



Date: June 2, 2009

To: Mayor Foster and City Councilmembers

From: Val Lerch, Vice Mayor, 9th District *Val*
Dee Andrews, 6th District City Councilmember *DA*

Subject: Request that the issue of developing an ordinance to provide local regulation of mortgage modification consultants be referred to the Housing and Neighborhoods Committee for further review and study

DISCUSSION

There are an unprecedented number of homeowners in the City of Long Beach threatened with foreclosure. At the same time, there is an unprecedented effort on the part of various governmental entities and lenders to encourage lenders and borrowers to attempt to modify mortgages in order to make such loans more affordable and to lessen, if not prevent, the possibility of foreclosure.

Certain individuals preying on homeowners threatened with foreclosure falsely promise to assist with the modification of mortgages in exchange for advance payment and provide no written contract for their services, thus compromising a homeowner's attempt to sue for breach of contract when fraud occurs. California state law currently regulates the activities of people who offer to arrange for services purporting to cure mortgage defaults after a property is in foreclosure, but there exists no current state regulation of people or entities that offer or provide such services prior to the recording of a Notice of Default in a foreclosure action.

It is in the public interest that the activities of those who promise to prevent foreclosures or attempt to seek loan modifications be regulated. Furthermore, in order to protect homeowners from the actions of unscrupulous people who falsely promise to attempt to prevent foreclosures, remedies must be provided where unlawful activity has occurred. Several cities have developed local regulations for the above-mentioned activities. It is suggested that the City of Long Beach also explore the feasibility of adopting a local ordinance that would serve to curb abuses in loan modifications and foreclosure services.

SUGGESTED ACTION

Approve recommendation.
