



California Department of Real Estate
**** UPDATE TO CONSUMER ALERT ****

Issued October 18, 2010

Update to DRE Consumer Alert Regarding Forensic Loan Audits – New State Legislation Requires Auditor Registration with the California Department of Justice and Maintenance of a Bond; Violation is a Crime

As a result of an advisory issued on February 22, 2010 by the California Attorney General, the California Department of Real Estate, and the State Bar of California, legislation was introduced by Assembly Member Lieu to regulate persons offering to perform forensic and other audits of residential mortgage loans in connection with homes in foreclosure.

The legislation, Assembly Bill 2325 (AB 2325), passed out of the Legislature and was signed by the Governor on September 30, 2010, and will become effective on January 1, 2011. AB 2325 added forensic and other residential loan audit activity to the definition of “foreclosure consultant”, so that persons engaged in that activity will be subject to the strict statutory limitations of California’s mortgage foreclosure consultant’s law.

Thus, beginning on January 1, 2011, any person who offers to arrange, or attempts to arrange, an audit of any loan obligation secured by a lien on a residence in foreclosure (unless that person is exempt under the provisions of section 2945.1 (b) of the California Civil Code – exemptions exist for California attorneys engaged in the practice of law and California real estate brokers, among some limited others) must register with the California Department of Justice and obtain and maintain surety bond in the amount of \$10 0,000. If they fail to do so, they have committed a crime and will be subject to prosecution.

On October 6, 2010, the Attorney General filed a \$60 million civil lawsuit against fraudulent forensic loan auditors.