Mortgage deal pays $814.7M to state: National settlement will enable loan refinancing, modifications, reforms.

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Georgia and thousands of residents will get $814.7 million in cash and mortgage relief from five major banks, part of a national landmark settlement that covers foreclosure abuses.

The state's share of a national pool of more than $25 billion will be used to aid borrowers who are current on their payments, but who owe more than their homes are worth; who need loan modifications; or who lost their homes to foreclosure through mortgage servicing abuse. The agreement includes payouts from Bank of America, JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial.

The deal, announced Thursday, is the biggest settlement involving a single industry since a 1998 multi-state tobacco deal. Only Oklahoma is not participating. Mortgages owned by Fannie Mae and Freddie Mac --- about half of all mortgages --- are not covered in the agreement.

"It is a partial relief," Georgia Attorney General Sam Olens said. "It's nothing more than a partial solution to the problem."

Still, Olens said the deal will help stabilize the housing market by making it easier for some people to stay in their homes.

The agreement shows the mortgage industry is willing to acknowledge that it bears some responsibility for the housing crisis, said Frank S. Alexander, the Sam Nunn professor of law at Emory Law School.

Alexander said it is too soon to tell how many Georgians will be affected by the settlement, though John Bartholomew, staff attorney for Atlanta Legal Aid's Home Defense Program, estimated about 25,000 people would receive principal reductions or loan modifications of about $20,000 apiece. Nationwide, it is expected that the agreement will reduce loans in about 1 million households, and checks of up to $2,000 will be sent to about 750,000 Americans who were improperly foreclosed upon between 2008 and 2011. The banks will have three years to fulfill the terms.

Because of the complexity of the agreement, it is too soon to say how many people will be eligible, or when the funds will be distributed. But information about loan modifications and other relief can be found at www.nationalmortgagesettlement.com
U.S. Housing and Urban Development Secretary Shaun Donovan described the $2,000 check for being improperly foreclosed upon as similar to a class action suit. He said individual homeowners are still able to file suit on their own. A parallel program through the Office of the Comptroller of the Currency allows homeowners who were unfairly foreclosed on to seek full restitution.

Monique Lett, whose Alpharetta home was foreclosed on by Wells Fargo in 2010 after she was told that a modification agreement with the lender couldn't be found, said if she qualifies for the settlement, she would use the money to pay utilities. But she said the figure doesn't go nearly far enough in repaying her for the two-year toll of dealing with her foreclosure, and the emotional aftermath.

"My first thought is, is that supposed to make me happy?" Lett said. "I'll take it because it's better than nothing."

The largest benefit of the settlement will be that some Georgians can reduce the principal on their loans and thus would be more likely to invest in their houses, Legal Aid's Bartholomew said.

Still, he said the total payout by the five banks is a drop in the bucket.

"On one hand, it is a positive that a lot of homeowners who otherwise would have received nothing in exchange for the abuses they suffered are going to get something," he said. "On the other hand, there's sort of the sense, is this it?"

The attorneys general who participated in the settlement are now negotiating with the next tier of banks, a group that includes Atlanta-based SunTrust, and so the total figure will likely increase as the next stage of the settlement is reached. Because of how the deal was calculated, the total impact of the original settlement is expected to be $40 billion.

The state's take will not make a huge difference in Georgia's overall economy, said Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University.

"Quite a few billion are needed to make a dent in the whole market," he said. "This problem is huge. Millions won't make a difference."

While he said there were parts of the program he did not like --- namely, the absence of Fannie Mae and Freddie Mac as participants --- he said joining the agreement would enable some homeowners to receive immediate aid.

About $526 million of Georgia's total will go to loan modifications, and $101.8 million will go toward refinancing loans to Georgia's underwater borrowers, those who owe more on their homes than they are worth. About $82.7 million will go toward payments for people who have already been foreclosed on. The state will receive $104 million in its general fund, with the intention that it be used to avoid preventable foreclosures, pay for the prevention and prosecution
of financial fraud and remedy some of the effects of the foreclosure crisis. What the state chooses to do with that money is up to legislators.

The agreement also creates nationwide reforms to mortgage servicing, including a single point of contact for borrowers and the requirement that borrowers receive a pre-foreclosure notice that spells out their options. Members of the military receive additional protections.

Under the agreement, the states said they won't pursue civil charges related to companies signing papers they hadn't read or using fake signatures to speed foreclosures, an action known as robo-signing. The agreement does not cover loan origination and packaging, and banks are not granted immunity from any criminal charges. While Olens said there was "plenty of evidence" of robo-signing here, the state does not have laws that criminalize fraudulent foreclosure practices. A now-closed Alpharetta company, DocX, was indicted on 136 counts of forgery in Missouri earlier this week; Olens said Georgia does not have the same consumer protection laws to file similar charges.

"There are a lot of issues in this office that I wish we could help people with more than we can," he said.

The Associated Press contributed to this article.

Who can refinance?

To be eligible for the refinancing portion of the settlement, borrowers must be current on their mortgage payments, must have a mortgage that is higher than the home's current value and must have a current interest rate that is higher than 5.25 percent. The refinanced rate must reduce a borrower's monthly payments by at least $100.