

WHY DO BANKS FORECLOSE?

Banks foreclose instead of helping the owners renegotiate the mortgage payments because the federal bailout of the insurance companies guarantee the banks would be made whole on the mortgage if they foreclose. If they don't foreclose the banks risk not being made whole and losing money.

Our goal is to change that equation so that the banks consider the cost of keeping up property when they foreclose. That gives the bank a negative cash flow while looking for a customer. Helping the borrower might be better for the bank. The California legislature has given local government the tool to compel foreclosing banks to take care of foreclosed property.

SB1137 (A California Law passed in 2008) says:

A legal owner shall maintain vacant residential property purchased by that owner at a foreclosure sale, or acquired by that owner through foreclosure under a mortgage or deed of trust. A governmental entity may impose a civil fine of up to one thousand dollars (\$1,000) per day for a violation. Text of SB 1137 as it pertains to maintaining foreclosed property.

There are 1736 active and inactive Hayward properties listed on www.foreclosure.com/ 238 active foreclosures of which 57 are apartments or condos with apt or # in the address, 637 pre-foreclosures, 476 bankruptcies, the rest are mostly inactive (not for sale) foreclosures.

The benefits to Hayward could include:

- **Decreasing the inclination of banks to foreclose**, by making banks pay to maintain the property while vacant will make re-negotiating with the borrower a more cost effective outcome for the banks then foreclosing.
- **Increase revenue** – through collection of fines, Oakland, Richmond & Oakley do
- **Protect property values** – fewer neglected properties
- **Increase public safety** – safer maintained properties
- **Create jobs** – someone has to keep the property safe and maintain it
- **Penalize banks that neglect foreclosed property** - 😊

Oakland, Richmond & Oakley have implemented ordinances based on SB 1137 with some success. The Foreclosure Deterrent Project goal is to convince city governments to pass similar ordinances. www.trivalleydems.com/ForeclosureDeterrentProject.htm has links to best practices documents including ordinances already in place, reports, listings of cities where there are a large number of foreclosed single family dwellings and other pertinent documents including SB 1137.

Contact: Ellis Goldberg 925 451 4303 EllisG237@aol.com



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Dear Hayward City Council,

I encourage you to approve an ordinance, similar to that passed by the Richmond City Council in October of 2008, penalizing legal owners of foreclosed residential properties up to 1,000 dollars/day for failure to maintain their properties.

In Richmond, we have utilized this ordinance to fine many banks significant amounts of money. This ordinance serves as an effective tool to pressure these big banks to clean up their properties, which create blight, and subsequently blight creates crime, in our neighborhoods. The fact that we are effectively utilizing this ordinance also serves as a deterrent strategy in that banks know that we are forcing them to either clean-up their properties or pay fines; we are hitting them in the pocketbook, thus causing them to think twice about foreclosing on properties in the first place and instead work with homeowners to help them stay in their homes. If more cities pass such an ordinance, the impact on these banks will only be greater. I hope Hayward joins Richmond and other cities in this effort.

Sincerely,

A handwritten signature in cursive script that reads "Gayle McLaughlin".

Gayle McLaughlin
Mayor, City of Richmond