

**CITY OF OAKLAND**  
**AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2008 JUN 12 PM 5:39

**To:** Office of the City Administrator  
**Attn:** Deborah Edgerly  
**From:** Community and Economic Development Agency  
**Date:** June 17, 2008

**Re: Supplemental Report Regarding Mortgage Lending and Foreclosure Bills: AB 69 (Lieu), AB 1830 (Lieu), AB 2880 (Wolk), AB 2359 (Jones), AB 2740 (Brownley), and SB 1137 (Perata)**

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This is a supplement to the report dated June 12, 2008 regarding six bills pending in the State legislature that make modifications to mortgage lending and foreclosure procedures. Since the original report was written, several bills have been amended, in some instances to such an extent that staff is modifying its original recommendations. A summary of those changes and the revised staff recommendations follow:

1. AB 69 would have required detailed public reporting on an individual lender basis regarding default and foreclosure activity and efforts by lenders to work with borrowers to restructure those loans. Most of those reporting requirements have been stripped from the bill, to the extent that most of the groups that originally sponsored this legislation have since withdrawn their support.

Staff is now recommending a position of Support if Amended to include the original reporting requirements.

2. AB 1830 has been narrowed to cover only subprime loans, but not non-traditional loans (such as interest-only and certain kinds of adjustable rate loans). It also appears that the anti-steering provisions will be removed. While the bill still contains some worthwhile provisions, the sponsors are currently taking a position of support if the bill is amended to restore those provisions.

Staff is now recommending a position of Support if Amended to include most of the original provisions.

3. AB 2880, which would have ended certain abusive practices and specified that mortgage brokers operate as fiduciaries for borrowers, is no longer active.

No City Council position is required since this bill is no longer under consideration.

4. AB 2359, which would have encouraged more due diligence on the part of the secondary mortgage market, has been significantly weakened. In particular, provisions for assignee

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liability, which would have held subsequent purchasers of a mortgage liable for any claims that could have been brought against the original lender, have been removed. Provisions for mandatory arbitration are still retained.

Staff recommends that the City Council Support this bill and direct staff and the City's lobbyist to work for restoration of the deleted provisions.

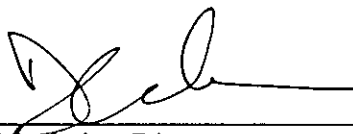
5. AB 2740, which requires that loan servicers owe a duty of good faith and fair dealing to borrowers, is substantially the same as originally described.

Staff continues to recommend that the City Council Support this bill.

6. SB 1137, which makes important reforms to the foreclosure process, is substantially unchanged.

Staff continues to recommend that the City Council Support this bill.

Respectfully submitted,

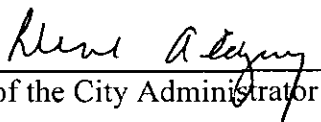


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Dan Lindheim, Director  
Community and Economic Development  
Agency

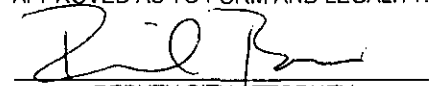
Reviewed by:  
Sean Rogan, Director of Housing and  
Community Development

Prepared by:  
Jeffrey P. Levin, Housing Policy and Programs  
Coordinator  
Housing & Community Development Division

APPROVED AND FORWARDED TO THE  
CITY COUNCIL

  
\_\_\_\_\_  
Office of the City Administrator

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City Council  
June 17, 2008

  
DEPUTY CITY ATTORNEY

FILED  
OFFICE OF THE CITY CLERK  
CANCELED

2008 JUN 12 PM 5:39

## OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C. M. S.

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

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**RESOLUTION TO SUPPORT, IF AMENDED, AB 69 (LIEU) TO EXPAND REPORTING REQUIREMENTS BY MORTGAGE LENDERS AND SERVICERS TO INCLUDE INFORMATION ABOUT DEFAULTS, FORECLOSURES AND LOAN MODIFICATIONS**

**WHEREAS**, the City of Oakland has experienced a very high rate of home mortgage foreclosures, particularly for subprime and nontraditional loans; and

**WHEREAS**, in order to develop a response to this problem, better information is needed regarding loans in default and foreclosure and the extent to which lenders are assisting troubled borrowers; and

**WHEREAS**, Assemblyperson Ted Lieu has introduced Assembly Bill 69, which as originally introduced would have expanded reporting requirements for lenders and servicers to include information on defaults, foreclosures and modifications of subprime and nontraditional loans; and

**WHEREAS**, the bill has subsequently been amended to remove key provisions regarding lender specific reporting; now, therefore, be it

**RESOLVED:** That the City Council of the City of Oakland hereby supports AB 69 (Lieu) if amended to substantially restore provisions that will expand reporting requirements for lenders and servicers of subprime and nontraditional loans; and be it

**FURTHER RESOLVED:** That the City Council hereby authorizes and directs the City Administrator, and/or her designee, to work actively for the passage of AB 69 if amended as indicated above.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2008

**PASSED BY THE FOLLOWING VOTE:**

AYES - BRUNNER, BROOKS, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND  
PRESIDENT DE LA FUENTE

NOES -

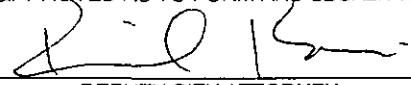
ABSENT -

ABSTENTION -

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council  
Of the City of Oakland, California

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

  
DEPUTY CITY ATTORNEY

2008 JUN 12 PM 5:39

## OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C. M. S.

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

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### RESOLUTION TO SUPPORT, IF AMENDED, AB 1830 (LIEU) TO REFORM MORTGAGE LENDING PRACTICES FOR HIGH-COST, SUBPRIME AND NONTRADITIONAL LOANS

**WHEREAS**, the City of Oakland has experienced a very high rate of home mortgage foreclosures, particularly for subprime and non-traditional loans; and

**WHEREAS**, many of the foreclosures have involved high-cost, subprime and nontraditional loans; and

**WHEREAS**, in many instances these loans contained such provisions as prepayment penalties or negative amortization; and

**WHEREAS**, in many instances these loans were made on the basis of stated (undocumented) borrower income or were made to borrowers who could not afford the fully adjusted payments on those loans; and

**WHEREAS**, in many instances mortgage brokers received compensation, including yield spread premiums, that created incentives to place borrowers into loans that were more expensive than other loan types for which they would have qualified; and

**WHEREAS**, elimination or regulation of these practices would reduce the likelihood that borrowers of such loans will default on their payments; and

**WHEREAS**, Assemblyperson Ted Lieu has introduced Assembly Bill 1830, which as originally introduced would have placed limitations on the allowable terms for high-cost, subprime and nontraditional loans, and would have prohibited mortgage brokers from receiving compensation for placing borrowers in loans that are more expensive than other loan types for which they are qualified; and

**WHEREAS**, the bill has subsequently been amended to narrow the scope of its provisions; now, therefore, be it

**RESOLVED:** That the City Council of the City of Oakland hereby supports AB 1830 (Lieu) if amended to substantially restore provisions that will provide greater regulation of loan terms and lending practices for high-cost, subprime and nontraditional mortgages; and be it

**FURTHER RESOLVED:** That the City Council hereby authorizes and directs the City Administrator, and/or her designee, to work actively for the passage of AB 1830, if amended as indicted above.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2008

**PASSED BY THE FOLLOWING VOTE:**

AYES - BRUNNER, BROOKS, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND  
PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council  
Of the City of Oakland, California