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October 5, 2010

Jerry Brown
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***Immediate Action Necessary to Prevent Illegal Foreclosures:
Initial 90-Day Statewide, Industry-wide Moratorium***

Dear Attorney General Brown:

It has become clear in the last two weeks that California's homeowners, who have already suffered an unprecedented foreclosure crisis in recent years, may be the victims of potentially fraudulent practices by those foreclosing on them.

We appreciate your recent call for JP Morgan/Chase to suspend foreclosures until it could prove compliance with California's consumer protection law (specifically prohibiting lenders from recording default notices on mortgages issued between 2003-07 until the lender tries to contact the borrower to assess the situation).

We urge you to immediately call for an initial 90-day statewide foreclosure moratorium, covering all lenders and servicers, until more facts can come out.

It is very possible that the problems in the 23 states with judicial foreclosure processes have parallels in our state, and that other errors – whether or not intentional – are being made. As you are well aware, the concerns are beyond anecdotal and likely systemic and industry-wide.

We do not believe that Ally Financial (GMAC) and JP Morgan/Chase are alone; instead, they are likely the tip of the iceberg. It should be recalled that Bank of America, which recently suspended foreclosures in those 23 other states, only a week earlier denied any involvement in this crisis.

Since California is generally a non-judicial foreclosure state, we lack an additional level of scrutiny provided by the courts that would protect homeowners from any fraudulent foreclosure practices. Your office is best poised to act as this safeguard and to actively intervene to make sure the law is being followed.

Your urgent action will provide the backing of California law for yesterday's letter from the entire California Democratic Congressional delegation (including Speaker Nancy Pelosi) calling upon Federal Reserve Chairman Ben Bernanke, Attorney General Eric Holder, and Acting OCC Comptroller John Walsh to investigate.

Just today, officials in Texas and Maryland, both of which (like California) do not widely use judicial foreclosures, called for broad foreclosure moratoriums. Also today, Senators Robert Menendez and Al Franken requested an investigation by the GAO.

California, one of the states hardest hit by the foreclosure crisis and predatory lending and modification scams (and the largest and most diverse state facing a severe foreclosure crisis), can and must take the lead on this critical issue.

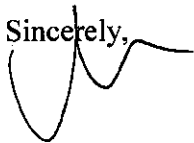
It should also be noted that Latinos and African Americans are disproportionately impacted, even more than the data would suggest. According to the Center for Responsible Lending, nearly 8% of both Latino and African American recent borrowers nationally have lost their homes to foreclosure, compared to 4.5% of white recent borrowers. Nearly one-quarter of both the Latino and African American communities nationally are at imminent risk of foreclosure.

But these statistics understate the crisis in California's communities of color, as errors in the foreclosure process – whether intentional or not – have likely been and are likely being made at far higher rates in low-income communities of color. These communities face higher incidence of foreclosure, find professional legal assistance harder to come by, and are disproportionately exposed to predatory lending.

For all these reasons, we urge you to implement an initial 90-day statewide, industry-wide moratorium immediately. Above all, California needs time to assess the situation and gather more facts before more homeowners, some of whom may entrapped by unintentional errors or illegal practices, lose their homes.

Please contact Orson Aguilar at (510) 926-4005 or orsona@greenlining.org to discuss this matter further.

Sincerely,



Orson Aguilar
Executive Director



Chris Vaeth
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Preeti Vissa
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