

Testimony of

Curtis Jones, JR.

October 24, 2008

TESTIMONY OF PHILADELPHIA CITY COUNCILMAN CURTIS JONES, JR.

BEFORE THE SENATE JUDICIARY COMMITTEE

ON

"KEEPING FAMILIES IN THEIR HOMES: HOW TO PREVENT FORECLOSURES--PART II"

Friday, October 24, 2008 10 AM

Philadelphia Court of Common Pleas, Courtroom 653

Good morning, Senator Specter and members of the Judiciary Committee. My name is Curtis Jones, Jr. and I am a member of the Philadelphia City Council representing the 4th Council District. Senator Specter is one of my constituents and I am honored to serve him as well as to have the opportunity to share with this committee my perspective on how the City of Philadelphia has been able to help stop mortgage foreclosure sales and in the process help create a mortgage foreclosure diversion program that is the first of its kind in the nation.

The importance of the Philadelphia experience is twofold. First, it was proactive and second, it was collaborative. In late January of this year I introduced, and City Council unanimously passed, Resolution 0890095 which authorized Council's Committee on Housing, Neighborhood Development and the Homeless to hold hearings on the issue of foreclosures. This resolution anticipated that the scheduled resetting of over two million sub-prime Adjustable Rate Mortgages (ARMs) over the ensuing 18 months could create a tsunami of foreclosures if something wasn't done. The hearing, which was held on February 21, 2008, brought together advocacy groups such as the Philadelphia Unemployment Project, ACORN and Community Legal Services, borrowers and representatives from our courts and the office of the Sheriff. The one weakness of the hearing was that no representatives from the lending community were present. In the upcoming weeks that led to the second Council resolution, Number 080331, which called upon the Sheriff and the Court of Common Pleas to impose a moratorium on residential foreclosure sales in Philadelphia, I began meeting with lenders to bring them into the process. It was my hope that if lenders and borrowers could agree to convert unaffordable loans into performing ones, a "win-win-win" scenario would occur--keeping homeowners in their homes, preventing the deterioration of neighborhoods and sparing lenders the costs, both in time and money, of a mortgage foreclosure sale.

I view the actions taken by Council as the beginning of a relay race. (And I would be remiss if I didn't acknowledge the groundbreaking work of my colleague Councilwoman Marian Tasco who has been a champion against predatory lending practices and who recognized the role that these unscrupulous loans play in the current foreclosure crisis.) That race was won because we vigorously ran our leg of the race, through the sponsoring of resolutions and holding hearings to focus a laser-beam on the problem. But we needed to hand the baton to other key players, the Sheriff, the Mayor and our Courts in order to see the successful creation and implementation of our Residential Mortgage Foreclosure Diversion Pilot Program. In the brief time that the Philadelphia Residential Mortgage Foreclosure Diversion Pilot Program has been in operation, almost all cases have resulted in re-worked loans. This bodes well for our city and if replicated, could pave the way toward the rebuilding of communities ravaged by foreclosures throughout our country.

Congress recently passed legislation to stem the current financial crisis that attacked Wall Street. The Philadelphia pilot program, which brings lenders and borrowers together in a court-sanctioned process to restructure non-performing loans into performing mortgages, helps Main Street. Our Residential Mortgage Foreclosure Diversion Program should be expanded into a federal program. I would suggest that there be a national suspension of residential foreclosures for 90 days, during which time an appropriate federal agency with oversight of mortgage banking regulations would help convert non-performing mortgages into performing loans. So as not to give the impression that this is a windfall for residential homeowners, the 90-day suspension period can be incorporated into the re-worked loan at the back end. Rather than wait until the borrower ends up in bankruptcy court, the Philadelphia approach helps to make an otherwise unfordable loan affordable, and saves the mortgagor the expense and effort of having to put the property up for sale, which in the current market is a lengthy process.

With strong commitment and leadership Congress can stem the flow of rampant residential mortgage foreclosures. If we can do it in Philadelphia, than I know it can work for the whole country.

Thank you for allowing me to address you and I'd be happy to answer any questions you might have.