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Homeowner Bill of Rights Passes California Assembly & Senate; Advocates Applaud Victory after Three Years of Legislative Battles

California's State Legislature voted today to pass the Homeowner Bill of Rights, legislation introduced by Attorney General Kamala Harris and championed by consumer advocates and homeowners. The California Foreclosure Reduction Act—AB 278 (Eng, Feuer, Mitchell) & SB 900 (Leno, Corbett, DeSaulnier, Evans, Pavley, Steinberg—passed 53-25 in the Assembly and 24-13 in the Senate this afternoon. The bill now awaits Governor Jerry Brown's signature.

This law will institute sensible reforms to bank's foreclosure practices and create a fairer foreclosure process for California's homeowners. Most significantly, this law ends the "dual track" process, where banks foreclose on homeowners while they are negotiating for a loan modification with their bank.

Now, banks are required to give homeowners a "yes" or "no" answer on a loan modification application before continuing with foreclosure, thereby giving homeowners a fair chance at preventing foreclosure. With this law in place, if a loan modification is accepted, the bank will rescind the notice of default or sale, allowing homeowners to pay their loans without the looming threat of foreclosure.

And if a loan modification is denied, homeowners will not be blindsided by a sale notice, because banks are now required to send a letter to the borrower describing the reason for denial and letting the borrower know of his or her right to appeal that denial to the servicer.

In addition to ending "dual track", this legislation requires all banks to end "robo-signing" and provide a single point of contact to borrowers. Homeowners will no longer have to speak to a different person at the bank every time they call and resubmit the same mountain of paperwork to different people at the same institution.

If a bank cannot follow these simple procedural rules, California homeowners will be able to enforce their rights by taking the bank to court. This will encourage servicers to follow the law, and when they do not, it will allow victimized homeowners to get their homes back where possible, or get some financial relief.

"This legislation finally brings some accountability to the banks for harmful foreclosure practices," said Kevin Stein, Associate Director of the California Reinvestment Coalition. "Homeowners will now be able to protect themselves from the commonplace violations that banks have exhibited in this foreclosure crisis."

"We finally have a bill that protects homebuyers in our most vulnerable communities, especially rural communities in California," said Cristina Trujillo of the California Coalition for Rural Housing. "Now, everyone has a fair chance at saving their homes and protecting themselves from unfair business practices."

This legislation has been a long time coming. Nonprofit housing counselors and advocates in California identified "dual track" as a major problem at the height of the foreclosure crisis in 2008. This is the third consecutive year that the California Legislature has been faced with legislation that would end "dual track" and bring accountability to the foreclosure process (SB 729 in 2011, SB 1275 in 2010).

Many California groups--nonprofit housing counselors, public interest lawyers, faith-based groups, organizers, online groups, and consumer and policy groups--worked tirelessly for three years to convince the State Legislature to pass this bill to bring fairness, decency, and reason to the foreclosure process, and let families and their communities rebound. Thanks to the tireless work of community advocates and the leadership of Attorney General Kamala Harris and a number of assemblymembers and senators, Californians finally have protections that help them prevent foreclosure and protect themselves from unfair banking practices.

"After three years of legislative battles, it's about time that families at risk of foreclosure no longer have to worry about losing their homes while they are seeking a loan modification from a bank," said Paul Ainger of the Sacramento Mutual Housing Association. "The call of California homeowners and communities has finally been answered by our legislature."

Many of the provisions in the legislation were embodied in the National Mortgage Settlement that 49 attorneys general signed with the five big banks earlier this year. The legislation extends the impact of the settlement so that all homeowners in California, regardless of which bank services of their loan, have the same protections and rights. This legislation should serve as a national model for other states looking to enforce the settlement and protect their homeowners.