

BILL NUMBER: SB 1178  
VETOED DATE: 09/30/2010

To the Members of the California State Senate:

I am returning Senate Bill 1178 without my signature.

This bill, by extending anti-deficiency protection to refinancing, would fundamentally alter and impair the nature of pre-existing, previously negotiated mortgage loan contracts. In addition, the bill would encourage borrowers to strategically default on loans they have the capacity to repay simply because the mortgaged properties have lost value.

This bill's anti-deficiency protection would apply to pre-existing, previously negotiated mortgage loan contracts that are the subject of actions filed on or after June 1, 2011. As a result, this bill fundamentally alters the nature and impairs the value of previously negotiated contracts, leading to negative consequences for the value of those loans held in a lender's portfolio and a deleterious impact on the secondary market. Fundamentally altering the nature of a contract after its consummation is a bad precedent and will provide uncertainty for future lending transactions.

Sincerely,

Arnold Schwarzenegger