

LENDER FORECLOSURE

An end to the madness?

State Sen. Chip Shields fights for foreclosure reforms in a divided Salem

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For the tens of thousands of Oregonians and their families who have lost their homes in the past four years, the recent announcement of the national mortgage settlement is of small comfort compared to their loss. The 49-state settlement will stretch over three years, and divide the \$25 billion pound of flesh from the five major lending institutions down to about \$1,800 per victim in Oregon.

But for the tens of thousands who are in the pipeline of foreclosure today, an ounce of prevention is still worth a pound of cure.

In Salem, two bills are wending their way through the Oregon Legislature that seek to give Oregon homeowners protection against the predatory lending practices that contributed to the housing crisis and the avalanche of foreclosures it caused. Championing that cause through the Senate committee process is State Sen. Chip Shields, D-North/Northeast Portland, who chairs the General Government, Consumer and Small Business Protection Committee.

Shields' committee has cleared Senate Bills 1552 and 1564 that would install protections for consumers when they go to modify their loans to avoid foreclosure, and do away with the dual-track process that allowed banks to blindside homeowners with foreclosure even while they were in the process of modifying their loan. The measures echo the national mortgage settlement overview, the details of which are still unknown. (See a rundown of the national mortgage settlement terms on page 7.)

However, the bills face an uphill battle in the full legislature. House Republicans snuffed four similar bills by denying hearings in the committee process. And there's a Republican proposal to remove the

dual-track violation from prosecution under the unfair trade practices act, an action that Shields says would water down the law, remove any remedy to victims and prevent the state attorney general from pursuing justice on an issue that now dominates concerns among his constituents.

Chip Shields: I'd say four years ago, 70 percent of my constituent case work was helping people who were having problems with government agencies, department of human services, etcetera. Now, 70 percent of our constituent work is people who are just complete at wits end about how inept, either on purpose or by accident, their lender or their mortgage company is. People in situations where they're going along with the modification process in good faith, and then, wham, they get the notice right in the middle of it that the bank is foreclosing on them for no good reason — when they've been following the advice of the person on the other end of the phone. So it's a huge problem, and we're not just hearing from homeowners, we're hearing from Realtors who are amazed at how poorly their clients are being treated.

Joanne Zuhl: How are these bills going to help people now in the throes of foreclosure? What will it do to those who are teetering toward it?

C.S.: Unfortunately, it's going to be prospective. It is not going to help people who are currently in foreclosures. It will help people who are threatened by foreclosure. There's a huge massive wave coming. It will do a significant amount of good for a significant amount of people.

Regarding the dual-track bill, people have been working with their lender, only to find out that their bank was working to foreclose on them while they were in the modification process. This will

end the dual track nonsense that banks have been doing. People have been thinking they are doing the right thing, working with their lender, and then the banks hit them with foreclosure regardless of whether there is any type of modification.

On the modification efforts, I've heard incredible stories of Bank of America customers who are never talking to the same person twice, or being told the bank never received the paperwork. This would bring in a third party arbitrator, which I think will make the process more fair and honest and allow people that kind of face to face negotiation.

J.Z.: How do these compare to regulations that are part of the national settlement in which Oregon participated? Do we need this locally?

C.S.: This will definitely complement the national settlement. As I understand it, the final settlement hasn't been signed off by all the parties. This will still allow the Oregon attorney general to go after the banks that engage in fraud. And that was the promise the Oregon attorney general made to me, that he would never agree to a settlement that



State Sen. Chip Shields
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See SHIELDS, page 7

Inside



'We'll have to come together and do our best'

A conversation with City Commissioner Dan Saltzman

Page 5



Amanda Fritz, Mary Nolan and \$

The dollars and cents behind the race for City Council, Position 1

Page 8



Europe's homeless fall under grips of devastating cold

A report from street papers abroad

Page 10