

## HOUSE RESOLUTION 400

By Hardaway

A RESOLUTION to encourage the mortgage industry to adopt a systematic approach to loan restructuring that will create long-term, sustainable solutions to the subprime mortgage crisis.

WHEREAS, poor underwriting practices and abuses in the subprime mortgage market are having a significant negative impact on housing markets and the U.S. economy; and

WHEREAS, in the coming months, large numbers of subprime adjustable rate mortgages will reset to higher interest rates, placing many thousands of Americans in jeopardy of losing their homes to foreclosure; and

WHEREAS, when home foreclosures spike, the damage is not limited only to those who lose their homes; homes in foreclosure can pose costs for whole neighborhoods, as crime goes up and property values decline; and

WHEREAS, avoiding preventable foreclosures, then, is in the interest of all homeowners; and

WHEREAS, while mortgage market financial innovation led to the creation of mortgage products that put homeownership within the reach of more people, such innovation made for riskier loans – with no down payment or minimal documentation; moreover, securitization has made more capital available for mortgages, but has also created greater market complexity involving with many more market participants with oftentimes competing interests; and

WHEREAS, foreclosure is not only expensive for homeowners, but for lenders and investors alike; this expense is an incentive to avoid the costs of foreclosure by increasing the availability of affordable mortgage solutions to those homeowners struggling with their mortgages; and

WHEREAS, an integral component of any sustainable solution to this mortgage crisis, and a foundation upon which any initiative should build, is the incorporation of a continuing education and ethics training; and

WHEREAS, a change in foreclosure philosophy makes economic sense and is an appropriate, proactive response to rapidly changing market conditions; modifying loans before interest rates reset will avoid negative credit consequences for borrowers and permit them to keep their homes while making payments they can afford, and provide investors with a return that exceeds any return they would receive from foreclosures; now, therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE ONE HUNDRED FIFTH GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, that this General Assembly hereby encourages the mortgage industry to adopt a systematic approach to loan restructuring that will create long-term, sustainable solutions to the subprime mortgage crisis.