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## Red Alert: SB 1178 Will Get Another Vote TOMORROW! Call TODAY!

find the article at: "<http://www.car.org/governmentaffairs/getinvolved/redalerts1178/>"

### **When is Enough, Enough? The Big Banks are Still Opposing C.A.R.'s Bill to Protect Borrowers**

#### **The vote is TOMORROW! Please call TODAY!**

C.A.R. is sponsoring SB 1178 (Corbett) to extend anti-deficiency protections to homeowners who have refinanced "purchase money" loans and are now facing foreclosure. Most homeowners didn't even know that when they refinanced they lost their legal protections, and now may be personally liable for the difference between the value of the foreclosed property and the amount owed to the lender.

SB 1178 was two votes short of passage last week and is now being amended to remove the provision about "cash out" refinances. With this amendment the borrower will still be protected on a "purchase money" mortgage when that mortgage is refinanced but not on any cash out. SB 1178 will be now be voted on again TOMORROW in the Senate.

#### **Action Item**

Call Your Senator Today!

Urge him or her to vote "Yes" on SB 1178.

Call 1-800-672-3135 and below find the pin number that relates to your State Senator.

#### **Background**

California has protected borrowers from so called "deficiency" liability on their home mortgages since the 1930s, but the evolution of mortgage finance requires the statute to be updated.

Current law says that if a homeowner defaults on a mortgage used to purchase his or her home, the homeowner's liability on the mortgage is limited to the property itself. The law has worked well since the 1930s to protect borrowers, ensure the quality of loan underwriting and allow borrowers who are brought down by financial crisis to get back on their feet.

Unfortunately, the 1930s law does not extend the protection for purchase money mortgages to loans that re-finance the original purchase debt -- even if the re-finance was only to gain a lower interest rate. Recent years of low interest rates have induced tens of thousands of homeowners to re-finance their mortgages, yet almost no one realized that by re-financing their mortgages to obtain a lower rate, they were forfeiting their protections. These borrowers became personally liable for the balance of the loan.

#### **C.A.R. is Sponsoring SB 1178 Because:**

SB 1178 is fair. Home buyers, and lenders, entered into the purchase with the idea that the mortgage would be non-recourse debt, and that the lender would look to the security (the house) itself to make good on the debt if the borrower cannot. It meets the legitimate expectation of the borrowers, who have no idea that they are losing this protection by a re-finance. Homeowners didn't know that their re-finance exposed them to personal liability, on the note. It would be unfair to allow a lender, or someone that has purchased a note from a lender, to pursue the borrower beyond the value of the agreed upon security.

SB 1178 is consistent with the intent of the original law and simply updates it for modern times. Current law was intended to ensure that if someone lost their home to foreclosure, they wouldn't be liable for additional payment. Since the law was passed over 70 years ago, homeowners re-financing from the original loan to lower their

interest rate has become commonplace. The 1930s legislature didn't anticipate how mortgages would change over time.

Lenders could pursue families to collect this "deficiency" debt years down the road. Under current law, lenders have up ten years to collect on the additional debt after a judgment has been entered on the foreclosure. Years after a family has lost their home, they could find themselves in even more financial trouble. Lenders could even sell these accounts to aggressive collection agencies or even bundle them into securities. The end result would be banks who didn't lend responsibly in the first place coming after families for even more money that they don't have.

SB 1178 does NOT apply to "cash-out" re-finances or to Home Equity Lines of Credit (HELOCs).

District	Senator	Communities	Local Associations of REALTORS®	PIN number
1	Cox	Roseville, Jackson, Sacramento, Quincy	Amador, Calaveras, El Dorado County, Lassen, Mammoth Lakes, Nevada County, Placer County, Plumas, Sacramento, South Tahoe, Tahoe Sierra	192001396
3	Leno	San Francisco, Marin County,	San Francisco, Marin, North Bay	177517646
4	Aanestad	Nevada City, Colusa, Chico, Redding	Chico, Crescent City, Nevada County, Oroville, Paradise, Placer County, Shasta, Siskiyou, Sutter-Yuba, Tehama County, Trinity County	157000765
5	Wolk	Sacramento, Stockton, Vacaville, Davis	Central Valley, Lodi, N. Solano County, Sacramento, Solano, Yolo County	156507278
6	Steinberg	Sacramento	Sacramento	195512162
7	DeSaulnier	Walnut Creek, Antioch	Central Valley, Contra Costa, Delta, W. Contra Costa	159515122
8	Yee	San Francisco, San Mateo	San Francisco, San Mateo County	199019353

9	Hancock	Oakland, Berkeley	Alameda, Bay East, Berkeley, Oakland, San Mateo County, W. Contra Costa	183503731
11	Simitian	Palo Alto, Santa Cruz	San Mateo County, Santa Clara County, Santa Cruz, Silicon Valley	198003783
12	Denham	Modesto, Merced, Salinas	Central Valley, Lodi, Madera, Merced County, Monterey County, San Benito County	196062747
13	Alquist	Mountain View, Sunnyvale, Santa Clara, San Jose, Gilroy	Silicon Valley, Santa Clara County	199019478
14	Cogdill	Fresno, Ripon	Central Valley, Hetch Hetchy, Lodi, Madera, Mariposa County, Tuolumne County, Yosemite Gateway	198001175
16	Florez	Fresno, Bakersfield, Hanford	Bakersfield, Kings County, Tulare County	165005868
17	Runner	Lancaster, Santa Clarita, Victorville	Gr Antelope Valley, Southland Regional, Ventura County Coastal, Victor Valley	212005033
18	Ashburn	Bakersfield	Bakersfield, Barstow, Big Bear, Desert Communities, Kern River-Lake Isabella	152507017
19	Strickland	Simi Valley, Santa Barbara	Conejo Valley, Lompoc Valley, Ojai Valley, Santa Barbara, Santa Ynez Valley, Simi Valley Moorpark, Southland Regional,	203048025

20	Padilla	San Fernando Valley	Ventura County Coastal Southland Regional	207016363
21	Liu	Burbank, Glendale, Pasadena, La Cañada Flintridge, San Gabriel, Temple City, Altadena, Tarzana, Encino, Reseda, Van Nuys, Sherman Oaks, Studio City, North Hollywood, Highland Park, Silverlake, Los Feliz, Eagle Rock, Echo Park, Atwater Village, and Chinatown.	Burbank, Glendale, Pasadena Foothills, W. San Gabriel Valley	207092079
22	Cedillo	South Pasadena, San Marino, Alhambra, Boyle Heights, Koreatown, Downtown LA, Hollywood, Vernon, Maywood	Beverly Hills/Grtr LA, Pasadena Foothills, Rancho Southeast, W. San Gabriel Valley	187534923
23	Pavley	Santa Monica	Conejo Valley, Beverly Hills/ Grtr LA, Malibu, Southland Regional, Ventura County Coastal	211504835
24	Romero	East LA, Monterey Park, Rosemead, El Monte, Irwindale, Azusa, Barldwin Park, Covina, West Covina, La Puente	Citrus Valley, W. San Gabriel Valley	187515115
25	Wright	Inglewood, Hawthorne, Lawndale, Gardena, Compton, Long Beach, Rancho Palos Verdes, Rolling Hills	Beverly Hills/Grtr LA, Inglewood, Pacific West, Palos Verdes Peninsula, Rancho Southeast, South Bay, SW Los Angeles	182003468
26	Price	Baldwin Hills, Beverlywood, Century City, the Crenshaw District, Culver City,	Beverly Hills, Grtr LA, SW Los Angeles	198012776

27	Lowenthal	Hancock Park, Hollywood, Hyde Park, Jefferson Park, Ladera Heights, Lafayette Square, Larchmont, Leimert Park, Los Feliz, Miracle Mile, South Central Los Angeles, West Los Angeles and Windsor Hills	Downey, Pacific West, Rancho Southeast	187522652
		Long Beach, Paramount		
28	Oropeza	West LA, Culver City, Venice, Marina Del Rey, El Segundo, Torrance, Manhattan, Hermosa, Redondo, Carson, San Pedro, Long Beach	Beverly Hills/Grtr LA, South Bay	204501468
29	Huff	Walnut	Arcadia, Citrus Valley, Pacific West, Tri-Counties, W. San Gabriel Valley	187520977
30	Calderon	Norwalk, Santa Fe Springs, Whittier, Montebello	Montbello District, Pacific West, Rancho Southeast	187511349
31	Dutton	Rancho Cucamonga, Riverside	Big Bear, Desert Communities, East Valley, Inland Valleys, Rim O The World	195003783
32	Negrete McLeod	Ontario, Pomona, Rialto, Fontana, Montclair	Citrus Valley, Inland Valleys	157505085
33	Walters	Laguna Hills	Laguna, Orange County, Pacific West	187533415
34	Correa	Santa Ana	Pacific West, South Bay	157505302
35	Harman	Costa Mesa	Laguna, Newport Beach, Pacific West	187532664
36	Hollingsworth	Temecula, El Cajon	E. San Diego County, Inland Valleys, N. San Diego County,	196519886

38	Wyland	Carlsbad, San Juan Capistrano	San Diego, SW Riverside County N. San Diego County, Orange County, San Diego	205502883
39	Kehoe	San Diego	N. San Diego County, San Diego	177008152
40	Ducheny	Chula Vista, Coachella, El Centro	Coronado, Imperial Valley, Pacific Southwest, Palm Springs Regional, San Diego	187003870