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CLARKE, OLSHOVE, GLEASON ANNOUNCE FORECLOSURE MORATORIUM LEGISLATION

Two-year 'foreclosure freeze' will help struggling consumers get back on their feet, keep their homes

LANSING—Senator Hansen Clarke (D-Detroit) was joined today by Sen. Dennis Olshove (D-Warren) and Sen. John Gleason (D-Flushing) to announce new legislation that will establish a two-year freeze on all mortgage and tax foreclosures in Michigan. The three-bill package would establish the longest period of foreclosure protection of any state in the country, while also providing important safeguards for the lending industry.

“Michigan’s foreclosure crisis is dragging down home values across the state and stifling much-needed job growth,” said Sen. Clarke. “By guaranteeing mortgage balances and requiring borrowers to continue making payments throughout the moratorium period, lenders will be protected and homeowners will get the relief they need.”

The first bill in the package allows a property owner to ask the court for a two-year stay on all foreclosure proceedings until the period of redemption. It covers both foreclosures by advertisement and judicial foreclosure. During this two-year period, the court may order the property owner to make reduced mortgage payments. In setting the amounts of these payments, the courts may consider the homeowner’s financial status and ability to pay. An accompanying bill would allow a property owner to ask the court for a two-year stay on foreclosure proceedings based on failure to pay property taxes.

“It’s important to point out that this is not just an inner-city problem or just a low-income problem,” said Sen. Olshove. “The foreclosure crisis is affecting everyone—first-time homeowners, Michigan’s middle class working families and senior citizens living on a fixed income. This may seem like a drastic proposal, but homeowners can’t afford to wait for the problem to fix itself.”

The third bill in the package will allow the Michigan State Housing Development Authority (MSHDA) to issue bonds which can be used to guarantee residential mortgage payments during the foreclosure moratorium period. This would create an added layer of protection for lenders while they work with consumers to refinance mortgages.

“The most recent figures from last week already show that the state’s first quarter foreclosure rates are up 25% over this time last year, which means the problem will only get worse if we

don't take action" said Sen. Gleason. "Foreclosures are impacting our entire economy, and we need to fix this problem now. This legislation will give homeowners a chance to get back on their feet, start making regular payments, and ultimately avoid foreclosure."

In an effort to save farms from foreclosure during the 1980s, the State of Iowa implemented a law that gives the Governor the expressed power to declare a state of emergency to halt foreclosures on various types of property. Last April, the State of Massachusetts passed a law that put in place a six month moratorium on mortgage foreclosures if people filed and claimed they were victims of unfair lending practices. This 'negotiation period' was designed to give homeowners time to negotiate better terms with their lender to prevent them from losing their homes. Two state senators in New York—one Republican and one Democrat—have also introduced a bill that would implement a one-year freeze on foreclosures.

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