

## SB 818 (Beall) Homeowners Bill of Rights 2018

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### ISSUE

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California's Homeowner's Bill of Rights (HBOR) was signed into law by Governor Jerry Brown in 2012 as a response to the economic devastation of the foreclosure crisis. HBOR has prevented thousands of avoidable foreclosures by requiring mortgage loan servicers to engage in timely, fair and transparent process with struggling homeowners before proceeding to foreclosure. Unfortunately, recent legislative sunsets have weakened HBOR, putting homeowners at risk of unfair and preventable foreclosures. SB 818 will restore critical HBOR protections and ensure that Californians have a fair chance of keeping their homes when the going gets tough.

### BACKGROUND

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Before HBOR became law in California, loan servicers regularly engaged in a range of unfair practices that needlessly forced thousands of homeowners into premature, avoidable foreclosure. California's HBOR successfully curbed many of these practices by making sure financially distressed homeowners received basic "due process" when trying to save their homes.

HBOR amended our foreclosure procedures to ensure that a homeowner who experiences a financial hardship—such as a lost job or a death in the family—has a meaningful opportunity to be considered for all available alternatives to foreclosure before losing a home. A key goal of HBOR is to prevent dual tracking, the practice of barreling ahead with the foreclosure process while a borrower is still under review for a loan modification or other foreclosure alternative. HBOR prevents dual tracking by requiring loan servicers to complete the review process and communicate with the borrower about the result *before* moving ahead with a foreclosure.

These commonsense protections have proved effective. After HBOR went into effect in 2013, loan servicers improved their practices, and foreclosure rates slowed.

As a result of recent sunsets, HBOR now has gaps that will result in unnecessary foreclosures. By the time HBOR went into effect in 2013, tens of thousands of California homeowners caught up in the financial meltdown had lost their homes in unnecessary foreclosures. We can't wait for another foreclosure crisis to realize that these commonsense protections need to remain law.

### THIS BILL

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SB 818 updates HBOR, restoring important protections that were weakened by the 2017 sunsets. Some of the key updates are to the dual tracking protections, including requirements that loan servicers: provide borrowers with written notices acknowledging receipt of loan modification applications and informing them of any missing application items; provide borrowers with written denial notices that include sufficient information to allow borrowers to appeal if warranted; and give borrowers time to appeal a wrongful loan modification denial.

Importantly, the requirements set forth in SB 818 are the rules loan servicers have been following since 2013. These are not new requirements; they are procedures that have been saving homes. California should not allow weaker protections to become the norm. We can't afford to wait for another foreclosure crisis.

California's ongoing housing crisis makes it imperative that we fight to keep people in their homes. Homeownership strengthens communities

and provides family stability. Homeownership remains the primary way that Americans build wealth for themselves and their families. When families are facing hard times, they should have the opportunity to explore alternatives to foreclosure. At the very least, they must be guaranteed a fair and transparent process to follow. HBOR provides that guarantee, helping stabilize families, neighborhoods, and local economies.

SB 818 provides protections that have been proven to give California's economically vulnerable families a fair chance to hold on to their homes.

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### **SUPPORT**

Housing and Economic Rights Advocates (co-sponsor)

National Housing Law Project (co-sponsor)

Alameda County District Attorney Nancy O'Malley

California Asian Pacific Islander Chamber of Commerce

California Labor Federation

California Reinvestment Coalition

Center for Responsible Lending

East Bay Community Law Center

Faith and Community Empowerment

Fair Housing Advocates of Northern California

Harouni Law Group

Law Offices of R. Grace Rodriguez

Richmond Neighborhood Housing Services

Rural Community Assistance Corporation

Santa Clara County Board of Supervisors

State Building and Construction Trades Council,

AFL-CIO

Sternberg Law Group

UnidosUS (formerly the National Council of La Raza)

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