

LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

AN ALT & ASSOCIATES NEWSLETTER

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The purpose of the Lenders Update is to provide a “heads-up” of new legislation and regulations affecting the mortgage lending industry. We provide summaries of new matters so our readers can judge whether the subject impacts their operations. We recommend that our readers review the entire new statute, regulation or other material in detail where it is relevant to them. For convenience, the applicable matter can be easily identified in the summary, and, where possible, a link is provided.

The Update includes information available to Alt & Associates as of April 25, 2010.

EFFECTIVE DATE OF NEW FHA RULES

In our last issue of the Lenders Update, the April Supplement #1, we reviewed the new Federal Housing Administration (“FHA”) rule for approved lenders in the FHA mortgage insurance programs. For this summary, please see that most recent issue which is available online at:

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The rule became effective 30 days after publication in the Federal Register. This occurred on April 20, 2010. Therefore, effective May 20, 2010 the provisions of the new rule will take effect.

CALIFORNIA ENACTS MORTGAGE FORGIVENESS DEBT RELIEF

For some time, Federal law has generally provided that borrowers/taxpayers can exclude from their income for Federal tax purposes, the amount of mortgage debt on their home loan which was forgiven by their lender.

California has had similar tax forgiveness in effect for tax years 2007 and 2008. Legislation to extend this coverage has languished in the state legislature. However, a new law was enacted on April 13, 2010, Senate Bill 401, which will allow most California tax payers to exclude from their income, cancelled mortgage debt of up to \$500,000 on their principal residence. The limit is \$250,000 for married/registered domestic partners (“RDP”) and other individuals who are filing separately. It will apply through 2012 for debt resulting from foreclosures, short sales or loan modifications.

Please note that debt forgiveness for other types of debt, such as second homes, business property debts, personal unsecured debts etc., does not qualify for the exclusion. To a large extent this will bring California into compliance with the Federal Mortgage Forgiveness Debt Relief Act.

Our monthly Lenders Update is published via e-mail as a complimentary service to our friends and clients in the financial industry throughout California and the United States. Only those persons who have requested this newsletter are on our mailing list. Should you have colleagues who wish to receive this complimentary service, please have them e-mail us at

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ALT & ASSOCIATES provides regulatory, compliance, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past two decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations. If you have any questions please contact:

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