

House Resolution 775

By: Representatives Marin of the 96th, Harbin of the 118th, Smyre of the 132nd, Fludd of the 66th, and Mosby of the 90th

A RESOLUTION

- 1 Requesting that the United States Congress pass legislation that comprehensively addresses
2 the needs of subprime consumers and eliminates unnecessary home mortgage foreclosures;
3 and for other purposes.
- 4 WHEREAS, over 7.2 million families in the United States hold subprime home mortgage
5 loans that total over \$1.3 trillion; and
- 6 WHEREAS, nearly 140,000 Georgia families have subprime home mortgage loans; and
- 7 WHEREAS, in 2008, more than 2.3 million American homeowners faced foreclosure
8 proceedings, which is an 81 percent increase from 2007, with homeowners with subprime
9 mortgages most at risk; and
- 10 WHEREAS, an estimated 36,753 Georgia families will lose their homes to foreclosure in
11 2008 and 2009; and
- 12 WHEREAS, 45 million homes, with 630,000 in Georgia, are projected to lose collectively
13 \$223 billion, and nearly \$2 billion in Georgia, in 2008 and 2009 solely due to declining home
14 values caused by foreclosures on subprime loans of nearby homes; and
- 15 WHEREAS, the estimated loss in property taxes due to this loss in property values for the
16 state and local governments in Georgia will exceed \$14.5 million, and the presence of vacant
17 foreclosed homes has been demonstrated to lead to increased neighborhood crime rates; and
- 18 WHEREAS, foreclosure prevention programs created to provide immediate relief to at-risk
19 homeowners have had limited participation by homeowners and significant "redefault" rates,
20 and a substantial number of these subprime mortgage loans will not qualify for loan
21 modification programs currently proposed by federal agencies and mortgage loan servicers;
22 and

23 WHEREAS, modified mortgages remain at risk if homeowners do not have access to
24 supplementary sources of traditional credit that provide flexibility in meeting their financial
25 obligations and build or rebuild their credit scores in order to be a part of the financial
26 mainstream and positively contribute to the economy; and

27 WHEREAS, over 40 percent of Americans are estimated to have FICO credit scores below
28 660 and are thereby considered "subprime" borrowers, and a lender's reporting of a mortgage
29 loan as delinquent by 90 days or more to credit reporting agencies will significantly lower
30 the homeowner's credit score, pushing even former prime Georgia consumers into the
31 subprime category; and

32 WHEREAS, credit scores are used in a growing number of transactions and situations, such
33 as opening and maintaining a checking account, determining eligibility for employment, auto
34 insurance, apartment rentals, connection to utilities, as well as traditional consumer credit;
35 and

36 WHEREAS, underwriting for the subprime consumer requires customized analytics based
37 on significant historical and individualized consumer data which is not part of traditional
38 prime lending underwriting, which relies heavily on credit scores designed to be broad based
39 and not reflective of subprime consumers' unique characteristics; and

40 WHEREAS, traditional lenders, because of their focus on prime consumers, lack the resource
41 commitment and data availability to prudently service and effectively lend to subprime
42 consumers; and

43 WHEREAS, nontraditional lenders have also not been able to adequately meet all of the
44 needs of subprime consumers due to their focus on certain limited products, higher funding
45 costs, and limited regulatory transparency; and

46 WHEREAS, all forms of consumer lending are being reduced dramatically, including a
47 lender-forced reduction in credit card lending that is estimated to reduce available consumer
48 credit by \$2 trillion over the next 18 months, creating the unintended consequence of further
49 disenfranchising subprime consumers from financial services; and

50 WHEREAS, without a comprehensive solution, millions of American families will be
51 tragically consigned to permanent subprime status, without any clear path to rejoin the

52 financial mainstream, further retarding the growth of our national and state economies during
53 this recessionary period; and

54 WHEREAS, since traditional methods used to service prime consumers do not sufficiently
55 meet the needs of subprime consumers, a separate financial institution is needed to meet the
56 needs of subprime consumers while encouraging, educating, and supporting the success of
57 consumers as they seek to graduate into the financial mainstream; and

58 WHEREAS, in order to create fair and equal access for essential services for many
59 hard-working consumers, Congress should enact legislation that will establish a new type of
60 federal financial institution designed expressly to meet the ongoing financial needs of the
61 subprime consumer, including restructuring subprime home mortgage loans; and

62 WHEREAS, such a financial institution should create and adopt specialized procedures,
63 policies, and programs to support its mission to help bridge subprime consumers back to the
64 financial mainstream.

65 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES that
66 the members of this body request that the United States Congress make efforts to enact
67 legislation establishing a new type of federal financial institution designed expressly to meet
68 the ongoing financial needs of the subprime consumer.

69 BE IT FURTHER RESOLVED that such a financial institution should create and adopt
70 specialized procedures, policies, and programs to support its mission to help bridge subprime
71 consumers back to the financial mainstream.

72 BE IT FURTHER RESOLVED that the Clerk of the House of Representatives is authorized
73 and directed to transmit an appropriate copy of this resolution to each member of the Georgia
74 congressional delegation.