

Loan Disservice: Part One



Recent reports about “foreclosure mills” are just the newest proof that the Making Home Affordable federal program is a failure. In this writer’s personal experience, sloppy paperwork, inadequate controls and a training-free atmosphere make Loan Servicing an oxymoron. Banks do not work with customers to modify loans because they hate Cost Centers and never adequately staff them. Profit Centers sell lucrative products to customers, and generate big income for the bank. Cost Centers merely service and care for those customers, so we are not going to see Loan Modification or Loan Servicing staffing up.

In fact, over the years, there has been a consistently high level of incompetence displayed by loan servicers. They are quick to send out dunning letters, send someone to ring the doorbell, and tell whoever answers that foreclosure is imminent, but very very slow to correct their own mistakes.

For example, I still have a copy of a letter dated October 14, 1994 from National Mortgage Company (since defunct) that states “please accept our apology for the site inspection and foreclosure notice you received in error.” SITE INSPECTION? Is that bank-speak for Nasty Man At the Door? The mortgage was a Six Month Adjustable, and the new servicer refused to send out updated payment coupons at the end of summer 1994, when the rate and payment were scheduled to adjust. When I called, they insisted I use last month’s payment amount, because “loan payments do not change”. Nearly said “Many wish that were so, misguided underling, yet this horrible thing happens every six months.” Fortunately, there was a paper trail showing several requests for proper billing. The calls and letters went back and forth for months, so I finally withheld payment, triggering the Site Inspection. The next letter was of course copied to the Attorney General, citing that fact that United States “Fair Debt Collections Act” requires accurate and timely billing, along with a number of other consumer protections. The Site Inspections ceased, no fees were charged, and new coupon books were issued. National Mortgage learned something that day, no doubt after perusing a copy of the pertinent legislation thoughtfully provided in my threatening letter. Next week, Part Two of Loan Disservice.

Useful Internet Links:

<http://www.propublica.org/article/frustrated-homeowners-turn-to-media-courts-on-making-home-affordable-101>

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre27.pdf>