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MADIGAN BILL REQUIRES LENDERS TO PROVIDE INFO TO HELP STRUGGLING HOMEOWNERS AVOID FORECLOSURE

Legislation Headed to House Floor

Chicago – Attorney General Lisa Madigan, State Representative Marlow Colvin (D-33rd) and State Senator Jacqueline Collins (D-16th) have initiated new legislation to assist struggling homeowners to help save their homes. The measure, introduced as the Homeowner’s Rights Act (HB 838) by Rep. Colvin and set to be sponsored in the Senate by Sen. Collins, was voted out of house committee Wednesday and, if passed, will amend the Illinois Mortgage Foreclosure Law.

“Most homeowners don’t have the proper information or resources they need to attempt to save their homes,” Attorney General Madigan said. “With thousands of Illinois families on the verge of foreclosure, it’s critical that they understand their rights and receive every opportunity to actively participate in the court process. This legislation will give homeowners needed options at a time when they often feel there are no more options available.”

The legislation requires lenders to attach a notice to foreclosure filings that clearly explains the homeowners’ rights and their options to save their homes. The notice must include information about legal resources that may be available to the homeowner. The bill also requires lenders to provide statements within a specific timeframe that show exactly how much homeowners must pay in order to avoid foreclosure. In addition, the bill attempts to encourage private attorneys to represent struggling families by granting the court the authority to award legal fees to attorneys who successfully represent homeowners. In the current foreclosure crisis, a large percentage of homeowners go through the foreclosure process without legal representation.

“With the continued foreclosure crisis devastating families and draining our economy, it is imperative homeowners have the information, tools and protections they need to remain in their homes,” Collins said. “By strengthening notification requirements and making it easier to retain legal counsel during court proceedings, struggling homeowners will be better equipped to face the threat of foreclosure.”

Illinois’ mortgage foreclosure rate continues to rank among the highest in the nation, with 6,194 foreclosures filed by lenders in March 2008 alone—placing the state third in the number of new foreclosures filed, after California and Florida.

“This bill would provide critical protections for vulnerable homeowners and their families,” said State Rep. Colvin. “As the foreclosure rate continues to rise, we must ensure that consumers can exercise every available opportunity to save their homes.”

Madigan urged Illinois homeowners who are facing foreclosure to immediately contact their mortgage company or a HUD-certified housing counselor for assistance. To get a referral to a certified housing counselor or to learn more about the steps to take to avoid foreclosure, homeowners can call Madigan’s **Homeowners’ Referral Helpline** at 1-866-544-7151 from 8 a.m. to 5 p.m. Monday through Friday.

This legislation represents another step in Madigan’s ongoing work to stop the foreclosure crisis and help Illinois families in need. Last year, she announced a comprehensive strategy to address the looming home foreclosure crisis in Illinois. As part of this effort, Madigan’s office hosted a statewide home ownership preservation summit in July 2007, bringing together more than 100 participants from the mortgage lending industry, consumer advocacy groups and government agencies to identify problems and look for solutions to mortgage foreclosures.

Along with the Homeowners’ Referral Helpline, Madigan’s office has compiled the Illinois Mortgage Lending Guide, a resource manual containing step-by-step instructions for those struggling to make their loan payments and a list of HUD-certified counseling agencies that offer default counseling services. Homeowners can obtain a copy of this free guide by visiting the Attorney General’s Web site at www.illinoisattorneygeneral.gov or by calling the Consumer Fraud Hotline at 1-800-386-5438 (TTY 1-800-964-3013).

On the legislative front, Madigan played a principal role in working to pass the High Risk Home Loan Act of 2003, and drafted the Mortgage Rescue Fraud Act of 2006, which was designed to deter scam artists from preying on vulnerable homeowners on the verge of foreclosure. The Attorney General also initiated and drafted the Illinois Homeownership Protection Act, a new law that tightens controls on brokers and lenders to prevent consumers from being unwittingly locked into questionable loan terms. This law will take effect next month.

Madigan also has taken aggressive action in court to protect homeowners. Madigan’s office has sued 12 mortgage rescue companies to stop deceptive practices and successfully participated in three multi-state settlements against major subprime lenders Household Finance, Ameriquest and First Alliance Mortgage Company. To date, Madigan’s office has obtained nearly \$900 million in enforcement actions against these lenders.

Madigan also is conducting an extensive probe into the loan origination practices of mortgage giant Countrywide Home Loans, Inc. Additionally, she has issued fair lending subpoenas to Countrywide and Wells Fargo Financial Illinois, Inc., to determine whether African American and Latino borrowers were steered into higher cost or otherwise inappropriate home loans in violation of fair lending and civil rights laws.

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