

## House Resolution 775

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

## 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.