

1. The City of Memphis and Shelby County, Tennessee are facing an unprecedented crisis of residential mortgage foreclosures. Over the past seven years the number of foreclosure notices published increased from 4,609 in 2000 to 12,926 in 2008. This is a 180% increase. The number of foreclosure notices and the number of foreclosure sales has been trending upward at an alarming rate since 2000. See Table One, below:

TABLE 1: Foreclosure Notices and Foreclosure Sales in Shelby County, Tennessee: 2000 through 2008 (Source: Chandler Reports)

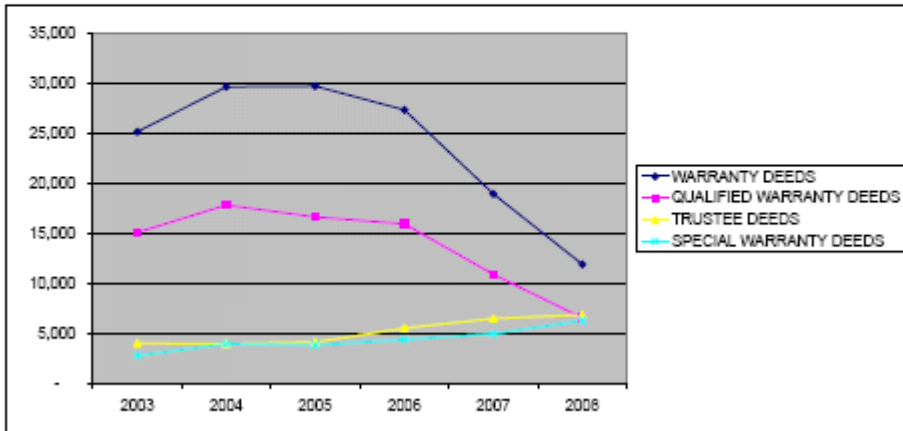
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Foreclosure Notices (fcn)	4,638	5,079	6,692	7,301	7,326	8,292	10,579	11,968	12,926
Foreclosures (fc)	No data	No data	No data	3,743	3,424	3,862	5,362	5,942	6,374

According to figures from the Shelby County Tax Assessor’s office, there were more foreclosures and “distressed” sales (represented by “Trustee’s Deeds”) in Shelby County in 2008 than “arm’s length” sales (represented by “Qualified Warranty Deeds”) between willing sellers and willing buyers. See Chart One, below:

CHART ONE: DEED TREND ANALYSIS (Source: Shelby County Assessor)

DEED ANALYSIS
3/15/2009

YEAR	WARRANTY DEEDS	QUALIFIED WARRANTY DEEDS	TRUSTEE DEEDS	SPECIAL WARRANTY DEEDS
2003	25,154	15,106	4,039	2,838
2004	29,648	17,854	3,993	3,980
2005	29,729	16,663	4,169	3,878
2006	27,358	15,961	5,562	4,421
2007	18,956	10,920	6,510	4,988
2008	11,923	6,586	6,882	6,331



The resulting devastation in the community resulting from these startling trends has created a crisis. The biggest factor in creating this crisis is the proliferation of irresponsible and, in many cases, predatory sub-prime mortgage lending. For example, 89 to 93% of sub-prime loans made between 2004 and 2006 have “exploding” adjustable interest rates. The typical reset will result in an increase of 30 to 50% in monthly mortgage payments. The interest rates reset on 2,820 sub-prime loans in Shelby County in 2008, which has caused or will cause many of those borrowers to default on their loans and go into foreclosure.

2. By all accounts, the number of foreclosures in Shelby County will rise even more dramatically over the next two years. The zenith of sub-prime foreclosures is expected in 2009. The problem continues to worsen. According to Realty Trac figures for April of 2008, 42% of foreclosures statewide were in Shelby County and Shelby County foreclosures were more than four times the number in Davidson County

(Nashville), which had the next highest number in the state, even though their populations are comparable.

3. Since 2000, almost 72,000 homes in Memphis and Shelby County have been the subject of foreclosure proceedings. The foreclosure crisis has caused severe economic damage to the City and County. The high rate of foreclosures has or will result in lost revenue in property taxes, additional costs in social services and police and fire protection, and significant administrative and legal costs.

4. The alarming foreclosure statistics in Memphis and Shelby County are not unique and reflect a national trend. Of the 45 million active mortgages throughout the country currently tracked by the Mortgage Bankers Association (“MBA”), approximately 343,000 entered foreclosure during the third quarter of 2007. This is the highest rate of foreclosures in more than 35 years. Overall, nearly 450,000 properties tracked by the MBA were in some stage of foreclosure during the third quarter of 2007, up 30% from the second quarter.

5. Nationwide, the foreclosure crisis is worsening rapidly and is expected to deteriorate further. Foreclosures continued to increase rapidly in 2008, with 2.2 million mortgages entering foreclosure during the year according to the MBA. Analysts predict that the number could rise to 4 million in 2009. One out of every thirteen mortgage holders is no longer able to make payments on time, the highest rate in over thirty-five years. Delinquent payments are a strong indicator of near-term foreclosure filings. On sub-prime loans alone, the Joint Economic Committee of Congress has predicted that from 2007 to 2009 there could be nearly 2 million foreclosures nationwide. Many of these foreclosures are linked to \$362 billion in adjustable rate sub-prime loans resetting

to higher interest rates last year. As the housing market continues to decline, many of these adjustments will result in foreclosures.

6. Foreclosures have multiple and far-reaching impacts on the cities in which they occur, especially when they are concentrated in distressed neighborhoods that are already struggling with issues of economic development and poverty. Foreclosures in these neighborhoods frequently lead to abandoned and vacant homes. Concentrated vacancies driven by foreclosures cause neighborhoods, especially ones already struggling, to decline rapidly. The United States Department of Housing and Urban Development (“HUD”) and the United States Department of the Treasury (“Treasury”) explained in a joint report on predatory subprime lending that “foreclosures can destabilize families and entire neighborhoods” and that “[f]oreclosed homes are often a primary source of neighborhood instability” HUD & Treasury, *Curbing Predatory Home Mortgage Lending* (2000) at 13, 51 (available at <http://www.huduser.org/Publications/pdf/treasrpt.pdf>) (“HUD/Treasury Report”) (attached as Attachment B).