Homeowner Bill of Rights plans move forward

Carolyn Said
Updated 11:04 p.m., Wednesday, June 27, 2012

Brad Bombola has been seeking a loan modification on his Hayes Valley duplex since 2010, when the economic downturn ravaged his creative-services agency.

Wells Fargo turned him down five times, he said. Last year, with a foreclosure auction scheduled as he prepared for surgery to remove a brain tumor, he took "every dime" he had and borrowed money from his father to pay $68,000 to catch up on his mortgage "because I wanted a home to come back to after brain surgery," he said.

"Wells has offered no other options; it's either pay all the back payments, penalties and fees in full or go live in a cardboard box on the street," he said.

Bombola is among thousands of California homeowners who say lenders' foreclosure processes are haphazard, arbitrary and badly in need of reform.

On Wednesday, despite opposition from large banks and title companies, housing advocates moved a step closer to passing a Homeowner Bill of Rights that they say would help people like Bombola trying to stave off foreclosures.

The most significant parts of the legislation passed out of a bipartisan conference committee in Sacramento, the final step before an expected vote by the full Senate and Assembly next week.

The legislation would ban the practice of dual-tracking, in which a bank continues foreclosure proceedings while a homeowner is seeking a loan modification; require banks to provide a single point of contact - either a person or a team - for struggling borrowers; and give borrowers the right to sue their lenders for "significant, material" violations of the new law.

"The mortgage and foreclosure crisis in our state demands urgent efforts to help Californians keep their homes," Attorney General Kamala Harris said. "The Legislature will now have the opportunity to cast a vote on behalf of California's struggling homeowners."

At least 1 million Californians lost their homes to foreclosures from 2008 to 2011, and 500,000 residents are in the foreclosure pipeline, Harris said.

The bills also require lenders to give a clear explanation when they reject borrowers for a loan modification, to verify mortgage documents before a foreclosure and to provide copies to borrowers upon request. Lenders can be fined up to $7,500 per loan for filing and recording unverified documents. The bills' provisions apply to first-lien mortgages for owner-occupants.

Chance of passage

Amid intensive lobbying by banks, Sacramento has failed to pass similar bills over the past four years as moderate Democrats joined Republicans in opposing them. However, on Wednesday, Sen. Ron Calderon, D-Montebello (Los Angeles County), provided a key swing vote in the committee, saying he thought the bills balanced fair treatment of borrowers with keeping the economic recovery on track.

If other moderate Democrats follow his lead, the bills are likely to pass, observers said. While Gov. Jerry Brown has not indicated his position on the bills, he is not expected to veto the legislation.

Large banks continue to oppose the bills, as do the California Chamber of Commerce, title companies, trustees and securities industry representatives, calling them confusing, complex and likely to increase lenders' costs and liabilities.

The bills "lack clarity around critical definitions, leave several major issues unaddressed and fail to focus on truly injured borrowers," the California Bankers Association said.

"It doesn't ... accomplish the goal of not stalling the recovery," said Assemblyman Don Wagner, R-Irvine, the sole vote in dissent. (Sen. Sam Blakeslee, R-San Luis Obispo, abstained.)

Harris and Democratic leaders promoted the Homeowner Bill of Rights to extend protections implemented under a nationwide settlement by 49 state attorneys general over robosigning practices. While the settlement applies only to the five largest U.S. banks, the new legislation would apply to all banks, although those that process fewer than 175 foreclosures a year would be exempt from some procedural requirements.

"We want to make sure we keep homeowners who can afford to do so in their homes," said Sen. Noreen Evans, D-Santa Rosa, co-chair of the committee. It voted 4-1 along party lines to pass the bills, which underwent 50 to 70 hours of negotiations.

Some lenders neutral

Representatives of the California Independent Bankers and California Credit League were neutral on the bills. Advocates said their lack of opposition was significant.

"This is a critically important step to passing long overdue reforms to help prevent borrowers from facing unnecessary and personally devastating foreclosures," said Paul Leonard, director of the California office of the Center for Responsible Lending.

The vote came as Stockton's City Council decided to file for bankruptcy - the largest city in U.S. history to take that step.

"Many experts agree that bankruptcy was predicated on (Stockton's) massive amount of foreclosures," said Assemblyman Mike Eng, D-Monterey Park (Los Angeles County), the committee's other co-chair.

Still fighting for home

Bombola, meanwhile, continues to battle to keep his home. Last summer, he tried for another loan modification and was turned down - this time because he wasn't in arrears since he had made a big payment to catch up.

"Are you getting the Alice in Wonderland aspect?" he said.

Then he missed one payment in December and within a month received a notice of intent to foreclose, he said.

After The Chronicle contacted Wells Fargo about Bombola this month, the bank invited him to reapply for a loan modification, but two weeks later he received a letter from a foreclosure processing company saying Wells had authorized it to foreclose on his property unless he paid the full $809,848 outstanding within 30 days.

Bombola, 59, has income from disability, dog walking, preparing tax returns and renting out the other half of the duplex, but drained his coffers to make up the arrearages last year.

"It's not immediately apparent that there are solutions that will be readily found" for Bombola, said Wells Fargo spokeswoman Vickee Adams. "We have had multiple contacts with him for some time. He's been reviewed under a number of different programs."

Clear explanations

Bombola said he received foreclosure notices and almost daily calls from Wells trying to collect his payments during his loan-modification attempts, something the legislation would ban. He said Wells told him that negative "net present value" was the reason he didn't qualify for a modification, but he was given no further clarification. The new law would require clear specifics on why a loan modification is rejected.

"If it's enforced, (the new laws) would be helpful," he said. "We need regulations with some teeth in them."

The full Homeowner Bill of Rights includes additional provisions to reduce blight from foreclosures, protect renters in foreclosed homes and increase enforcement for mortgage fraud. Those measures are still advancing through the Legislature.

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New home sales jump 7.6% in May

By Emily Jane Fox @CNNMoneyJune 25, 2012: 10:48 AM ET

PHOTO: JUSTIN SULLIVAN/GETTY IMAGES

NEW YORK (CNNMoney) -- The housing market got some good news on Monday, as the government reported that sales of new homes rose 7.6% in May.

Sales hit an annual rate of 369,000, according to the Census Bureau, compared with the revised April rate of 343,000. That's up 20% year-over-year, but still a long way from the annual rate of nearly 1.4 million recorded during real estate's boom years.

The sales hike beat expectations. Economists had forecast a sales rate of 350,000 new homes, according to Briefing.com.

The uptick in home sales was in line with other recent positive reports in the housing market. In May, **home builders** applied for permits to build new homes at the highest rate since September 2008, and mortgage **rates** hit record lows last week.

But not all housing numbers looked rosier for the month. **Existing home sales slowed** slightly in May, slipping 1.5% versus the month prior.

Economists said that the numbers restored some optimism after the soft March and April numbers.

"This improvement indicates that 2012 will be a year of gradual growth for new homes," said Robert Dietz, an economist for the National Association of Home Builders. "It also means that we've seen the end of inventory that's climbed over the last couple of years."

Dietz explained that new home sales are a closely-watched barometer of how the economy is doing, since increases in construction translate into job creation.

"Each new home built represents three full-time jobs," he said. "That's just good for the economy overall."

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First Published: June 25, 2012: 10:28 AM ET

latimes.com/business/la-fi-reverse-mortgages-20120628,0,2676734.story

latimes.com

Consumer bureau report raises concerns about reverse mortgages

The Consumer Financial Protection Bureau says it's worried about the potential for abuse as some older Americans tap their home equity through reverse mortgages.

By Jim Puzzanghera, Los Angeles Times

June 28, 2012

WASHINGTON — As some older Americans try to improve their finances by tapping home equity through reverse mortgages, many are at risk of ending up in a worse situation because of confusion over the complex terms of the loans, according to a new government report.

There is a growing tendency for seniors to obtain the money at a younger age and in a lump sum instead of annual installments designed to spread the dollars through their retirement — problems that could accelerate as the baby boom generation goes gray, according to the report to be released Thursday by the Consumer Financial Protection Bureau.

With about 10% of reverse mortgages in default because the homeowners failed to keep up with required property tax and insurance payments, the bureau said it was worried about the increased use of the product over the last decade and was looking into new regulations. In addition, the complexity of reverse mortgages makes some senior citizens prime targets for scammers, the report said.

"There may be circumstances where the reverse mortgage is appropriate … but the seniors I've talked to really are a bit confused about what it is all about," said Hubert H. "Skip" Humphrey III, head of the bureau's Office of Older Americans. "They're told there's money out there that they can get, but there isn't always a description of the cost associated with the product. And the interest rates and other parts of this product are often confusing."

The consumer bureau is considering requiring better disclosure of reverse mortgage terms and stricter oversight, including limits on misleading advertising. The agency had planned to hold a hearing on reverse mortgages in Tampa, Fla., this week, but canceled it because of Tropical Storm Debby.

Consumers Union has been warning that reverse mortgages are ripe for abuse and that people should use "significant caution" in exploring the option. This week, the group urged tougher federal oversight of the loans and published tips for consumers considering reverse mortgages.

"It is an expensive way to borrow," said Norma Garcia, a senior attorney with the organization. "It's not for everyone."

Reverse mortgages allow people at least 62 years old to take out loans based on the equity built up in their homes. But unlike a traditional home equity loan, a reverse mortgage does not require any monthly payments. The loan, which is easier to qualify for than a home equity line of credit, doesn't come due until the home is sold or the person moves out or dies.

It's an attractive option for people who want to enhance their retirement income without selling their home — as long as they're aware of the risks, said Richard Cordray, the consumer bureau's director. The report found that "though many older Americans are aware of reverse mortgages, they struggle greatly to understand this complicated product and the trade-offs involved," he said.

For example, because the interest is added to the loan amount each month, the size of the loan can grow to exceed the home's value. Under federal rules, borrowers or their heirs generally aren't required to repay more than the home's value. But that can mean there's no equity left in the home to pass down to the borrower's children.

Borrowers also can face foreclosure if they don't stay current on property taxes and insurance premiums. As of the end of February, 9.4% of reverse mortgages were in default on taxes or insurance payments, up from 8.1% in July 2011, the report said.

Peter Bell, president of the National Reverse Mortgage Lenders Assn., an industry trade group, said that the report "raises valid questions" and that the association would work with the consumer bureau to find the answers.

"All of us want seniors and their children to have a better and more in-depth understanding of reverse mortgages," Bell said. Last week, the group launched a consumer education effort called "Borrow With Confidence."

Reverse mortgages began in 1961 and have been insured by the Federal Housing Administration since 1988. The number of reverse mortgages swelled with the housing boom, rising from 6,637 in 2000 to a peak of 114,639 in 2009, according to the Department of Housing and Urban Development. Last year the total was 73,093.

Falling home values have probably made reverse mortgages less attractive over the last few years. Two of the biggest lenders, Bank of America and Wells Fargo, stopped issuing new reverse mortgages in 2011.

"We just saw better growth opportunities in other places," said Terry Francisco, a spokesman for Bank of America, who said the company also wanted to shift its reverse mortgage staff to deal with homeowners struggling with first mortgages.

The overall market is small, with less than 3% of eligible homeowners taking out reverse mortgages, the consumer bureau report said. But that could change with the aging of the baby boom generation, which includes 32 million homeowners.

With the potential for rapid growth in the use of reverse mortgages, Cordray said the consumer bureau is worried about some of the report's findings. The average age of people getting reverse mortgages has been dropping — it was 72 as of May 31, down from 76 in 2000, according to HUD — and the most common age for successful applicants now is 62, the report said.

Younger homeowners must make the reverse mortgage money last longer. Compounding the consumer bureau's concern is that more people are taking the money in a lump sum, or close to it, instead of an annuity-like payment. Three-fourths of borrowers in 2010 took at least 90% of the money at closing, compared with 43% in 2008, the report said.

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Mortgage servicers given new rules to aid troops

Carter Dougherty and John Gittelsohn
Updated 04:01 a.m., Friday, June 22, 2012

U.S. regulators released rules for mortgage servicers that are designed to help members of the military get information needed to sell their homes or modify loans when they are forced to relocate.

"Those who serve our country deserve to be given the best service by their mortgage servicer," Consumer Financial Protection Bureau Director Richard Cordray said Thursday in outlining the guidance.

The guidance from that bureau, Federal Reserve, Federal Deposit Insurance Corp., National Credit Union Administration and Office of the Comptroller of the Currency affects service members who get "permanent change in station" orders that can't be appealed and must be followed on a short timetable.

The goal of the guidance is to ensure that members of the military who must move are getting "clear, accurate and timely information about available options such as loan modification or short sale," the bureau said.

"If a regulator determines that a mortgage servicer has engaged in practices that are unfair, deceptive or abusive, or if a regulator determines that a mortgage servicer has in any way violated federal consumer financial laws, it will take appropriate enforcement action," the bureau said.

Mortgage servicers are responsible for collecting monthly payments, acting as escrow agent for taxes and insurance and handling foreclosures when borrowers are seriously delinquent. The five largest U.S. servicers - Bank of America Corp., JPMorgan Chase & Co., Wells Fargo & Co., Citigroup Inc. and Ally Financial Inc. - reached a settlement with federal agencies and 49 states over claims of abusive foreclosure practices.

Under the new policy, Fannie Mae and Freddie Mac won't seek court judgments that force people to pay the difference between the mortgage balance and a home's sale price for any property purchased on or before June 30, 2012, according to the Federal Housing Financial Agency, which oversees the government-owned finance companies.

Members of the military who get permanent-change-in-station orders will automatically be eligible for a short sale of their homes, the agency said. The rule follows one last year that opened government foreclosure programs to service members who get the orders.

The new federal guidance also addresses such problems as mortgage servicers asking people to waive rights under the Servicemembers Civil Relief Act - which forbids foreclosure on active-duty military members - as a prerequisite to getting assistance.

The rules also address the practice of asking service members to skip mortgage payments to become eligible for assistance for which they would otherwise not qualify.

Market data provided by Bloomberg News Carter Dougherty and John Gittelsohn are Bloomberg writers. E-mail: cdougherty6@bloomberg.net, johngitt@bloomberg.net

By Jonathan Lansner and Jeff Collins

Most still won't pay the green to be green

June 22nd, 2012, 7:00 am · View all 8 comments · **posted by Jeff Collins**

DENVER — Most consumers still aren't willing to cough up the green to make their homes more energy efficient, a study by a Newport Beach firm shows.

Just 10% of consumers responding to a survey last summer said they would pay more money to make their homes more green.

Another 30% said they were willing to make their homes more green – "until there's a cost involved," said Eric Snider, CEO of Lifestory Research, a Newport Beach market research firm.

"They're committed to the environment in theory," Snider told reporters Thursday at the National Association of Real Estate Editors Conference in Denver. "They just don't want to pay for it."

The survey was conducted last August on behalf of Xcel Energy, a Minneapolis-based electric and gas utility that serves eight Western and Midwestern states. Snider's talk at NAREE was the first time the survey results had been shared publicly.

"We project that the green market is going to continue to struggle to get their footing," said Snider, a former executive with Shea Homes and Pulte Homes.

Among the survey's findings:

- Fifty percent of the 25- to 30-year-olds leaned green – that is, supported the idea of making their homes more energy efficient.
- But there was a higher proportion of "green leaners" in the 60-plus age group. Sixty-five percent of the 60- to 65-year-olds were green leaners, and 60% of those over age 65 wanted to be more green.
- Just 40% of consumers would want solar units on their home if it were offered.
- Twenty percent of the consumers said they would invest $9,000 in energy-efficient features to get a 20% reduction in their utility bill.
- Thirty-five percent said they would invest $18,000 for a 60% utility bill reduction.
- But just 13% said they'd invest $30,000 for a 90% utility bill reduction.

Snider said the responses were not influenced by household income.

Being green is a popular belief system, so people tend to say they're interested in being more energy efficient, Snider said.

THINGS TO DO

ART-A-FAIR
Friday, Jun 29, 10:00 am
Art-A-Fair Grounds, Laguna Beach

SAWDUST ART FESTIVAL
Friday, Jun 29, 10:00 am
Sawdust Art Festival, Laguna Beach

MXPX 20TH ANNIVERSARY SHOW
BUY
Friday, Jun 29, 7:30 pm
House of Blues, Anaheim

29 Fri | 30 Sat | 1 Sun | 2 Mon | 3 Tue | 4 Wed | 5 Thu | All events

"(But) they often will tell you one thing and behave in a different way," he said.

A little context …

MARKET TRENDS

- Analyst: Homebuilders feeling 'good vibrations'
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- 1st price hike for low-end homes since '10
- Home prices down 3.6%, but drops are shrinking
- Realtor guru: 10% home-price jump possible
- Distressed properties selling in 20 days

INDUSTRY NEWS

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- $10 million real estate fraud uncovered
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Posted in: Running a home • Eric Snider • industry • Lifestory Research • NAREE

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- Curbed LA
- DQ News
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Todd Collins · Top Commenter · Principal at A&E Building Systems

We spent $3,700 to air seal and insulate. We also replaced a fridge, washer, dryer and dishwasher with energy star products for about $3,300. Finally, we replaced all the lights with LED and CFL bulbs for another couple hundred. It reduced our monthly utility costs by about 30%. Going from about $1,800 per year in utility costs to about $1,100 was nice (need to tally it after we hit a year). That said, it is not about the money. Our bedrooms were cold in the winter and hot in the summer and we needed to improve the comfort so we all would sleep better. At $3,500, it was a small price to pay for all of us being more comfortable and sleeping better. While the old appliances worked, they were old and needed to be replaced - more or less a cost of home ownership. Raw numbers suggest we will break even in just over 10 years. ...See More

Reply · 1 · Like· June 25 at 10:56am

Sven Erik Alstrom · Top Commenter

dumb & dumber nation.

Reply · 1 · Like· June 25 at 8:27am

Steven R. Fradkin · Owner at Fradkin Fine Construction, Inc.

These findings don't jibe with my experience of buyers in the Seattle area, many of whom are willing to invest in energy saving features. It's an issue of educating consumers and advising them on the most cost effective strategies to reduce energy consumption in their homes. $30,000 is a lot of money to invest but how about $5,000 to to reduce the energy consumption of a 2300 square foot home by 20%? That's not a tough sell here. If you can show people a 4-6 year payback they will invest in those measures.

Reply · Like· June 25 at 9:16am

Troy Bevilacqua · Works at SunPower

A Utility conducts a study that concludes people don't want to reduce the monies they pay the Utility? Really? Anyone else suspect of these findings.

Reply · Like· June 25 at 8:25am

Pat Bahn · Works at Tgv Rockets

as Green technologies get cheaper and the interest rates stay low, the payoff for greentech is getting better and better. The big problem is getting people to know about their options. As more installations go in, we get network effects as the installers and potential buyers get more comfortable.

Reply · Like· June 22 at 11:22am

Pete Bilicki

green in concept is great but reality is way over rated for the return....

Reply · Like· June 25 at 8:22am

Gardeningcrew J's · Top Commenter · Horticulture/Landscape at Owner/ President

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http://www.facebook.com/Gardeningcrew ;.

Why should investor spend good money, chasing Green Data, when the Green Data is too new and way too many unknown variables.

My major concern about some green:
• Contamination of recycled goods.
• Ground water being contaminated and undermining the dwelling.
• Some of the solar collector panels terms for the lease contract are unreal in duration, etc.
• Some cities want green; while other cities permit fees for going green are out-of-site. Cities can be next door to ea. other.

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WSJ Developments

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Home prices rise for first time in 7 months

By Tami Luhby @CNNMoney June 26, 2012: 11:15 AM ET

Home prices post first monthly gain in seven months.

NEW YORK (CNNMoney) -- Home prices rose in April for the first time in seven months, though they are still near record lows, according to a report out Tuesday.

Average home prices increased 1.3% in April in 20 major markets, according to the S&P/Case-Shiller home price index. This comes after prices hit **new post-bubble lows in March**.

As of April, average home prices nationwide are back to where they were in early 2003. Prices are down 34% from their summer 2006 peak.

On an annual basis, prices are down 1.9%, though that's an improvement over March's decline. Ten cities -- Boston, Charlotte, Dallas, Denver, Detroit, Miami, Minneapolis, Phoenix, Tampa and Washington D.C. -- had positive annual returns. (**Where home prices are rising for the wrong reasons**)

"It has been a long time since we enjoyed such broad-based gains," said David Blitzer, index committee chairman at S&P Indices. But, he added, "one month does not make a trend, particularly during seasonally strong buying months."

Atlanta's housing market improved slightly over the month, though it still posted the only double-digit negative annual return for the 22nd consecutive month. The city saw prices rise 2.3% in April, but they remain down 17% year-over-year.

At the other end of the spectrum, Phoenix had the best annual returns, gaining 8.6%.

Only Detroit and New York saw their annual rates of return deteriorate compared to March.

Analysts were pleased to see the gains, but remain cautious.

Tight inventories of homes for sale in certain markets bode well for continued price gains in those areas, said Luis E. Vergara, director of Mission Capital Advisors in New York. But that's not enough.

"We still need to see greater breadth across markets on a consistent basis to say that we've reached an inflexion point and recovery is underway at the national level," he said.

Also, the pace of home price gains could weaken in coming months since banks are processing foreclosures and short sales more quickly, said Paul Diggle, property economist at Capital Economics. Still, he believes a home price recovery is underway and forecasts that prices will rise in 2012, the first increase since 2006.

Best cities to buy rental properties

The S&P/Case-Shiller follows some positive news on housing. **Sales of new homes** rose 7.6% and home builders applied for **new home permits** at the highest rate since September 2008, according to government data for May. **Mortgage rates** also hit record lows last week.

Existing home sales, however, slowed slightly in May, slipping 1.5% versus the month prior. ■

Find homes for sale

First Published: June 26, 2012: 9:14 AM ET latimes.com/business/la-fiw-consumer-confidence-20120626,0,2953875.story

latimes.com

Consumer confidence slipped in June

Associated Press

8:30 AM PDT, June 26, 2012

Americans can't seem to shake their uneasy feeling about the economy.

Consumer confidence fell in June for the fourth month in a row as lingering worries about the economy outweighed relief at the gas pump, according to a private research group.

The Conference Board said Tuesday that its Consumer Confidence Index is at 62. That's down from the 64.4 reading in May and the 63.2 analysts were expecting. The index remains well below the 90 reading that indicates a healthy economy — a level it hasn't been near since the recession began in December 2007. But it's far from the all-time low of 25.3 reached in February 2009.

The indicator is widely watched because consumer spending, including major items like health care, accounts for 70 percent of U.S. economic activity. Americans are still worried about slow hiring, low home values, the stock market and a worsening European economy that some fear will hurt the U.S.

"Consumers were somewhat more positive about current conditions, but slightly more pessimistic about the short-term outlook," said Lynn Franco, director of Economic Indicators at The Conference Board in a statement. "If this trend continues, spending may be restrained in the short-term."

Worries about job and income growth seemed to weigh heavily on consumers in the index survey, which is based on a poll conducted from June 1 through June 14 with about 500 randomly selected people nationwide.

Those stating jobs are "hard to get" increased to 41.5 percent from 40.9 percent, while those expecting more jobs in the months ahead declined to 14.1 percent from 15.4 percent. Meanwhile, the proportion of consumers expecting an increase in their incomes declined to 14.8 percent from 15.7 percent.

Consumers' dwindling confidence follows a sharp slowdown in hiring in April and May. Meanwhile, a measure of the number of people applying for unemployment benefits over the past month has reached a six month high, the government said last week. That increase suggests that layoffs are rising and June could be another lackluster month for hiring. The government is slated to release June data next week.

Still, Americans have some reasons to be optimistic. A widely watched home price index, released Tuesday, offered some hope for the housing market. Home prices rose in nearly all major U.S. cities in April, according to The Standard & Poor's/Case-Shiller home price index. That's the second straight month that prices have increased in a majority of U.S. cities.

Shoppers also are getting some relief at the gas pump. Gas prices have falling from their peak in early April. Gasoline prices fell 4 cents over the weekend to a national average of $3.41 per gallon, according to auto club AAA, Wright Express and the Oil Price Information Service. And experts say gas could fall another 11 cents by July 4, next week

Despite the positive signs, Americans appear to be hoarding cash, economists say. Several companies, from restaurants to home goods sellers, have recently said customers are pulling back on spending unless they are lured into stores by big discounts.

Bed Bath and Beyond last week forecast lower second-quarter earnings than analysts expected and said it needed to use more coupons to get people to spend. At furniture chain Ethan Allen Inc., executives said customer traffic is slowing and shoppers are taking more time to make purchasing decisions. And Darden Restaurants Inc., which operates Olive Garden and Red Lobster restaurants, expects earnings short of Wall Street expectations, and it said customers were turned off by the $1 increase for Red Lobster's dish "Festival of Shrimp."