# TAX THE DEADBEATS, TAX THE BANKSTERS

The narrative the banksters and their enablers have used to fight a foreclosure moratorium focuses on property values. If we put off foreclosures, they argue, it'll have detrimental effects on the local community, not least by (continuing to) drive down local property values.

Now, the entire premise ignores the fact that the banksters have been sitting on a bunch of shadow inventory for years; the banks have been in no rush to foreclose on these properties and write down the losses, and Treasury has been happy to string out foreclosures to avoid a hit on the housing market.

But there's another problem with that narrative.

If property values are falling because the properties are falling into disrepair, that's partly the fault of the banks.

If property values are going down because no one is mowing lawns and preventing squatters, then that's partly because banks are deadbeat neighbors who are not paying for the upkeep on the houses they own.

And, as this post from Mike Konczal (subbing for Ezra) notes, those deadbeat banks are costing local communities a fortune.

> At $20,000 a pop, three vacant, unsecured and abandoned properties is the same as a teacher's salary.

As Konczal explains, LA recently figured out a way to do something about the deadbeat banksters ruining our communities:

> Given the high economic and social costs, the Los Angeles City Council, led by community activists including Alliance of Californians for Community

> Empowerment and others, as well as city workers who are members of SEIU Local 721 and L.A. Council member Richard Alarcon, did the sensible economic thing: They proposed a tax on abandoned and unkempt properties.
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> The details: "L.A.'s City Council recently passed a 'foreclosure registry' ordinance, requiring lenders to maintain foreclosed properties or be fined $1,000 per day, up to $100,000 a year. Lenders will have 30 days to fix problems before fines set in."
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> What a sensible and elegant policy solution. This encourages banks to find suitable negotiations with homeowners to keep people in their homes. It has a serious stick to require banks to actually obey the law when it comes to the destruction of blight in neighborhood.
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> It works because everyone is well-incentivized to do their jobs; the city will collect money, which it loves to do, if the banks don't comply. Citizens have a means to report blight, which they want to do to keep their neighborhoods well functioning and safe. In fact, cool online innovations like SEIU's "Hoodwinked LA" Web page, which allows citizens to track foreclosed properties to report to city officials, have been created to empower people. And banks will avoid destroying neighborhoods out of neglect lest they pay a tax, which they had no incentive to do previously. The thing practically runs itself.

Not only does this policy have important benefits for local communities, not only does it incent everyone to modify loans and prevent foreclosures.

But it highlights the fact that banks are the deadbeats destroying your local community, not individual homeowners.

I hope as other communities follow LA's example, they call this the "Deadbeat Bank Tax."

Update: Via Atrios, here's a heart-breaking story of a young boy who died in a foreclosed home's pool. When his parents tried to sue for wrongful death, they couldn't sort out who actually owned the house.

> It took months for the family's attorney, Janet Spence of Pembroke Pines, to sort through the property's muddied chain of title possessions and transfers. At one point, Spence said, the home had two separate foreclosure actions pending simultaneously.
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> Spence also has faced some of the same paperwork irregularities that have put the nation's foreclosure cases on indeterminate hold.
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> Several documents transferring the mortgage appear to be flawed or possibly fraudulent, with conflicting dates. Two documents show that the mortgage was transferred from one mortgage company to an affiliated company in November 2007 and again in February 2008.
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> One of the questionable documents was generated by the Florida Default Law Group in Tampa, one of four law firms that are under state investigation for allegedly "fabricating and/or presenting false and misleading documents in foreclosure cases," according to the Florida Attorney General's Office.
>
> **COMPLEX TRAIL**
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> Because of the confusing paper trail, Spence has named 20 defendants in the case. They include banks that once owned the mortgage, companies that serviced

> the loan, property maintenance companies and even a company that was holding the mortgage for the banks.