Moratorium NOW! Coalition's response to Detroit Emergency Manager Kevyn Orr's Financial and Operating Plan, issued on May 12, 2013

Detroit Emergency Manager Kevyn Orr's May 12, 2013 Financial and Operating Plan acknowledges that it is the massive debt service imposed on Detroit by the banks and financial institutions that is the source of the financial crisis that is strangling the city.

Orr reported that the city had negative cash flow of $115.5 million in fiscal year 2012. But his report reflects that the entire deficit is accounted for by debt service payments to the banks.

Orr's report notes that in 2013 the city is paying $139.9 million in interest on its debt to the banks. The largest percentage of that interest is in pension obligation certificates including swaps which totals $78.9 million, which are nothing but robbery by the banks and financial institutions as explained below. In addition, for 2013 the city is paying an additional $105.8 million in debt principal. According to the report, debt service, principal plus interest, amounts to 19.3% of the city's budget.

Even Orr had to acknowledge that renegotiating the city's massive debt to the banks is critical to resolving Detroit's financial crisis. But as Emergency Manager, under the law, he is mandated to guarantee the payment of debt service to the banks,. He is in power to serve the banks and any talk of "renegotiating the debt service" by Orr is a sham to cover up his real job, to gut city services and sell off city assets on their behalf. In contrast to mandating payment of debt service, Orr is empowered under the law to break every contract that benefits Detroit's workers and residents.

Orr has made clear that he is looking at bankruptcy as his ultimate move. Why? Because only in bankruptcy can he go after the City workers' pensions, which are the real target in "financial reform".

Orr's report covers up the fact that these same banks who now claim first lien on the city's tax dollars are in large part responsible for the economic destruction of the city. They drove 237,000 residents out of the city through the foreclosure of approximately 100,000 homes between 2005-2010 which was a product of their racist, predatory lending policies. They then imposed predatory loans and "interest rate swaps" on the city itself, locking the city into high interest rate payments to the banks at the precise moment when the actual interest rate paid on the bonds was sinking to near zero. The difference in these two amounts is pocketed by the banksters as profit while city services and jobs are decimated to make the payments.

We say that the banks who destroyed our communities must be made to pay for the financial catastrophe they caused. The City of Detroit should immediately place a Moratorium (Halt) on all debt service payments to the banks. We need to restore and expand city services, not see them gutted. City workers have taken too many concessions already and pensions must be guaranteed. The banks owe us billions of dollars for the destruction they have caused, and must be remade to pay for the reconstruction of our communities.

We can win these demands – not by relying on the emergency manager or any politicians, but mobilizing to fight back. We are calling for a massive demonstration when EM Orr gives his statutory public presentation within the next 30 days. Contact the Moratorium Now! Coalition at 313-680-5508 to get the time and place for this demonstration after the details of Orr's presentation are announced.

For more information visit our websites at moratorium-mi.org and Detroitdebt moratorium.org. We will send a representative to your church or community organization/union to present our power point presentation on the how the banks caused the financial crisis in Detroit, composed in part of a first hand analysis of Detroit's bond deals obtained through a FOIA lawsuit.

Orr's report and an analysis of Detroit's bond deals reflects the following:

- The city is paying the banks a fixed interest rate of over 6.3% a year on the pension swaps, while the city pays the banks the actual interest rate for the bonds, .3% plus Libor, which as of April 2013 was only .57% (.3% plus Libor). The difference in these two interest rates, which according to a study by SEIU amounts to about $100 million per year, amounts to profit off our tax dollars for the same banksters who destroyed our city. Without this swap robbery, there would be no deficit.
- Detroit is not the only city which was victimized by interest rate swaps like this. They are a product of direct fraud by the banks, which manipulated the LIBOR rate to their advantage, as well as the fact that interest rates on loans to the banks by the Federal Reserve are at virtually 0% interest rate. This is a part of continuing the bail out of the banks after they almost collapsed due to their massive mortgage fraud.
- The negative value of the interest rate swaps on the city's 8 pension obligation certificates amounts to $377 million. The city is already on the hook for payment of that amount based over a 7 year period based on termination event announced in 2012, which diverts and withholds casino revenues pending such payment.
- The naming of an Emergency Manager automatically triggers another termination event on the city's interest rate swaps, which means that because of the naming of the EM the City of Detroit is on the hook for an immediate $474 million to the banks. This is based on the city paying a 9% interest rate on its $1.5 billion in interest rate swaps.
- While the State of Michigan is flush with cash based on cutting social services and unemployment benefits while raising taxes on pensioners and the poor, it has reduced revenue payments to Michigan's cities by about 50% over the past 10 years. Detroit's revenue sharing from the State of Michigan decreased from $334 million a year in 2002 to $173 million in 2012. And this reduced revenue sharing actually goes to the banks, to pay off debt service on any state backed bond for the city.
- In 2012, Detroit paid the County $82 million in chargebacks on property tax revenues to Wayne County, which amounts to the difference the county collects on selling tax foreclosed properties relative to the amount actually owed. About the half these chargebacks are on bank owned properties. In addition, the state is sitting on over $200 million in federal funds available to pay delinquent property tax bills, which could be used to stop all tax foreclosures and would eliminate the charge backs all together.

Issued by Moratorium Now! Coalition to Stop Foreclosures, Evictions and Utility Shut-offs

5920 Second Avenue, Detroit, MI 48202

313-680-5508 – moratorium-mi.org DetroitDebtMoratorium.org