

MORATORIUM ON FORECLOSURES FACT SHEET

Under Michigan law (MCL 10.31), during times of great public crisis or emergency, either upon application of the mayor of a city, sheriff of a county, or the commissioner of the Michigan state police or upon his or her own volition, the governor may proclaim a state of emergency and designate the area involved.

After making the proclamation or declaration, the governor may promulgate reasonable orders, rules, and regulations as he or she considers necessary to protect life and property or to bring the emergency situation within the affected area under control.

According to Wayne County Treasurer's office, as of March 10, more than 10,000 owner occupied homes in Detroit alone are facing tax foreclosure effective March 31, 2015, with thousands more going into foreclosure in May due to reverter. This is a State of Emergency.

Even before these foreclosures, Governor Snyder declared that Detroit was in a State of Emergency, precipitating the appointment of the Emergency Manager and bankruptcy.

THE FUNDS ARE SITTING IN LANSING TO STOP THESE FORECLOSURES.

According to the January 2015 Helping Michigan's Hardest Hit Homeowner report, \$251 million of the \$498 in federal Helping Hardest Hit Homeowner funds that were provided to Michigan in 2010 remain unspent.

These funds could be used to pay off delinquent property tax bills for occupied homes and prevent the thousands of foreclosures which will further destroy our neighborhoods.

Release of these funds will not only stop the destruction of our communities, but go a long way to resolving the financial crises in Wayne County and Detroit which in large part is a result of declining revenues as a result of tax foreclosures.

THE WAYNE COUNTY TREASURER SHOULD IMMEDIATELY STOP THE TAX FORECLOSURES, AND JOIN WITH THE SHERIFF, MAYOR AND CITY COUNCIL IN DEMANDING THAT GOVERNOR SNYDER PLACE AN IMMEDIATE MORATORIUM TO HALT PROPERTY TAX FORECLOSURES.

While the Moratorium is in effect, we can fight to get the Helping Hardest Hit Homeowner funds released to meet the immediate crisis, and develop long term solutions so this crisis never occurs again!

A MORATORIUM ON FORECLOSURES IS LEGAL AND HAS BEEN DONE BEFORE DURING PERIODS OF CRISIS.

During the 1930's, the State legislature utilized its emergency powers to pass the Mortgage Moratorium Act, Act No. 98, Pub. Acts 1933. The Act extended the redemption period during which homeowners could not have their property taken from them after foreclosure from six months, to 5 years. In *Russell v. Battle Creek Lumber Co.*, 265 Mich. 649, 649-650 (Mich. 1934), the Mortgage Moratorium Act was upheld as constitutional by the Michigan Supreme Court based on the U.S. Supreme Court decision in *Home Building & Loan Ass'n v. Blaisdell*, 290 U.S. 398 (54 Sup. Ct. 231, 88 A.L.R. 1481), which upheld a similar moratorium passed in Minnesota.

CHARGEBACKS – According to the City of Detroit’s most recent Comprehensive Annual Financial Report (CAFR), during the year ended June 30, 2013, approximately \$163 million of delinquent property taxes receivable was transferred (sold) to the County, and \$117 million was charged back to the City from prior year sales. **As of June 30, 2013, the City has recorded an approximate liability of \$72 million (\$25 million in the General Fund, \$28 million in the Non-Major Governmental Funds, and \$19 million in the Water and Sewage Disposal Funds) for the estimated amount of property tax receivables sold to the County that will be charged back in future years.** (Chargebacks consist of the difference in the amount the county pays the city when it “purchases” the unpaid property taxes in a given year for the purposes of collection and charging interest on them, and the amount the county recovers when its sells the home at tax foreclosure. The city is charged back the difference -- i.e. county pay city \$4000 for unpaid property taxes on home – sells the home for \$500 at tax foreclosure – city is charged back \$3500 which becomes a liability in the year the chargeback occurs.)

PROPERTY TAX DECLINE -- According to the Detroit Free Press, March 22, 2015, property tax revenues for Wayne County have declined \$200 per year since 2007.

Issued by the Moratorium NOW! Coalition to Stop Foreclosures, Evictions, and Utility Shutoffs
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