

# November 30, 2007

## [Cajoling, Shame And Persuasion In California](#)

ABC News [reports from](#) California. “Two years ago, Kelley Lowry camped out overnight to buy a four-bedroom home in the upscale community of Fairfield, Calif., northeast of San Francisco. He paid \$580,000. ‘We bought at the top of the market,’ Lowry said. Just six weeks later, his house was worth \$750,000, but now? The value has plunged to just about \$400,000.”

“‘It’s pretty devastating, especially when you owe more than that,’ Lowry said. ‘It’s tough to swallow.’”

“Lowry is sure his home will continue to lose even more value. ‘I know for a fact it will,’ he told ABC News.”

The [Orange County](#) Register. “In a week where we’ve been reminded by S&P Case-Shiller, Realtors and federal house trackers that recent months have been painful, DataQuick today tells us that this month won’t likely be any better. Mid-November O.C. home-buying stats show extremely slow sales counts and pricing that’s roughly 8% below a year ago.”

“For the 22 business days ended Nov. 14...three South County ZIPs appear in the top 10 rankings of neighborhoods with the worst yearly declines in sales activity in O.C.: Irvine 92620, sales down 76.0%. Ladera Ranch 92694, down 73.8%. Irvine 92602, down 67.5%.”

From [KFSN TV](#). “In new rankings released Thursday, Merced moved to the top spot in foreclosure rates at nearly seven times the national average. Stockton and Modesto are second and third on the list.”

“‘I think it’s disgraceful,’ said Sean-Pierre Wilson, resident.” “Wilson says he won’t even consider buying a house right now, especially when the center for responsible lending says California can expect to lose 180-k homes.”

“‘Forty or 50 homes open and then no one’s buying. The other side of that is people are also trying to auction homes just to get a return on their investment,’ said Wilson.”

“In California, one in 88 homes is at threat of being foreclosed. In Merced, for sale signs on one side of the street and empty lots on the other side of the street are all too familiar sights.”

The [Mercury News](#). “Lawmakers unveiled five proposed laws and asked Gov. Arnold Schwarzenegger, who also has been vocal about the impact of the mortgage crisis on the state, to call a special legislative session so the measures can be adopted more quickly.”

“But lawmakers conceded there is little that can be done to help those who already have lost their homes to foreclosure - or those facing it - other than to use the bully pulpit.”

“‘We believe we can shine the spotlight on what lenders are doing,’ said Assemblyman Ted Lieu, the chairman of the Assembly Banking and Finance Committee. ‘We can’t rewrite these contracts. It will be through cajoling, shame and persuasion.’”

“‘If we think we’re in trouble now,’ said Assembly Speaker Fabian Núñez, ‘let’s wait to see what happens in the next four or five years. We need to keep this from escalating.’”

“Lenders are sending 2,000 foreclosure notices a week in California, and that number will more than double beginning next year.”

“The California Association of Mortgage Brokers said it applauded the lawmakers for addressing the foreclosures but urged a balanced approach.”

“‘While we strongly support the goal of consumer protection,’ said Pete Ogilvie, president of the group, ‘CAMB urges legislative leadership to work with lenders, brokers and consumer groups to ensure that reform measures preserve the ability for families to obtain suitable financing to purchase the home of their dreams.’”

The [San Francisco Chronicle](#). “The number of foreclosures in San Francisco makes up just 2 percent of foreclosures in the Bay Area, city leaders estimate, and Mayor Gavin Newsom said city residents have ‘been fortunate to date.’”

“But, he warned, ‘It could hit here, and if it does it’s going to hit very acutely and very immediately and that’s why we want to be prepared.’”

“A coalition of city leaders...called on major subprime lenders Thursday to change the way they do business with homeowners on the brink of foreclosure. Dustin Hobbs, a spokesman for the California Mortgage Bankers Association, said today’s deadline isn’t realistic. City leaders mailed letters to banks outlining the requests last week.”

“‘It’s an unreasonable demand. Anything this extensive and far reaching would require a lot of deliberation by any company,’ he said, but also noted that many lenders have already instituted

such programs.”

“San Francisco officials conceded Thursday that they can only hope institutions comply with their request.”

“John Eller, head organizer at the Association of Community Organizations for Reform Now in San Francisco, called it ‘a good first step. We know (the agreements are) toothless right now because they’re just calling on the lenders to do the right thing,’ he said.”

The [Sacramento Bee](#). “Not everyone believes that Gov. Arnold Schwarzenegger’s pact with mortgage lenders to help troubled subprime borrowers will dampen the impact of California’s foreclosure crisis. So far, no other major lenders have joined Schwarzenegger, the Governor’s Office confirmed. Four of eight big lenders brought to the table declined to join the pact.”

“One for whom it comes too late is Desiree Reno of Sacramento. She had a loan serviced by HomEq. ‘What really upset me was the day after they auctioned my house, I saw that they were going to help all these people when they could have helped me,’ she said.”

“Last year, subprime borrowers accounted for 27 percent of home loans in El Dorado, Placer, Sacramento and Yolo counties, and 32 percent in Yuba and Sutter counties, according to a Bee analysis.”

“Some doubt that freezing subprime loan rates for those who can’t afford higher payments will make a dent. Thousands of 2006’s subprime borrowers are already defaulting before their loans reset, said economist Chris Thornberg.”

“‘It’s not the mortgage that’s the problem,’ he said. ‘A lot of people bought houses they just can’t afford.’”

“Thornberg said there really isn’t much anyone can do. Falling home values are aggravating a foreclosure problem that’s likely to worsen, he said. Values will fall, he said, until most people can afford homes again.”

“Jeff Tarbell, managing partner of Sacramento-based Comstock Mortgage, also doesn’t see much practical impact from the governor’s announcement. Tarbell said it takes time to verify that a subprime borrower can’t make higher payments – and lenders don’t have the staff.”

“Tarbell wants a freeze on rate resets – at least temporarily – across the country to allow the real estate market to stabilize.”

“‘We’ve got to stop the pricing decline,’ he said.”

The [Bakerfield Californian](#). “Carl Cole, former managing broker of now-defunct Crisp & Cole Real Estate, counted his first two foreclosures Thursday, trustee’s deeds recorded with the county show.”

“They are so far the only foreclosures in the Cole family, but just a pair among more than 100 defaulted and foreclosed properties associated with the former company’s employees, family members and associates, according to an ongoing Californian tally.”

“Lenders took a hit when the homes were auctioned off last week, records indicate, a situation now common in the current real estate market.”

“Cole borrowed more than \$1 million total against the two homes in January 2006, property records show, while banks repossessed them last week for a total \$722,325.”

“As of Thursday, 102 troubled properties with more than \$62.3 million in total loans can be pegged to former Crisp & Cole associates, according to The Californian’s ongoing tally. Of those, at least 57 have so far foreclosed.”

“On Monday, the Seven Oaks mansion of Cole’s former partner, David Crisp, is scheduled for the auction block. Two previous auctions were postponed.”

“Federal investigators are currently looking into Crisp & Cole operations for possible mortgage fraud after a federal raid of 13 Bakersfield sites Sept. 12.”

Posted By: Ben Jones @ 1:30 pm