Mortgage translation bill introduced in Sacramento

Legislation would require translation of key loan terms for limited-English speakers

Sacramento, Calif.—Late last week, Assemblymember Paul Fong (D-Mountain View) introduced legislation designed to ensure that mortgage documents—arguably the most complex of all consumer finance documents—are better understood by limited-English speaking homebuyers. The bill is sponsored by Asian Americans for Civil Rights & Equality (AACRE), a joint collaborative of Chinese for Affirmative Action, Asian Pacific American Legal Center (APALC), and Asian Law Caucus, and the Center for Responsible Lending.

AB 1160, co-authored by Latino Legislative Caucus Chair Sen. Gil Cedillo (D-Los Angeles), among others, will require that all mortgage originators provide a translation of a summary statement of essential terms and conditions of the mortgage loan if negotiations with the borrower prior to closing were conducted in Spanish, Chinese, Tagalog, Vietnamese or Korean. Current law only applies to loans originated by brokers; it does not cover banks, credit unions or residential mortgage lenders.

“Mortgage documents are too complicated for many English speakers to understand,” said Paul Leonard, director of the California office of the Center for Responsible Lending (CRL) in Oakland. “Adding the language barrier practically invites confusion and misunderstanding, and all too often abuse.”

Many non-native English speakers on the brink of foreclosure say that if they had known about the increase in their interest rate or prepayment penalties, they would not have agreed to their current mortgage. “Asm. Fong’s legislation will level the playing field for mortgage customers,” said Leilani Yee of AACRE. “Basic fairness demands no less when hard-working people, including limited-English proficient consumers, bind themselves to the terms and responsibilities of a mortgage loan.”

APALC recently launched a project to help those facing foreclosures. “I am assisting a lot of limited English proficient clients who are in desperate situations and about to lose their homes,” said Bob Kao, APALC staff attorney. “Had their mortgage documents been translated into their languages, these homeowners would have been able to make more informed decisions before they signed the documents. This bill will make the mortgage terms transparent in the beginning and help reduce the number of distressed homeowners seeking help at the end of the process when it is often too late.”

AB 1160 would:

- **Educate borrowers responsibly**: Require that all mortgage originators—including those not currently covered by California law—produce a summary statement of crucial terms and conditions of mortgage documents when negotiations took place in one of five languages other than English;
- **Be easy to implement**: Translated mortgage summary documents already exist for loans handled by mortgage brokers. Regulators will modify these forms for use by banks, credit unions and residential mortgage lenders;
- **Eliminate a key factor in mortgage defaults**: Lack of translation mortgage documents compounds other problems—such as adjusting interest rates and prepayment penalties—that have contributed to rampant foreclosures. If borrowers understand these terms, they will be more likely to avoid tricky and confusing loan products.