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Agency told to pay pair \$37,000

A judge says penalties assessed on L.A. couple who sold a home early were 'unconscionable.'

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The Los Angeles Community Redevelopment Agency has been ordered to pay a couple more than \$37,000 for charging "unconscionable" penalties for early resale of a South Los Angeles home the agency helped them purchase.

The Los Angeles County Superior Court ruling, which was made public last week, comes more than a year after Larry and Melissa Shields sued the CRA on grounds that it unfairly punished them for the appreciation of their Jefferson Park-area home, which they purchased in December 2002.

The couple bought the residence for \$210,000 in a CRA lottery and relied on the agency for part of the financing, in the form of a \$45,800 second mortgage.

Under the terms of their loan with the CRA, the couple were required to live in the house for five years or pay the agency a penalty of \$45,800 plus interest, or half of the home's appreciation, whichever was greater.

In an interview after they filed the lawsuit, the couple said they had intended to meet the five-year requirement but moved earlier for a variety of personal reasons.

In 2005, their 16-year-old son was shot and killed outside a Hollywood nightclub when a patron indiscriminately fired into a large crowd. Larry Shields said the tragedy left his wife so dependent she could not work for five months. The couple, with three other children ages 5 to 11, also said the neighborhood was not as safe as they had expected.

Three years after moving in, they put the house on the market and, with real estate prices on the rise, sold it for \$540,000.

The CRA said it would not waive the early resale charges and contended that it was entitled to its original loan back plus

50% of the appreciation, which totaled more than \$200,000 after improvements and other financial factors were considered.

Though the agency's legal counsel recommended that the CRA settle with the couple for a lesser amount, the board held out for the original terms. The couple filed suit.

In a ruling earlier this month, Judge Soussan D. Bruguera concluded that the CRA's repayment terms were "unreasonable" under state law and an "unconscionable" violation of civil code sections that govern penalties, prepayment fees, and truth in lending disclosures. She decided that the couple were entitled to all of their profit from the sale of the property and ordered the release of \$37,000.

The couple had previously received \$145,000 on a conditional basis pending the outcome of the case, said Ronald Richards, their attorney.

Under the judge's ruling, the CRA was granted \$52,576, which represents the amount of the original second mortgage plus interest.

"The court was very sensitive to the fact that a poor couple should not be assessed a 400% penalty on the sale of their house," Richards said. "It's illogical that a government agency that is supposed to help people would try and charge more than private lenders."

CRA spokeswoman Kiara Harris said the agency was disappointed by the ruling and would consider its options, including a possible appeal.

"We believe the Shieldses benefited greatly from the CRA/LA's first-time home-buyer program," she said. "They were fortunate to be one of two families selected in a lottery to receive extremely favorable financing for a home they otherwise could not have purchased."

"Sadly, this ruling will reduce the opportunity for other families to share in the dream of homeownership," Harris said. "The Shieldses will enjoy an enormous windfall while other families will do without."

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