



# **Assets and Homeownership Symposium: Homeownership in a Time of Turmoil**

**Asset Policy Initiative of California (APIC)**

**June 3, 2008**

**Caryn Becker**

**Policy Counsel**

**Center for Responsible Lending**

**(510) 379-5500**

# How did we get into this mess?

## Three Core Problems

- **Lax and declining underwriting standards**
  - 2-28 & 3-27 hybrid ARMS, POARMs
  - Stated Income
  - Initial Payments
  - Insurance/Taxes not considered
- **Misaligned incentives**
  - System allows (and encourages) players to profit at the expense of borrowers interests
- **Lack of accountability**
  - Players passed along the risk
  - Pass the buck & finger-pointing

# How do we get out of this mess?

## Industry: Limited Progress So Far

- Modifications are best answer
- Voluntary programs: limited success to date
- Obstacles have been insurmountable:
  - Inadequate Servicer Capacity/Labor Intensive Process
  - Servicer Incentives
  - Threat of investor lawsuits
  - 2<sup>nd</sup> Liens

# California State Policy Reform: Helping Current Borrowers



- **Foreclosure Process Reform: SB 1137**
  - Requires meeting between servicer and borrower
  - Extended tenant notification before eviction
  - Fines for failure to maintain properties
- **Servicer Data Reporting: AB 69 (Lieu)**

# California State Policy Reform: Predatory Lending Reform to Prevent Future Problems



- Package of Bills Originating in the Assembly
  - AB 1830 (Lieu): Underwriting and Incentives
  - AB 2880 (Wolk): Brokers
  - AB 2740 (Brownley): Servicers
  - AB 2359 (Jones): Assignee Liability/Mandatory Arbitration
  - AB 512 (Lieber): Document Translation
- AB 1830, 2740 & 2359 moving forward in weakened forms

# Federal Policy Efforts

- Federal Bankruptcy Reform
- Frank/Dodd: Expand FHA for Refinancing
- Matsui: foreclosure process reform
- Federal Predatory Lending Reform: Dodd S. 2452 offers strongest measure w/o state pre-emption
- \$\$ for Neighborhood Preservation

# Contact



Caryn Becker

Policy Counsel

Center for Responsible Lending

Caryn.Becker@responsiblelending.org

510-379-5500

[www.responsiblelending.org](http://www.responsiblelending.org)