

Testimony of
Pastor Herrera, Jr., Director
Los Angeles County
Department of Consumer Affairs

before the

Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives

“Foreclosure Prevention and Intervention:
The Importance of Loss Mitigation Strategies in Keeping Families in Their Homes”

Friday, November 30, 2007



I. Introduction:

Good Morning, my name is Pastor Herrera, Jr., Director of the County of Los Angeles Department of Consumer Affairs. We appreciate the opportunity to share the Department's experiences in the subject area of today's hearing.

Since April, 1976, the County of Los Angeles Dept of Consumer Affairs (DCA) has provided consumer protection, counseling, complaint investigation and mediation services to Consumers and Businesses in Los Angeles County through advocacy, empowerment and education. The department conducts special investigations that are presented to prosecuting agencies for civil and criminal prosecution. The Department also operates other programs, such as a Small Claims Court Advisor, Mediation, Elder Fraud Investigation and Prevention, a Volunteer and College Internship Program and a Public Outreach section that educates consumers and businesses through print publications, Internet resources, and community events.

DCA serves as the central reporting agency for real estate fraud and works closely with private industry groups, government agencies, and law enforcement agencies to detect and investigate real estate fraud. The Department counsels consumers in areas, such as: foreclosure prevention, recorded documents, buying a home, reviewing loan documents, and assistance for first-time homebuyers through the Los Angeles County Community Development Commission. DCA also accepts complaints and conducts investigations in the areas of: foreclosure consultants, predatory lending, fraudulent recorded documents, and refinance transactions.

The current staffing of the Real Estate Fraud Prevention unit includes 1 Supervising Investigator and 4 investigators. Last fiscal year, the unit assisted over 29,000 consumers with real estate issues. Approximately 650 of those consumers needed assistance with a foreclosure issue.

II. Prevention

The Department's work in the area of foreclosure prevention for Los Angeles County includes speaking engagements and community forums. The Department has presented material to over 700 members of the public in the past 5 months at speaking engagements in the County of Los Angeles.

Our website dca.lacounty.gov contains articles and information on "Foreclosure", "Predatory Lending", and "Evictions" in addition to allowing a homeowner to "Ask a Question" directly to our staff via email. Real estate email inquiries have gone up 85% in the past 4 months compared to last year, and approximately 32% of the emails relate to foreclosures.

Recorded information is available 24 hours a day that answers most real estate related questions. Homeowners can speak with a counselor during normal business hours by calling 800-973-3370, or by visiting our offices.

Our department assisted over 100 homeowners in the last fiscal year through immediate intervention by attempting to stay, delay, or cancel a property from being sold in a foreclosure sale. The Department was successful in approximately 65% of the cases to achieve a positive outcome for the person facing foreclosure.

The Department also receives numerous calls on a weekly basis from homeowners that have received Notice of Defaults requesting assistance. Last year, 600 people called the department with foreclosure related issues and the rate of calls concerning foreclosures have increased by approximately 33% this year according to recent analysis.

In L.A. County during October 2007, over 5,500 Notices of Defaults were recorded, which is the first step in the foreclosure process. This represents a 102% increase over last year. RealtyTrak reported that Notice of Default recordings statewide in California increased almost 200% in October.

III. Challenges and Recommendations

The greatest obstacle and challenge our Department has encountered in our efforts to prevent foreclosure is funding for counselors and investigators to deal with the volume of calls and walk-ins that are impacted by the foreclosure issue. The time that it takes to attempt to save a home weighs heavily on the limited resources of our Department.

The tools or resources the Department needs to overcome this obstacle include:

- a. Development of a consistent funding source that would provide necessary financial resources to help consumers and provide staffing for issue-specific task forces as problems arise. Additional staff could provide increased and enhanced services to people that face foreclosure.
- b. Increasing coordination between various task forces that assist consumers with Real Estate and foreclosure related problems. Sharing resources and expertise would benefit all groups and improve efficiency by reducing the duplication of similar services.
- c. Each financial institution identifying a single point of contact in their organization that consumers and agencies can contact to resolve issues of foreclosure and negotiate new terms that may prevent the homeowner from losing their home. This would save time for consumers and agency representatives and improve the responsiveness of financial institutions to their customers.

Foreclosure prevention barriers that can be addressed by Congress:

- a. Many *Pooling and Servicing Agreements* (PSA) limit a servicer's ability to engage in loss mitigation strategies. Such as, lowering the interest rate,

converting from 30-year to 40-year mortgages, or forbearance agreement.
This limits the number of loans that may be modified.

Our recommendation:

Require that servicing agencies be given authority to modify loans in foreclosure.

- b. Failure to disclose the investor/beneficiary makes it difficult or impossible to locate the owner of the loan and engage in the loss mitigation process.

Our recommendation:

Develop guidelines that increase the transparency of servicing agencies such as requiring services agencies to identify the investor/beneficiary and provide contact information to homeowners and/or their representatives. Developing additional safeguards that protect consumers would help servicing agencies provide responsive service to the consumers and could decrease the number of homeowners that lose their homes.