

BUSINESS

TODAY'S FOCUS **GROWTH**

STOCK OFFERING: First PacTrust Bancorp to raise at least \$46 million for acquisitions. **Page 3**

O.C. JOBLESS RATE LOWEST SINCE 2008

Flaws cited in foreclosure process

The UCI professor overseeing the national mortgage settlement in California urges changes to lessen families' risk of losing homes.

Despite recent state and national laws meant to protect consumers, flaws persist in the foreclosure process that are putting borrowers at risk of losing their homes, said the UC Irvine law professor who's overseeing the California portion of a nationwide settlement with big banks.

A report issued this week by professor Katherine Porter proposes several changes in the way banks deal with homeowners in default on loans. Porter was appointed as monitor by California Attorney General Kamala Harris.

The \$25 billion national mortgage settlement of 2012 was the largest consumer financial-protection settlement in U.S. history. The federal government and 49 states reached an agreement with the nation's five largest mortgage servicers to address mortgage servicing, foreclosure and bankruptcy abuses.

The national monitor, Joseph A. Smith Jr., also issued a separate report this week citing problems with the foreclosure process.

The national mortgage settlement restricts banks from "dual tracking" - foreclosing on a homeowner when a loan modification is in process. However, Porter wrote in her report, the restriction against dual tracking does not kick in until the lender deems the loan-modification application to be "complete."

"The path to becoming 'complete' often requires dozens of back-and-forth communications between homeowners and banks," Porter said. "It drags on for months, creating uncertainty and frustration and putting families at risk of foreclosure."

Instead, Porter suggests, lenders should halt the foreclosure process after receiving three forms of documentation: a request for modification assistance, IRS Form 4506-T authorizing the release of a homeowner's tax returns, and proof of income.

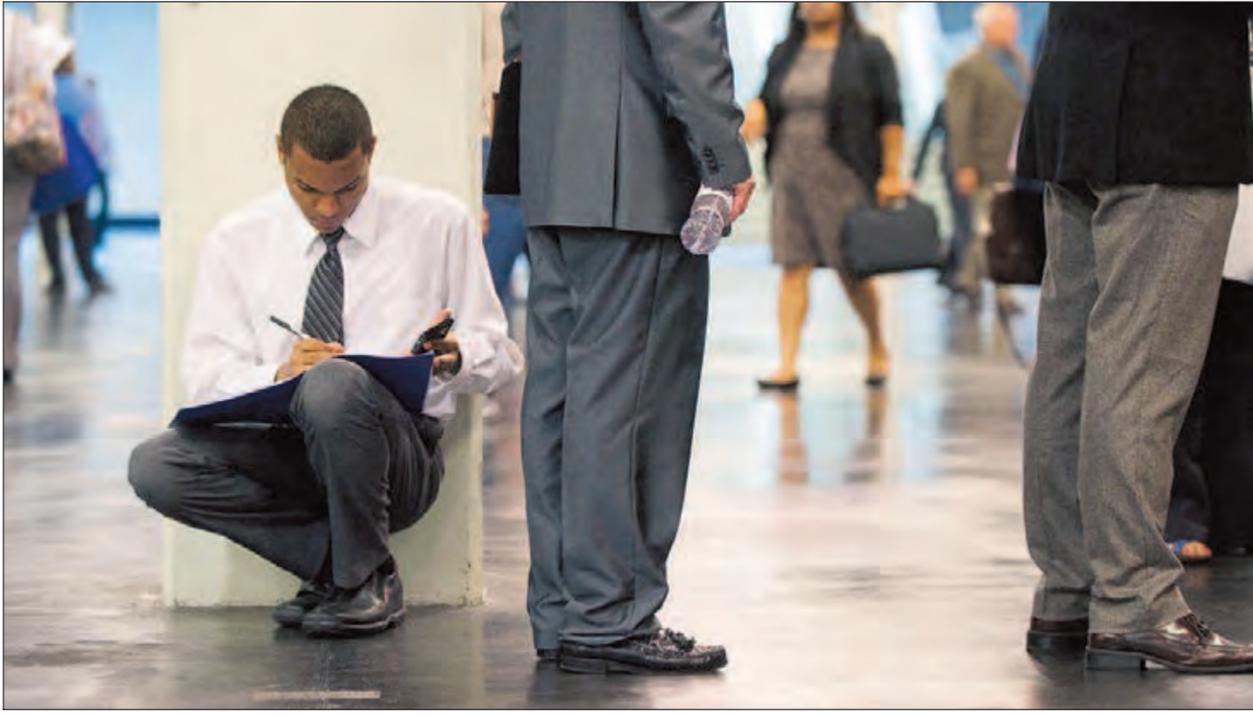
The homeowner should be given 30 days to provide any additional documents, Porter said. Once the homeowner has submitted all documents the bank needs, the homeowner should receive a decision within 30 days.

Porter said that under the current system, banks have no incentive to expedite loan-modification requests. In fact, she wrote, mortgage servicing creates incen-

SEE FORECLOSURES • PAGE 3



MARILYN KALFUS
REGISTER WRITER



PHOTOS: PAUL BERSEBACH, ORANGE COUNTY REGISTER

Alexander Stephenson of Yorba Linda fills out an application at the Anaheim/OC Job Fair & Expo at the Anaheim Convention Center this week. Orange County would need 12 to 18 more months of job growth to hit pre-recession levels, one expert says.

Construction, tourism boost May employment figures.

Orange County's economy showed steady improvement in May, as the unemployment rate dropped to 5.5 percent following a seasonal boost in tourism and a growth in housing-related construction.



MARGOT ROOSEVELT
REGISTER WRITER

The rate was the lowest in nearly five years, down from 5.7 percent last month and from a peak of 9.9 percent in January 2010.

The number of jobless workers in the county declined to 89,200 from 120,800 a year ago, according to California's Employment Development Department.

"This is the kind of growth we have been waiting for," said Cal State Fullerton economist Anil Puri. "Given the depth of the recession, this is quite respectable."

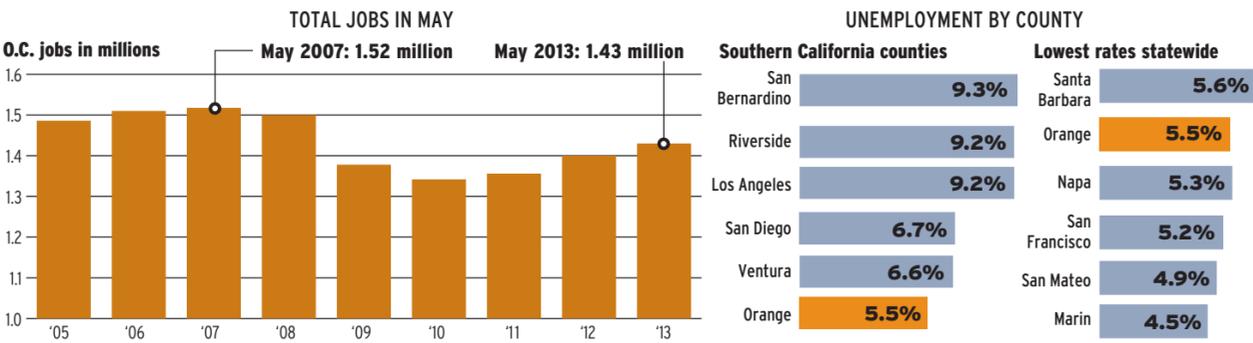
SEE JOBS • PAGE 3



Attendees get help with their résumés Wednesday at the Resume Shine and Polish area during the job fair at the Anaheim Convention Center.

Employment by the numbers

Orange County's unemployment rate fell to 5.5 percent in May, down from 7.5 percent in May 2012. Nationally, the unemployment rate ticked up to 7.6 percent. The California jobless rate fell to 8.6 percent.



The Register

MORE INSIDE

BATTERY SWAP SYSTEM

Tesla, the electric-car maker run by Elon Musk, this week showed a battery-swapping system for its Model S sedan that's faster than charging and ensures the car earns maximum zero-emission vehicle credits in California. **Page 2**



SENTENCE REDUCED

One of the country's most notorious financial scandals came to a protracted legal conclusion as ex-Enron CEO Jeffrey Skilling was resented to 14 years as part of a court-ordered reduction and a separate agreement with prosecutors. **Page 7**

Stocks down for the week

Indexes dropped for two days after Fed statement.

ORANGE COUNTY REGISTER

Major stock indexes posted their biggest weekly declines since April.

Stocks have slumped since Wednesday when Federal Reserve Chairman Ben Bernanke laid out the Fed's plans to scale back on its \$85 billion in monthly asset purchases. The Standard & Poor's 500 index broke under its 50-day moving average, contributing to 4.6 percent pullback



SUSAN WALSH, THE ASSOCIATED PRESS

Federal Reserve Chairman Ben Bernanke's comments have been cited as a cause for this week's market lurches.

from its all-time closing high reached on May 21.

The Dow dropped 560 points on Wednesday and

Thursday.

Stocks recovered their mojo on Friday. The Dow rose 41.08 points, or 0.3 percent,

to close at 14,799.40. The Standard & Poor's 500 index rose 4.24 points, or 0.3 percent to close at 1,592.43.

For the week, the Dow fell 1.8 percent, the S&P was down percent 2.1 percent, and the Nasdaq lost 1.9 percent. It was the biggest weekly decline for all three since April and also the fourth week of losses out of the past five.

• Federal Reserve Chairman Ben Bernanke meant to deliver good news Wednesday, but investors didn't react like it was good news. **Page 4**

• Friday's trading in stocks, commodities and bonds. **Page 5**

MARKET RECAP



Dow Industrials
Close: 14,799.40
Change: +41.08



Nasdaq Index
Close: 3,357.25
Change: -7.39



S&P 500 Index
Close: 1,592.43
Change: +4.24



10-year Treasury
Close: 2.53%
Change: +0.12



Oil per barrel
Close: \$93.69
Change: -\$1.71



O.C. gas prices
Gallon: \$4.088
Change: +0.057

MORE ON PAGE 5

Irvine bank to raise \$46 million in capital for acquisitions

In a public offering, First PacTrust plans to sell 2.4 million shares.

By RICHARD CLOUGH
ORANGE COUNTY REGISTER

First PacTrust Bancorp Inc. announced plans Friday to raise at least \$46 million through a stock offering.

The Irvine-based parent of PacTrust Bank and Beach Business Bank said it will use proceeds from the sale to fund acquisitions and support future growth.

"We do have some excess capital now that can be used for some things like M&A," said Steven Sugarman, chief executive of First PacTrust. "Our focus tends to be in San Diego, Orange County and West Los Angeles, and within those areas there are a number of potential (acquisition) opportunities."

The company's subsidiary banks have combined

assets of about \$2 billion and more than a dozen branches across Southern California. Sugarman said the goal is to grow to about \$5 billion in assets in the coming years.

First PacTrust said it plans to sell 2.4 million shares in a public offering and another 1.2 million shares to institutional investors, for gross proceeds of \$46 million. If there is demand, the company could raise an additional \$4.7 million through over-allotments.

The offering is First PacTrust's second capital-raising move this month. On June 6, the company said it would raise at least \$35 million through an offering of shares representing interests in preferred stock.

First PacTrust already has shown a willingness to acquire. This week, shareholders approved the previously announced merger of Century City-based Private Bank of California into Beach Business Bank. The deal is expected to close by July 1.



I am continuing efforts to reach out to the national monitor."

KATHLEEN PORTER,
BELOW, MONITOR FOR CALIFORNIA



FORECLOSURES: UCI professor urges banks to improve communication

FROM PAGE 1

tives to slow the modification process.

"At the foreclosure sale, default fees, such as late fees and property preservation fees, are paid to the mortgage servicer before the property owner/investors recover on the loan," Porter said. If the home proceeds to foreclosure, "the more fees accumulate ... the higher profits a servicer can earn."

In a lawsuit filed in Boston this month, former Bank of America employees said the bank rewarded workers for sending into foreclosure homeowners who were delinquent on loans, according to published reports. The employees said mortgage workers were told to delay applications for loan assistance by asking for documents that already had been sent. BofA told Bloomberg News that those claims were "absurd" and against bank policy.

Poor communication from banks discourages the most vulnerable homeowners - including those with limited English-language proficiency and education or the elderly - from pursuing loan modifications, Porter said. She said they tend to give up hope and let the home go to foreclosure.

"Banks can save more homes from foreclosures if they communicate better to homeowners about what documents are needed," Porter said. She also suggested that banks more clearly address what information is missing or what forms were filled out incorrectly. Lenders also should tell homeowners what documents already have been received for the application, she said, adding, "To the best of our knowledge, no bank currently does so."

Asked how her recommendations might be implemented, Porter said in an interview, "I am continuing efforts to reach out to the national monitor, other attorney general offices and policy experts on my proposal. Of course, it's important to put rules in place as quickly as possible, but we're looking at something that should take effect nationally."

In his report, national monitor Smith cited 60,000 complaints about the banks' handling of delinquent borrowers seeking loan modifications. He received many complaints that the "single points of contact" the banks were supposed to provide actually were not provided or not responsive in a timely way. The five mortgage servicers have distributed about \$50 billion in direct relief to more than 620,000 homeowners, according to Shaun Donovan, U.S. Secretary of Housing and Ur-

ban Development. That included more than 310,000 trial or principal reductions. In addition, as of mid-June, \$1.5 billion in checks was mailed to borrowers to help compensate for problems with abuse by lenders.

Smith said in his report that failing to fix problems uncovered by his office could lead to a court order, up to a \$1 million civil penalty or up to a \$5 million fine for failing specific rules of the settlement multiple times.

An Orange County consumer advocate said servicer compliance is improving, but not quickly enough, and that dual tracking continues.

"We are still witness every day to consumers losing their homes due to the serious flaws in the process for evaluating and granting mortgage modifications that the monitor describes," said Natalie E. Lohrenz, a housing and credit counselor with the Consumer Credit Counseling Service of Orange County.

"Dual tracking happens even when the client is extremely active in reaching out to their lender with assistance from a counselor," she said.

As to the single point of contact, she said, "We have found that establishing the single point of contact has often not helped the homeowner get more timely responses, and sometimes (has) been more of a road block than anything."

Pat Pinto, manager of the foreclosure mitigation unit of the Legal Aid Society in Santa Ana, agreed with both monitors' reports.

"The housing counselors at the Legal Aid Society of Orange County have a very difficult time reaching the single points of contact," she said. "It has been my experience that servicers are still playing games with homeowners and housing advocates. Unfortunately, it is still extremely difficult to process a loan-modification request."

A spokesman for the California Mortgage Bankers Association issued a statement in response to the reports, but did not address the specific findings.

"The process of assisting borrowers is one of continual improvement, and lenders and servicers continue to strive to help borrowers whenever possible," said association spokesman Dustin Hobbs. "As (the) industry works to incorporate new state and federal law and regulation, in addition to the settlement, borrowers will continue to receive assistance from lenders and servicers."

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PHOTOS: PAUL BERSEBACH, ORANGE COUNTY REGISTER

Job seekers line up to enter the 2013 Anaheim/OC Job Fair and Expo on Wednesday. More than 200 employers talked to prospective employees at the event. California's unemployment rate remains among the five highest in the U.S.

JOBS: Hiring precedes tourist season

FROM PAGE 1

The county's 1.7 percent year-over-year job growth rate means that it would take 12 to 18 more months to return to pre-recession prosperity, Puri added. "Nationally, this recovery has been very weak, but it is starting to fall into place."

California's jobless rate dipped to 8.6 percent, down from 10.7 percent a year ago. That drop was the steepest of any state. California's unemployment remains among the five highest in the nation, tied with New Jersey, and below Nevada, Illinois, Mississippi and North Carolina.

Nationally, the May jobless rate stood at 7.6 percent.

Orange County's rapidly recovering housing market drove sharp growth in hiring at construction companies and at financial and mortgage businesses.

Construction jobs in Orange County were up by 6,400 from a year ago, a boost of 9.2 percent. Financial activities, many of which relate to mortgage financing, added 6,500 jobs, a 6.1 percent year-over-year growth.

At a job fair this week at the Anaheim Convention Center, Southern California Pipe Trades union locals manned a booth offering apprenticeships for steamfitters, plumbers and pipe fitters.

"I'm looking for pipe welders," Carl Ritola, an organizer for Local 582 of the United Association of Plumbers and Pipefitters in Santa Ana, told a line of job-seekers. "It's hard work."

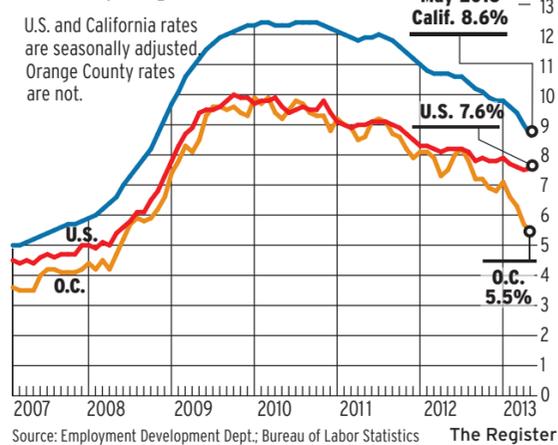
That was no deterrent to Tony Pizano, an unemployed plumber from Anaheim Hills, whose resume described him as "punctual and multi-tasking." He told Ritola: "I really need a job."

Journeyman pipe fitters and welders make more than \$38 an hour - far more than most of the jobs offered at the Anaheim fair. Big-box stores, home care providers, security guard firms, fast-food restaurants and theme parks such as



Fernando Echevarria, right, talks to Omar Castro, a human resources manager. Echevarria, an ex-postal service clerk from Anaheim, has been jobless since 2008.

Unemployment rates



Disneyland and Knotts Berry Farm posted positions paying the state's \$8 minimum wage or slightly higher.

Overall, leisure and hospitality firms added 3,300 positions last month, accounting for nearly half of the county's job growth, as employers ramped up for the tourist season.

Year-to-year, leisure and hospitality positions grew 3.3 percent. Other high-growth areas over the past year include ambulatory and health care services (5.8 percent) and educa-

tional services (2.4 percent), including colleges and professional schools.

At the Anaheim fair, several medical device makers and defense contractors sought engineers and assembly workers. Overall, however, Orange County manufacturing jobs remained flat (0.7 percent) last year.

Following severe federal and state budget cuts, government jobs dipped (0.1 percent) year over year.

Fernando Echevarria, 54, a former postal service clerk from Anaheim, lined

up at the job fair two hours before it opened. He has been out of work since 2008, and has earned vocational school certificates in computer skills and mortgage loan processing.

"I have applied for more than 100 jobs," he said. "This economy is still very hard."

In the construction industry, however, "Everyone is scrambling to ramp up to meet demand," said Rick Fletcher, vice president of sales and marketing for MBK Homes, which is building houses in Costa Mesa and Stanton. "There's a shortage of plumbers, electricians, drywallers and framers."

In the past year, Emile Haddad, President and CEO of FivePoint Communities, has sold 726 home sites to builders in Irvine's Great Park neighborhood. He expects to sell another 500 to 1,000 by next year, he said.

"Orange County is a leader in the housing recovery," he said. "The demand exceeds supply by a large percentage."

In Irvine, Haddad said, about 80 percent of new homes are being snapped up by foreign investors who are sending children to UC Irvine.

"The kids stay in the homes and the parents visit from China or South Korea," he said. "It is a sign that the market is in a healthy recovery."

The growth in construction is radiating through related industries.

Peter Ganahl, president of Ganahl Lumber, an Anaheim firm with nine Southern California outlets, has boosted his workforce to 650, a jump of 10 percent in the past year.

"We lost half our business in the recession," Ganahl said. "Now we see remained flat (0.7 percent) last year. Following severe federal and state budget cuts, government jobs dipped (0.1 percent) year over year."

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