

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/05/2012
POSITION: Neutral

BILL NUMBER: SB 1473
AUTHOR: Hancock, Loni

BILL SUMMARY: Tenants: foreclosure and unlawful detainer.

This bill provides additional protections to tenants living in foreclosed homes in light of California's foreclosure crisis.

FISCAL SUMMARY

This bill proposes the Department of Consumer Affairs (DCA) make translations of the amended provisions of this bill and post these translations to DCA's website. DCA was unable to provide an estimate of the fiscal impact in time for this analysis, but Finance estimates the costs associated with this bill are minor and absorbable.

COMMENTS

Finance is neutral on this bill which is intended provide additional protections to residential tenants whose landlord's property is foreclosed upon.

ANALYSIS

1. Programmatic Analysis

Existing law requires that new purchasers of foreclosed homes provide the tenant a 60-day notice before they can be evicted, unless certain circumstances exist. This bill would extend the 60-day notice to 90-days, which is consistent with federal law.

This bill specifies that a tenant who has a fixed term lease on a house that has been foreclosed on shall have the right to possession until the end of the lease term unless any of the following exist.

- The purchaser of the home will occupy the residence as their primary residence.
- The leasee is the mortgagor or the child, spouse, or parent of the mortgagor.
- The lease is not an arms-length transaction.
- The rent specified in the lease is substantially less than fair market value, unless the reason for the reduced rent is due to a state, federal, or local subsidy law.

This bill requires the notice that is provided to tenants whose landlords have foreclosed on their property to reflect the revisions outlined in this bill.

This bill requires that the amendments to the notice be operative on March 1, 2013 or 60 days following the issuance of the amended translations by DCA, whichever is later.

Analyst/Principal (0761) C.Hill	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

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ANALYSIS (continued)

Existing law state's that the 60-day notice requirement is effective until January 1, 2013. **This bill** would not only amend the 60-day notice to 90-days, but also extend this 90-day notice requirement until December 31, 2019.

Existing law provides that in an unlawful detainer action, if an owner has obtained service of a prejudgment claim of right to possession, no occupant of the premises, whether or not the occupant is named in the judgment of possession, may object to the enforcement of judgment. **This bill** would provide that in any action of unlawful detainer resulting from a foreclosure sale or a rental housing unit, the provisions regarding objection to the enforcement of a judgment do not limit the right of the tenant to file a prejudgment claim of right of possession or to object to the enforcement of a judgment for possession.

Existing law requires that tenants living in a rental unit at the time the property is sold in foreclosure be given a notice stating their legal rights before they may be evicted. The increased tenant rights that this bill proposes are also required to be communicated in the form of a notice. **Existing law** also requires that a state government entity is required to make the notice available in five different languages in order to satisfy the notice requirements. **This bill** proposes the DCA make these five language translations of the amended notice and post these translations to DCA's website.

2. Fiscal Analysis

DCA was unable to provide an estimate of the fiscal impact to revise and translate existing information regarding tenant rights. Finance estimates the costs associated with this bill are minor and absorbable.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	
1111/ConAfr-BurPg	SO	No		-----	No/Minor Fiscal Impact	-----	0702
<u>Fund Code</u>		<u>Title</u>					
0702		Consumer Affairs Fund					