

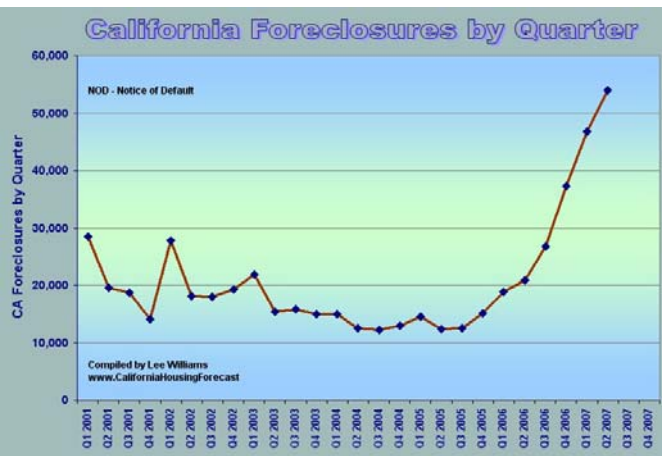
# Compliance Matters

News from WNC's Compliance Department

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## Summary of CA Assembly Bill No. 69 — Mortgage Lender Reporting



To curb the tide of imminent foreclosures and get a better handle on the subprime mortgage crisis currently gripping the state, the California Assembly recently passed AB 69 covering state-regulated commercial and industrial banks, credit unions, finance lenders and brokers engaged in servicing loans secured by real property.

Although not yet law, if passed by the Senate and signed by the governor, AB 69 would require residential lenders and loan servicers to provide monthly reports to the California Department of Financial Institutions and the California Department of Corporations containing certain information relating to past due loans and loan loss mitigation efforts.

Authored by Assembly Members Ted

Lieu, Sandré Swanson and Lois Wolk, the purpose of the bill is to allow state regulators to accurately assess whether steps are being taken by lenders and servicers to prevent foreclosures.

According to the Center for Responsible Lending, nearly 180,000 California homes will be lost to foreclosure from the 826,900 subprime loans made in 2005-2006 alone.

If passed, AB 69 would require residential lenders

and loan servicers to issue monthly reports addressing 22 separate categories of information regarding: (1) the volume of sub-prime, prime, and alternative mortgage products that they are servicing, by type of loan (fixed, variable, amortizing, interest-only, or options-ARMs, first, and second mortgages); (2) the number of loans that are past due and/or are in various stages of foreclosure, including loans that have been modified in the past year; and (3) loan modifications that have resulted in short sales, repayment plans, or changes in interest rates or payment terms.

The reports will be posted on the websites of the Department of Corporations and of the Department of Financial Institutions.

Advocates of the bill, such as the Consumer Federation of California, say that

residential lenders and loan servicers need to provide proof that they are working with their borrowers to avoid foreclosures. Opponents of the bill, like the California Mortgage Bankers Association, argue that it will create an unfair burden on lenders regulated by the state, saddling them with requirements not put on federally chartered lenders.

In a press release, Assembly Member Ted Lieu said, "I hope that the data shows that the lenders are aggressively modifying loans to keep borrowers in their homes. But I fear that it may show otherwise."

While it remains to be seen whether AB 69 will survive senate scrutiny, if enacted, other states may follow California's lead, such as Texas, Mississippi and Tennessee, which have deeply felt the subprime mortgage crunch. Yet, states such as Michigan and Ohio would also have a strong incentive to enact similar legislation.

For more information on CA AB 69, you can go to [www.leginfo.ca.gov/billinfo.html](http://www.leginfo.ca.gov/billinfo.html) and use the search by bill number to get full details.

