



POLICY BRIEF: AB 2740 Brownley (D-Santa Monica) Home loans: servicing

Summary: AB 2359 Brownley (D-Santa Monica) increases the obligations of home loan servicers to their borrowers. It states that any fee assessed to a borrower must be charged within 45 days of assessment, and the servicer must explain the fee in writing mailed to the borrower's last known address within 30 days of assessment. All payments made by the borrower to the servicer must be credited by one day upon being received, and if the payment is in conflict or the account in error the borrower must be notified within 10 days. The borrower also is entitled to a comprehensive statement of the loan account, prepared free of charge, every six months. If the loan is transferred to a new servicer, the borrower must be notified in writing and has a 60 day grace period under which a late fee cannot be incurred for payments mistakenly mailed to the previous servicer.

To the extent that the legislation creates California specific servicing requirements with respect to loan features it potentially knocks those mortgages out of conformity with national secondary market requirements. Such differences will likely result in additional costs association with impacted California loans.

Background: This bill comes on the heels of the mortgage market fiasco, with defaults and foreclosures reaching record highs. However, how much this new regulation would curtail further home lending is unclear. The legislation would affect mortgage service agreements entered into beginning January 1, 2009. The Department of Corporations has estimated that it would cost the agency an additional \$100,000 annually to revise and enforce the regulations.

Status: Assembly Third Reading

Supporters: The Center for Responsible Lending, Center for California Homeowner Association Law, Fair Housing Council of the San Fernando Valley

Opponents: California Credit Union League, California Financial Services Association, California Mortgage Bankers Association, Civil Justice Association of California

Recommended Position: Oppose