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## **[NEW LOS ANGELES ORDINANCE REQUIRES BANKS AND LENDERS TO REPAIR VACANT RESIDENTIAL PROPERTY](#)**

In another blow to residential lenders, the city of Los Angeles has passed an ordinance that will require the person that owns or is in control of certain residential real property to maintain the property in a safe and sanitary condition and in good repair. While one might logically expect that this ordinance would only apply to financial institutions once they have foreclosed upon the property or taken it back via a deed in lieu of foreclosure, the ordinance appears to go farther than that, requiring the financial institution to take responsibility for the condition of the property once a notice of default has been filed.

Effective July 8, the new ordinance requires lenders to register all residential real properties with the city (i) that have been through foreclosure and are now owned by the lender; (ii) that are currently "Properties in Foreclosure," which is defined to mean any property upon which a notice of default has been issued, or (iii) for which a notice of default is issued in the future. An annual registration fee of \$155.00 must be paid to the Los Angeles Housing Department at the time of registration. As an alternative, the information required for registration of the property can be provided to the Mortgage Electronic Registration System (MERS), in which case no registration fee will be payable. It is anticipated that this registry will enable inspectors to easily identify owners (or lenders, if foreclosure has yet to occur) if a constituent calls to complain about the condition of a property.

Once a residential real property becomes a Property in Foreclosure, the beneficiary or trustee under the deed of trust on the property is required to inspect it, and reinspect it monthly until the default is remedied. Inspections are required to continue following foreclosure if title to the property is transferred to the beneficiary. The beneficiary/trustee is then required to maintain the property in a safe and sanitary condition and in good repair, in accordance with the requirements set forth in Section 91.8901 of the Los Angeles Municipal Code (although query how the beneficiary/trustee may legally do this if the borrower still owns the property, or how the beneficiary/trustee is supposed to obtain access to the property if the borrower continues to reside in the property pre-foreclosure).

If the property is found to be vacant (which is also defined to include occupied by an unauthorized person), even prior to completion of foreclosure, the beneficiary/trustee is then required to clean, fence and barricade the property. Failure to do so is a strict liability offense. If the property is determined to have been vacant for 30 consecutive calendar days, the owner or person in charge or control of the vacant

structure may be liable for an administrative penalty of \$1000 per structure per day, not to exceed \$100,000 per property per calendar year.

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