



Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: May 13, 2008
To: Chair Betsy Hodges and IGR Committee Members

Subject: Mortgage Fraud Policy Statement for Inclusion in the 2008 City of Minneapolis Legislative Agenda

Recommendation: Approve an amendment to the City's legislative agenda related to Mortgage Fraud.

Prepared by: IGR Staff

Approved by: Gene Ranieri, IGR Director

A handwritten signature in cursive script, reading "Gene Ranieri", written over a horizontal line.

Presenters in Committee: IGR Staff

Background Information:

The Minnesota legislature has enacted in 2007 and 2008 numerous laws to address the mortgage foreclosure crisis. The legislature has banned predatory lending and has modified the foreclosure process as well as providing resources for additional mortgage counselors and loans to preserve and rehabilitate foreclosed housing.

In examining the factors contributing to the increase in foreclosures, fraud including but not limited to the use of straw buyers, inflated appraisals and other practices has been identified in several cases. For example, approximately 150 foreclosures in Minneapolis can be attributed to one company while in a city on the edge of the metropolitan area a builder 130 foreclosures can be linked to mortgage fraud. In both cases company executives have been convicted of various financial crimes.

As foreclosures continue, there will probably additional cases throughout the state. Being aware of the possible increase of cases it is recommended that the following statement be added to the Affordable Housing and Homelessness Prevention section as the second bullet under priority issues:

The Minnesota legislature provide statutory authority to attorney general, city, and county attorneys to prosecute mortgage fraud and also provide the resources for the courts and prosecutors to pursue the cases in court.