



Governor Signs Legislation to Curb Foreclosure Crisis

Three bills that will protect homeowners and tenants from foreclosure become law

FOR IMMEDIATE RELEASE – August 16, 2007

Contacts: Carlene McNulty, NC Justice Center Consumer Attorney, 919-856-2161,
carlene@ncjustice.org

(RALEIGH) – Governor Easley signed three important consumer protection bills today that are designed to protect homeowners and tenants from abusive mortgage loan servicing practices, predatory mortgage lending, and the damaging effects of home foreclosure.

“These bills are critical for North Carolina to address the growing foreclosure crisis and we applaud the Governor for his support of this legislation,” said Carlene McNulty, consumer attorney for the NC Justice Center, the state’s leading progressive policy advocacy organization. The annual number of foreclosures in North Carolina has nearly tripled over the last nine years and statistics from 2007 show the trend is continuing upward. Representative Dan Blue of Raleigh was the lead sponsor of all three bills.

House Bill 1374 makes the foreclosure process fairer and helps protect homeowners from abusive mortgage loan servicing. Abusive servicing companies misapply payments, charge illegal fees, and mishandle escrow accounts on home loans. Improper fees lead to default and contribute to the foreclosure crisis. HB 1374 requires loan servicers to notify homeowners of any fees charged on the loan and provide a full accounting of how payments are handled and fees accessed.

HB 1374 also makes the foreclosure process fairer by requiring servicers to itemize the fees owed and by giving homeowners better information about their rights. In addition, the bill addresses two recent NC Supreme Court decisions that made it harder for borrowers to sue for illegal lending practices.

House Bill 1817 protects home buyers from predatory lending practices and ensures they can afford to repay the loans made to them. It increases consumer protections against mortgage broker abuses and reins in abusive underwriting practices for certain loans.

House Bill 947 protects tenants who live in a property going through foreclosure. Currently, there is no requirement that tenants be informed that foreclosure is pending. HB 947 requires that the tenant receive the notice of a foreclosure sale, which will describe the “order for possession” process and inform the tenant that she may terminate her rental agreement. This bill also allows the tenant to terminate her lease by giving proper written notice to the landlord.

“These improvements to North Carolina law would not have been possible without the cooperation and leadership of many financial institutions in North Carolina, as well as the assistance of the Attorney General and the Commissioner of Banks,” added McNulty. “In addition, these laws will not only protect homeowners and tenants from foreclosure, but they will also help stabilize the housing market and improve the state’s economic prosperity.”

#####

The North Carolina Justice Center is the state’s leading progressive policy advocacy organization dedicated to creating a fairer state that protects its citizens and provides access to opportunity for all.

