



The United States Conference of Mayors

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For Immediate Release
November 27, 2007

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MAYORS' REPORT: FORECLOSURE CRISIS HITS METRO AREAS' ECONOMIES, SLOWS GDP, JOB GROWTH & TAX REVENUES

Mayors Convene Meeting With Mortgage Industry & Community Groups To Identify Solutions For Reducing Foreclosures & Helping Borrowers

Detroit, MI – The U.S. Conference of Mayors unveiled today an economic impact report on the foreclosure crisis that forecasts sharp losses in the growth of gross domestic product and projects economic output losses for 361 metro areas -- referred to as gross metropolitan product (GMP). The total GDP growth loss equals \$166 billion, with the combined economic loss of the top ten metro areas exceeding \$45 billion.

Prepared by the respected economic and financial analysis firm Global Insight, the report projects that the foreclosure crisis will result in 524,000 fewer jobs being created next year and a potential loss of \$6.6 billion in tax revenues in ten states. While the report stops short of forecasting a recession, 128 metro areas will be pushed into a “sluggish” GMP growth of less than 2 percent in 2008. Growth will be cut by more than a third in 65 metro areas and by more than a quarter in 143 metro areas. The largest metro, New York, loses over \$10 billion in 2008 economic output as a result of the mortgage crisis, followed by Los Angeles (\$8.3 billion), Dallas (\$4.0 billion), Washington (\$4.0 billion), and Chicago (\$3.9 billion). A list of GMP losses in all 361 metro areas is included in the report, which can be found at www.usmayors.org.

“Not that long ago economists said housing was the backbone of our economy,” said USCM President Douglas Palmer, Mayor of Trenton, NJ, at a meeting of mayors, mortgage industry representatives and community advocacy groups at the MGM Hotel in Detroit.

“Today the foreclosure crisis has the potential to break the back of our economy, as well as the backs of millions of American families, if we don’t do something soon. We must

not let the economic numbers mask the face of this tragedy – the families who are struggling to pay their mortgages and stay in their homes,” said Palmer.

Detroit Mayor Kwame Kilpatrick, who hosted the day-long meeting, told participants:

“We’ve all seen the headlines and read about how Wall Street is being impacted, but at the local level, Mayors are on the frontlines everyday and our constituents are looking to us for solutions.”

“The foreclosure crisis is no longer just about mortgages, entire neighborhoods are being negatively affected on several levels. This issue is now the number one economic challenge of many major American cities.”

The report, entitled **The Mortgage Crisis: Economic and Fiscal Implications for Metro Areas**, found that weak residential investment, lower spending and income in the construction industries and curtailed consumer spending resulting from decreased home equity will have “multiplier effects” on the nation’s economy. Other report findings include:

- The foreclosure crisis alone will reduce home values by an additional \$519 billion in 2008, bringing the total forecast of lost equity for the nation’s homeowners to \$1.2 trillion.
- In 2008, the economy will grow at a rate of 1.9%, a full percentage point lower than would have been the case without the mortgage crisis.
- Foreclosures will increase by at least 1.4 million in 2008; these homes represent a market value of \$316 billion.
- In ten states, representing a cross section of the U.S., the aggregate loss in tax revenue will equal \$6.6 billion. (See Table 3 in report.)
- Home price declines across the U.S. will average 7% in 2008, ranging as high as 16% in California.
- Consumer spending will slip to 2% growth, well below a 3.1% gain in incomes.
- Housing starts will continue to decline until the second quarter of 2008, when the annual rate housing starts will be just 800,000, a drop of almost 20% from current levels.
- Sales of existing homes also will continue to fall by another 10% in 2008.

The report’s release headlined an USCM-sponsored meeting of mayors, mortgage industry representatives and community advocacy groups to discuss immediate solutions to help mitigate the projected economic distress by reducing the number of foreclosures,

helping borrowers facing foreclosures now and stabilizing neighborhoods suffering from vacated, foreclosed properties.

One solution announced at the meeting included a partnership between USCM and the Mortgage Bankers Association of America to create a free, online database that will list the owners and/or servicers of foreclosed properties. This database will help local officials identify the entity legally responsible for maintaining vacated, foreclosed properties.

Both Kilpatrick and Palmer said mayors must urge borrowers to contact lenders and local counseling agencies to help them modify their loans so they can avoid foreclosure. Mayors also should urge local lenders and loan servicers to be responsive and flexible with borrowers.

During the meeting, participants worked from a document prepared by the U.S. Conference of Mayors that included proposals and recommendations to do the following:

- Organize ad campaigns to inform borrowers about counseling services to modify loans;
- Increase the number of counselors available to borrowers;
- Reform the Federal Housing Administration so the federal agency can help more borrowers;
- Protect and maintain foreclosed properties;
- Educate young people about housing loans;
- Support legislation to end predatory lending and prevent loan abuses in the future.

Palmer said the USCM would release a final set of recommendations at its winter meeting in Washington, DC from January 23-25, 2008.

For a copy of the economic impact report, visit www.usmayors.org.

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