



Legislation Text

File #: Res 1472-2008, Version: *

Res. No. 1472

Resolution calling on the U.S. Congress to pass, and the President to sign, House Resolutions 3609 and 3778, and Senate Bills 2133 and 2136, which would amend federal bankruptcy law to allow bankruptcy courts to modify the terms of home mortgages in the same manner that the courts can now modify other debt, in order to give the homeowners who have been adversely affected in the subprime mortgage crisis the opportunity to restructure their mortgages.

By Council Members Weprin, Jackson, Nelson, Gerson and White.

Whereas, According to the Center for Responsible Lending, the subprime mortgage market has placed 2.2 million families at risk of foreclosure, very few of whom will be able to sell or refinance their homes; and

Whereas, Approximately 50,000 homeowners in New York City hold subprime mortgages; and

Whereas, Holders of subprime mortgages verging on foreclosure may sometimes seek to file for bankruptcy in order to be relieved of their debts; and

Whereas, Bankruptcy filings reached almost 819,000 in 2007, and are expected to exceed one million in 2008; and

Whereas, In a bankruptcy filed under chapter 13, a debtor typically undergoes a reorganization of his or her financial obligations under the supervision of a federal bankruptcy court and retains his or her property; and

Whereas, The U.S. Bankruptcy Code currently denies bankruptcy judges authority to modify secured debts on homeowners' primary residences, but permits them to modify loan obligations to corporations or on investment properties, vacation homes and boats; and

Whereas, Over the past two and a half years, home sales have decreased 35 percent and home prices have decreased 8 percent; and

Whereas, Despite the downturn in the housing market and declining property values, lenders remain

hesitant to allow delinquent borrowers to sell their homes at a value lower than that of the mortgage; and

Whereas, Loan servicers, who have the ability to modify mortgage loans, modified only 3.5 percent of the subprime adjustable rate mortgages due to reset in the first 8 months of 2008; and

Whereas, There are several bills currently pending in Congress, including H.R. 3609, H.R. 3778, S.2133 and S.2136, which, if passed, would modify the terms of nontraditional and subprime home mortgages for borrowers who enter into chapter 13 bankruptcy; and

Whereas, If passed, H.R. 3609, H.R. 3778, S.2133 and S.2136 would permit judicial modification of debts secured by debtors' primary residences and would modify, in certain circumstances, the credit counseling requirement for debtors who have filed for chapter 13 bankruptcy; and

Whereas, H.R. 3609, H.R. 3778, S.2133 and S.2136 would also enable bankruptcy judges to modify interest rates and prepayment penalties; and

Whereas, H.R. 3609, H.R. 3778, S.2133 and S.2136 have the capacity to help hundreds of thousands of United States residents keep their homes, and would also benefit homeowners whose property values might decrease if their neighbors enter into foreclosure; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the U.S. Congress to pass, and the President to sign, House Resolutions 3609 and 3778, and Senate Bills 2133 and 2136, which would amend federal bankruptcy law to allow bankruptcy courts to modify the terms of home mortgages in the same manner that the courts can now modify other debt, in order to give the homeowners who have been adversely affected in the subprime mortgage crisis the opportunity to restructure their mortgages.

DMB
5/20/08
LS# 5005