



COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AFFAIRS

Members of the Board

Gloria Molina
Mark Ridley-Thomas
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Michael D. Antonovich

Pastor Herrera, Jr.
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"To Enrich Lives Through Effective and Caring Service"

December 30, 2008

Homeowners Hit Hard by Foreclosures In the County of Los Angeles

BACKGROUND:

Foreclosures have hit homeowners in the County Los Angeles hard. In 2007, 14,000 homeowners in the County of Los Angeles lost their homes to foreclosure. In 2008, the number of homes lost went up to 40,000, a 186% increase. In 2009, an even greater number of homeowners are expected to lose their homes due to rising unemployment, expiring foreclosure moratoriums and falling property prices.

Consider the case of Ms. Helen Pratt (not her real name to protect her privacy). Ms. Pratt, a retired 62-year-old Army nurse from San Pedro, was approved for a jumbo loan she could not afford on her limited income. When the loan adjusted, and she could no longer afford the payments, Ms. Pratt rented rooms in her house to supplement her income. When her tenants moved out, however, Ms. Pratt fell behind on her payments and her lender started foreclosure proceedings. Ms. Pratt sought help from her lender to save her home. She soon discovered that her original lender no longer had her loan. She was told her loan was transferred to a loan servicer, and was asked to deal with them. She asked the servicer for help many times, but she was turned down.

Ms. Pratt contacted our Department (DCA) for assistance in saving her home. DCA immediately assigned an investigator to work with Ms. Pratt and her servicer in finding a workable solution. Three days prior to the scheduled sale date, DCA convinced the servicer to stop the sale and reduce the interest rate on Ms. Pratt's loan from 10.10 percent to 6 percent. This resulted in a monthly savings of \$1,500, enough to keep Ms. Pratt in her home. Regrettably, scores of homeowners who are in similar situations lose their homes to foreclosure because they never reach out for help.

DCA helps homeowners to avoid losing their homes through a comprehensive program that includes counseling, loan modifications, complaint investigations, and community outreach. The swelling demand for these services is taxing our resources, however. For instance, the number of consumer complaints went up over 300% from 2007 to 2008. Fraudulent foreclosure rescue scams being worked by DCA have more than doubled from 44 in 2007 to 104 in 2008. Hits on DCA's Website from visitors seeking foreclosure information increased 123% in 2008.

Following is a summary of how DCA provides counseling, home loan modification assistance, complaint investigation and community outreach for homeowners in the County of Los Angeles.

I. FORECLOSURE PREVENTION COUNSELING:

Foreclosure begins when the lender records a Notice of Default. Homeowners have 120 days to work out a solution with the lender or their home is sold. Most homeowners are in foreclosure because their monthly mortgage payments have increased due to rate adjustments from adjustable rate mortgages, teaser loans, hybrid loans, or pay-option loans. To save a home from being sold at foreclosure, immediate and extensive intervention is necessary.

What DCA is Doing Now:

- Interview the homeowner and review recorded documents
- Assess the homeowner's financial situation to determine whether a loan modification is feasible
- Provide budget counseling to help the homeowner prioritize expenditures and find ways to make the mortgage payments
- Work with the lender to temporarily stop pending foreclosures until an action plan is developed and put into action
- Counsel homeowners on options available to keep their home

What DCA Can do with Additional Resources:

- Provide homeowners more comprehensive counseling, including a greater financial analysis and a personalized action plan
- Provide face-to-face assistance to homeowners in foreclosure. Currently, most of the counseling is by telephone due to limited staffing.
- Assist homeowners with loan modifications before they enter foreclosure
- Reach out to community based organizations, legal services agencies, government agencies, and HUD-approved organizations and encourage them to refer their clients to DCA for assistance

II. LOAN MODIFICATION ASSISTANCE

Many homeowners can save their homes through loan modifications if they get timely assistance. Homeowners who contact DCA get immediate help with their pending foreclosures. Additionally, DCA's reputation as a consumer protection leader enables us to achieve a high rate of success in working with lenders to temporarily stop pending foreclosures and obtain loan modifications with terms homeowners can afford.

What DCA is Doing Now:

- Assess the homeowner's financial situation to determine the best course of action to keep, sell, or walk away from their homes
- Work closely with lenders to modify loans to help homeowners keep their homes
- Identify all possible options for homeowners to save their homes, including researching government databases to find and review documents recorded against the home
- Maintain updated financial records from the homeowner, and submit them to the lender upon request to prevent processing delays in modifying the loan
- Counsel homeowners on government-sponsored programs and resources
- Counsel homeowners who do not qualify for loan modifications on how to find alternate housing

What DCA Can do with Additional Resources:

- Assist homeowners with loan modification services before they enter foreclosure
- Provide homeowners with enhanced budgeting and credit counseling
- Reduce the number of referrals DCA makes to other agencies so we can provide more in-house assistance to ensure quality control and seamless service delivery

III. FORECLOSURE FRAUD INVESTIGATIONS:

Many homeowners go into foreclosure because they got teaser, hybrid, stated income, or pay option loans they could not afford. Many homeowners obtained these loans due to misrepresentation, deception, or fraud. DCA investigates complaints from homeowners who are victims of fraud.

What DCA is Doing Now:

- Investigate complaints to determine whether the homeowner was defrauded
- Work with deceptive businesses to get homes back or obtain refunds for homeowners
- Prepare investigative reports and refer them to prosecuting agencies for civil or criminal charges

What DCA Can do with More Resources:

- Investigate more complex cases in house for referral to prosecuting agencies

VI. FORECLOSURE PREVENTION OUTREACH:

Early intervention is crucial in helping homeowners find solutions to save their homes from foreclosure. DCA participates in several projects designed to reach out to homeowners who are at risk of losing their homes..

What DCA is Doing Now:

- Participate in foreclosure prevention workshops and community events to educate homeowners on options to prevent foreclosure
- Partner with community organizations to educate homeowners on how to protect their homes against foreclosure, identify and report foreclosure fraud, and access services and resources. Key partners are the Los Angeles Neighborhood Housing Service, East LA Community Corporation, Korean Churches for Community Development, Bet Tzedek Legal Services, the Greater Antelope Valley Association of Realtors. Federal, state and local elected officials are also key partners in our community outreach efforts.
- Partner with the Federal Trade Commission, the California Attorney General's Office, the Los Angeles District Attorney's Office and local City Attorney offices to identify, investigate, and prosecute foreclosure fraud.
- Participate in various real estate foreclosure prevention task forces, including the Los Angeles County District Attorney's Real Estate Fraud Prevention Task Force, Foreclosure Solutions, and Advocates for Consumer Justice

What DCA can do with More Resources:

- Enhance our collaboration with the local media to educate greater numbers of homeowners who are at risk of losing their homes.
- Develop public service announcements to educate homeowners throughout the County of Los Angeles on how to protect their homes from foreclosure, avoid and report foreclosure fraud, and access services.
- Enhance existing educational materials and increase their distribution in communities with greater foreclosure rates.
- Provide more educational workshops on how to prevent foreclosure, avoid fraud, and access resources.

DCA'S UNMET NEED TO ASSIST HOMEOWNERS FACING FORECLOSURE IN THE COUNTY OF LOS ANGELES

DCA needs at minimum three more investigators to assist homeowners in the County of Los Angeles save their homes from foreclosure and investigate foreclosure fraud cases. DCA also needs more funding to increase our community outreach, enhance our media campaign, and create and distribute more educational materials. The annual cost for three investigators is approximately \$259,000. The cost to enhance our community outreach is approximately \$50,000 per year. The total cost is \$309,000.

Potential Funding Sources:

1. Community Development Commission (CDC): We have discussed with CDC the funding available from HR 3221 (Housing and Economic Recovery Act of 2008). The only funding available for DCA is to enhance the counseling of participants in CDC's first time homebuyers program, which we already conduct for them. CDC projects approximately 50 additional counselings through June 2009. Although these counselings will assist first time buyers, they have no impact on the foreclosure problem or foreclosure rescue frauds.

2. CDC-COMMUNITY DEVELOPMENT BLOCK GRANTS – Board offices may consider using CDC-CDBG funds to provide immediate funding. CDC-CDBG funds limit service to low and low-to-moderate income homeowners living in unincorporated County areas. Also, the reporting requirements are burdensome and time consuming. Although this funding is not ideal, it is perhaps the best short term funding solution available.

3. NET COUNTY COST – NCC funding would allow the department to provide service to all County residents without income and geographic limitations and avoid onerous reporting requirements.

FORECLOSURE REPORT

ATTACHMENTS



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DCA Foreclosure Client Success Stories

1st Supervisorial District

A homeowner that has lived near downtown Los Angeles for over 10 years lost his job, due to his illness is now disabled, and was losing his home to foreclosure. He did not know if he would have enough money to continue to pay his mortgage.

He contacted the Department of Consumer Affairs and requested that we help him contact his lender to modify his loan and avoid foreclosure.

After DCA negotiated for several months, the lender agreed to modify his loan from a 13.5-percent interest rate to 4 percent (for 10 years). His mortgage payment was reduced by \$1,282.34 each month and he was able to stay in his home.

2nd Supervisorial District

A single father in South Los Angeles was facing foreclosure. This father needed help with a loan modification to keep his home and avoid moving his three children from their schools. His lender refused any aid because he was 11 months behind in mortgage payments.

The homeowner reached out to the Department of Consumer Affairs in April 2008.

DCA immediately assigned an investigator to work in saving the home. After intensive negotiations, the lender agreed to modify the loan's interest rate from 13.7 percent to 7 percent. He will save \$1,733.89 in monthly payments and he and his children were able to stay in the house.

3rd Supervisorial District

A Van Nuys couple, because of medical expenses and loss of employment, were 11 months behind in mortgage payments. They worried they would not be able to take care of their disabled child. They were about to lose their home because they were delinquent in two Home Equity Lines of Credit that had balloon payments that were due in full within 6 months.

Five days before the lender was to sell their property, they contacted the Department of Consumer Affairs asking for help.

DCA intervened to negotiate with the lender. After intensive negotiations, the lender brought the accounts current, extended the life of both loans without penalties and reduced the interest rates to 5.75 percent fixed on each loan saving the homeowners \$140 a month.

4th Supervisorial District

A retired 62-year-old Army nurse from San Pedro was approved for a jumbo loan she could not afford. Her tenants left and she fell behind on her payments. The servicer handling her loan refused to negotiate with her.

She contacted the Department of Consumer Affairs. She asked for help in stopping the sale of the home and in getting her loan reviewed for modification.

DCA intervened and the lender agreed to modify the loan from 10.10 percent to 6 percent fixed for 30 years. The lender reduced her monthly payments by \$1500.

5th Supervisorial District

A Santa Clarita homeowner thought her lender was in the process of reviewing her financial situation for a loan modification. To her surprise, a representative from the bank came to her house, informed her that her house had been sold, and gave her a three-day notice evicting her.

Fortunately, the homeowner reached out to the Department of Consumer Affairs 5 days after the sale in May 2008.

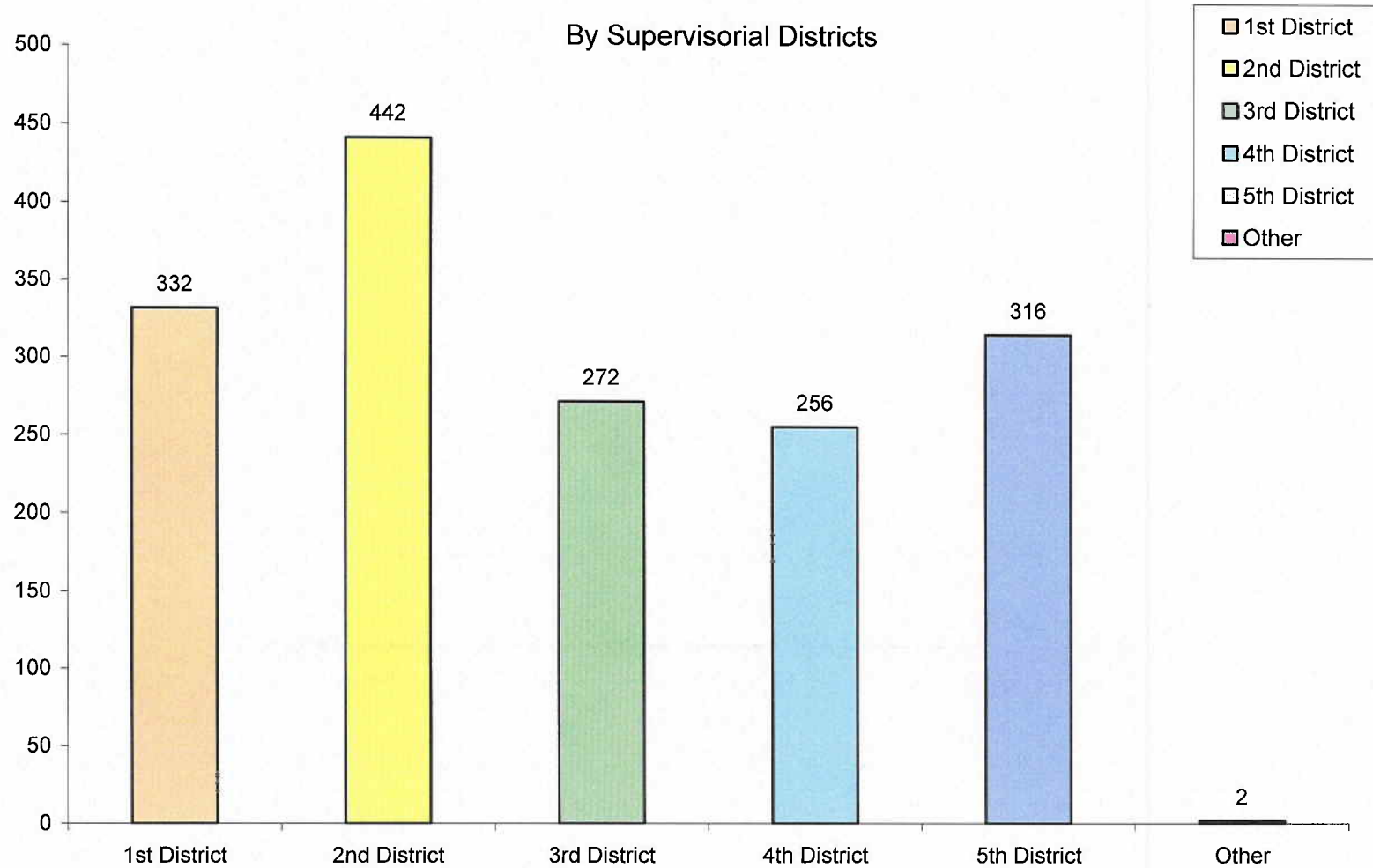
After an intensive investigation, DCA presented the lender with proof that they were reviewing the loan documents and told the lender that they had foreclosed in error.

DCA intervened to negotiate with the lender on the homeowner's behalf. After intensive negotiations, the lender canceled the sale of the home and restored title of the property back to her name, allowing her and her child to stay in her home. The lender also modified her loan and reduced her monthly mortgage payments.

Foreclosure Counseling Calls (2008)

Total: 1620

Calls concerning the foreclosure process, their rights and responsibilities, available options and assessment of their individual situation.

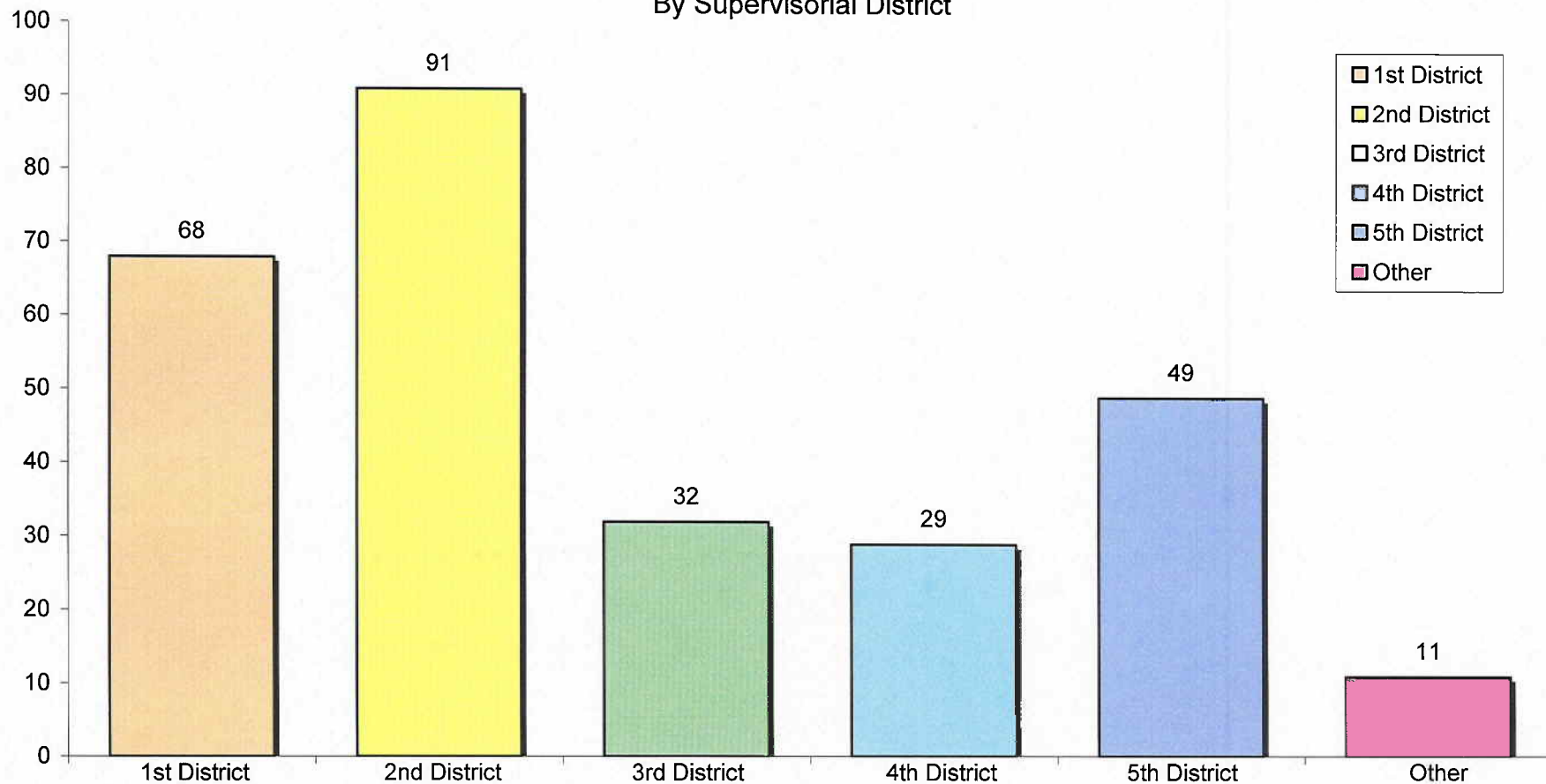


Loan Modification/Negotiation Assistance (2008)

Total: 280

Requests by homeowners to modify the terms of their loan.

By Supervisorial District

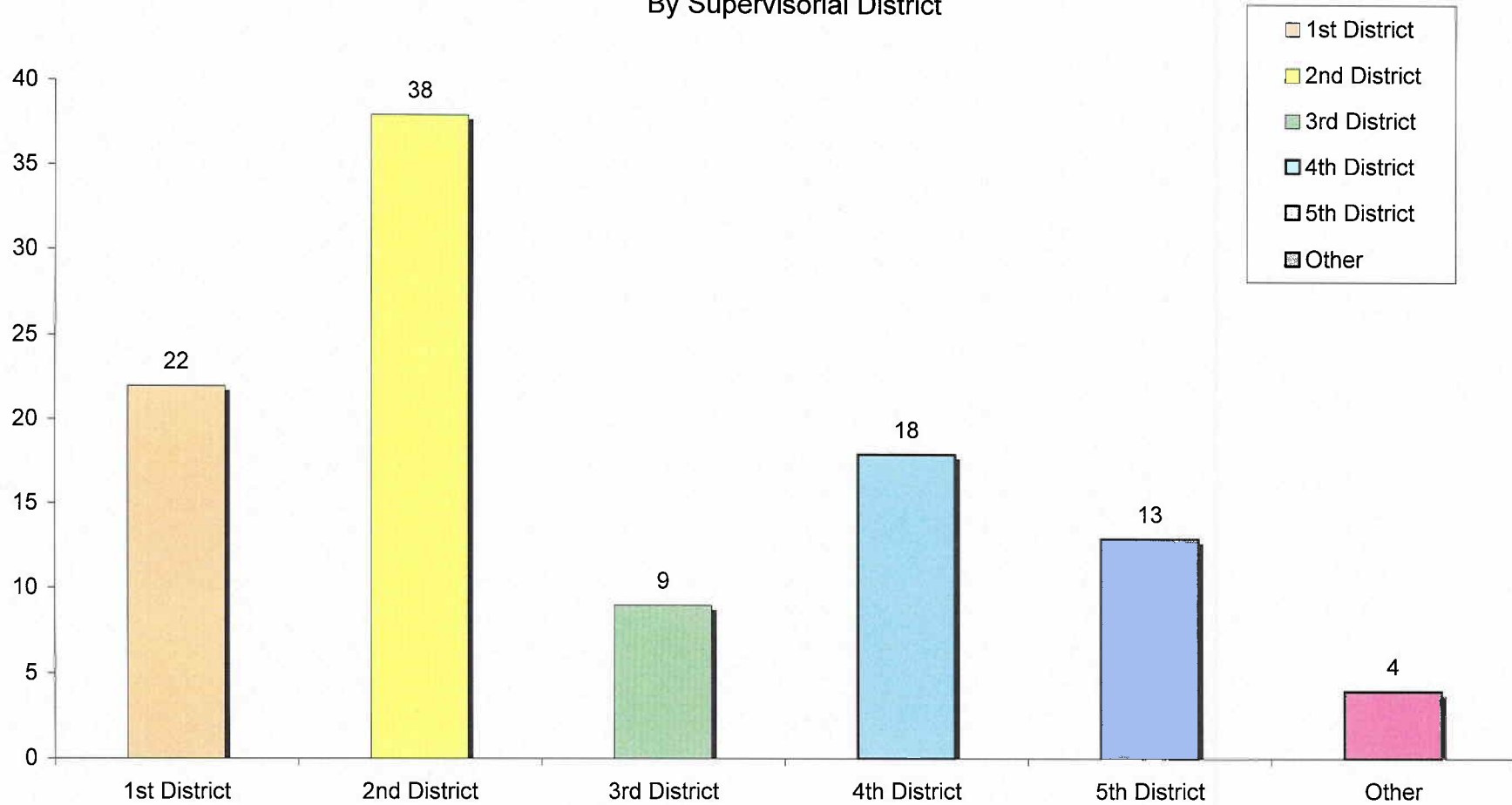


Foreclosure Fraud Investigations (2008)

Total: 104

Investigations relating to foreclosure consultants,
loan modification companies, and equity purchasers, etc.

By Supervisorial District

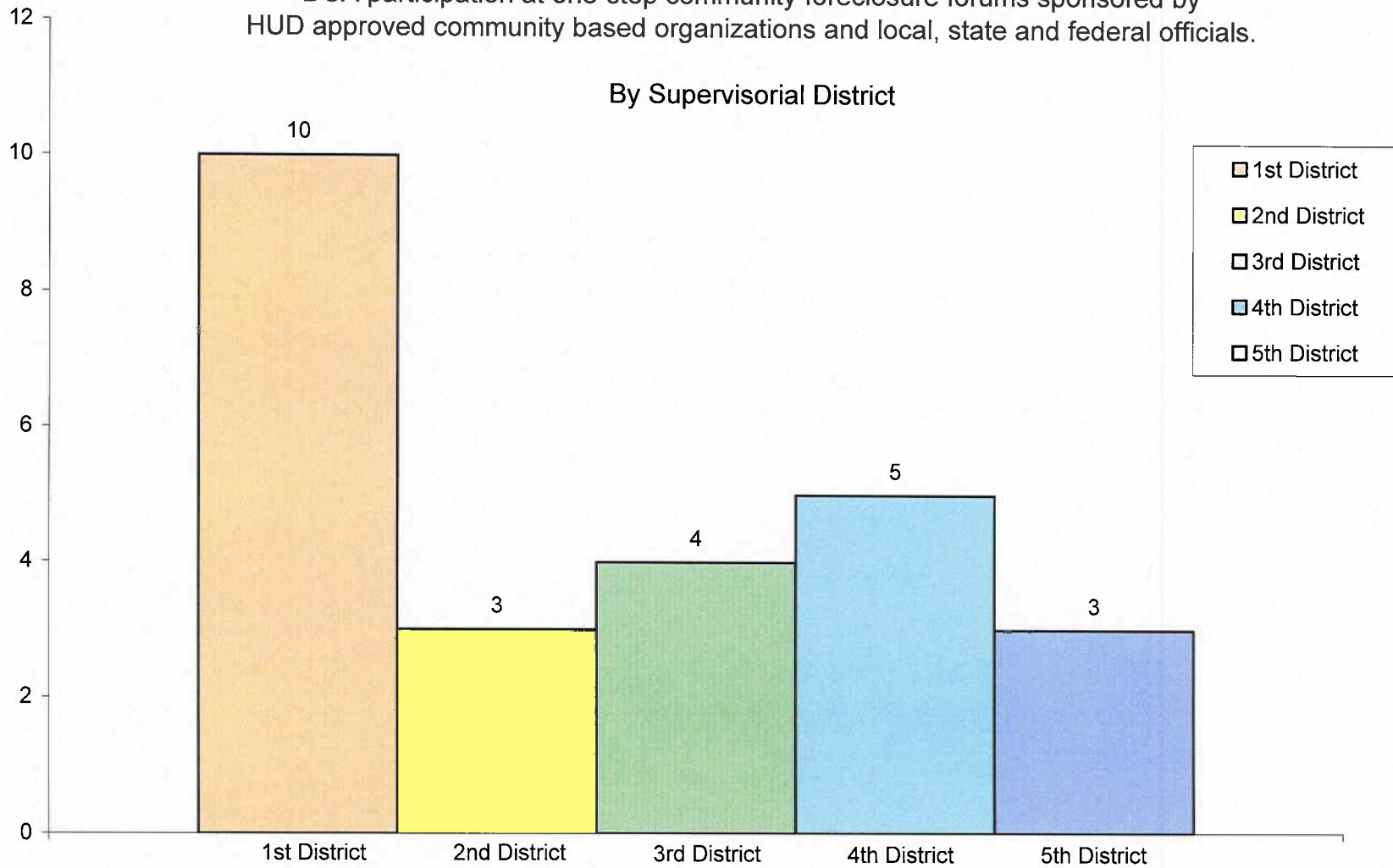


Foreclosure Workshops (2008)

Total: 25

DCA participation at one-stop community foreclosure forums sponsored by HUD approved community based organizations and local, state and federal officials.

By Supervisorial District



Community Outreach (2008) Total Number of Events: 120

Speaking engagements initiated by DCA providing information on
Real Estate fraud, foreclosure prevention and assistance.

