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AN ORDINANCE OF THE CITY OF NEWARK AUTHORIZING THE USE EMINENT DOMAIN TO ACHIEVE LARGE SCALE PRINCIPAL REDUCTIONS OF UNDERWATER MORTGAGES TO KEEP FAMILIES IN THEIR HOMES AND PROTECT THE PUBLIC GOOD OF OUR CITY
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WHEREAS, the economic housing and mortgage crisis caused by the big Wall Street banks has devastated our communities**:** Nine million families have lost their homes to foreclosure; nine million Americans have lost their jobs; 13 million families now owe more on their mortgages than their homes are worth; and state and local governments that have seen their property and sales tax receipts plummet are facing crippling budget crises; and

WHEREAS, foreclosures harm all homeowners and erode the property tax base: The foreclosure crisis has caused a ripple effect where each new foreclosure brings another distressed property on the market, pushing prices lower, and harming the value of all homes within a neighborhood; and

WHEREAS, homes in foreclosure experience a 22% decline in value on average; and

WHEREAS, declining home values increase municipal budget deficits, erode the tax base placing an undue burden on property owners, and force cuts to essential local services and jobs that support communities; and

WHEREAS, resetting mortgages on underwater homes to fair market value to fix the housing crisis is critical to our economic recovery and creating jobs: The overhang of underwater mortgage debt is one of the primary drags on economic recovery. Resetting mortgages on underwater homes to fair market value would reduce foreclosures and stabilize the real estate market to create revenue and jobs in our city; and

WHEREAS, underwater mortgages are at significantly greater risk of going into foreclosure: Research shows that homeowners who are severely underwater on their mortgages are 150% to 200% more likely to default on their mortgages;

WHEREAS ,the City of Newark, New Jersey has an interest in reducing the number of foreclosures within the City to keep families in their homes and preserve the community and tax base; and the City has a responsibility to promote policies that benefit the people who live and work in our City; and

WHEREAS, it is in the public good and in the public interest for the City to keep families in their homes and preserve the community and tax base; and

WHEREAS, none of the foreclosure prevention efforts that have been implemented thus far at the local, state, or federal levels have adequately addressed the crisis;

WHEREAS, cities and towns elsewhere in the country have undertaken local programs to reset underwater mortgages by acquiring certain underwater mortgages for fair market value for the purpose of restructuring and modifying those loans by reducing the loan principal; and

WHEREAS, such programs can help prevent foreclosures and stabilize the housing market in communities where they are implemented;

NOW THEREFORE BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF NEWARK, NEW JERSEY THAT:

In order to protect the public good and the public's interest in having a stable community the City shall proceed to investigate the acquisition of underwater private label security loans whose values can be raised by writing down the principal, either through purchase or the use of eminent domain, if necessary. The purpose of this acquisition is to restructure these loans for the benefit of the borrower, the community, and the City as a whole. We instruct the Newark Department of Housing and Economic Development to issue a request for proposals within 30 days of the passage of this ordinance for a partner that will provide the funding for this project.

STATEMENT

This ordinance establishes a process through which the City of Newark may attempt to assist home owners that have mortgage loans that are greater than the value of their homes. It would permit the City of Newark to use the municipal power of eminent domain if necessary