, Such Local Principal Reduction programs may help prevent foreclosures  
2 and stabilize the housing market in communities where they are implemented; and

3           WHEREAS, The City of Richmond, California, is seeking other California cities to join it  
4 in the formation of a Joint Powers Authority to implement Local Principal Reduction strategies;  
5 now, therefore, be it

6           RESOLVED, That the Board of Supervisors of the City and County of San Francisco  
7 commends the City of Richmond, California for its leadership on developing Local Principle  
8 Reduction strategies to enable low and moderate income families to maintain the wealth they  
9 have invested in their homes; and

10          RESOLVED, That it is the intention of the Board of Supervisors to explore joining with  
11 the City of Richmond in the formation of a Joint Powers Authority for the purpose of  
12 implementing Local Principal Reduction and potentially other housing preservation strategies;  
13 and, be it

14          FURTHER RESOLVED, That the Board recognizes the impacts and historic misuse of  
15 the power of eminent domain in San Francisco and the adopted policy in the Bayview  
16 Hunter’s Point Redevelopment Plan (Section 1.4.5) that outlines express prohibitions and  
17 limitations on the use of eminent domain in the Bayview Hunters Point Redevelopment Project  
18 Area, and recognizes that, different from many prior uses of eminent domain, the San  
19 Francisco CARES program seeks to keep people in their homes and prevent displacement;  
20 and, be it

21          FURTHER RESOLVED, That the Board of Supervisors asks City staff and the City  
22 Attorney to work with the City of Richmond to develop a mutually agreed-upon scope of  
23 appropriate activities for the proposed Joint Powers Authority and to draft a Joint Powers  
24 Authority agreement to be brought back to this Board for final consideration.