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California Attorney General Announces Investigation into Banks' Treatment of Tenants after Foreclosure

At the urging of housing advocates, California's Attorney General, Edmund G. Brown Jr., has launched an investigation to ensure compliance with tenant-protection laws by banks and private investors acquiring tenant-occupied, foreclosed properties. The investigation, announced this week, comes after Tenants Together and 20 allied housing rights and public interest groups from across California brought rampant violations of tenant protection laws to the attention of the Attorney General. The coalition [urged Attorney General Brown to take action](#) in response to a pattern of illegal conduct and tenant harassment by banks, real estate agents, and lawyers in their treatment of tenants after foreclosure.

"Tenants who live in properties in foreclosure are the forgotten victims of the collapse of the housing market," Attorney General Brown said. "We'll fight every step of the way to ensure they aren't rousted from their homes in violation of the law."

In its [2010 report: California Tenants in the Foreclosure Crisis](#), Tenants Together conservatively estimates that at least 37 percent of foreclosed units are rentals, directly affecting more than 200,000 tenants annually.

Advocates praised the Attorney General's announcement. According to Dean Preston, Executive Director at Tenants Together, "We commend Attorney General Brown for moving forward to stop the illegal displacement and harassment of innocent tenants. Banks acquiring tenant-occupied foreclosed properties have shown a complete disregard for tenant-protection laws. Unless they are held accountable, they will continue to devastate communities across the state."

The Attorney General's [press release](#) provides further detail on the demands to the industry:

As a part of his investigation, Brown today sent letters to 24 banks, loan servicers, private investors, and law firms demanding information about whether they are complying with federal, state, and local laws regarding foreclosed properties and their treatment of tenants... In his letter, Attorney General Brown requires banks, loan servicers, private investors and law firms to provide information by July 19 about their policies and procedures when dealing with foreclosed properties and current tenants. It specifically asks the recipients to outline how they 'promote or preserve tenancies after foreclosure.'



The federal Protecting Tenants at Foreclosure Act (PTFA) became law in May 2009, expanding tenant rights in the foreclosure context and clarifying that post-foreclosure owners step into the shoes of the pre-foreclosure owner and have all obligations of landlords toward their tenants. Under the federal law, tenants have the right to a 90-day notice to vacate after foreclosure. The law also specifies that leases survive foreclosure, giving most tenants the right to remain in their homes through the end of the lease. In addition, tenants who live in cities with just cause for eviction laws may have the right to remain indefinitely after foreclosure.

Post-foreclosure owners are responsible for widespread violation of these laws. According to Gabe Treves, Program Coordinator at Tenants Together, “banks and private investors routinely displace tenants in violation of tenant-protection laws. One of the biggest problems is that they contract with real estate agents and eviction lawyers that harass and mislead tenants into moving out of their homes prematurely.”

Tenants Together operates a hotline for tenants in foreclosure situations. Since launching in March 2009, the Tenant Foreclosure Hotline has counseled over 4,000 tenants. California tenants can reach the foreclosure hotline toll-free at 1-888-495-8020.