

Good morning Chairman Waxman and members of the Committee. Thank you for inviting me to discuss the problem of home foreclosures in the City of Southfield, a problem that as you know is dramatically impacting cities across the country. Southfield is a racially and ethnically diverse city with a population of 80,000. We are a middle/upper-middle-class community that has long been known for having strong and vibrant neighborhoods. We are not the type of city that one would expect to have to confront serious problems with residential mortgage foreclosures. But, unfortunately, the foreclosure crisis that is spreading throughout the country has not passed us by. We currently have 500 Southfield homes in foreclosure, representing approximately 3% of our single-family residential housing stock. In our county of Oakland, by median income the fifth wealthiest county in the country, 8,000 homes went into foreclosure in 2007 and 47,000 in total in the three county Detroit metropolitan area. Not surprisingly, home values are falling throughout our region with Southfield experiencing a 3.20% decrease in 2007. We now have residents whose mortgage balances exceed their home values and they are simply abandoning their homes rather than going through foreclosure. Even though we have already reached a critical level, the bad news is that the situation is likely to get worse. With a wave of adjustable rate mortgage resets expected this year the number of foreclosures is certain to accelerate. The negative impact of these mortgage foreclosures and the vacant homes that result is felt by cities in many ways:

- Homes and landscaping are not maintained, adversely affecting a neighborhood's appearance.
- Vacant homes attract criminal activity, necessitating increased police surveillance and reducing the sense of security for neighboring residents.
- These homes become attractive nuisances for children.

- Foreclosed and vacant homes frequently require immediate attention from public works because of burst pipes or other dangerous building conditions.
- Vacant homes are potential fire hazards.
- Foreclosed homes drive down property values in a neighborhood.
- These homes result in a loss of property tax revenues for a city while at the same time causing an increase in a city's expenditures.
- Foreclosed and vacant homes erode the fabric and morale of a neighborhood.
- Foreclosed homes result in disruption to families with the associated financial, social and emotional consequences.

In a word, foreclosed and vacant homes are a cancer in a city's neighborhoods.

In Southfield, we are using our best efforts to deal with these problems. As soon as we identify a foreclosed and vacant home it is immediately inspected to ensure that it is secure. If not, we secure it, including boarding the home if necessary. We check to see if the utilities are operable and, if they are not, we shut off the water to avoid freezing pipes. We identify the mortgage lender from the foreclosure posting so that we have an entity to hold accountable if the property is not maintained. This information is put into our database and we then re-inspect the homes on a monthly basis. A list of these properties is provided to our police department so they can increase police patrols in the neighborhoods in which they are located. With our City's tax revenues already diminished by declining property values and by economic conditions which have caused a reduction in state aid the cost of these efforts is an untimely burden on the City's budget.

Notwithstanding our efforts to deal with foreclosure related issues on a local basis, it is clear that this crisis must be dealt with on a larger scale. I joined the U.S. Conference of Mayors last November for a home foreclosure summit in Detroit. We met with representatives from the

mortgage industry to discuss our concerns. The bottom line was that we told the industry they had to respond aggressively with loan modifications out of their own enlightened self-interest and on behalf of the 2 million American families that are predicted to face foreclosure in 2008. The Mayors convened again in January and requested Congress to take several actions including providing community development block grant funds to help cities monitor and maintain foreclosed and vacant homes; reforming the Federal Housing Administration so that it can help more homeowners in trouble; and increasing the funding for housing counseling agencies.

Finally, let me say that as a mayor, one of my greatest fears is the negative impact foreclosures will have on the tax base of local governments. The ad valorem property tax is the principal source of revenue for cities, counties and school districts throughout the country. Revenue which is used to fund municipal budgets for schools, parks, libraries, police stations, fire stations, hospitals, and maintenance of sewers, roads and bridges. If foreclosures lead to a continued and prolonged decline in property values with a corresponding decrease in tax revenues, the level and quality of the essential public services local governments provide will inevitably decline. And thus, while local officials who serve on the front line, continue to address foreclosure related issues at home, the federal government needs to act swiftly and decisively to confront this growing crisis on a national level. Thank you.