

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass as Amended and Be Printed Engrossed and Rescind the Subsequent Referral to the Joint Committee on Ways and Means
Vote:	6 - 0 - 1
Yeas:	Bonamici, Galizio, Gilliam, Riley, Sprenger, Holvey
Nays:	-
Exc.:	Nelson
Prepared By:	Jim Stembridge, Administrator
Meeting Dates:	2/6, 2/7, 2/8, 2/11

WHAT THE MEASURE DOES: Regulates home mortgage loan foreclosure consultants and equity purchasers. Specifies provisions that must be contained in foreclosure consulting and equity conveyance contracts. Requires foreclosure consulting contract to include full description of services to be provided, total amount and terms of compensation, and information on homeowners' right to cancel the contract. Requires foreclosure consulting contracts to be in plain language and delivered to homeowners at least 24 hours before homeowners sign. Lists specific actions prohibited, including taking power of attorney. Makes violation of foreclosure consulting or equity conveyance laws unfair trade practices. Requires lenders to provide homeowners who are at risk of mortgage foreclosure with notice including information on how to stop the foreclosure process. Applies to foreclosure consulting contracts beginning 90 days after enactment. Declares emergency, effective upon passage.

ISSUES DISCUSSED:

- Nation-wide "sub-prime" mortgage loan crisis and the number of mortgage foreclosures predicted for Oregon
- Participation in the work group
- Examples of fraudulent foreclosure rescue schemes and beneficial foreclosure rescues
- Real estate investors and "short sale" under-market purchases
- Daily changes in the amount due required to stop foreclosure proceedings
- Form and content of existing and proposed notices and the language used in those notices

EFFECT OF COMMITTEE AMENDMENT: Replaces the measure. Excludes real estate investors. Specifies equity recapture payments. Adds notification of changing amount due to bring loans current. Limits toll-free telephone number requirement to grantees in the business of making real estate loans.

BACKGROUND: Foreclosure is the legal process through which the lender on a mortgage loan can initiate a sale of the property when borrowers are not making required payments and are in default. Foreclosures are increasing nationally, a consequence of declining home values and increasing interest rates. Homeowners threatened with foreclosure, sometimes confused about the process and their options, may be contacted by foreclosure consultants who offer assistance with repayment plans, restructuring, refinancing, forbearance agreements, or equity conveyance, sometimes characterized as "mortgage rescue schemes." Foreclosure consultants and equity purchasers are currently unregulated. Nevertheless, two mortgage rescue scheme operators were fined \$46,000 in June, 2007 by the Department of Consumer and Business Services for securities violations.

According to *The Oregonian* (September 6, 2007), Oregon reported the nation's second-lowest foreclosure and delinquency rates in the second quarter of 2007. Of Oregon's 627,000 home loans, 0.5 percent were in foreclosure, according to the Mortgage Bankers Association of Washington, D.C. Oregon's foreclosures rose slightly when compared with the same quarter in 2006, but they remained far below historical highs. When timber tumbled in the early 1980s, foreclosures rose to more than 2 percent.

HB 3630-A was approved by the Governor's Mortgage Lending Work Group.

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This summary has not been adopted or officially endorsed by action of the committee.