



# Milpitas Homeowner Resolves Foreclosure Threat Involving Investor-Owned Loan and Reactivated 'Zombie' Second Mortgage

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CA, UNITED STATES, June 30, 2025 /EINPresswire.com/ -- A Milpitas homeowner has successfully retained ownership of her property after resolving a dual foreclosure threat involving both a primary investor-owned mortgage and a long-dormant second loan often referred to as a “zombie mortgage.” The case highlights the challenges California homeowners face with complex loan servicing structures and the importance of state protections under the Homeowner Bill of Rights.

Marinela Halili, who purchased her home in 1991 for \$975,000, received Notices of Default on April 22, 2024, for both her first and second mortgages. The second loan had not been actively serviced for years and was presumed resolved—a situation increasingly common as inactive second liens resurface during foreclosure.

In response, Halili engaged the [Nonprofit Alliance of Consumer Advocates](#), a California-based housing advocacy organization. The nonprofit promptly submitted a complete loss mitigation package on Halili's behalf. Under California law, this should have paused foreclosure proceedings while her application was reviewed.

However, the servicer involved in the case, acting on behalf of the loan's investor owner, proceeded with scheduling a foreclosure sale for August 12, 2024. The servicer was not the original lender or the loan owner, but a third-party entity managing the investor-owned debt. This raised concerns over potential violations of California's dual-tracking prohibition, which is designed to protect homeowners from simultaneous loan modification reviews and foreclosure activity.

Halili was referred to the Consumer Defense Law Group (CDLG), who filed a lawsuit in Santa Clara County Superior Court on December 3, 2024 (Case No. 24-CV-455371). The complaint alleged violations of the Homeowner Bill of Rights, which includes provisions that prevent servicers from proceeding with foreclosure while a completed loan modification package is pending.

Following the legal action, the foreclosure was halted. Halili's legal and nonprofit team negotiated a successful loan modification that addressed both her first and second mortgages. On May 7, 2025, she made her first payment under the new agreement, officially ending the

foreclosure risk and allowing her to remain in her home.

"This outcome illustrates the importance of timely intervention and legal advocacy when homeowner rights are potentially violated," said Tony Cara, Managing Attorney of CDLG. The case underscores broader concerns about investor-owned loans and the reactivation of dormant second mortgages, which can catch borrowers off guard. The involvement of nonprofit advocates and experienced legal counsel was critical in navigating the complexities of the case. Homeowners facing foreclosure are encouraged to seek assistance from HUD-approved nonprofits or legal professionals to ensure their rights are protected.

For assistance or more information, contact:  
The Nonprofit Alliance of Consumer Advocates  
[www.NACAlaw.org](http://www.NACAlaw.org)  
1 (855) NACA-HELP / 1 (855) 622-2243

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