



Illinois | New Jersey | New York | Ohio | Oregon

Emily White
Direct Dial: 614-500-4395
Email: ewhite@DannLaw.com

Emily White
The Dann Law Firm
On House Bill 38
House Financial Institutions Committee
Opponent Testimony

Chairman Jordan, Vice Chairman Hillyer, Ranking Member Crossman, and Members of the House Financial Institutions Committee:

My name is Emily White, I am an attorney with the Dann Law Firm where I represent consumers and home owners. Prior to joining the Dann Law Firm, I represented low income consumers as an attorney with the Legal Aid Society of Cleveland.

The latest amendment to HB 38 would remove an important consumer protection requiring a second mortgage lender to provide written notice of legal rights to consumers before collecting on a defaulted loan. Over the past decade, I have represented many Ohio consumers at risk of losing their homes due to foreclosure on second mortgage loans and I believe that the consumer protections this bill would remove are necessary and important. This amendment would serve no public policy purpose and would leave vulnerable Ohioans, especially senior citizens, at risk.

Many Ohioans have second mortgage loans. Some borrowers took out both a first and second loan (sometimes called 80/20 loans) to purchase their homes at the height of the housing bubble last decade. Many of those second mortgage loans have subsequently been transferred numerous times among Wall Street investors and securitized trusts, sometimes under circumstances that leave it unclear to borrowers who and how much they owe. Some homeowners choose to take out a second mortgage loan to fund home repairs or improvements, start a new business, or finance a child's higher education, sometimes taking out loans with significant risks and high costs. Home equity is the most valuable asset of many working people, and second mortgage loans have been a favorite tool of

scammers targeting elderly and low income consumers in equity stripping schemes and home repair scams.

Existing law provides common sense and fair protections to homeowners at risk of foreclosure on second mortgage loans. Often when people fall behind on a mortgage loan it is due to a temporary loss of income caused by unexpected life events including the death of a spouse, caretaking responsibilities for a child or parent, job loss, or health issues. Most borrowers can and do have the ability and legal right to work with their lenders to address the debt and bring their loan current, sometimes through loss mitigation policies or repayment in bankruptcy.

However, for vulnerable borrowers, timely access to information and legal rights is critical. The current version of HB 38 would remove language requiring a second mortgage lender to notify the borrower of the amount of the debt, the name and contact information of the person collecting the debt, information about the loan history, and legal options available under the federal bankruptcy code. Under current law, the burden on servicer is *de minimus*—compliance can be achieved by mailing a single letter. However, the benefit and protection this law offers to vulnerable Ohio consumers is invaluable. In the event of a foreclosure action on a second mortgage loan, a homeowner may be at risk of losing not only their home but also their most valuable financial asset.

In sum, Ohio consumers would be best protected by maintaining the current notice requirement set forth in R.C. 1349.72.