

**Home loan counseling**

A. Predatory loans could be curbed through greater consumer financial literacy and pre-transaction counseling. These might be especially beneficial for high-cost loan borrowers. (*Curbing Predatory Home Mortgage Lending*, p.58 and p.6.)

B. *A Little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*, a study of 40,000 mortgages conducted under one of Freddie Mac's loan programs, found that those who received counseling were less likely to be delinquent on their mortgages than borrowers who did not undergo counseling. Also, counseled borrowers experienced a 34% reduction in delinquency rates. (H&CD Hearing, 4/17/02, p. 12, lines 15-22.)

C. Pre-purchase counseling has a significant impact in reducing mortgage delinquency. (*A Little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*, p. 2.)

D. There is statistical evidence that counseling mitigates credit risk, and individual counseling has the greatest impact. (*A Little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*, p.3.)

E. The Mortgage Bankers Association of America, MBA, supports expanded borrower counseling and consumer education. (*Predatory Lending Laws Trickle Down From Congress to City Hall*, The Mortgage Press, 2000/2001, p. 8.)

F. Lena Jones, a member of ACORN, testified that she believes a loan counselor would have prevented her predatory loan. She urges the City to enact this ordinance to help others, particularly seniors. (H&CD Hearing, 2/21/02, p. 11, lines 22-23, p. 14, lines 15-16 and p. 14, lines 25-26.)

G. Carlos Castro, a loan counselor, testified that competition makes it relatively easy to "shop" for prime loans. However, it is virtually impossible to shop for sub-prime loans, because the costs are hidden in fees, points, and changing interest rates. Consequently, loan counseling would be very helpful in sub-prime markets. (H&CD Hearing, 2/21/02; p.20, lines 8-16.)

H. Jonathan Garcia, housing manager for Consumer Credit Counseling Services, helps homeowners facing foreclosure. He believes pre-loan counseling would prevent many foreclosures. (H&CD Hearing, 2/21/02, p. 23, lines 3-15.)

I. Ben Diehl, attorney at Bet Tzedek Legal Services, which serves predominantly elderly and low-income residents of Los Angeles County, who litigates predatory lending cases, believes that pre-loan counseling for his elderly homeowner clients who have difficulty understanding loan documents, would have prevented some of his most tragic cases (H&CD Hearing, 2/21/02; p. 25, lines 15-17, lines 17-18 and lines 22-25.)

**J.** A 1994 HUD report stated: “Counseling is often crucial in preventing or coping with mortgage loan delinquency and default.” HUD requires that borrowers in default of conventional loans must be informed of the availability of counseling. (H&CD Hearing, 4/17/02, p.14, lines 2-6 and lines 12-16.)

**K.** Barbara Zeidman of Fannie Mae’s HouseLosAngeles partnership office testified that they require post purchase counseling on all their “high risk” loan products. (H&CD Hearing, 4/17/02, p.34, lines 4-6.)

**L.** Delme Marin testified that she was a victim of predatory lending, and that loan counseling would have prevented it. (H&CD Hearing, 4/17/02; p. 36, lines 5-24 and p. 37, lines 1-23.)

**M.** Dorothy Herrera-Settlage, consumer attorney at Legal Aid Foundation of Los Angeles, LAFLA, testified about a 76 year old widowed client, Virgie Jackson, who got into a series of bad loans, and only came to LAFLA when she was already in default. The lender, who handled the loan application process by telephone, had falsified her income by creating a business she did not have. The client would have benefited from third party certified loan counseling. (H&CD Hearing, 2/21/02, p. 38 lines 21-26 and p. 39 lines 1-16.)

**N.** Ameer Elahee, from the Los Angeles Neighborhood Housing Services (LA NHS), a non-profit organization that specializes in homebuyer education as well as community development, stated that radical measures are needed in this area (he supports the mandatory home loan counseling and the range of requirements that will be attached to this action.) (H&CD Hearing, 2/21/02, p. 41, lines 14-21.)

**O.** AB 489 does not provide for mandatory counseling, which can be rectified with the proposed ordinance. (Bet Tzedek letter, 5/10/02.)

**P.** Daisy Ma, a former escrow officer from the Chinese-American community, supports a law to mandate housing counseling to consumers prior to their accepting and signing actual loan documents. (H&CD Hearing, 4/17/02, p. 8, lines 16-17.)

**Q.** The last key finding of the *Subprime Lending and Neighborhood Conditions in the City of Los Angeles* analysis of 1999 Los Angeles HMDA data suggested that education and counseling should focus on neighborhoods with high levels of property tax delinquency and a minority population. (H&CD Hearing, 4/17/02, p. 11, lines 12-14.)

**R.** Century Housing Corporation provides pre- and post-purchase homeownership counseling services and has also intervened in court to assist buyers of Century-financed homes to protect themselves against predatory lending practices. (Letter from G. Allan Kingston, Century Housing Corporation, dated 10/9/02, p. 1.)

**Current Capacity of Local Home Loan Counselors**

**A.** Consumer Credit Counseling Services of Los Angeles and LA NHS have been providing homeownership counseling services for more than a decade in Los Angeles County. (H&CD Hearing, 4/17/02, p. 15, lines 25-26 and p. 16, line 1.)

**B.** Jonathan Garcia, Housing Manager for Consumer Credit Counseling Services of Los Angeles (CCCS-LA), stated that they currently have loan counseling workshops about four times a month, attended by 25-30 people, but have had as many as 60-100 registrants. (H&CD Hearing, 2/21/02, p. 23, lines 3-5 and p. 24 lines 11-13.)

**C.** Carlos Castro, head loan counselor for ACORN Housing Corporation, Los Angeles stated that Los Angeles loan counseling agencies have more than enough capacity to provide loan counseling to all of the Los Angeles residents applying for high-cost home loans. (H&CD Hearing, 2/21/02, p. 19, lines 17-18 and p. 20, lines 6-8.)

**D.** Rosemarie Ibañez, LAHD, testified that Los Angeles already has a homeownership-counseling infrastructure, which could be adapted to provide loan-counseling services. (H&CD Hearing, 4/17/02, p.18, lines 7-10.)

- LA Partners for Homeownership, which includes Fannie Mae, Freddie Mac, HUD, the Los Angeles County Community Development Commission and LAHD, have sponsored monthly, year-round, free, eight-hour homebuyer awareness education seminars for over five years in Downtown LA and other locations. Classes are provided in English, Spanish and Korean. The counseling is provided by LA-NHS, New Economics for Women, West Angeles Community Development Corporation and Inglewood NHS. (Testimony of Rosemarie Ibañez, H&CD Hearing, 4/17/02, p. 16, lines 2-14.) (Sources: LAHD Homeownership Unit, 2002 Schedule of Homeownership seminars.)
- Attendance at the monthly year-round LA Partners sponsored homebuyer awareness education seminars averages about 100 for the English classes and about 50 for the Spanish classes. About 30% of the participants in LAHD's soft-second programs have attended the eight-hour homebuyer awareness seminar. (Testimony of Rosemarie Ibañez, H&CD Hearing, 4/17/02, p. 16, lines 24-26.) (Source: LAHD Homeownership Unit.)
- In 2001, a total of 100 individuals representing about 80 organizations throughout Southern California completed homeownership education training and have been certified by either NRC or AHECI (Testimony of Rosemarie Ibañez, H&CD Hearing, 4/17/02, p. 17, lines 15-17.) (Source: SCANPH certification list.)

**E.** Three national organizations that currently certify homeownership educators are: HUD, the Neighborhood Reinvestment Corporation (NRC) and the American Homeowner Education and Counseling Institute (AHECI). (Testimony of Rosemarie Ibañez, H&CD Hearing, 4/17/02, p. 15, lines 2-4. Source: SCANPH Homeownership Collaborative.)

**F.** "Don't Borrow Trouble" is a recently started partnership of LAHD and Freddie Mac for an outreach and educational campaign to inform Los Angeles homeowners about the dangers of predatory lending. (H&CD Hearing, 2/21/02, p. 6, lines 10-12.)

**G.** Robert Cox of East Los Angeles Community Corporation testified that they provide homebuyer education and added a post-purchase counseling program this year. (H&CD Hearing, 4/17/02, p. 24, lines 3-9.)

**H.** Salvador Gil, victim, Spanish speaker stated that a local law would have addressed his ability to repay, the loan would not have been made for more than the value of his house, would have required loan counseling, and would have limited the fees that were charged on his loan. (H&CD Hearing, 4/17/02, p. 42, lines 12-20.)

**I.** Carol Schatz of the Central City Association, CCA, and representing Bank of America, Washington Mutual and Wells Fargo, stated that the banking industry would partner with the City on any reasonable form of increased consumer education efforts. (H&CD Hearing, 9/12/02, p. 5, lines 23-26.)

**J.** Richard Pittman, Director of Counseling and Housing, Consumer Credit Counseling Services of Los Angeles, CCCS-LA, stated that CCCS-LA is a member of the National Foundation for Credit Counseling, and a HUD-approved counseling agency for Los Angeles County. (H&CD Hearing, 9/12/02, p. 18, lines 15-18.)

- He testified to the need to take into account face-to-face counseling versus phone and internet. Without the physical approach to the consumer in seeing their paperwork, it is not giving a very good opportunity to counsel that person (H&CD Hearing, 9/12/02, p. 19, lines 1-4.)
- He stated that the cost of counseling ranges from \$20, which is the subsidized level, to about \$300 for a loan workout [involves negotiation between borrower and lender to adjust loan terms]. (H&CD Hearing, 9/12/02, p. 19, lines 5-11.)
- He testified to CCCS-LA's average of counseling 1,900 families a month: 18% of those have some level of housing distress, 5% of them are in actual default. (H&CD Hearing, 9/12/02, p. 19, lines 12-13.)

**K.** Hernan Vera, Directing Attorney, Consumer Law Project at Public Counsel, stated Public Counsel's support for credit counseling, but warned that the City should beware of those who may make the situation worse by working hand-in-hand with some of these providers and lenders. (H&CD Hearing, 9/12/02, p. 34, lines 1-5.)

**L.** A mandatory housing counseling requirement on high cost loans will actually increase borrowers choice, not reduce it. Recently the lending industry has been pushing for legislation that includes a waiver of housing counseling. Advocates question the point of waiving counseling if borrowers are already pushed to accept the terms of the loan that they are getting. (Testimony by Lez Trujillo, ACORN Housing, H&CD Hearing, 9/12/02, p. 41, lines 7-8, and lines 13-17.)

**M.** Susan Padilla, LAHD, indicated that homeownership classes co-sponsored by LAHD were full each time. Staff worked hard to develop curricula that worked and people called all the time thanking staff for the classes. (H&CD Hearing, 9/12/02, p. 47, lines 6-11.)