



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

RESOLUTION NO. 120030

Introduced January 26, 2012

Councilmember Quiñones Sánchez

RESOLUTION

Calling on the Federal Taskforce of States Attorney General's negotiating a settlement with the major banks related to the mortgage crisis, not to offer any settlement that would grant banks immunity to further prosecution, and to preserve each States right to pursue legal action on the broader issues of mortgage abuse.

WHEREAS, Since 2004, the United States (U.S.) has suffered from a mortgage crisis caused by a number of factors prevalent in both the housing and credit markets, including substandard underwriting practices by lenders, the prevalence of non-traditional mortgages with low initial interest rates and an increase in private label securitization; and

WHEREAS, Since 2006, more than 3 million homes have been repossessed through foreclosure in the United States; and

WHEREAS, Nationwide as of 2010, another 2.9 million homes were in foreclosure, a 23% increase since 2008; and

WHEREAS, 22.7 percent of residential properties with mortgages are underwater, or worth less than the mortgage on the property; and

WHEREAS, Following the mortgage collapse the Federal Bureau of Investigation (FBI) increased its investigation into fraudulent activities associated with the mortgage process based on an analysis of suspicious activity reports filed by federally insured financial institutions, which increased from 6,936 reports filed in 2003 to 67,190 in 2009; and

WHEREAS, The FBI investigations and those of other law enforcement entities, such as State Attorneys General across the U.S. investigated instances of fraud related to the origination of loans, the securitization of mortgage loans by sponsor banks and the servicing of mortgages; and

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WHEREAS, In October 2010, many major banks heeded the call of attorneys, stakeholders and the judiciary by placing a moratorium on foreclosure proceedings after reports of fraudulent procedural activities surfaced, including, the failure to verify and notarize legal documents used to initiate foreclosures also known as "robo-signing", the inadequate handling of documents and the use of false titles; and

WHEREAS, Also in October 2010, 50 State Attorneys General convened an official inquiry into the robo-signing scandal; and

WHEREAS, As a result of the inquiry, a proposed settlement agreement between the 50 State Attorneys General Task Force and major banks is being negotiated which would require the banks to pay a sum to be used for homeowner loan modifications while at the same time releasing the banks from all further litigation relating to the mortgage crisis; and

WHEREAS, The 50 State Attorneys General Task Force was originally convened to analyze the robo-signing fraud associated with the initiation of foreclosure proceedings and has not conducted an adequate investigation into the bundling of mortgages into securities, including the role of trusts holding mortgages and the statements of loan pool credit quality to investors; and

WHEREAS, New York State Attorney General Eric Schneiderman has stated that the proposed settlement by the 50 State Attorneys General Task Force, which would give the major banks a broad release from all future mortgage collapse-related litigation, would restrict his office from proceeding with its current investigation and impede future investigations and or legal action taken in the area of mortgage security fraud.

NOW, THEREFORE, BE IT RESOLVED, That the Council of the City of Philadelphia, urges the Taskforce of States Attorney's General to preserve the rights of States to pursue legal action against banks involved in mortgage abuse, and instead limit their settlement to specific instances of mortgage fraud which they were tasked to address.

BE IT FURTHER RESOLVED, That an Engrossed copy of this resolution be sent to the Taskforce of States Attorney's General to express our concern about this proposed settlement.