NLC RESOLUTION #___

NLC RESOLUTION URGING THE DEVELOPMENT OF A CRITERIA FOR NEIGHBORHOOD PREFERENCE AS AN ANTI-DISPLACEMENT TOOL

WHEREAS, federal Fair Housing Act does not allow for any lender, landlord, or housing provider to institute policies or practices that could negatively affect a protected class (race, color, religion, national origin, sex, disability, and familial status); and

WHEREAS, many cities have the affirmative duty to further the Fair Housing Act which includes but not limited to anti-displacement mechanisms; and

WHEREAS, many cities have communities with diverse population of many races, colors, and national origin who have often chosen to live in communities that are like their own race, color, or national origin; and

WHEREAS, in many cities, certain communities, primarily communities of color, are facing gentrification leading to displacement of longtime residents to less desirable areas of the city or displaced entirely from the community; and

WHEREAS, in many communities facing gentrification by market and unaffordable housing, the only source of new housing affordable to the low-income residents is government subsidized housing; and

WHEREAS, the Fair Housing Act does not allow any preference to be given to residents of gentrifying communities being displaced upon the construction of a new housing affordable to low-income residents of that community; and

WHEREAS, if the residents could have preference to these better and safer affordable housing structures recently developed in their communities, the residents would be able to vacate the deteriorating structures which are the only ones they can afford, allowing for the redevelopment of the properties; and

WHEREAS, cities have a legitimate interest in protecting long-term residents as long term residents are often engaged positively in the community, provide community stability, and stability often lends to less crime; and

WHEREAS, neighborhood/community preference is a very powerful anti-displacement tool which operation (interpretation) of the Fair Housing Act has taken away from municipalities:

NOW, THEREFORE, BE IT RESOLVED that NLC urges the Secretary of the Department of Housing and Urban Development (“HUD”) give municipalities guidance as to how a Fair Housing marketing plan can be set up with a neighborhood preference that will be acceptable to the department; and

BE IT FURTHER RESOLVED that such guidance can include demographic parameter’s such as percentage of minorities in a neighborhood, percentage of displacement over the last five years, fair market rent as a percentage of low-income residents and a percentage limit of the local preference.
NLC RESOLUTION #___

NLC RESOLUTION SUPPORTING LOCAL AUTHORITY TO CERTIFY AND REGULATE RESIDENTIAL RECOVERY FACILITIES (SOBER HOMES)

WHEREAS, in 2008, Congress passed the Mental Health Parity and Addiction Equity Act, which made available additional insurance benefits to people with substance abuse disorders; and

WHEREAS, the passage of the Affordable Care Act in 2010 authorized adults under the age of 26 to use their parents’ insurance, required insurance providers to cover pre-existing conditions, and guaranteed coverage despite multiple drug relapses; and

WHEREAS, an unintended consequence of the aforementioned benefits has been the unplanned and rapid growth of “sober homes” in cities where local authority over residential recovery facilities is limited by federal statute; and

WHEREAS, there is little government oversight of the recovery residence industry beyond voluntary standards that are essentially self-policed; and

WHEREAS, many sober homes are operating today without minimum standards, resulting in the warehousing of patients in substandard housing that encourages anything but sobriety; and

WHEREAS, the number of sober homes operating in cities across the country is unknown because there is no mandatory registration at any level of government; and

WHEREAS, the United States Supreme Court has recognized that reserving land for single-family residences preserves the character of neighborhoods, securing “zones where family values, youth values, and the blessings of quiet seclusion and clean air make the area a sanctuary for people” (City of Edmonds v. Oxford House); and

NOW, THEREFORE, BE IT RESOLVED that NLC supports federal legislation that recognizes local authority to limit and regulate residential recovery facilities in areas zoned residential; and that requires residential recovery facilities to obtain an operating license and meet minimum consumer protection standards.
NLC RESOLUTION ENCOURAGING THE U.S. SMALL BUSINESS ADMINISTRATION TO
SUPPORT AND EXPAND SMALL BUSINESS DEVELOPMENT CENTERS

WHEREAS, many out-of-work Americans traditionally turn to entrepreneurship as a result of their
unemployment; and

WHEREAS, entrepreneurs and small businesses need access to loans and other assistance to grow their
businesses; and

WHEREAS, the Small Business Administration (SBA) and Minority Business Development Agency (MBDA)
are government agencies that provide support to entrepreneurs and small businesses in the form of government-
backed loans to qualifying businesses and provide counseling, training, and technical assistance through Small
Business Development Centers (SBDCs) and MBDA Business Centers (MBDCs); and

WHEREAS, SBDC/MBDC Programs are designed to deliver up-to-date counseling, training and technical
assistance in all aspects of small business management; and

WHEREAS, small businesses are vital to job creation; and

WHEREAS, SBDCs must be more readily available to entrepreneurs and small businesses; and

WHEREAS, women- and minority-owned small businesses greatly benefit from the SBA backed loans and
assistance provided by SBSCs and MBDCs; and

WHEREAS, SBSCs and MBDCs are deeply underfunded and therefore can only address the need of a small
percentage of small businesses and entrepreneurs; and

WHEREAS, the National Black Caucus of Local Elected Officials, a constituency group of the National
League of Cities, has endorsed this resolution.

NOW, THEREFORE, BE IT RESOLVED that the National League of Cities calls on the U.S. Small
Business Administration and the Minority Business Development Agency to expand programs supporting small
and very small businesses to promote economic growth and job creation; and urges the U.S. Small Business
Administration and the Minority Business Development Agency to provide adequate funding to SBDCs to
assist more small businesses across the country to obtain capital, training, and technical assistance leading to the
creation of more jobs across the country.
NLC RESOLUTION #___

NLC RESOLUTION ENCOURAGING THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) TO ADOPT STRONG RULES TO STOP THE SHORT TERM, HIGH COST LOAN DEBT TRAP

WHEREAS, the National League of Cities endorsed the creation and mission of the U.S. Consumer Financial Protection Bureau (CFPB); and supports CFPB policies that protect consumers from predatory loan products such as payday loans and title loans that disproportionately impact racial and ethnic minority communities; and

WHEREAS, many short term, small dollar loans, including payday loans, tend to be associated with exorbitant interest rates and other high cost, wealth stripping fees. They are heavily marketed and targeted to African Americans, Latinos and low-wealth families traditionally underserved by the mainstream banking system in a process often referred to as “predatory lending”; and

WHEREAS, studies have repeatedly shown that the wealth-stripping effects of predatory lending practices have a disproportionate impact on African Americans, Latinos, and low-wealth families, robbing households of hard-earned wages and savings that could otherwise be reinvested into local neighborhoods and communities; and

WHEREAS, the use of these predatory products is associated with higher incidences of credit delinquency, delayed medical care, bank overdrafts and account closures, and bankruptcy; and

WHEREAS, short term, small dollar lenders including payday and car title lenders collect over $7 billion in penalties and fees from borrowers on an annual basis; and

WHEREAS, the typical average cost of these loans is 300% annual interest or its equivalent in fees; and

WHEREAS, high-cost, small-dollar lenders make loans that are structured to last for months or years at these high-costs, with continual refinancing and high- defaults; and

WHEREAS, many high-cost, small-dollar lenders do not assess a borrower’s ability to repay a loan, considering both income and expenses, and in fact intentionally rely on the unaffordability of these loans to extract huge profits from borrowers stuck in the debt trap cycle; and

WHEREAS, the average payday loan borrower is trapped in more than 8 payday loans per year, and the average car title loan is refinanced 8 times. Many borrowers are unable to afford to repay the original loan plus interest; the result being that they become entangled in a debt trap cycle which is the main source of financial gain for payday lenders; and

WHEREAS, 14 states and the District of Columbia have enacted strong state laws that effectively enforce a rate cap to protect against triple-digit interest rate payday loans; and

WHEREAS, as advised by the U.S. Department of Defense, Congress enacted the Military Lending Act, containing a 36% rate cap on consumer credit, which extends to payday, car-title, and installment loans to active duty Service members and their families; and

WHEREAS, 36 states lack meaningful regulation to protect against triple-digit interest rate payday loans, and 21 states permit high-cost car title lending; and
WHEREAS, subsequent to extensive research of payday lenders, the CFPB is currently engaged in the rule-making process for rules that have the potential to end the debt trap created by unaffordable high-cost, small-dollar loans by ensuring that lenders require that borrowers have an ability to repay their loans; and

WHEREAS, the National Black Caucus of Local Elected Officials, a constituency group of the National League of Cities, has endorsed this resolution; and also strongly condemns abusive, predatory, wealth-stripping lending practices in whatever form and wherever they exist, particularly those that disproportionately prey on communities of color and low-wealth families.

THEREFORE, BE IT RESOLVED, that the National League of Cities encourages the CFPB to adopt strong rules to protect consumers across the country, requiring high-cost small-dollar lenders to ensure loans are affordable when considering borrowers’ income and expenses, and to ensure the loans can be repaid without refinancing or defaulting.
NLC RESOLUTION #___

Resolution Urging the Department of Housing and Urban Development to Enact Safeguards Against Abuses in Contracts for Deeds.

WHEREAS, the National Black Caucus of Local Elected Officials (NBC-LEO) strives for equality of social and economic rights of all persons through pursuing enactment of federal, state, and local laws securing civil rights; and

WHEREAS, since the subprime housing crisis (2007 to 2009) African-American household wealth has continued to decrease, producing a loss of forty percent of non-home-equity wealth. Additionally, home-equity wealth, which dropped nineteen percent during the crisis, has declined an additional thirteen percent; and

WHEREAS, because most families desire to become homeowners, over three million families have entered into a Contract for Deed in pursuit of their ambitions of homeownership. A Contract for Deed is a seller finance method to purchase a home where the seller retains the legal title to the property until the homebuyer finishes paying all principal payments and interest owed under the contract. Contracts for Deeds are used by low-income homebuyers who are unable to obtain a traditional mortgage or financing because of poor credit ratings, inadequate income or other issues; and

WHEREAS, Contracts for Deeds allow the seller to avoid health and safety regulations, and crucial repairs to the property, while transferring the burden of property taxes, property insurance, and repairs to the homebuyer; and

WHEREAS, in comparison to renting, the homebuyer must pay more per month for the property under Contracts for Deeds, make a larger upfront payment, and take better care of the premises, because the homebuyer believes he or she will eventually become the homeowner. However, sellers rarely end up transferring the title to the prospective homebuyer; and

WHEREAS, Contracts for Deeds are often consummated between the homebuyer and the seller without the benefit of a title searches and title insurance, government regulatory protections and standardized legal documents in many states including Texas, Illinois, Michigan, Minnesota, West Virginia, South Dakota, Ohio, South Carolina, and Florida; and

WHEREAS, investment firms (“Investors”) that acquired land during the recent recession use Contracts for Deeds to target vulnerable people—largely low income minorities—who either: (1) are unable to fully comprehend the risk associated with a Contract for Deed; or (2) lack the financial means to satisfy the contract; and

WHEREAS, Investors use Contracts for Deeds to “sell” homes requiring major repairs to low-income homebuyers; these repairs are made necessary due to: (1) physical damage (drywall damage, broken windows, wood rot, and damaged roofing); (2) biological contaminants (black mold); (3) structural problems (foundational issues); and (4) missing or improperly functioning building systems (electrical wiring, water pipes and furnaces); and

WHEREAS, the Investors typically include in a 30-year Contract for Deeds provisions that require the homebuyer to: (1) pay an interest rate in excess of nine percent; and (2) bring the property to a habitable condition within four months of the contract. These terms force low-income homebuyers to devote large amounts of money into properties to satisfy the contracted provisions, on top of large monthly payments with exceptionally high interest rates; and
WHEREAS, investors promptly seek to evict the homebuyer for violating the contract once the homebuyers fail to bring the house up to a habitable standard in the brief time frame or afford payments pursuant to the contract. Moreover, investors include in the Contract for Deed a one-sided clause for compulsory binding arbitration to avoid homebuyers’ consumer protections from being adjudicated in a court of law; and

WHEREAS, the eviction causes the low-income homebuyer to lose rights to the home and all capital spent on the property prior to the eviction. The seller retains the title to the property, income paid pursuant to the contract, and improvements the homebuyer was able to afford. The seller is then able to enter into a new contract for deed with a new prospective homebuyer and continue the cycle of contracting and evicting; and

WHEREAS, the proliferation and abuse of Contracts for Deeds presents the risk of creating yet another large drain on African-American wealth comparable in impact to the housing finance abuses that brought about the 2007-2009 subprime crisis.

THEREFORE, BE IT RESOLVED, that the NBC-LEO condemns the use of Contracts for Deeds to exploit low-income homebuyers; and BE IT FINALLY RESOLVED, that the NBC-LEO requests the Department of Housing and Urban Development, the Department of Veterans Affairs, and the Rural Housing Service of the Department of Agriculture to enact regulations and safeguards against predatory uses of Contracts for Deeds, and to prohibit the practice of using Contracts for Deeds to unjustly evict low-income families from their homes.