



COMMENTARY

Will regulatory overkill follow the subprime meltdown? *By Spencer Scheer*



It is clear to everyone that, for the last 12 months, the subprime meltdown is not restricted to subprime and that market woes are expanding into prime lending. According to investment advisor A. Gary Shilling, more than 2.9 million adjustable rate mortgages are expected to reset to higher rates in 2008, with the peak occurring in the third quarter. As investors flee from mortgage derivatives, such as collateralized debt obligations (CDOs), the result

is a global economic convulsion and clear signs that there will be no quick fix.

I don't have a crystal ball to tell me what the future holds. But the Scheer Law Group, LLP is on the front lines of the bankruptcy-foreclosure, mortgage fraud wars that involve borrowers, brokers and lenders. Each is responding to a new reality in lending: rising real estate values and homeowner equity are no longer available to cover bad loans, unqualified borrowers and speculative excesses.

It is obvious to me that there is some measure of predictability to what will happen in the near future. I think it likely that accelerated deflation and massive government regulation will be the next stage of the subprime meltdown. While there are many who would debate the degree of deflation that may occur, the reality is that residential real estate prices are falling nationally and commercial real estate is starting to feel the heat. Fitch, one of Wall Street's bond ratings agencies,

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March 21 seminar to explore strategies for loss mitigation

How are legislators and agencies responding to upheaval in the mortgage market? That's the focus of a special half-day seminar underwritten by Standard Trust Deed and Scheer Law Group, LLP. There is no cost to attend, but advance registration is required.

Speakers include **June Christy**, Vice President of Operations for Standard Trust Deed, who will moderate a question-and-answer session on processing California foreclosures.

June will be followed by **Bill Exeter**, radio personality and founder of Exeter 1031 Exchange Services, LLP, who will explore the real estate investor's mind-set in the current environment and describe how investors are using 1031 exchange transactions to forestall foreclosure.

Spencer Scheer of the Scheer Law Group, LLP will present an overview of changing laws and

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BRIEFS

Save the date: June 20

Standard Trust Deed and Scheer Law Group, LLP are taking their half-day seminar series on the road to Southern California on June 20. It will be held at the Hilton Garden Inn, 11481 Mission Vista Drive, Rancho Cucamonga, which is five minutes from the Ontario Airport

The seminar series focuses on strategies for surviving the subprime collapse. Participating speakers represent companies on the front lines of helping lenders and investors preserve their position amid deteriorating market conditions and rapidly-changing laws and regulations. Program details and speaker profiles will be provided at standardtrustdeed.com.

There is no cost to attend but advance registration is required.

Foreclosure 101 Handbook updated with new chapter on receivership

Already acknowledged as a valuable reference manual, Standard Trust Deed has added a new chapter to the Foreclosure 101 Handbook, entitled "Protecting Asset Value during Foreclosure." Written by Trigild President William J. Hoffman, the chapter explains how receivership protects property and how to find and obtain appointment of a receiver, and discusses whether receivership is the right course of action in a loan default.

The handbook includes the steps in a non-judicial foreclosure process, a timeline

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regulations affecting California lenders and provide pointers on how to stay ahead of the compliance curve and remain profitable. ▲

Date:	Friday, March 21, 2008
Time:	8:30 a.m. to 12:30 p.m.
Location:	Hilton Garden Inn, 1800 Powell Street, Emeryville, CA
Reservations:	Call Lou Ann Maihofer (925.603.1031), or email her at louann.maihofer@standardtrustdeed.com , or register online at standardtrustdeed.com

Government regulation *Continued from page 1*

reports a near-doubling of delinquencies on commercial real estate loans in collateralized debt obligations (CDOs) from October to November, 2007, rising from 0.08% to 0.15%.

Regulatory responses from state and Federal agencies alike have and will be severe, comprehensive and punitive. These responses will weed out many lenders, brokers and borrowers involved in the mortgage industry. It is important that all lenders keep an eye on recently enacted and pending legislation that will affect both origination and servicing.

The table below identifies several bills that are either pending or were recently passed that will change the way you do business.

Bill	Status	Impact
Fed: HR 3915 (Mortgage Reform and Predatory Lending Act)	Pending	Will affect all B and C and "hard-money" lenders. The bill will require that the consumer be able to repay; will prohibit refinances unless there is a "net tangible benefit" to borrower, and will provide assignee liability to investors.
Fed: S.2136 and S.2133	Pending	Both bills will amend title 11 of the U.S. Bankruptcy Code to allow "cram down" (rewrites) of home mortgages.
State (CA) SB 385	Enacted 1.1.08	Affects brokers, any lender who makes eight or more loans with his own money, state chartered banks and credit unions. The bill requires specified disclosures on all non-traditional mortgage products (including interest only loans), and that lenders have specified policies to ensure repayment and "best loan" for borrowers.
State (CA) SB 926	Pending	This will affect trustees and lenders. The bill will delay foreclosures and require a face-to-face meeting with a borrower prior to foreclosure. Notices of foreclosure will have to reflect the meeting.

These bills are but a sample of those geared towards regulating California lenders. The astute lender will not react to newly-passed legislation; rather he will prepare for change. Monitoring trends and likely regulatory responses to the subprime crisis will allow you to prepare and thrive in this changing environment. ▲

Spencer Scheer is a partner in the Scheer Law Group, LLP

Foreclosure 101 *From page 1*

that explains the steps and deadlines associated in foreclosure, a glossary of terms, an explanation of bankruptcy law and several strategies for foreclosure sales.

In addition, the manual contains forms and documents commonly filed during the default period and in foreclosure transactions.

Speakers offer insights in a troubled market

Two industry experts offered insights into California's troubled housing market last Fall in a seminar presented by Standard Trust Deed and Scheer Law Group, LLP.

Dr. Nima Nattagh of GeoStat Advisory, LLC, addressed the volatility of California home prices by exploring the relationship between sales prices and rents, highlighting markets in California where the ratios suggested that homes were overpriced and subject to correction. Dr. Nattagh proposed using regional rent-to-price ratios in addition to sales comparables to conduct appraisals.

Spencer Scheer of Scheer Law Group, LLP, reviewed pending and recently-enacted legislation creating new challenges for lenders seeking to resolve loans in default. Among them: new disclosure requirements for brokers and lenders, changes to the bankruptcy code that may dilute lender protection provisions and the effects of mortgage fraud on loss mitigation and default resolution.

To obtain copies of materials distributed at the seminar, contact Lou Ann Maihofer at 925.603.1031 or e-mail her at: louann.maihofer@standardtrustdeed.com ▲



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