



**For Immediate Release**

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**\*\*\* PRESS RELEASE \*\*\***

**Assessor-Recorder Phil Ting Uncovers Widespread Mortgage Industry  
Irregularity in San Francisco Foreclosures**

*First comprehensive audit of county land records in nation provides roadmap for legislative  
change*

**San Francisco, CA**— Assessor-Recorder Phil Ting in partnership with mortgage investigation firm, Aequitas, announce the findings from an audit of 382 San Francisco homes that went through foreclosure during 2009, 2010, or 2011. The audit shows that 84% of sampled foreclosures contain at least one clear violation of California's foreclosure laws. The results provide quantifiable support for greater mortgage industry oversight and legislative change.

The audit began last fall after irregularities and compromised documents were discovered as homeowners facing foreclosure came to the Assessor-Recorder's office looking for property records in order to modify their loans or refinance. A county recorder's office is responsible for keeping the official public records of property ownership and state law dictates how the mortgage industry must file those records.

"When it became clear that property records were severely undermined, a red flag was raised," says Assessor-Recorder Phil Ting. "Those records are supposed to be filed with this office and many were simply missing or had serious inconsistencies. How can we expect homeowners to have a fighting chance of saving their homes when they can't even find who currently owns their debt?"

In the past, legislation has been introduced to address mortgage industry problems by improving transparency in document recording, dual tracking and foreclosure processes. Ting explains that the need for state legislation is imperative in guaranteeing mortgage industry compliance with California foreclosure laws and ensuring homeowners have a clear and valid right of property ownership.

"With people losing their home everyday," Ting adds, "it's more important than ever to paint a clear picture of the problem. By looking at San Francisco as a sample, we are able to pinpoint examples of problems and provide proof for subsequent targeted legislation."

Aequitas, a mortgage regulatory compliance consulting firm specializing in investigation and regulatory audits, performed the analysis.



“Until now, public information in California regarding improper foreclosure practices has been largely anecdotal,” said Lou Pizante, a principal at Aequitas. “This report is important because it is the first to provide a rigorous, quantifiable analysis of the nature and frequency of foreclosure irregularities in California.”

In California, most lenders foreclose under California’s non-judicial laws, a ministerial process controlled by statute. Consequently, there is little, if any, oversight of the foreclosing parties. In contrast, states with more rigorous judicial foreclosure requirements have uncovered and exposed patterns of lender and servicer misconduct.

“By focusing on six subject areas within the foreclosure process we can see broad patterns and consistent issues. On the whole, over 75% of cases had problems related to three or more of the six general subject areas,” explains Pizante.

The report found 75% of sampled foreclosures had at least one issue relating to an assignment of the Deed of Trust. When a lender sells a loan it signs an assignment of the Deed of Trust in favor of the new lender. Common problems uncovered include conflicts between federal filings and recorded documents (23%), new lenders signing over debt to themselves (11%), and assignments being filed after the Notice of Default (59%).

The report also found that in many cases, there were instances of suspicious activity indicative of potential fraud. Examples include “strangers” to the Deed of Trust purporting to be Beneficiaries (45%) and the back-dating of documents (59%). Overall, 82% of cases had at least one occurrence of suspicious activity.

“If there is one lesson to take away from this report it is that California’s foreclosure process appears utterly broken,” says Pizante.

Ting adds, “It’s important to stress that we are in no way asserting that every distressed borrower is a victim and that the mortgage industry is collectively guilty of defrauding homeowners. However, we believe that following the proper process in foreclosure is essential.” Ting explains, “California is a non judicial foreclosure state, meaning California foreclosures aren’t reviewed by judges before lenders foreclose. This makes following of the non-judicial process even more critical because it’s the only protection we have to ensure homeowners receive a fair shake.”

Ting continues, “We know the status quo is unacceptable. Originally, California’s real estate laws were created for a much simpler market but now they must adjust accordingly. In the long run, it’s in the best interest of the homeowner, mortgage industry, securities investor and the community to have a clear chain of title. Legislation that modernizes existing regulations and oversight will allow for increased trust in the industry and ultimately help stabilize the housing market.”

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