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Editorial: A modest foreclosure bill

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If you think the home foreclosure crisis is bad now, just wait. The bulk of nontraditional, adjustable-rate loans will reset to higher monthly payments in 2008 and 2009, continuing until late 2011, according to a new report from the Pew Center on the States.

In California, one in 20 homes could go into foreclosure in the next two years. In fact, Pew estimates that California could see 355,682 foreclosures. By comparison, California had 84,375 foreclosures in 2007.

That's why Senate President Pro Tem Don Perata, D-Oakland, is promoting an urgency bill (Senate Bill 1137) to help families avoid foreclosure and neighborhoods avoid the blight of vacant homes.

Lawmakers ought not to sit idly as the mortgage market melts down.

Unfortunately, an earlier version of Perata's bill failed by one vote in January. It was strongly opposed by the lending industry, which said it would be "onerous" for lenders and loan servicers to give borrowers notice of projected increases of 10 percent or more in monthly payments. Such notification, of course, would give borrowers time to prepare for the reset and seek help if they couldn't afford the higher payments.

Well, in the interest of compromise, Perata took out that section and the lending industry no longer opposes the bill.

Now SB 1137 requires lenders and mortgage servicers to contact borrowers who are behind in their payments to assess the borrower's financial situation and explore options for avoiding foreclosure. This early contact between borrowers and lenders should help reduce unnecessary foreclosures.

SB 1137 also goes a long way toward helping local communities crack down on blight. Owners of vacant, foreclosed homes must maintain the property or face civil fines and penalties of up to \$1,000 a day. Owners would have 14 days after getting notice to clean up the property.

The vote on this very modest bill comes Thursday. Lawmakers should pass it overwhelmingly.