



The California Homeowner Bill of Rights: A Fair Foreclosure Process for All Homeowners *April 2012*

For nearly five years, California has led the nation in foreclosures, with more than 785,000 homes lost, and another half-million already in the foreclosure process.

To date, the response of the California legislature has been both muted and mixed. In each of the last two years, legislation to prevent unnecessary foreclosures and improve servicing standards has failed, despite widespread evidence that California homeowners were losing their homes due to servicer misconduct, resulting in losses for homeowners, their neighbors, communities and the entire state. In 2010, legislation preventing homeowners from foreclosure while being considered for a loan modification failed in the Assembly. In 2011, after robo-signing and other servicing abuses were exposed, similar legislation died in the first policy committees.

In 2012, however, the 49-state Attorney General National Mortgage Settlement provides a roadmap for California servicing reforms. The Settlement improves servicing and the foreclosure process, but only provides these reforms to loans serviced by the five national bank signatories. **All California homeowners deserve meaningful protections, and the marketplace works best when all are protected.**

In this vein, the Attorney General's Homeowner Bill of Rights is composed of five bills designed to protect California consumers and communities. The key bills would:

- Reduce unnecessary foreclosures by ensuring that borrower get fair and transparent consideration for loan modifications and other foreclosure alternatives;
- Prohibit robo-signing and provide specific recourse when servicers continue to robo-sign in the foreclosure process;
- Provide homeowners with additional transparency, information and protections in the foreclosure process;
- Extend tenant protections to be in concert with federal law.

These are common-sense provisions that address the fundamental flaws with the foreclosure process, and their impact on both homeowners and renters. The nation's leading banks have already agreed to many of the terms contained in the bills of the Homeowner Bill of Rights. **It simply makes sense to extend these provisions and provide the same protections for everyone.**

Foreclosure Reduction Act of 2012

- Requires proof of banks' ability to foreclose (evidence of ownership)
- Prohibits foreclosure starts when loan modification is in process or in trial period
- Allows homeowners recourse when a home is erroneously foreclosed upon

Due Process Reforms

- Implements stronger penalties for rubber-stamping foreclosure proceedings ("robo-signing")
- Enables homeowners to challenge foreclosures initiated by the wrong party
- Requires transactions to be recorded in county records
- Requires banks to provide struggling homeowners with a single point of contact

Tenant Protection

- Permanently aligns California tenants' rights in foreclosure to temporary federal standards
- Requires purchasers of foreclosed homes to honor terms of existing leases
- Extends minimum period between foreclosure and eviction from 60 days to 90 days