

As one of your constituents, I'd like to express my strong opposition to Assembly Bill 1436. Specially, the proposed Bill:

- **Threatens California Jobs and Small Businesses** – Many lenders and investors are individuals or small businesses unable to carry the burden of foregoing mortgage payments for 12 months. Forcing 12-month forbearance agreements on these local business owners could cause them to close their business resulting in the loss of jobs or, even worse, defaulting on their own home loans.
- **Will Reduce Real Estate Jobs** – If borrowers don't have to make their mortgage payments, they have no incentive to sell their house. Home sales, and the corresponding purchases by homebuyers, are a large part of California's economy. Borrowers who normally would have to sell houses they cannot afford, can now stay in the house payment free for at least 12 months, reducing any incentive to sell the house. This will reduce income for real estate agents, escrow officers, title agents and all of the other businesses that benefit from people buying a home.
- **Will Further California's Well-Documented Affordability Problem** – Sacramento has repeatedly cited an affordability problem in California. Allowing foreclosures to naturally occur will reduce the price of homes, allowing new homebuyers who would have otherwise been priced out, to enter the market. These buyers will then spend money to move into, furnish and improve their new purchase.
- **May Ultimately Increase Foreclosures and Cause Borrowers to Lose Equity** – Despite COVID, home prices are at record highs. However, that will not last forever. If AB 1436 is defeated, borrowers unable to make payments will be lucky enough to sell their property at the peak of the market, avoiding foreclosure and taking significant equity with them. However, if allowed to "kick the can" down the road, those same borrowers will likely be trying to sell their property in a down market a year or so from now. Their equity will be gone, and they will likely not be able to avoid foreclosure. AB 1436 may actually put people into foreclosure that otherwise could have avoided it, by selling their property now while the market is strong.
- **Is Unconstitutional** – AB 2501 blatantly interferes with existing contracts in violation of the State and Federal Constitutions. Further, the Legislature is essentially forcing lenders to take additional money out of their pocket to pay a borrower's taxes and insurance in order to protect their investment – money they will not recover for at least 12 month and likely much longer (if ever).
- **Is Ripe for Abuse** – AB 1436 does not require any proof on the Borrower's part to qualify for relief. To prevent abuses, the borrower must be required to provide proof that their income has been significantly affected by COVID. Otherwise, borrowers with little or no negative COVID impact could easily obtain unneeded relief, which would send loan defaults soaring, further adding to lender, investor and servicer woes. Not requiring proof is patently irresponsible.
- **Will Result in Significant Litigation, Further Burdening the Court System** – HOBR lead to countless meritless lawsuits. AB 1436 will do the same, increasing the cost to originate and service a loan (which is ultimate borne by borrowers) and further burdening the court system.
- **Will Negatively Affect Investors on Fixed Income** – Many investors in privately funded loans are seniors on fixed income. They rely on the monthly payments to meet their own housing and medical expenses. AB 1436 encourage borrowers to miss up to 12 months of payments. That's 12 months that the investor on fixed income will go without vital monthly income.
- **Will Reduce Access to Loans** – AB 1436 will significantly deter lenders from lending in California, knowing that California's government does not support contractual agreements. Restricted access to capital will make it harder for California residents to obtain new loans. This will also

result in fewer mortgage origination jobs at a time when California needs to create more jobs, not discourage them.

- **Defies Logic** – It makes absolutely no sense to apply these restrictions to loans that defaulted pre-COVID, that have matured or where there is a non-monetary default, such as where the borrower committed waste, fraud or violated the due-on-sale clause; or, where the default occurred pre-COVID. If the bill is allowed to survive, it must be limited to *monthly payment defaults occurring after February 1, 2020* on *owner-occupied consumer loans*.