



Representative McLawhorn's News from Raleigh

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Most of us have heard about the increased number of home mortgage foreclosures and how they affect our economy, interest rates and home prices. Home foreclosures have far reaching effects in every area of North Carolina. Home owners who are forced to foreclose damage their credit and lose valuable home equity. This hurts all of us. This session my colleagues and I passed laws that we believe will decrease the rate of mortgage foreclosures and help our citizens acquire and maintain secure housing without sacrificing their financial security.

Thank you for allowing me to share this information with you. Please do not hesitate to contact me if I can help you.

Foreclosures in North Carolina

In 1998, 16,630 homeowners filed for home mortgage foreclosure in North Carolina. In 2006, that number increased to 46,510 foreclosures. By the end of August this year, 32,300 homeowners had filed for foreclosure in North Carolina, and experts are predicting this will be a record year in the state for home foreclosures.

Many people are forced to foreclose because of a death in the family, unemployment, divorce or some unexpected event. Sometimes people do not have enough equity to refinance or cannot sell their houses for enough profit to pay all their debts. In other cases, people take out loans but simply cannot make the payments because they have a low income or credit issues.

Too many foreclosures in an area can hurt property values. Areas that offer only low-cost entry-level homes are at a risk for excessive foreclosures. While we would like to encourage homeownership, no one should take on the responsibility of owning a home without being aware of the all of the costs. Home ownership education halves the chances of foreclosure. I encourage borrowers to do extensive research into every aspect of the mortgage process before taking out a home loan.

Predatory Lending

We passed a bill to protect North Carolinians from predatory mortgage lending and to improve the writing of loans. The bill (HB 1817) limits broker fees, protects borrowers from some of the dangers of adjustable rate mortgage loans and clarifies mortgage broker duties. Lenders are required to determine that the homeowner can repay the loan. The law also prohibits prepayment penalties and expressly gives the Commissioner of Banks the authority to create rules to protect the borrowing public.

Mortgage Fraud

Another new law defines and punishes residential mortgage fraud in North Carolina. The bill (HB 817) makes it a felony to knowingly misrepresent or exclude information in the mortgage lending process even if the victim is not harmed financially. Offenders can be sentenced to up to 16 months if they have no prior record and up to 31 months if they are linked to at least five cases of fraud with no prior record. Mortgage fraud was illegal under previous laws, but it was covered by general fraud law. That law required stolen property to be valued at a minimum of \$100,000 before the offender would face substantial punishment. The changes make it easier to protect people who were cheated out of lesser amounts.

Reducing Foreclosures

Loan servicers are now required to tell homeowners about fees charged on the loan and provide full details about how payments are handled and fees are calculated. The bill (HB 1374) protects borrowers from mortgage loan servicing companies that mishandle escrow accounts on home loans, charge illegal fees or misapply mortgage payments. The new law makes the foreclosure process fairer and requires servicers to give homeowners better information about their rights in foreclosures.

Protect Tenants

The General Assembly ratified a law that will help protect renters who live in property lost to foreclosures. The bill (HB 947) states that tenants must receive 30 days notice of an application for foreclosure. Tenants can then give the landlord 10 days written notice to terminate the rental agreement.

House Select Committee on Rising Home Foreclosures

The recently appointed House Select Committee on Rising Home Foreclosures will study the causes of foreclosures in North Carolina and the appropriate role of state and federal governments in helping people remain in their homes. The committee has also been directed to determine whether real estate or mortgage workers are contributing to the problem; evaluate mortgage and borrowing trends to help first-time homebuyers obtain mortgages; consider ways to collaborate with the state's banking community to protect confidence in the mortgage industry; identify trends in home foreclosures, and consider counties' ability to provide information on each foreclosed loan. The committee may also consider any other relevant issues.