



NEVADA LEGISLATURE
LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO STUDY
MORTGAGE LENDING AND HOUSING ISSUES
(Nevada Revised Statutes 218.682)

SUMMARY MINUTES AND ACTION REPORT

The first meeting of the Nevada Legislative Commission's Subcommittee to Study Mortgage Lending and Housing Issues was held on October 22, 2007, at 9 a.m. in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. A copy of this set of "Summary Minutes and Action Report," including the "Meeting Notice and Agenda" ([Exhibit A](#)) and other substantive exhibits, is available on the Nevada Legislature's website at www.leg.state.nv.us/74th/Interim. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (e-mail: publications@lcb.state.nv.us; telephone: 775/684-6835).

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman Marcus L. Conklin, Chairman
Senator Bob Beers
Senator Warren B. Hardy II
Senator Michael A. Schneider
Assemblywoman Marilyn Kirkpatrick

COMMITTEE MEMBER PRESENT IN CARSON CITY:

Assemblyman Tom Grady

LEGISLATIVE COUNSEL BUREAU (LCB) STAFF PRESENT:

David Ziegler, Principal Research Analyst, Research Division
Kelly S. Gregory, Senior Research Analyst, Research Division
Brenda J. Erdoes, Legislative Counsel, Legal Division
Daniel Yu, Deputy Legislative Counsel, Legal Division
Lucinda Benjamin, Senior Research Secretary, Research Division

OPENING REMARKS

- Assemblyman Marcus L. Conklin, Chairman, welcomed members, presenters, and the public to the first meeting of the Legislative Commission's Subcommittee to Study Mortgage Lending and Housing Issues and introduced the members and LCB staff. The Chairman explained the purpose of the first meeting was to: (1) discuss what assistance is currently available to homeowners with loan difficulties; (2) determine how existing programs can be coordinated and easily accessed by borrowers; and (3) ensure borrowers receive sound counseling.
- Senator Schneider commented on the questionable lending practices in the Las Vegas mortgage-lending industry. Mortgage brokers were incentivized by high commissions to sell high-risk loans that over-encumbered borrowers. In addition, he discussed the operation of Wall Street in buying and selling of mortgage loans and was of the opinion that the housing mortgage industry is currently in a horrendous situation.
- The Chairman explained the Subcommittee's meeting schedule and stated that the final meeting will be scheduled in early May 2008. The first two meetings will focus on what remedies can be immediately initiated to impact current mortgage-lending issues and subsequent meetings will focus on possible policy changes.

OVERVIEW OF MORTGAGE LENDING AND HOUSING ISSUES AND FORECLOSURE ACTIVITY IN NEVADA

- David Ziegler, Principal Research Analyst, Research Division, LCB, gave a brief overview of mortgage problems in Nevada. He reviewed a briefing of the current problems ([Exhibit B](#)) and said for the past nine months Nevada has lead the nation in mortgage-foreclosure filings. He further explained subprime loans, negative affects of foreclosures on lenders and borrowers, and statistical information on national mortgage foreclosures. In addition, he presented information on mortgage foreclosures in Clark County, as tracked by the Mortgage Bankers Association (MBA) and stated that Clark County has the highest foreclosure rate in Nevada. In conclusion, Mr. Ziegler reported seven states are driving the foreclosure-start statistics: Arizona, California, Florida, Indiana, Michigan, Nevada, and Ohio. Please see [Exhibit C](#).
- In response to a question from Senator Beers regarding further information on the mortgage-foreclosure statistics, Mr. Ziegler stated the number of vacated houses or those that have never been occupied are part of the foreclosure problem, which also includes speculator development.
- Chairman Conklin said the Subcommittee would concentrate on assisting first-time homebuyers and owner-occupied houses and was of the opinion that one-third to one-half of all mortgages in foreclosure were speculator-investments.

- Senator Beers questioned whether the mortgage-foreclosure rate of owner-occupied houses is dramatically rising and if the crises may primarily be the result of speculator investments.
- Senator Hardy said the Subcommittee needs to determine if the investment market is correcting itself and if other factors are negatively affecting the mortgage-lending industry. He emphasized the importance of determining the number of foreclosures that involve traditional loans versus investment-type loans. He said if there is a mortgage-foreclosure issue being driven by family households, there might be support for legislative intervention; however, consumers must take responsibility for their borrowing practices.
- Assemblywoman Kirkpatrick stated examination of the mortgage-foreclosure issue needs to focus on the western United States, including Arizona, California and Nevada, because they have the highest rate of foreclosures. She stated that the Subcommittee needs to gather information and compare legislation from different states with similar problems, as well as those states that do not have a problem.
- Mr. Ziegler said based on statistical information for December 2006 for Clark and Washoe Counties, the number of foreclosures may not peak for another 19 months. Indications are that housing sales and prices may decline further than they have, which would impact borrowers, lenders, governments, and the overall economy. For subprime loans made in 2006, the prediction is that nearly 25 percent of the loans in the Las Vegas-Paradise Metropolitan Statistical Area (MSA) would go into foreclosure and almost as many in the Reno-Sparks MSA.
- Senator Schneider commented on the number of mortgage foreclosures in Clark County and asked if it is possible to breakdown the statistical information between traditional mortgage loans and investment-type loans in foreclosure.
- Chairman Conklin discussed individual scenarios where homeowners were adversely affected by market conditions and caught in mortgage-foreclosure situations.
- Senator Hardy expressed concern that the investor-side of the market may be correcting itself; consequently, the Subcommittee may not have a role in that lending market. He agreed that the innocent homebuyer needs to be protected.
- Assemblywoman Kirkpatrick added that data from assessor offices and the representatives from the realty industry could possibly provide useful statistical information for the Subcommittee. She emphasized borrowers need information on available resources to help them address mortgage-foreclosure issues.

OVERVIEW OF FEDERAL INITIATIVES TO ADDRESS FORECLOSURE ACTIVITY

- Ken LoBene, Field Office Director, Las Vegas Field Office, United States Department of Housing and Urban Development (HUD), stated that borrowers need to be able to access appropriate information on options and alternatives to address problems encountered with their loans. Important parts of the problem are: (1) a lack of information for borrowers; (2) a need to contact lenders when problems arise to address loan issues in a timely manner; and (3) a need for lenders to use prudent lending practices. In addition, subprime loans primarily affect minorities, and it is difficult to convey information to those borrowers. He suggested that a statewide “800” telephone hotline be made available to obtain reliable information, with a network of housing counselors and other nonprofit agencies to service the hotline. Mr. LoBene referred to a financial model for an “800” Help Line. ([Exhibit D](#))
- Senator Hardy questioned if “stated income” on loan applications is used in conjunction with credit scores and asked for clarification of the lending process. Mr. LoBene explained credit scores are not related to over-stated income.
- Tony Ramirez, Field Office Director, Reno Field Office, HUD, presented data collected by his office on mortgage foreclosures in Clark County and said there is inadequate funding for organizations that provide counseling services to individual borrowers. He stressed the importance of partnerships between organizations that can field calls regarding housing-counseling issues. He supported the establishment of a statewide toll-free telephone hotline to communicate with borrowers to provide intervention services that could mitigate losses and to refer clients to other organizations for assistance. The decline in federal funding for HUD-approved counseling agencies was discussed.

Mr. Ramirez asked the Subcommittee to help coordinate organizations in Nevada that provide counseling services with existing federal programs. Information was presented about the Federal Housing Administration (FHA) HOPE NOW Program, which can be accessed by calling 1-888-995-HOPE. HOPE NOW is a public-private partnership with HUD; the United States Department of Treasury; large mortgage lenders; and NeighborWorks, a large nonprofit that provides housing counseling services nationally. He discussed the FHA*Secure* Initiative, a program initiated by the FHA Mortgage Insurance Division, HUD, designed to provide refinancing opportunities to credit-worthy homeowners ([Exhibit E](#)). In conclusion, Mr. Ramirez discussed the Nevada Rural Housing Authority and options for a taxable bond program to refinance loans for borrowers.

- Assemblywoman Kirkpatrick asked the following questions:
 1. What information is included in first-time homebuyers' education classes to explain mortgage-foreclosure issues;
 2. How many of the loans to Nevada borrowers in foreclosure were made by Nevada companies as opposed to out-of-state lenders;
 3. How many of the Nevada lending companies are still in business; and
 4. What is the response time when an individual calls the HOPE NOW Program.
- Mr. Rameriz said that prepurchase counseling is required for borrowers assisted with HUD funds or programs, which includes information on budgeting, selecting lenders, and the entire lending process. He noted that FHA loans are a small percentage of the loans in foreclosure in Nevada due to strict underwriting guidelines and the compulsory counseling classes. He said the HOPE NOW telephone number is not a message number but has a counselor available to immediately provide services to the caller.

DISCUSSION OF CONSUMER OUTREACH PROGRAMS

- Gail Burks, President and Chief Executive Officer, Nevada Fair Housing Center, Inc., Las Vegas, presented written testimony on the Center, client profiles, and services. A complete copy of Ms. Burks' testimony is available as [Exhibit F](#).
- Assemblywoman Kirkpatrick questioned how and what agencies determine lenders as Nevada companies.
- Ms. Burks provided information on five housing-counseling agencies serving consumers in Nevada and stated that the Center is a nonprofit agency that provides credit counseling, but it does not receive funding assistance from HUD.
- Michele Johnson, President and Chief Executive Officer, Consumer Credit Counseling Services (CCCS) of Southern Nevada, Las Vegas, presented written testimony on the services provided by CCCS, client profiles, and the reduction in HUD funding. She added that assistance for renters also needs to be addressed. Ms. Johnson supported establishment of a toll-free telephone hotline if there is adequate public advertisement and distribution of resources to deliver services to borrowers. A complete copy of Ms. Johnson's testimony is available as [Exhibit G](#).
- In response to a question from the Chairman, Ms. Johnson stated that the CCCS has assisted 2,000 more families in the first nine months of 2007 than in 2006, and the reduction of HUD funding creates a longer response time for consumers, which in some cases might be too late to provide assistance.

- Joselyn Cousins, Senior Vice President, Community Development Manager, Bank of Nevada, Las Vegas, provided information on the Nevada Foreclosure Prevention Task Force (FPTF) forum held on June 7, 2007, in Las Vegas to resolve mortgage foreclosures in Nevada. The goals of the forum were to:
 1. provide information on the nature and extent of the foreclosure problem in Nevada;
 2. identify promising solutions for distressed borrowers; and
 3. facilitate a discussion on steps to prevent foreclosures.

To begin the foreclosure prevention process in Nevada, she presented four recommendations of the Outreach Committee, a subcommittee of the FPTF. She supported the need for a statewide toll-free telephone hotline. A complete copy of Ms. Cousin's testimony is available as [Exhibit H](#).

- In response to a question from Assemblyman Grady, Ms. Cousins stated that the FPTF represents the entire State and was of the opinion that the proposed toll-free telephone hotline initiative, as well as any media campaign should be statewide.
- Mr. LoBene, previously identified, said that collaboration has been the impetus of foreclosure prevention efforts for large mortgage-lending banks and other lenders because it is important to have stable neighborhoods and stable lenders. He referred to [Exhibit D](#) and said the cost of operating the statewide 1-800 Help Line is estimated to be approximately \$400,000 for the first year.
- Chairman Conklin stated the Subcommittee will make a decision about a statewide hotline and acknowledged that a foreclosure-prevention initiative needs to be a collaborative effort that includes marketing outreach and education campaigns. He discussed various lending products that have impacted the lending market and asked if the organizations represented at the meeting could support and operate the hotline.
- Mr. LoBene stated that a comprehensive plan is currently being developed by agencies and banks on the FPTF.
- Assemblywoman Kirkpatrick asked how the Subcommittee could participate in the development of the assistance plan to be presented to the Interim Finance Committee (IFC).
- Mr. LoBene stated legislators could be members of the FPTF and work with representatives from the federal, State, and private sectors.
- Chairman Conklin recapped the information submitted by Mr. LoBene on the financial projection for establishing the toll-free telephone hotline. The statewide marketing

outreach and education campaign would use one telephone number to reduce the response time to provide critical and timely information to borrowers. The plan would coordinate all credible agencies providing counseling and refinancing services to individuals with mortgage problems.

- Tina Prieto, Deputy Director, Women's Development Center, Las Vegas, presented information on the counseling services provided by her agency. She said the Center supports the toll-free telephone hotline, if funding is received for additional telephone lines to meet the increased demand for services. In conclusion, she recommended that the agencies and organizations that participate in the hotline gather statistical information on clients served to create an information database.
- Assemblywoman Kirkpatrick asked for the date of the next IFC meeting and if the IFC could determine which agencies and programs would be involved in the assistance plan and the level of funding.
- Brenda Erdoes, Legislative Counsel, Legal Division, LCB, stated the next meeting of the IFC was scheduled for November 14, 2007, and a subsequent meeting would not be scheduled for at least 45 days after that date. She stated that an exact dollar amount for the recommendation did not have to be presented to IFC at the November meeting.

- The Subcommittee **APPROVED THE FOLLOWING ACTION:**

MS. KIRKPATRICK MOVED TO APPROVE THE SUBCOMMITTEE'S SUPPORT FOR SUBMISSION OF A PROPOSAL TO ESTABLISH A STATEWIDE TOLL-FREE TELEPHONE HOTLINE TO COORDINATE CONSUMER SERVICES IN THE MORTGAGE INDUSTRY WITH THE FUNDING LEVEL TO BE DETERMINED BY THE IFC. THE MOTION WAS SECONDED BY SENATOR SCHNEIDER, WHICH PASSED UNANIMOUSLY.

- Gail J. Anderson, Deputy Director, Department of Business and Industry (DBI), Las Vegas, in response to a question from Chairman Conklin, stated that the Office of the Governor has a website under development with explanations of mortgage lending scenarios and links to additional resources for consumers. She said the DBI would be interested in participating in the consortium's efforts to coordinate and develop a toll-free telephone hotline, and she would be available to meet with the IFC to discuss the proposal.

- In response to a question from Senator Schneider, Ms. Anderson stated that different mortgage-lending scenarios would be presented on the website so referrals could be made to appropriate resources, but no legal or financial advice would be provided.
- Joseph L. Waltuch, Commissioner, Division of Mortgage Lending, DBI, stated support for the toll-free telephone hotline with the caveat that it not be a function of the Division due to budgetary constraints. He said the Division is discussing a program with the Las Vegas Metropolitan Police Department for joint public service announcements, but funding for that program has not been determined.

PUBLIC COMMENT

- Mr. Greg Cooper, mortgage banker, Las Vegas, was of the opinion that State regulation of loan products may not be necessary at this time. He stated if loans cannot be sold on Wall Street, then the loans are not initiated, and higher restrictions have been placed on loans during the past year. In his personal opinion, the mortgage-lending market has begun to correct itself.
- Chairman Conklin welcomed continued participation during the 2007 to 2008 Interim and explained any proposed legislation would be presented during the 2009 Legislative Session.

SCHEDULING OF FUTURE MEETINGS

- Chairman Conklin stated that he will not set a date for the next meeting at this time but will contact the members when a date is selected.

ADJOURNMENT

There being no further business to come before the Subcommittee, the meeting was adjourned at 11:43 a.m.

Respectfully submitted,

Lucinda Benjamin
Senior Research Secretary

David Ziegler
Principal Research Analyst

APPROVED BY:

Assemblyman Marcus L. Conklin, Chairman

Date: _____

LIST OF EXHIBITS

[Exhibit A](#) is the “Meeting Notice and Agenda” provided by David Ziegler, Principal Research Analyst, Research Division, Legislative Counsel Bureau (LCB).

[Exhibit B](#) is a memorandum and briefing titled “Mortgage Problems in Nevada” prepared by David Ziegler, Principal Research Analyst, Research Division, LCB.

[Exhibit C](#) includes two articles titled “Residential Foreclosures” dated September 2007 and “Resale Home Inventory” dated October 8, 2007, *Market Watch*, published monthly by Applied Analysis and submitted by David Ziegler, Principal Research Analyst, Research Division, LCB.

[Exhibit D](#) is a document titled “Foreclosure Prevention 1-800 Help Line Financial Model” prepared by Ken LoBene, Field Office Director, Las Vegas Field Office, United States Department of Housing and Urban Development (HUD).

[Exhibit E](#) is a memorandum to All Approved Mortgagees and All FHA Roster Appraisers from the United States Department of Housing and Urban Development, Washington, D.C., titled “The FHASECURE Initiative and Guidance on Appraisal Practices in Declining Markets,” submitted by Tony Ramirez, Field Office Director, Reno Field Office, HUD.

[Exhibit F](#) is the written testimony of Gail Burks, President and Chief Executive Officer, Nevada Fair Housing Center, Inc., Las Vegas, Nevada, titled “The Foreclosure Crisis/Proposed Solutions.”

[Exhibit G](#) is the written testimony of Michele Johnson, President and Chief Executive Officer, Consumer Credit Counseling Services (CCCS) of Southern Nevada, Las Vegas

[Exhibit H](#) is written testimony of Joselyn Cousins, Senior Vice President, Community Development Manager, Bank of Nevada, Las Vegas, titled “Statement by the Nevada Foreclosure Prevention Taskforce.”

This set of “Summary Minutes and Action Report” is supplied as an informational service. Exhibits in electronic format may not be complete. Copies of the complete exhibits, other materials distributed at the meeting, and the audio record are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. You may contact the Library online at www.leg.state.nv.us/lcb/research/library/feedbackmail.cfm or telephone: 775/684-6827.