

Detroit Financial Fraud: Foreclosures, Evictions and Utility Shut-offs

Coalition Files Lawsuit to Expose Fraudulent Bonds and Loans

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Detroit strangled by \$16 billion in debt facing financial ruin, emergency management

The Moratorium NOW! Coalition to Stop Foreclosures, Evictions and Utility Shut-offs

A Freedom of Information Act (FOIA) lawsuit was filed on February 12 on behalf of David Sole, a retired City of Detroit employee and co-founder of the Moratorium NOW! Coalition to Stop Foreclosures, Evictions and Utility Shut-offs. The action was based upon the failure of the City's Law Department to release documents requested on January 2 related to a host of loans and bond issues which the citizens remain obligated to pay, most of which the organization believes are based upon financial instruments designed to permanently render the municipality to indebtedness.

Under Michigan law the City government has five days to respond to a FOIA request. Nonetheless, after nearly six weeks of waiting there has been no response to the demand for the release of the documents.

In a letter to the FOIA Section of the City of Detroit Law Department on January 2, Sole said that he was seeking "all contracts and agreements between the City of Detroit and all its departments and divisions and any banks or brokerage houses relating to the purchase of bonds, interest rate swaps, pension obligation certificates, hedge fund derivatives, termination of default agreements, or other forms of debt for the past 10 years. In addition to copies of the contracts, all letters, emails, memos, notes or other material (written or transmitted electronically) relating to the negotiations for and the purchase of these bonds or other debt instruments," were also requested.

Also the request included "everything, but not restricted to, involving any and all bond swaps." Other items requested included "all communications provided to Governor Snyder's Financial Stability Review Board during 2012 in their work to determine the financial status of the City of Detroit."

A delegation of members of the Moratorium NOW! Coalition organizers and other activists accompanied Atty. Jerome Goldberg to the City of Detroit Law Department on February 14 to serve the legal summons. A press conference was held in the immediate aftermath of the delivery of the summons.

Goldberg told members of the press that the City of Detroit should release the documents so that a clear picture of the level of fraud can be revealed. "What should happen is that the city should take legal action against the banks for the fraud that is responsible for the current crisis."

Mayor Gives "State of the City" Address

The evening before on February 13, Mayor Dave Bing delivered his annual "State of the City" address. In the speech the corporate-oriented Mayor reported that since he took office in 2009, the City budget has been cut by \$300 million.

These cuts have resulted in the retrenchment of nearly 4,000 municipal workers. According to Bing, the downsizing of employees and the reduction in benefits for workers had resulted in \$500 million in savings.

Nonetheless, a Financial Review Board report issued in early 2012 indicated that the City's long term debt was over \$16 billion. The debt-service payments (interests) for Detroit debt in 2010 was \$597 million.

Consequently, funds needed to keep workers on the job and the maintenance of municipal services is being utilized for debt-service payments. Despite the lay-offs and benefit cuts, the right-wing Gov. Rick Snyder forced a majority of the City Council and Mayor Bing to sign a so-called Financial Stability Agreement (FSA) on April 4, 2012.

This was done ostensibly to prevent the appointment of an Emergency Manager over the City's affairs, as has already been done in other municipalities such as Flint and Benton Harbor, which have majority African American populations.

A statewide petition campaign during 2012 resulted in a referendum being placed on the ballot in November 2012 which repealed Public Act 4, the so-called "dictator law." However, the following month, the Republican-dominated state legislature drafted and passed a new emergency manager law which will soon go into effect in Michigan.

In January Gov. Snyder ordered yet another financial review of Detroit which many people believe is a precursor to the appointment of an emergency manager despite broad public opposition. A recent column in the Detroit News indicated that a candidate has already been selected for the unelected position and that a decision is imminent.

The Moratorium NOW! Coalition to Stop Foreclosures, Evictions and Utility Shut-offs has also called for a moratorium on debt-service payments to the banks. The bond rating agencies are also complicit in this crisis, the Moratorium NOW! Coalition says, due to the repeated downgrading of the credit-worthiness of the City.

Detroit has been one of the hardest hit cities in the nationwide crisis that has plagued various cities including Birmingham, Alabama, San Bernadino, California, Providence, Rhode Island, Harrisburg, Pennsylvania, among others. The documents requested from the Law Department will shed light on the character of the crisis and the complicity of the banks with the bond-rating agencies in creating the horrendous deterioration of the conditions prevailing in the City.

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