

1 [Real estate loan counseling and education program.]

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3 **Ordinance adding Chapter 92 to the Administrative Code approving a pilot consumer**
4 **counseling and educational program in the Department of Aging and Adult Services,**
5 **including distribution of educational materials on predatory loan practices, and**
6 **provision of individual loan counseling for loans secured by San Francisco residential**
7 **property.**

8 Note: All sections are new.

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10 Be it ordained by the People of the City and County of San Francisco:

11 Section 1. The San Francisco Administrative Code is hereby amended by adding
12 Chapter 92, to read as follows:

13 CHAPTER 92: REAL ESTATE LOAN COUNSELING AND EDUCATION

14 Section 92.1 FINDINGS AND PURPOSE

15 This Board makes the following findings:

16 1. Many San Franciscans, particularly poor, elderly, and minority residents, have
17 expressed concern and apprehension regarding home lenders who aggressively market high-
18 cost home loans in their neighborhoods and who may engage in unfair or fraudulent credit
19 practices with the potential to destroy financial resources based on home equity.

20 2. The HUD Treasury Task Force on Predatory Lending, in its report entitled “Curbing
21 Predatory Home Mortgage Lending” (the “HUD/Treasury report”), has documented and
22 analyzed the problem of predatory lending in home mortgage lending. The HUD/Treasury
23 report identified the four major predatory practices occurring in the sub-prime lending market
24 as “loan flipping” (successive refinancing with added fees and prepayment penalties),
25 “packing” (unjustifiably high fees and hidden fees), “asset based lending” (lending without

1 regard for the borrower's ability to pay) and outright fraud and abuse. The burden of these
2 practices fall predominantly on minorities, women and the elderly in minority or low-income
3 neighborhoods without access to mainstream sources of credit.

4 3. The HUD/Treasury report found that consumer literacy and disclosure would assist
5 borrowers in avoiding predatory practices and recommended expanded access to consumer
6 loan counseling.

7 4. The State legislature recently passed AB 489, adding Division 1.6 to the Financial
8 Code, and imposing requirements on consumer loans secured by real property. AB 489
9 prohibits various practices associated with predatory lending and provides civil penalties for
10 violations.

11 5. State and federal regulation of real estate lenders and loans, in combination with
12 legally mandated loan disclosure requirements are insufficient to provide protection of
13 targeted communities against the abuses of predatory lenders. The Board finds that an
14 consumer counseling and education program at the local level is the most effective way to
15 provide consumer protection against predatory lending practices within the City and County of
16 San Francisco.

17 6. The Department of Aging and Adult Services currently provides assistance to
18 victims of predatory lending practices in San Francisco. The Department works with non-
19 profit and other organizations involved in predatory lending counseling and education
20 programs, but has no mandate or funding to develop its own program for these vitally needed
21 services.

22 Section 92.2 PILOT CONSUMER LOAN EDUCATION PROGRAM

23 A. The Department of Adult and Aging Services shall develop and commence a one-
24 year program to educate San Franciscans about predatory loan practices and to prevent sub-
25 prime lenders from targeting low-income neighborhoods for predatory loans. All City

1 Departments shall cooperate with and assist the Department of Adult and Aging Services in
2 developing and administering the consumer loan education program.

3 B. The program shall, at a minimum:

4 1. Provide a clear definition of predatory lending and an easy to understand
5 explanation of predatory lending practices in selected educational materials.

6 2. Provide and distribute educational materials and training on consumer loans
7 secured by real property. All education materials and training sessions shall be available in
8 multiple languages, consistent with the San Francisco population base.

9 3. Specify interest rate, fee and point triggers to assist consumers in identifying high
10 cost loans.

11 4. Distribute consumer information and telephone referral numbers of governmental
12 and nonprofit agencies which provide assistance to victims of predatory loan practices.
13 Information shall be provided to San Francisco residents through mailed brochures in property
14 tax bills, postcards, public service announcements and cooperation with local nonprofit
15 organizations and community groups to organize seminars on predatory lending.

16 C. The Department may provide consumer loan educational services using City
17 personnel, cooperating non-profit organizations and institutions, consultants and contractors,
18 or any combination of these resources in an effort to reach a citywide audience.

19 Section 92.3 PILOT CONSUMER LOAN COUNSELING PROGRAM

20 A. The Department of Adult and Aging Services shall commence a one-year program
21 to provide free or low-cost financial counseling to individuals with outstanding loans and
22 individuals who apply for loans secured by their residence property located in San Francisco.
23 Financial counseling shall include:

24 1. Review of loan documents and an explanation of all terms and conditions of a
25 consumer loan.

1 2. An explanation of consumer rights under state and federal laws which regulate loan
2 practices, verification that all loan documents have been supplied, and that all required
3 disclosures are complete.

4 B. The Department shall not make personal financial assessments for individuals,
5 recommend particular lenders, or provide legal advice. The Department may provide
6 consumer loan counseling services using City personnel, cooperating non-profit organizations
7 and institutions, consultants and contractors, or any combination of these resources in an
8 effort to reach a citywide audience. All City Departments shall cooperate with and assist the
9 Department of Adult and Aging Services in developing and administering the consumer loan
10 counseling program.

11 Section 92.4 REPORT TO BOARD

12 At the conclusion of the pilot program the Department of Aging and Adult Services shall
13 provide the Board with a report on the effectiveness of consumer education and counseling on
14 curbing predatory lending practices. The report shall include:

15 A. A summary of local consumer loan practices which the Department considers to
16 represent predatory and harmful to San Francisco consumers.

17 B. A survey of the neighborhoods where predatory or potentially predatory practices
18 are most prevalent, including information on targeted loan advertising in those neighborhoods.

19 C. A survey of the consumers subjected to predatory practices, including data on
20 neighborhood, age, race, income, and other factors common to the subprime loan applicant
21 and borrower pool in San Francisco.

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1 D. A report on additional steps that the City can take to curb predatory lending
2 practices in San Francisco.

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4 APPROVED AS TO FORM:
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6 By: _____
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8 Deputy City Attorney

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