



**Seven (7) New California Mortgage Laws
Added to the Pile
Oct. 13, 2009**

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Although Gov. Arnold Schwarzenegger signed seven (7) new California laws today, there are more to come. One notable is AB 1588 which will create a new Court Monitor program for borrowers who optin to the court system looking for HAMP modifications and alternatives to foreclosure. This bill would also allow the monitor to make his/her own modification proposal and seek enforcement of it by the court. With that in mind, on October 8, 2009, and with little fanfare, the Treasury released its **Supplemental Directive 09-07** which in part moves to standardize the borrower's evaluation forms and process, and requires the Servicer to respond to the borrower within 10 days from receipt of the borrower submission of the required information. It also requires the Servicer to complete its evaluation of borrower eligibility and notify the borrower of its determination within 30 days. If the Servicer determines that the borrower cannot be approved for a trial period plan, the Servicer must send written notice of same, and "consider the borrower for another foreclosure prevention alternative." Moreover, on September 30, 2009 (Oct. 1, 2009), United States Senator Jack Reed of Rhode Island introduced the **Preserving Homes and Communities Act of 2009**, cosponsored by Senators Dick Durbin (D-IL), Sheldon Whitehouse (D-RI), and Jeff Merkley (D-OR). The bill is intended to help address the housing crisis by requiring *loan modification evaluations* and loan modification offers to qualified homeowners; establishing a new mortgage *payment assistance program*; and incentivizing states and local governments to *create strong mediation programs*, which allow homeowners and servicers to meet face to face to try to find an alternative to foreclosure.

The seven new California laws are as follows:

1. New California Anti-Steering Measure:

* AB 260 by Assemblyman Ted Lieu (D-Torrance).

Effective Jan. 1, 2010.

Prohibits mortgage brokers from steering borrowers to higher riskier interest loans when they qualify for lower interest and less-expensive loans

Prohibits negative-amortization loans

Limits prepayment penalties to no more than 2% of the loan balance

Permits state regulators to enforce federal lending laws

2. New California Residential Loan Licensing Standards:

- * SB 36, by Sen. Ron Calderon (D-Montebello)
Sets standards for licensing of all residential loan originators

3. New California Mortgage Loan Application Crime:

- * SB 239, by Sen. Fran Pavley (D-Agoura Hills)
Mortgage loan application fraud becomes a Felony

4. New California Disclosures for Reverse Mortgages:

- * AB 329, by Assemblyman Mike Feuer (D-Los Angeles)
Sets disclosure requirements for reverse mortgages

5. New California Appraisal Management Registration Program:

- * SB 237, by Calderon (D-Montebello)
Creates an appraisal management registration program

6. New California Free-Choice of Escrow Company:

- * AB 957, by Assemblywoman Cathleen Galgiani (D-Stockton)
Removes restrictions on seller chosen escrow companies on foreclosed homes. California Buyers are now free to choose local escrow officers and cannot be required to use the escrow company chosen by the seller

7. New California Same Language Docs:

- * AB 1160, by Assemblyman Paul Fong (D-Cupertino)
Requires mortgage loan documents be in the same language as the verbal negotiations

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