

O'DONNELL LEGISLATIVE REPORT

For A City Of
Neighborhoods



There are too many abandoned houses in this city. Bob O'Donnell is making sure we won't be hurt by many more.

Abandoned houses are like a cancer. They tear down the spirit and the value of a neighborhood.

"Our neighborhoods can't be allowed to become places we want to move away from," O'Donnell believes. "A major cause of neighborhood deterioration has been the urban housing crisis, where it's been too easy for a home to be abandoned and too hard to get a solid mortgage."

"Unfortunately we've been kept in that situation because certain public and private institutions allowed those circumstances to continue."

From his work in his district, O'Donnell knew that many lending institutions practiced a policy of redlining in neighborhoods they considered shaky.

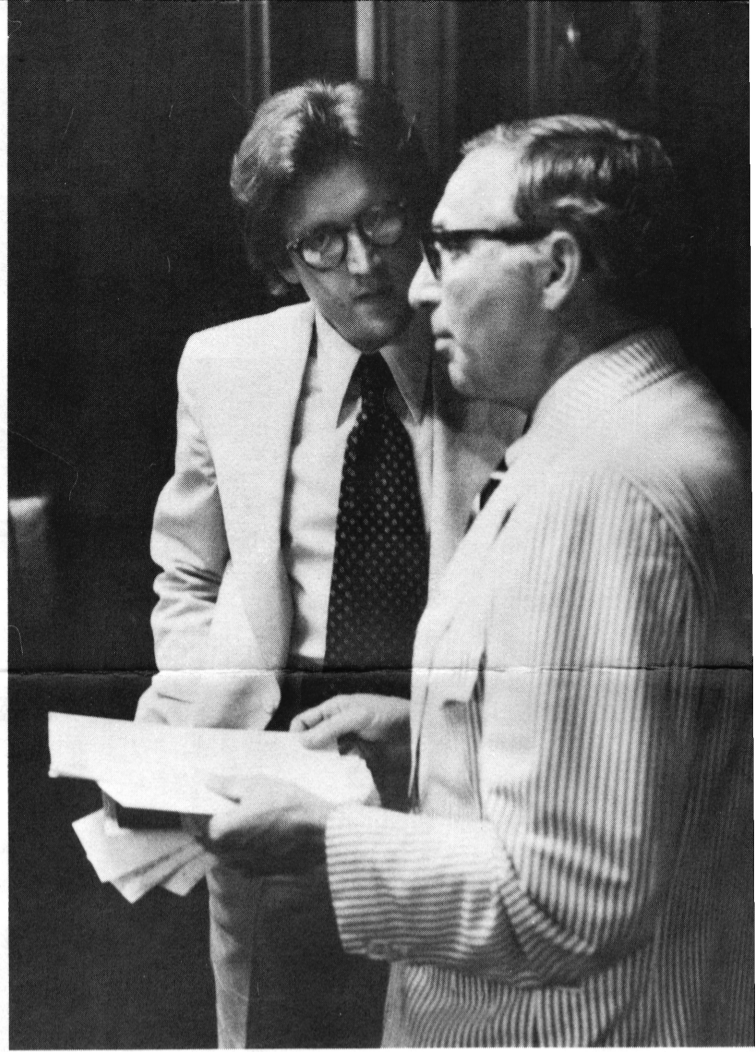
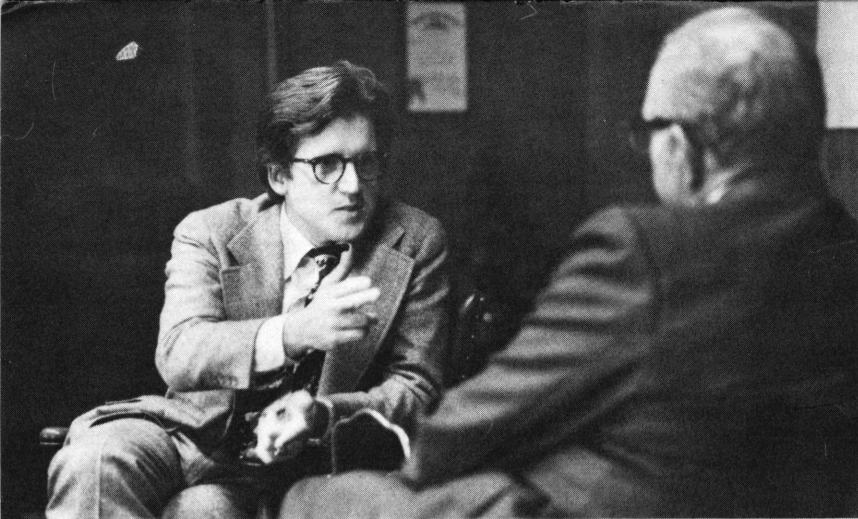
A neighborhood that was "redlined" was a place where mortgages would not be given, regardless of how credit-worthy the applicant was, or how sound the home he or she wanted to buy. O'Donnell saw this practice as the cornerstone of self-perpetuating neighborhood deterioration, because it permitted a few bad properties to condemn an entire area by effectively stopping people with proven responsibility from purchasing homes. O'Donnell found that

the Pennsylvania banking laws did nothing to prevent this practice.

To correct this situation, O'Donnell moved on four fronts: (1) He introduced legislation in Harrisburg to close the banking code loophole which allowed this situation to exist. (2) He initiated discussions with officials of private lending institutions to make them aware of the impact redlining policies were having on Philadelphia's neighborhoods. (3) He studied the problem at the neighborhood level by making a comprehensive survey of all the abandonments in one of his district's neighborhoods with an eye toward determining how they came about. (4) Finally, he studied the problem at an institutional level by looking at just how the home mortgage market operated, what laws permitted it to do so, and what changes could be made to make the market more responsive to neighborhood needs, without removing the economic incentive for investors.

As a legislator, O'Donnell was able to move most quickly in the area of banking law, and he did this by introducing two bills designed to make major changes in the methods used by lending institutions.

(Continued next page)



The work behind the legislation. Gaining support for his bills, O'Donnell meets with Secretary of Banking Carl Delmuth (upper left), Secretary of Community Affairs William Wilcox (lower left), and Republican leader Dan Beren (right), the co-sponsor, with O'Donnell, of the Neighborhood Tax Credit Act.

HOUSING . . . continued

The Legislation . . .

The first required lenders to disclose publicly the areas into which they put money and the amounts they committed. This would enable people to see what was happening to the money they had on deposit and encourage them to do business with banks willing to support their neighborhoods.

The second called for mandatory neighborhood reinvestment, by requiring lenders to make a certain percentage of their monthly mortgage commitments for homes with a value of less than \$12,000. This was designed to keep the moderately priced home mortgage market active and thus make financing available to people wanting to purchase moderately priced housing. It grew out of O'Donnell's discovery that lenders would sooner grant one mortgage for \$50,000 than five mortgages for \$10,000 each, even if the risks were less on the smaller loans, because there is less overhead in processing one mortgage than there is in processing five. With the continued development of high-priced suburban housing, policies such as this, if allowed to continue, will effectively limit mortgage availability in city neighborhoods.

While neither of these bills has yet become law, the threat of such major legislation had the effect of shaking up the lending community and strengthening O'Donnell's hand in discussions with officials in the private sector. Bankers once content to redline neighborhoods as a way of stopping financial losses due to decay, suddenly began to realize the shortsightedness of such policies and look for new ways to deal with the problem. And Bob O'Donnell was ready with some answers.

The Study . . .

By studying the abandonment problem, O'Donnell had learned that the single biggest slumlord in the 198th Legislative District was HUD, the federal Department of Housing and Urban Development. He traced this to HUD's failure as a lender and, furthermore, found that HUD had a totally inadequate screening process for mortgage applicants. This led to massive defaults in HUD-backed FHA mortgages, resulting in repossessed homes which were left abandoned. O'Donnell also found that HUD was failing to get such properties back on the market, thus creating permanent abandonment and neighborhood eyesores. The point was, however, that the entire process of HUD-involved abandonment began with poor applicant screening, which resulted from HUD's policy of giving more weight to the mortgage worthiness of the property than to the responsibility of the purchaser. Armed with these facts, O'Donnell was able to

make a good case to private lenders that a more valid method of operation than redlining was to simply screen out of the mortgage market those people who were not financially able to take care of a home.

Philadelphia Mortgage Plan . . .

The result of this was the Philadelphia Mortgage Plan, a voluntary commitment on the part of First Pennsylvania Bank, PSFS, PNB and Germantown Savings Bank to stop redlining and make financing available to credit-worthy applicants for the homes they desire to purchase. O'Donnell was a major architect of this plan and provided moral leadership for its creation.

The Philadelphia Mortgage Plan was the first big step in years taken by private institutions to stop neighborhood decay, but it solved only part of the problem. Mortgage availability is the key to attracting responsible citizens into the neighborhood housing market, but it does not have the effect of cleaning up areas in which abandonment has already taken place. To solve this problem, O'Donnell again turned to his power as a legislator and sponsored an amendment to the Neighborhood Tax Credit Act designed to give private businesses an incentive to invest money in their neighborhoods.

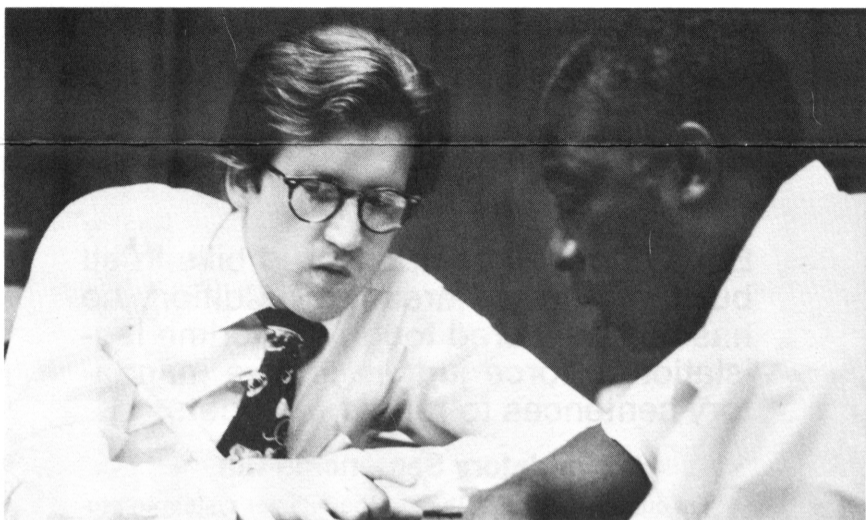
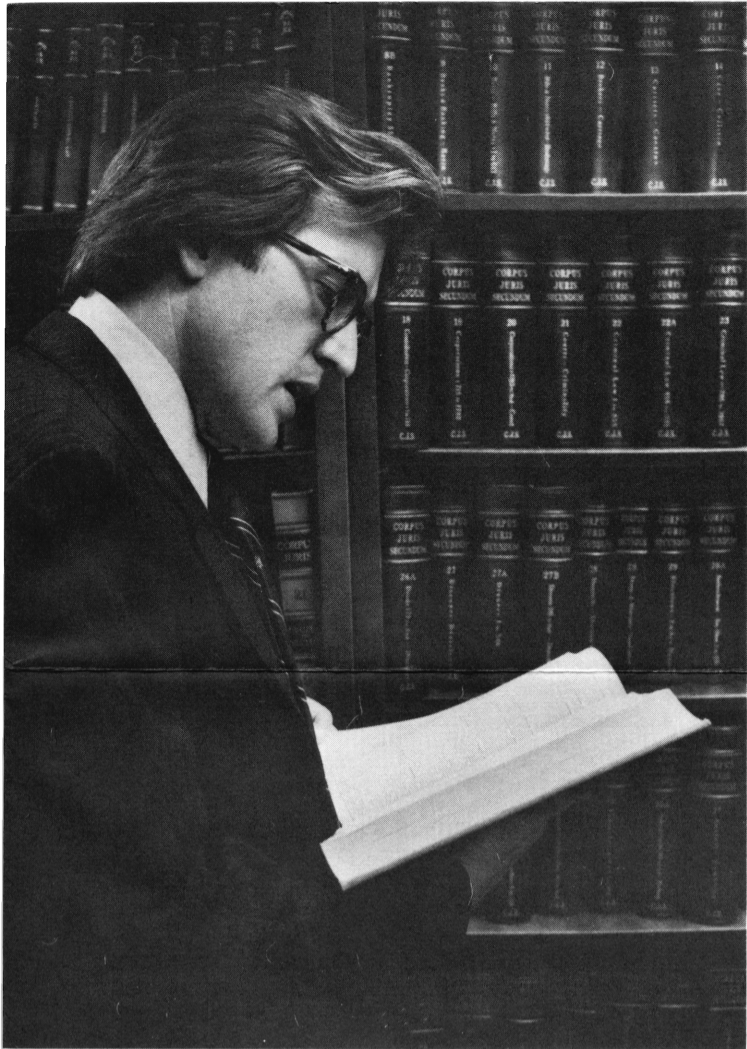
Neighborhood Tax Credit Act . . .

O'Donnell's amendment became law and now a Pennsylvania corporation receives a 70% credit against its corporate net income tax for money it is willing to invest in neighborhood foundations working to rehabilitate abandoned homes. This incentive gives corporations a reason to stay in the city and help rebuild their neighborhoods. The rehabilitation made possible through this act has the effect of putting once undesirable housing back into a condition which would permit it to be marketable. Since the Philadelphia Mortgage Plan could be used by prospective buyers of such housing, the Neighborhood Tax Credit allows an abandoned home to again become part of the housing market. Together these two programs both stop neighborhood deterioration and promote neighborhood restoration.

"A neighborhood is made up of people, houses, and spirit," O'Donnell said. "But in the last few years I've learned a lot about the way seemingly abstract policies in the private and public sectors can affect neighborhoods.

"I'm convinced that the operation of a rational mortgage market is essential for maintaining neighborhood health. Private institutions play a key role in neighborhood revitalization. I'm determined to continue finding ways in which public law can make this both necessary and rewarding."

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Effective legislation is a product of personal experience, research, and listening to the people. O'Donnell works in the library of the Capitol's Legislative Reference Bureau (left). O'Donnell talks with women who came to Harrisburg to discuss rape legislation (upper right) and listens to a neighborhood store owner concerned about crime (lower right).

LEGISLATIVE RECORD . . . continued

O'Donnell said. "These bills were drafted to meet the constitutional requirements of the Supreme Court decision which had invalidated most of Pennsylvania's programs for non-public schools."

Consumer Protection

H.B. 485, now in a conference committee, broadens the list of practices deemed unfair to consumers and gives the State Consumer Protection Bureau more powers to move against consumer deception. It would allow courts to order money back to consumers who have been victimized by unfair practices.

H.B. 175, now Act 161, establishes a department of Consumer Advocate to represent the public before the Milk Marketing Board, the State Insurance Department, and the Public Utility Commission.

H.B. 170 has passed the House and is being considered by a Senate committee. This bill abolishes the "holder in due course" doctrine now binding in credit transactions. Under the "holder in due course" doctrine, the finance company holding the note on a consumer purchase is not responsible for the quality of the item. Even if the item turns out to be completely useless, however, the finance company is entitled to full payment. This bill would give the buyer a chance to challenge the finance company's claims that full payment must be made on purchases that are unsatisfactory. H.B. 170 also modifies the "confession of judgment" clauses of credit contracts so that a debtor would be able to obtain a hearing in court on charges against him and protect his personal belongings from automatic seizure and sale by the person to whom he owes the debts.

O'Donnell feels these bills he co-sponsored are an improvement, but ultimately he wants legislation that would go further. "I'm particularly pleased to see the 'holder in due course' doctrine challenged. However, I'd like to have the complete relationship of debtor and creditor in Pennsylvania re-examined in a thorough, consistent manner. These present bills, unfortunately, are cumbersome, and have been added on to existing acts without being tied into a prudent debtor-creditor philosophy."

Medical Services and Education

H.B.s 545 and 546 are intended to improve the degree and quality of health care services to "medically deprived" areas. Such neighborhoods would be able to construct health care facilities and hire physicians and other special-

ists. Another provision would allow medical students to work off their education loans by being "forgiven" 20% of their loans for every year they worked in a "medically deprived" area.

Rape

H.B. 580, now Act 53, restricts evidence in court on a rape victim's sexual past.

O'Donnell said the bill he co-sponsored eliminates such abuses as in the recent case when a Temple co-ed victim was asked if she was a virgin.

O'Donnell was a member of a Special Committee to Investigate the Circumstances of Victims of Rape, which undertook six months of research and held hearings throughout Pennsylvania.

"Rape victims suffer terribly, and it's a problem that legislation alone can't solve. This act removes the abuses that have been most discriminatory toward rape victims within the judicial system. It's a good step, but only a small comfort in terms of what rape victims have to go through."

Malpractice

The malpractice bill: (1) sets up an arbitration procedure (with appeals to the courts) as the method of handling malpractice claims; (2) creates a state board to act as the policing mechanism to regulate insurance companies so that coverage will be uniform; and (3) forms a "pool" arrangement to cover high risk areas.

"This is a well-crafted bill," O'Donnell said, "Norman (Norman Berson, author of the bill) did his homework, and made sure there would be no unintended consequences of the legislation."

Budget

"On the positive side, the present budget has been balanced without requiring a tax increase or causing any drastic cutbacks in human services statewide," O'Donnell explained. "The biggest local failure of the budget was the disastrous cut of funds for Eastern Pennsylvania Psychiatric Institute. We are working on ways to make an additional appropriation for them.

"What is deeply troubling to me is that the membership of the house doesn't participate adequately in the process of developing the budget as a rational plan. The present procedure—where the budget is initiated by the governor and then skewed by political maneuvers—is not working in the best interests of the people."

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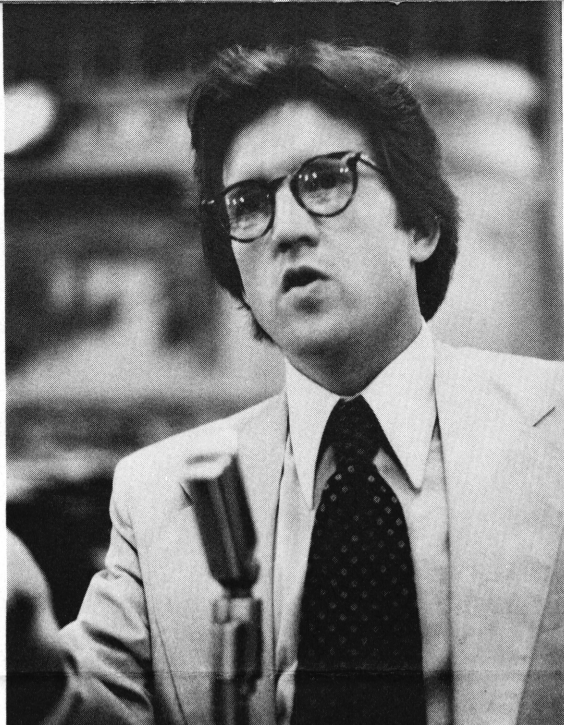
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The State Legislature in the 1975-76 session concentrated on issues of:

- Aid to non-public schools
- Consumer protection
- Medical services and education
- Rape
- Malpractice
- The Budget



Bob O'Donnell co-sponsored bills in all but the last two areas. In addition, he has co-sponsored tough anti-crime legislation to force judges to give mandatory sentences to repeat offenders.

Mandatory Sentencing Bill

"I'm outraged by the failure of the judicial system to protect the victim and to deter crime," O'Donnell said.

"Repeat offenders get off with light sentences and can plea bargain and 'shop' for a judge known to be lenient.

"My bill will provide a mandatory minimum sentence for repeated felonies involving firearms. This will provide for more consistent and predictable justice.

"In turn, this predictability will prove to be a great deterrent to crime, especially crimes of violence."

Aid to Non-Public Schools

O'Donnell co-sponsored three bills for aiding non-public schools which have been signed into law.

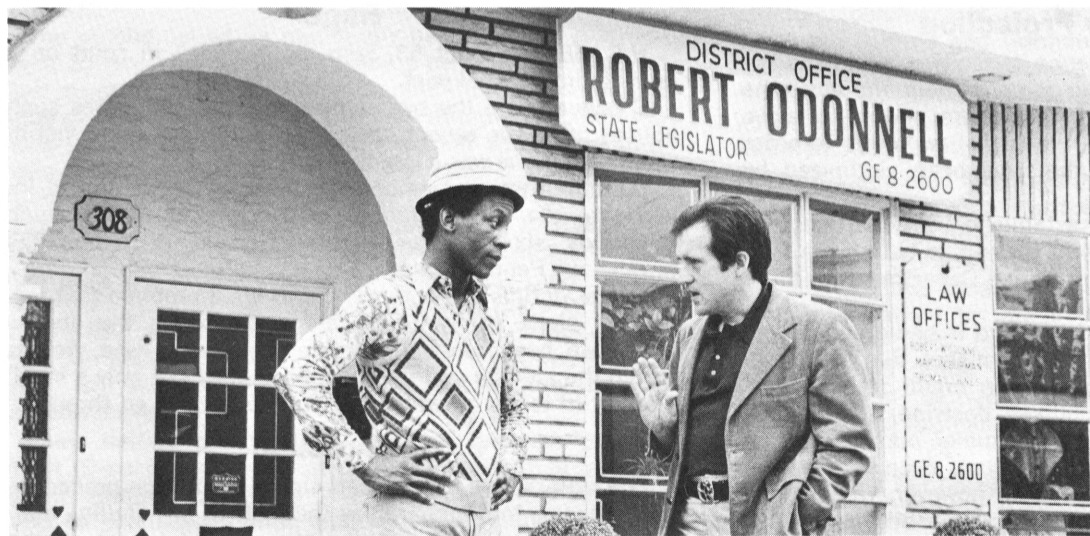
H.B. 1438 increased the money the Secretary of Education could spend for textbooks up to \$20 a year per pupil in non-public schools.

H.B. 1439 provided for guidance counselling, remedial and therapeutic services, speech and hearing services, and other special services for the improvement of the educationally disadvantaged. These services will be provided at public schools to non-public school children in order to meet court standards.

H.B. 1140 allows the Secretary of Education to spend \$5 a year for each non-public school pupil on instructional materials, such as those that are provided for public school students.

"We have to support our non-public school system,"

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O'Donnell has opened a Legislative Office at the Neighborhood Law Office at 308 W. Cheltenham Avenue. The phone number is 438-2600.

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