



January 9, 2008

The Honorable Mike Machado, Chair
Senate Banking, Finance & Insurance Committee
State Capitol, Room 407
Sacramento, CA 95814

Re: Support for Senate Bill 926 (Perata)

Dear Senator Machado:

I am writing on behalf of the Center for Responsible Lending (CRL) to express CRL's support for Senate Bill 926, which would implement important foreclosure process reforms to protect the hundreds of thousands of Californians who are in danger of losing their homes due to the mortgage crisis. The bill takes several important steps to reduce the number of foreclosure sales by requiring enhanced notice to borrowers -- in English or other languages, as appropriate -- and requiring lenders to hold face-to-face meetings with borrowers to provide restructuring options and taking steps to ensure that foreclosed properties do not contribute to neighborhood blight.

Last December, CRL estimated that 2.2 million families nationwide—and nearly 500,000 in California—would lose their homes to foreclosure due to reckless lending practices in the subprime market. These foreclosures are already occurring in record numbers. A recent article in the Modesto Bee reported that Monday, January 7, 2008 was a record-breaking day for foreclosures in California, with a stunning 5,238 properties scheduled to be sold in foreclosure auctions across the state, based on figures from ForeclosureRadar, a company that tracks mortgage defaults in California.¹ Unfortunately, the worst is still ahead. Based on the timing of rate resets for subprime adjustable rate mortgages, the highest volume of resets is expected in the Spring and in October of 2008.

CRL research indicates that, on top of the direct effects of foreclosure, more than 8 million California homeowners who have diligently paid their mortgages will lose property value due to the spillover effects of a weakened housing market and nearby foreclosures, for an estimated total of \$67 billion in lost wealth. Moreover, the foreclosure crisis will also have a significant impact on California's economy and fiscal outlook.

CRL supports SB 926 as an important part of the effort to stem the tide of foreclosures and to ameliorate the effects of the current crisis on households, communities and the California economy as a whole.

CRL particularly commends the requirement that lenders schedule a face-to-face meeting to work with borrowers in default, prior to filing a notice of default. Lenders (or affiliated brokers) typically met face-to-face with borrowers to place them in the problem loan. It is reasonable,

¹ J.N. Sbranti, "State Sees Record Number Of Homes Go To Foreclosure Auctions, Tracking Firm Says," *Modesto Bee* (Jan. 8, 2008). <http://www.modbee.com/1618/story/173503.html>

then, to require a face-to-face meeting with borrowers before foreclosing on the loan and taking away their home.

CRL also commends the requirement that both the reset notice and any notice of default be provided in the language in which the mortgage was negotiated, or, if not known, in all of the languages described in Section 1632. In October, the *San Francisco Chronicle* reported the story of a 44-year-old Chinese speaker with Parkinson's disease, Hong Zhang Lin, who had his home sold out from under him because of his failure to stay current on a \$20,000 second mortgage, even though he had plenty of equity in his \$500,000 home, and was current on his first mortgage (on which he only owed \$94,000). Until the new owner slipped a note under Mr. Lin's door, stating in both English and Chinese that Mr. Lin had three days to move out, Mr. Lin had received no Chinese communications from either the lender, Countrywide, or ReconTrust, the Countrywide affiliate that handled the foreclosure.² The translation provision of SB 926 is critical to helping borrowers like Mr. Lin understand their rights, and giving them the chance to save their homes.

CRL has been deeply engaged with and continues to support Assembly Bill 512, which would require all California lending institutions to provide borrowers with a translation of the key terms of a mortgage when the transaction is primarily negotiated in one of the five most common languages spoken in the State of California. We applaud Senator Perata for recognizing in SB 926 the importance of extending appropriate language translation requirements to lenders/servicers' post-contracting communications with borrowers.

We look forward to working with you to see SB 926 enacted into law as expeditiously as possible. Should you have any questions, please do not hesitate to contact me or my Legislative Associate, Lara Flynn, at 916/444-3509.

Sincerely,

/s/

Paul Leonard
California Director

cc: Senator Don Perata, Senate President Pro Tempore
Honorable Members Senate Banking, Finance & Insurance Committee
Eileen Newhall, Principal Consultant

² Carolyn Said, "Face Of Foreclosure Crisis - Chinese-Speaking Parkinson's Sufferer," *San Francisco Chronicle* (Oct. 27, 2007). <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/10/27/BULNT0E7A.DTL&hw=parkinson&sn=002&sc=504>.