

Neighborhoods: The Blameless Victims of the Sub-prime Mortgage Crisis

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Earthquakes, cyclones, tsunamis and hurricanes, we hear of their destructive nature and see their devastating impacts on our evening news. Somewhere in the world people are impacted by these natural disasters daily. We, here in the US, are suffering under an unnatural disaster that is impacting hundreds of thousands of neighborhoods and millions of people – vacant, abandoned, accessible properties.

Although the collapse of the housing market and lending industry has been widely reported, the ripple out effect of the collapse has yet to be adequately addressed. There have been discussions on who is to blame and how to prevent this from happening again, but little attention has been paid to the true, innocent victims – the neighbors and local jurisdictions that are left to cope with and clean up the mess.

If a ship's captain recklessly pilots his ship into a hazard and spills oil, the damage isn't contained to just the ship. The oil spilled from that ship leaks into and spreads over miles of ocean, beaches and coastline. It seeps into every nook and crevasse. It covers every rock, every grain of sand. It coats unsuspecting wildlife and damages the environment for decades to come. Such is the case with the record number of financially distressed properties (foreclosures) we are experiencing across the Nation.

The SS Mortgage has run aground at the hands of reckless captains. The crude oil of foreclosures and abandoned properties has leaked into and spread over the entire country, neighborhood by neighborhood. Unsuspecting residents are being covered in the oil of diminishing home values, blight and unmarketable real estate. They find themselves mired in a situation they didn't create and yet can't free themselves from.

With shipwrecks and oils spills, the damage can be minimized by fast action and containment. There are federal, state and local laws that require response crews be trained to react. There are action plans and drills to prepare for the worst. Even with this training and response, the impacts are only "minimized". The damage can't be undone. And when all is said and done, it can take decades to calculate the cost of response, containment and recovery. But, with a single spill, at least there is someone to hold accountable.

This is not the case in the situation we find ourselves now, this "mortgage meltdown". While ships holds were filled to overflowing with mortgages, some very questionable, loading crews (brokers and originators) were hired in record number, and little, if any, thought was given to training response crews, preparing action plans or conducting drills. In short they didn't prepare for this disaster, they didn't feel they needed to. If a gallon or two of oil sloshed over the gunwales there would be someone there to scoop it up. In real estate terms, you could always "flip it", sell the house or mortgage, and save yourself from the "spill". You could, that is, until too much of the oil spilled over at once and there was no one there to scoop it up anymore.

This all could have been avoided, and even still the damage can be minimized, the spilled oil can be contained. But the beneficiaries of these mortgages (lenders, securities and trusts) claim they aren't responsible but are the victims, after all it's their ships that have been damaged. They aren't looking at the oil they have spilled onto unsuspecting bystanders living next door to or across the street from THEIR financially distressed abandoned properties.

A select few groups saw the impending collapse and attempted to prepare for the negative impact it would have. The City of Chula Vista was among those few groups. Realizing the City had seen unprecedented growth and housing sales, as well as a record increase in median valuation, City officials recognized their vulnerability to numerous foreclosed abandoned properties in the near future. Staff had experienced the non-reactive nature of the mortgage industry during the housing downturn of the early 1990's and drafted a proactive abandoned property registration and maintenance ordinance that sought to minimize the negative impact these conditions bring.

See Attachment "A"
Chula Vista Abandoned Residential Property Registration Ordinance

The ordinance was unique, in that it wasn't based on the physical condition of the property alone but the contractual condition of the mortgage as well. Let me explain. In most states the lenders are required to file or record default/pre-foreclosure documents with the county in which the subject property is situated. The lender then must wait for a court date or, in non-judicial circumstances, a pre-determined number of days, before proceeding with the notice of foreclosure sale. In California it is 90 days. In many instances, the properties subject to the filings and recordations are vacant and abandoned during this "warning period."

After their court date, or the expiration of the mandatory time frames, the lender must file or record additional notices and advertise the pending foreclosure sale. In California this recordation and advertising must take place a minimum of 21 days prior to the actual sale. As stated before, many of the homes are vacant and abandoned during this period.

See Attachment "B"
Financially Distressed Property Foreclosure Timeline

It is during this time period, a minimum of four months in California, that a large majority of these vacant properties become the rotting tooth of the neighborhood smile as they are left to the elements and whims of passersby, vandals, thieves and the like. It is also during this time period that lenders claim they can't take ANY action on the property because they don't own it yet . . . it hasn't gone through foreclosure sale. They overlook the covenants within their mortgage contract that provide them that very right. This covenant is commonly referred to as an "Abandonment and Waste Clause" and in short it states that if the borrower stops making the mortgage payments and moves out of the house, leaves it vacant, the lender may access the property to secure it from vandalism, deterioration and waste. The borrower agreed to this condition upon signing the mortgage contract. There are some restrictions on the lenders in these actions. They may not remove, alter or destroy the structure. They may take action as may be reasonably

necessary to prevent unauthorized entry (re-keying locks, replacement of doors/windows, boarding, etc.). They may maintain landscaping, pools and fences. They must inventory and store any personal items they remove from the property. They cannot market or rent the property. And they may not deny the borrower access if they return and request it.

So, if lenders have the right to protect their investment, the house, why don't they? After all, they claim that they desire the same things the cities do, safe and stable neighborhoods. The short answer is money. In more detail there are about seven main reasons:

1. They hope the borrower remedies the default and makes up all the back payments and fees.
2. They hope property will sell prior to the foreclosure sale.
3. They hope to sell the mortgage to another lender.
4. They hope they are outbid at the foreclosure sale.
5. They hope the local jurisdiction will maintain the property for them.
6. They don't want to risk potential litigation from the borrower.
7. They have insurance that covers damage caused to the property prior to the foreclosure sale. This damage is sometimes referred to as "Mortgagor Abuse."

Chula Vista's new ordinance compels the lender or beneficial interest/mortgage holder exercise the abandonment clause in their contract. It simply states that upon recording a Notice of Default (pre-foreclosure action) the lender must inspect the property for occupancy. If the property is found to be vacant, the lender must register the property with the City and then begin to maintain the property to the neighborhood standard.

Why must the lender register the property with the City? There is an additional problem in the lending industry beyond the collapsing housing market and avalanche of foreclosures we are experiencing. The problem is difficult to explain but has a simple remedy.

The problem is an inability of local authorities to locate the current beneficiary of the mortgage/deed of trust. Mortgage brokers and lenders buy, sell and trade mortgage loans like baseball cards and Halloween candy. They always notify the borrower where to send their payments but rarely record the substitution of beneficiary or assignment of rents with the county to provide notice to anyone, such as a code enforcement department, that may need to communicate with the lender. When local officials review the title documents, in an attempt to locate a responsible party, quite often they are met with this outdated information that results in disconnected phone lines and dead ends.

See Attachment "C"
Beneficial Interest Transfer Detail

Although recordation of these one or two page documents would save government agencies countless hours and thousands of dollars in forensic research, at a minimal cost to the lender, most counties charge \$10-\$20 to record such documents, many lenders claim it is "cost prohibitive." Most states allow for the recordation of these documents but do not require them.

There is an alternative to recording these documents with the county. The Mortgage Electronic Registration System (MERS) is an Internet database that is accessible to all lenders. It works very much like the DMV. Each new mortgage is issued a Mortgage Identification Number or MIN. Much like a Vehicle Identification Number (VIN), no two are alike and they stay with the vehicle, in this case the mortgage, for its duration. The MIN is listed on the original mortgage (which ALWAYS gets recorded) making it accessible to local authorities as a public record. If the mortgage is sold, transferred or otherwise taken over, the previous beneficiary can release their interest electronically on the database and list the new beneficiary or in the reverse the new beneficiary can register their interest electronically minimizing the need for local recording. This type of registration removes the lender's argument that recording such information (documents) is slow and "cost prohibitive" as the electronic registration is live and can be preformed from anywhere in the world.

Armed with an original mortgage document, the local authority can access the MERS web-site, free of charge, and input the 17 digit MIN number. The database then provides the current beneficiary, their address and contact information. With current information code enforcement officers can communicate with the current beneficiary through issuance of a Notice of Violation and by phone in many cases. The faster the beneficiary is contacted, the faster the problem can be resolved and the faster we stabilize the neighborhood.

For far too long the lenders have abdicated their property management/maintenance responsibility and, by their inaction, transferred their job to the local authorities. Lenders were content to let code enforcement secure their properties, remove their trash, paint out their graffiti and even mow their lawns. Although most local jurisdictions have the authority and can perform these tasks summarily or under warrant, most cities, small and large, do not have the staff nor budget for such activities. Most jurisdictions send a bill for these services to the last known responsible party, but as stated above, rarely are these documents current. Some jurisdictions have the ability to lien the property for outstanding debts but in many states these liens are eliminated at the foreclosure sale. With that in mind the new ordinance also requires that lenders retain the services of a local property manager/maintenance company and that the company's name and contact phone number be visibly posted on the property. The posting serves several purposes. It removes the city from its position as de facto property manager and allows anyone that observes a problem at the property direct contact with an entity that can respond and address the issue.

The problems we have been experiencing are wide and diverse. In the worst cases children are abducted, raped and murdered. Bad things happen in vacant properties! Some are targets for arson and insurance fraud. Theft and vandalism are the most obvious. Homes have been stripped of appliances, cabinets and carpet. With record prices being paid for scrap copper and aluminum, wiring and plumbing are almost irresistible to these thieves. Entrepreneurial college and high school students have, through the Internet, found a way to turn these vacant abandoned homes into makeshift one-shot nightclubs. Con-artists are advertising these homes for rent to unsuspecting families who pay thousands of dollars in cash only to find out they have no right to be in the home. Teenagers and gangs have taken over homes and trashed them, nearly beyond repair. But,

all this is the “banks” loss, right? While on the surface it may seem so, the real cost is passed on the local community through increased calls for police and emergency services and reduced property values and marketability. Although the lenders maintain insurance on these properties, and receive settlement checks on a regular basis, these vandalized properties are rarely repaired to a marketable “move in condition” but are sold “as is” at a highly reduced rate. This practice lowers the comparable values of the remaining properties in the neighborhood. The reduction in neighborhood livability, value and marketability only serve to set the stage for more foreclosures, a self-fulfilling prophecy.

The US Conference of Mayors, HUD, VA and several other organizations have reported that ONE of these vacant abandoned properties has a negative financial impact on the surrounding community up to 1/8 of a mile away. The negative impact is multiplied when the number of these properties increases. In some neighborhoods we have already seen as many as one in five properties fall into this status. As these properties deteriorate the visual impact can lead to discouragement of neighboring property owners, who can begin to neglect their own properties. Blight breeds blight.

Armed with this information and a new ordinance, the City of Chula Vista hoped to minimize the negative impact in its neighborhoods, to stop the bleeding. At first officials were told, by the lending/foreclosure industry, that they couldn't pass or enforce such a law. The city moved forward. Soon after they were informed that the lending industry would fight the law. They did not. Next, they were informed that no one in the lending industry would follow the ordinance. The City began to issue notices and monetary penalties. The lenders started to take note. The new ordinance has gained notoriety and cities from all over the Nation have contacted the City asking for background information and examples. To date the City has received nearly 200 inquiries from other jurisdictions. As some of these cities began to pass similar ordinances, and Chula Vista continued to issue financial penalties, the lending industry, although reluctantly, began to respond. One sign that the City had gained their attention came in the way of a phone call to the Code Enforcement Manager at his home on a weekend. A high level representative of the lending/foreclosure industry informed him that he was, “making too much fucking noise” with the ordinance. Soon after, some lenders began to make contact with the City, in some cases sending representatives to California to discuss the ordinance and how they could best meet the compliance standards.

See Attachment “D”
List of Interested Cities

The City of Chula Vista has the highest foreclosure rate in San Diego County with an estimated 1,000 to 1,500 REO's (foreclosures) and an additional 2,000+ recorded defaults (pre-foreclosures). It is estimated that all the REO's and approximately 1/3 of the recorded defaults are vacant. That is a total of over 2,100 vacant abandoned properties. Although the ordinance authorizes staff to be pro-active and inspect every recorded default and REO, staffing levels don't allow for such activity. Officers are reactive and respond to resident complaints of vacant abandoned properties. Currently there are 450 properties registered in the program. About 10% (45) of those are in violation of the maintenance and/or posting sections of the ordinance. On the other hand we have noted several properties that are in compliance with the ordinance, clean, green, secure and

posted, but not registered. These properties ARE NOT a priority with the staff. The City is less concerned with collecting the registration fee than the elimination of visual blight and attractive nuisances. Staff currently has approximately 100 open reactive cases in process.

Additional staff and funding sources were not available at the implementation of the program. Initially, 20% of existing reactive staff was assigned to the program. Recently we have increased that percentage as the number of foreclosures has accelerated. To date the program has generated \$31,500 in revenue through registration fees (\$70 per property). An additional \$154,979 has been assessed in fines, penalties and full cost recovery. Of that, \$25,519 has been collected the remaining \$129,460 has been recorded as special assessment liens with the County Tax Assessor's Office. The total revenue received to date, \$57,019, has nearly covered the cost of the program.

There were three challenges faced as the program was implemented:

1. **Notifying a multi national lending/foreclosure industry of a local ordinance/program.** – Response – The Code Enforcement Manager had previously been involved with the lending/foreclosure/loan and field servicing industry and had contacts within many of the national organizations such as the Mortgage Bankers Association, Real Estate Owned Management Association of California and the United States Foreclosure Network. With this information, getting the word out was not difficult.
2. **Locating the current beneficiary of the mortgage on a property that was in violation.** – Response – This remains one of the single largest obstacles in dealing with financially distressed properties. Often mortgage loans are issued and then the beneficial interest is sold to another company/lender, security or trust and that transfer is not recorded. Without a recorded transfer or substitution of beneficiary the local jurisdiction has no way to contact the individual or corporation that has authority over the property. The time spent in research and phone calls attempting to track down the current beneficiary is crippling.
Note: The California State Assembly is currently reviewing a bill that would make recordation of such changes mandatory.
3. **Adequate staffing.** – Response – 40% of the reactive code enforcement staff (two officers) have been assigned to respond to vacant abandoned financially distressed properties only. We have enlisted the assistance of our building inspectors. They monitor the registered properties for continued compliance and notify the code enforcement officers of violations. Other less urgent issues have been placed on a "Service Reduction List" of items we are currently unable to respond to.
Admittedly this has the potential to create a backfire effect if the foreclosure crisis is prolonged.

Although there remains a vacant abandoned property issue within the City of Chula Vista, and vacant abandoned unmaintained properties can be seen in many neighborhoods, the negative impacts are being greatly reduced, as lenders understand there are serious financial consequences to non-compliance. Through this process we have learned that enforcement CAN reduce the negative impact these properties create. It is only when the cost of inaction, fines and penalties, are greater than the cost of proper

maintenance and security that the lenders will “do the right thing” and pro-actively maintain the properties that THEY ARE RESPONSIBLE FOR.

Attachment “A”

15.60 ABANDONED RESIDENTIAL PROPERTY REGISTRATION

15.60.010 PURPOSE/SCOPE

It is the purpose and intent of the Chula Vista City Council, through the adoption of this Chapter, to establish an abandoned residential property registration program as a mechanism to protect residential neighborhoods from becoming blighted through the lack of adequate maintenance and security of abandoned properties.

15.60.020 DEFINITIONS

For the purposes of this chapter, certain words and phrases used in this chapter are defined as follows:

“Abandoned” means a property that is vacant and is under a current Notice of Default and/or Notice of Trustee’s Sale, pending Tax Assessors Lien Sale and/or properties that have been the subject of a foreclosure sale where the title was retained by the beneficiary of a deed of trust involved in the foreclosure and any properties transferred under a deed in lieu of foreclosure/sale.

“Accessible property” means a property that is accessible through a compromised/breached gate, fence, wall etc..

“Accessible structure” means a structure/building that is unsecured and/or breached in such a way as to allow access to the interior space by unauthorized persons.

“Agreement” means any agreement or written instrument, which provides that title to residential property, shall be transferred or conveyed from one owner to another owner after the sale, trade, transfer or exchange.

“Assignment of Rents” means an instrument that transfers the beneficial interest under a deed of trust from one lender/entity to another.

“Beneficiary” means a lender under a note secured by a deed of trust.

“Buyer” means any person, co-partnership, association, corporation, or fiduciary who agrees to transfer anything of value in consideration for property described in an agreement of sale, as defined in this subsection.

“Dangerous building” means any building/structure that is violation of any condition referenced in CVMC Chapter 15.18.

“Days” means consecutive calendar days.

“Deed of Trust” means an instrument by which title to real estate is transferred to a third party trustee as security for a real estate loan. Used in California instead of a mortgage. This definition applies to any and all subsequent deeds of trust i.e.: 2nd trust deed, 3rd trust deed, etc.

“Deed in lieu of foreclosure/sale” means a recorded document that transfers ownership of a property from the trustor to the holder of a deed of trust upon consent of the beneficiary of the deed of trust.

“Default” means the failure to fulfill a contractual obligation, monetary or conditional.

“Distressed” means a property that is under a current Notice of Default and/or Notice of Trustee’s Sale and/or pending Tax Assessor’s Lien Sale or has been foreclosed upon by the trustee or has been conveyed to the beneficiary/trustee via a Deed in lieu of Foreclosure/sale.

“Evidence of vacancy” means any condition that on its own, or combined with other conditions present would lead a reasonable person to believe that the property is vacant.

Such conditions include but are not limited to, overgrown and/or dead vegetation, accumulation of newspapers, circulars, flyers and/or mail, past due utility notices and/or disconnected utilities, accumulation of trash, junk and/or debris, the absence of window coverings such as curtains, blinds and/or shutters, the absence of furnishings and/or personal items consistent with residential habitation, statements by neighbors, passersby, delivery agents, government employees that the property is vacant.

“Foreclosure“ means the process by which a property, placed as security for a real estate loan, is sold at auction to satisfy the debt if the trustor (borrower) defaults.

“Local” means within forty (40) road/driving miles distance of the subject property.

“Neighborhood standard” means those conditions that are present on a simple majority of properties within a three hundred (300) foot radius of an individual property. A property that is the subject of a neighborhood standard comparison, or any other abandoned property within the three hundred (300) foot radius, shall not be counted toward the simple majority.

“Notice of Default” means a recorded notice that a default has occurred under a deed of trust and that the beneficiary intends to proceed with a trustee’s sale.

“Out of area” means in excess of forty (40) road/driving miles distance of the subject property.

“Owner” means any person, co-partnership, association, corporation, or fiduciary having a legal or equitable title or any interest in any real property.

“Owner of record” means the person having recorded title to the property at any given point in time the record is provided by the San Diego County Recorders Office.

“Property” means any unimproved or improved real property, or portion thereof, situated in the city and includes the buildings or structures located on the property regardless of condition.

“Residential building” means any improved real property, or portion thereof, situated in the city, designed or permitted to be used for dwelling purposes, and shall include the buildings and structures located on such improved real property. This includes any real property being offered for sale, trade, transfer, or exchange as “residential” whether or not it is legally permitted and/or zoned for such use.

“Securing” means such measures as may be directed by the Director of Planning and Building or his or her designee that assist in rendering the property inaccessible to unauthorized persons, including but not limited to the repairing of fences and walls, chaining/pad locking of gates, the repair or boarding of door, window and/or other openings. Boarding shall be completed to a minimum of the current HUD securing standards at the time the boarding is completed or required.

“Trustee” means the person, firm or corporation holding a Deed of Trust on a property.

“Trustor” means a borrower under a deed of trust, who deeds property to a trustee as security for the payment of a debt.

“Vacant” means a building/structure that is not legally occupied.

15.60.030 RECORDATION OF TRANSFER OF LOAN/DEED OF TRUST/ASSIGNMENT OF RENTS

Within ten (10) days of the purchase and/or transfer of a loan/deed of trust secured by residential property the new beneficiary/trustee shall record, with the San Diego County Records Office, an Assignment of Rents, or similar document, that lists the name of the corporation, and/or individual, the mailing address and contact phone number of the new beneficiary/trustee responsible for receiving payments associated with the loan/deed of trust.

15.60.040 REGISTRATION

Any beneficiary/trustee, who holds a deed of trust on a property located within the City of Chula Vista, shall perform an inspection of the property that is the security for the deed of trust, upon default by the trustor, prior to recording a Notice of Default with the San Diego County Records Office. If the property is found to be vacant or shows evidence of vacancy, it is, by this chapter, deemed abandoned and the beneficiary/trustee shall, within ten (10) days of the inspection, register the property with the Director of Planning and Building or his or her designee on forms provided by the City.

If the property is occupied but remains in default it shall be inspected by the beneficiary/trustee, or his designee, monthly until 1) The trustor other or party remedies the default or 2) It is found to be vacant or shows evidence of vacancy at which time it is deemed abandoned, and the trustee shall, within ten (10) days of that inspection, register the property with the Director of Planning and Building or his designee on forms provided by the City.

In either case the registration shall contain the name of the beneficiary/trustee (corporation or individual), the direct street/office mailing address of the beneficiary/trustee (no P. O. Boxes), a direct contact name and phone number for the beneficiary/trustee and, in the case of a corporation or out of area beneficiary/trustee, the local property management company responsible for the security, maintenance and marketing of the property. Registration fees will not be prorated.

An annual registration fee shall accompany the registration form. The fee and registration shall be valid for the calendar year, or remaining portion of the calendar year, in which the registration was initially required. Subsequent registrations and fees are due January 1st of each year and must be received no later than January 31 of the year due.

This section shall also apply to properties that have been the subject of a foreclosure sale where the title was transferred to the beneficiary of a deed of trust involved in the foreclosure and any properties transferred under a deed in lieu of foreclosure/sale.

Properties subject to this chapter shall remain under the annual registration requirement, security and maintenance standards of this section as long as they remain vacant.

Any person, firm or corporation that has registered a property under this chapter must report any change of information contained in the registration within ten (10) days of the change.

15.60.050 MAINTENANCE REQUIREMENTS

Properties subject to this section shall be, in comparison to the neighborhood standard, kept free of weeds, dry brush, dead vegetation, trash, junk, debris, building materials, any accumulation of newspapers, circulars, flyers, notices, except those required by federal, state or local law, discarded personal items including but not limited to, furniture, clothing, large and small appliances, printed material or any other items that give the appearance that the property is abandoned.

The property shall be maintained free of graffiti, tagging or similar markings by removal or painting over with an exterior grade paint that matches the color of the exterior of the structure.

Visible front and side yards shall be landscaped and maintained to the neighborhood standard at the time registration was required.

Landscape includes, but is not limited to, grass, ground covers, bushes, shrubs, hedges or similar plantings, decorative rock or bark or artificial turf/sod designed specifically for residential installation.

Landscape does not include weeds, gravel, broken concrete, asphalt, decomposed granite, plastic sheeting, mulch, indoor-outdoor carpet or any similar material.

Maintenance includes, but is not limited to regular watering, irrigation, cutting, pruning and mowing of required landscaped and removal of all trimmings.

Pools and spas shall be kept in working order so the water remains clear and free of pollutants and debris or drained and kept dry. In either case properties with pools and/or spas must comply with the minimum security fencing requirements of the State of California.

Adherence to this section does not relieve the beneficiary/trustee or property owner of any obligations set forth in any Covenants Conditions and Restrictions and/or Home Owners Association rules and regulations which may apply to the property.

15.60.060 SECURITY REQUIREMENTS

Properties subject to this section shall be maintained in a secure manner so as not to be accessible to unauthorized persons.

Secure manner includes but is not limited to the closure and locking of windows, doors (walk-through, sliding and garage) gates and any other opening of such size that it may

allow a child to access the interior of the property and or structure(s). In the case of broken windows securing means the reglazing or boarding of the window.

If the property is owned by a corporation and/or out of area beneficiary/trustee/ owner, a local property management company shall be contracted to perform weekly inspections to verify that the requirements of this section, and any other applicable laws, are being met.

The property shall be posted with name and 24-hour contact phone number of the local property management company. The posting shall be no less than 18" X 24" and shall be of a font that is legible from a distance of forty-five (45) feet and shall contain along with the name and 24-hour contact number, the words "THIS PROPERTY MANAGED BY" and "TO REPORT PROBLEMS OR CONCERNS CALL". The posting shall be placed on the interior of a window facing the street to the front of the property so it is visible from the street, or secured to the exterior of the building/structure facing the street to the front of the property so it is visible from the street or if no such area exists, on a stake of sufficient size to support the posting in a location that is visual from the street to the front of the property but not readily accessible to vandals. Exterior posting must be constructed of and printed with weather resistant materials.

The local property management company shall inspect the property on a weekly basis to determine if the property is in compliance with the requirements of this chapter.

15.60.070 ADDITIONAL AUTHORITY

In addition to the enforcement remedies established in Chapters 1.20, 1.30 and 1.41, the Director of Planning and Building or his or her designee shall have the authority to require the beneficiary/trustee/owner and/or owner of record of any property affected by this section, to implement additional maintenance and/or security measures including but not limited to, securing any/all door, window or other openings, installing additional security lighting, increasing on-site inspection frequency, employment of an on-site security guard or other measures as may be reasonably required to arrest the decline of the property.

15.60.080 FEES

The fee for registering an Abandoned Residential Property shall be set by resolution of the City Council.

15.60.90 ENFORCEMENT

Violations of this chapter may be enforced in any combination as allowed in Chapters 1.20, 1.30 and 1.41.

15.60.100 APPEALS

Any person aggrieved by any of the requirements of this section may appeal insofar as such appeal is allowed under Chapter 1.40.

15.60.110 VIOLATION/PENALTY

Violations of this chapter shall be treated as a strict liability offense regardless of intent. Any person, firm and/or corporation that violates any portion of this section shall be subject to prosecution and/or administrative enforcement under Chapters 1.20 and 1.41.

15.60.120 SEVERABILITY

Should any provision, section, paragraph, sentence or word of this chapter be determined or declared invalid by any final court action in a court of competent jurisdiction or by reason of any preemptive legislation, the remaining provisions, sections, paragraphs, sentences or words of this chapter shall remain in full force and effect.

Attachment “B”
Financially Distressed Property Foreclosure Timeline
(California)

- Mortgage issued
- 1st missed payment – “late” 30 days
- 2nd missed payment – “delinquent” 60 days
- 3rd missed payment – “seriously delinquent” 90 days
- Notice or Default – 1st step in foreclosure 120 days
- Sale Notice – 141 days minimum
- Sale –

This is the timeline IF the lender is organized and has not lost track of their inventory. Most lenders are overwhelmed which leads to a much longer process.

Although the borrower, or tenant, may remain in the home throughout this process we have noted that approximately 1/3 of the properties in this process are vacant prior to the completion of the foreclosure.

Attachment “C”
Beneficial Interest Transfer Detail

- Mortgage broker issues a real estate loan to an individual.
- Mortgage broker records Deed of Trust w/county.
- Mortgage broker sells the loan to a larger mortgage company.*
- Larger mortgage company packages several loans and resells to another company.*
- New company repackages some of the loans and offers them to an investment company as a mortgage backed security or investment trust.*
- They are then traded on the open market.*
- Investor hires a “loan servicer” to accept loan payments and communicate with the borrower but servicer has little to no authority over property.
- Borrower defaults.

- Servicer processes default/foreclosure for investor but still has no authority over property.
- During the foreclosure process the home is abandoned, deteriorates and becomes a nuisance.
- Code enforcement pulls the title records from the county but the Deed of Trust lists the original mortgage broker as the beneficiary.
- Code officer calls the mortgage broker, who advises the loan was sold to another company months or years ago and has no interest in the property OR the mortgage broker is no longer in business and there is no answer.
- The Notice of Default lists the servicer.
- Code officer calls the servicer, they advise they are “just the servicer” and have no authority over the property and will not provide current beneficiary info.
- Contact is attempted with the subsequent lenders/investors if known but without their internal tracking #'s they can't locate the property in their records.
- Property sits in limbo, abandoned with no maintenance or security for 4-12 months until the current beneficiary of the Deed of Trust realizes they own the asset.

*** New lender/investor should record their interest with the county or MERS**

For more information on the MERS (Mortgage Electronic Registration System) go to the following link www.mersinc.org or go directly to the servicer identification page at <https://www.mers-servicerid.org/sis/>

Attachment “D”
List of Interested Cities

California Cities

Alameda- American Canyon-Anaheim-Antioch-Apple- Valley-Arcadia-
Azusa-Bakersfield-Baldwin Park-Banning-Beaumont-Bellflower-Belmont-
Big Bear Lake-Brentwood-Buena Park-Cathedral City-Canyon Lake-Chico-
Chino-Chino Hills-Claremont-Colton-Compton-Costa Mesa-Davis-Desert
Hot Springs -Downey-Dublin-El Cajon-Elk Grove-Emeryville-Escondido-
Folsom-Fontana-Fremont-Fresno-Garden Grove-Hayward-Hemet-Hollister-
Huntington Beach-Imperial -Indio-La Palma-Laguna Hills-Lake Ellsinore-
Lancaster-Lincoln-Livermore-Los Angeles-Milpitas-Modesto-Monrovia-
Moreno Valley-Montclair-Murrieta-Napa-National City-Norwalk-Oakland-
Ontario-Oxnard-Palm Desert-Palm Springs-Paramount-Perris-Pittsburg-
Pomona-Rancho Cucamonga- Rancho Mirage-Red Bluff-Redlands-
Redwood City-Rialto-Riverside-Rocklin-Roseville-San Bruno-San Jacinto-
San Juan Capistrano-San Leandro-San Fernando-San Mateo-San Marcos-
San Pablo-Santa Ana-Santa Monica-Santa Rose-Santee-Seaside-Stanton-

Stockton-Southgate-Suisun City-Temecula-Tracy-Tulare-Union City-
Upland-Vacaville-Vallejo-Victorville-Vista-West Covina- West Hollywood

California Counties

Amador CO-Butte CO-Orange CO-Placer CO-Sacramento CO-San
Bernardino CO-San Diego CO-Riverside CO

Other Interested Jurisdictions

AZ Avondale-Chandler-Mesa CO Longmont FL Clearwater-Coral Gables-
Miami-Dade GA Duluth IL Aurora-Chicago-Kanakakee-Round Lake-
University Park-Waukegan-Warrenville-Zion-Villages of Addison-
Bannockburn- Bolingbrook-Cary-Carol Stream-Carpentersville-Downers
Grove-Glendale Heights-Highland Park-Hillside-Lake Bluff-Lombard-
Matteson-Oak Park-Orland Hills-Oswego-Park Forest-Palatine-Petone-
Plainfield-River Forest-Romeroville-Roselle-Skokie-Suger Grove-Tinley
Park-West Dundee-Wood Dale IN Vincennes-South Bend KY Louisville
MA Boston-Lawrence-Springfield-Rochester MO Lees Summit NJ
Voorhees NY New York NV Las Vegas-Nevada County-Reno OH
Clayton-Dayton-Lakewood RI Westerly TN Memphis TX Dallas-Garland
WI Kenosha-Milwaukee

US HUD – VA Washington DC