SAN FRANCISCO LABOR COUNCIL

Educate. Empower.

RESOLUTION ON THE FORECLOSURE CRISIS, BIG BANKS AND THEIR IMPACT ON UNION PENSION FUND INVESTMENTS

Whereas, according to the recently enacted California Homeowners Bill of Rights that was supported by the San Francisco Labor Council:

> *California is still reeling from the economic impacts of a wave of residential property foreclosures... From 2007 to 2011 alone, there were over 900,000 completed foreclosure sales...All of this foreclosure activity has adversely affected property values and resulted in less money for schools, public safety, and other public services...every foreclosure imposes significant costs on local governments, including an estimated nineteen thousand two hundred twenty-nine ($19,229) in local government costs. And the foreclosure crisis is not over; there remain more than two millions 'underwater' mortgages in California;*

Whereas, according to the National Consumer Law Center, nationally "in addition to loans already foreclosed and those now facing foreclosure, another eight to ten million mortgages are likely to default and enter foreclosure before the current crisis is over";

Whereas there has been extensive documentation nationally of abuse of the foreclosure process by big banks and other loan servicers, including the 2012 audit by San Francisco Recorder of Deeds Phil Ting that revealed more than two-thirds of foreclosure filings contained multiple legal violations.

Whereas, the intent of the two major government initiatives enacted in 2012 for relief and redress to distressed homeowners - the California Homeowners Bill of Rights and the National Mortgage Settlement by the States' Attorneys General - was to keep people in their homes and end the long chain of abusive practices by loan servicers that result in wrongful or unnecessary foreclosures;

Whereas, the San Francisco Labor Council worked with the California legislature to ensure passage of the Homeowners Bill of Rights as a means to guarantee effective protection of distressed homeowners from illegal and abusive practices by loan servicers;

Whereas, abuses against homeowners by the loan servicing industry that were to be ended by the National Mortgage Settlement (NMS) and the California Homeowners Bill of Rights (HBOR) continue according to documented reports by the California Reinvestment Coalition, the Center for Investigative Reporting and, under the NMS, by the Attorney General of the state of New York who has filed suit against Wells Fargo and Bank of America, two of the biggest loan servicing offenders;

Whereas according to recent reports in California, short sales that result in people losing their home are becoming the most prevalent form of "compliance" to the new regulatory environment under NMS and HBOR - in effect providing a method of foreclosure that skirts the intent of HBOR legislation and the Attorneys General NMS agreement;

1188 Franklin Street, Suite 203 San Francisco, CA 94109 **Phone:** 415.440.4809 **Fax:** 415.440.9297 **www.sflaborcouncil.org**

Whereas the primary mortgage servicers are those very mega-banks deemed “too big to fail” by the Treasury Department and “too big to jail” by the Justice Department - which allows them to break or skirt the law without fear of significant punishment or reprisal;

Whereas, the San Francisco Labor Council represents families and communites negatively affected by the practices of the loan servicing industry, and the same members are vested in pension funds that hold shares in the large banks as well as Mortgage Backed Securities that these large banks, as loan servicers, are contracted to responsibly represent;

Whereas the mortgage servicers - who profit from fees that are not tied to the financial disposition of the mortgaged property and are positioned to make more money from a foreclosure which results in huge losses to both homeowners and the mortgage holder than from salvaging a mortgage by loan modification - are not only failing to act in the best interest of families struggling to keep their homes but are acting against the best interests of investors in Mortgage Backed Securities (MBS) - including many union pension funds;

Therefore Be it Resolved that the San Francisco Labor Council stands with community partners working to avert foreclosures and to promote such loan modifications for distressed homeowners that benefit both the homeowners and the MBS investors; and

Be it Further Resolved that the San Francisco Labor Council supports legislation by Congress aimed to break up those banks deemed “too big to fail” and “too big to jail” that were at the center of the mortgage meltdown which threatened the entire global economy, and are continuing loan servicing abuses and systemic failure to provide relief to distressed homeowners trapped in the wake of that financial crisis and continuing deep recession; and

Be it Further Resolved that the San Francisco Labor Council calls on the Attorney General to thoroughly investigate patterns of abuse that continue under HBOR and take the strongest measures to guarantee effective compliance, including full enforcement of HBOR provisions against guilty parties; and

Be it Further Resolved that the San Francisco Labor Council calls on the Attorney General and our state legislators to consider, based on documentation of continuing abuse, amendments to the Homeowners Bill of Rights that strengthen oversight of the loan servicing industry; and

Be it Finally Resolved that the San Francisco Labor Council strongly urges local Labor Councils and the California Labor Federation to determine ways to actively use our power as pension fund investors - including the threat of divestment as shareholders in big banks - to protect the interests of our members, the health of our communities, and the financial integrity of those shares of our retirement funds invested in Mortgage Backed Securities serviced by the mega-banks.

Submitted by the Alameda Labor Council and adopted by the Executive Committee of the San Francisco Labor Council on August 5, 2013 and by the delegates of the San Francisco Labor Council on August 12, 2013.

Respectfully,

Tim Paulson

Tim Paulson
Executive Director

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