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15 Yr Fix	6.43%	0.21%
1 Yr ARM	5.75%	0.10%
5/1 ARM	6.37%	0.13%
30 Yr Tres	5.29%	0.01%
Fed Prime	8.25%	0.00%

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## Mortgage Servicing Rights: Traded Like Baseball Cards?

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Back in the day - let's say pre-1980 - a mortgage signified a long-term relationship. A home buyer found a property, approached the bank where he probably had his checking and savings accounts, his business loan or his safe deposit box. He filled out an application or sat down and chatted informally with the loan officer about his assets and liabilities. The loan officer then attended the monthly Board of Director's meeting to recommend the borrower as a regular and credit-worthy customer. The Board voted and the home buyer was suddenly a homeowner with a 20 year bond with the bank called a mortgage. The borrower paid his mortgage every month, and maybe even held a party to celebrate burning it at the end of its 20 year term.

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A lot has changed since then.

For one thing, the local bank probably no longer exists, bought out years ago by a financial giant with a name that highlights its non-local orientation; *Bank of America, Citibank, Bank One, Wells Fargo*, and so forth. For another, banks have been increasingly **outsourcing mortgage origination and loan processing** to mortgage companies and third party brokers, and in fact are minor players today in the actual granting of mortgage loans. For another, mortgages, which are more likely to have a 30- than 20-year duration, are regarded as commodities that both borrower and lender treasure only so long as they are the best they can get.

*Refinancing now accounts for over 40 percent* of the mortgage market and homeowners are forever on the lookout for better deals. Therefore it is not surprising that lenders are shopping around as well.

Written into a standard Freddie Mac/Fannie Mae mortgage package is permission for the lender to **transfer the mortgage loan**, an event that might happen years after the closing - or the very next day. In today's market *mortgages are sold* more often than baseball cards traded.

And it is no big deal. The institution or private investor which owns your mortgage, whether it or he originated it or not, is legally bound by the note, security agreement and mortgage. The rate and rules for adjusting that rate, the grace period, the instances of default and other terms cannot change once the original parties sign and agree. The new owner is stuck with them, and a borrower has recourse if those terms are not adhered to whether by Old Home



It's not a 4 letter word.



**NEW VIDEO**  
(5 New Today)



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Town Bank & Trust (Jimmy Stewart, President and CEO) or Scrooge McDuck's Multinational Big Bank Vault, Inc.

However, (and today isn't there always a however?) there is another aspect of your mortgage loan that is also bought and sold, and much more frequently than the loan itself; the **servicing of that loan**.

**Loan servicing** companies handle the operational aspects of mortgage lending. They *collect mortgage payments, credit those payments, send reminders when payments are overdue, assess late charges, establish escrow accounts for the payment of taxes, hazard and flood insurance, and private mortgage insurance*. They pay out taxes and insurance premiums when due, and account for all of the above to the investors who own the loans. They also are responsible for **managing loss mitigation** when a loan gets in trouble. This can include collection activities, loan workouts, and, if necessary, foreclosure. Some even manage the foreclosed property.

If you get a notice from the company to whom you have been making monthly payments that your loan is being transferred, it is likely that the ownership of your loan has not changed; just that one big **mortgage servicing** company has bought a portfolio of loan servicing rights from another.

There is big money in the servicing of mortgage loans and so it has become big business. A servicing company typically collects a small fraction of the monthly payments on a performing portfolio, a tiny amount per loan but a significant amount on a portfolio valued at tens of millions of dollars, particularly since there is little work involved in servicing performing loans. Servicers are now frequently sending out one year coupon payment books rather than monthly statements and the popularity of on-line payment has eliminated a certain amount of the old paper-sifting. The servicer also collects a portion of late fees and might shift into an entirely different fee structure if a loan becomes delinquent.

According to the Federal Trade Commission (FTC), you have the following **mortgage servicing rights** under the 1990 National Affordable Housing Act if your loan servicing is transferred:

- You must be notified at least 15 days before the effective date of the transfer of your loan servicing. Sometimes a borrower is notified at the loan closing that the loan is to be immediately transferred and in that case the 15 day period is waived. Notification must include name, address, and telephone number for the new and old servicer, date of transfer (both to and from), and a statement of any changes in terms in the servicing agreement. The latter are limited - for example, if you have not been subject to tax or insurance escrow payments with the old servicing company, the new one cannot insist on collecting such payments.

It is usual for both the old and the new service to send such notification. If you receive a transfer notice only from the new servicer it is imperative that you contact the old servicer to check that the transfer is legitimate. Do this from information in your files, not through web addresses or phone numbers provided by the new servicer.

- There is a 60 day grace period in which you cannot be charged a late fee if you sent your payment to the old service. If you are charged such a fee or if you find that a credit bureau has been notified of a late payment in such a situation write to the new service immediately (a real letter, not a note scrawled on your payment bill or coupon) and follow up to make sure the late payment or negative report are removed. The FTC provides excellent sample complaint letters to both servicing company and credit bureau on its website at [www.ftc.gov/becp/online/pubs/homes/mortserv.htm](http://www.ftc.gov/becp/online/pubs/homes/mortserv.htm).

**NEW!** Mortgage Bond Fallout



**NEW!** The Fed and Subprime Fallout

#### Reader Comments (More)

The credit reporting system is controlled by the banking lobbyists and there is no second chance opportunities for those of us who...  
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I agree with Nancy, there should be a second chance to establish good credit. The mortgage industry will lie all day on stated inc...  
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In response to Bryan. You are clueless about the mortgage industry. Majority of consumers have used their homes as ATMs, and now w...  
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So if seeing **your mortgage sold** is no big deal, why care about the transfer of servicing rights? A+. You have been paying attention. There is growing concern about the activities of some **mortgage servicers**. We will take a look at this in a subsequent column.

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## Comments (18)

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My husband refinanced his home loan this summer with a credit score of 680, since then the credit score has gone down to 575, this is the same credit score from equifax. Since the refinance took place our loan has been sold 6 times, basically once a month and it is showing up on his credit as a new loan everytime it is sold. We pay everything on time and have not taken out anymore credit than we had when we refied so shouldnt his credit score be going up instead of dropping? What is going on?

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Posted By: [Jennie](#) | Wed, 7 Mar 2007 22:27:03 EST

If your Mortgage Servicer is taking unfair and dishonest advantage of you, contact your State's Department of Lending Consumer Service, and file a complaint. Every state has a department that governs financial institutions that serve their citizens. In many instances, they can and will help you.

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Posted By: [Anonymous](#) | Mon, 5 Mar 2007 22:24:45 EST

How do I get information on Foreclosures from the different loan servicing companies?

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Posted By: [edei](#) | Wed, 25 Oct 2006 11:05:29 EST

First of all, I resent some of the comments made on this page. I am sorry for the people who have been mistreated and misinformed by their servicing company but I can tell you I'm with a great company. (Not my house, but my employment.) I am currently working for SLS and they have been great to their employees. We are required to go through regulatory training in FDCPA, RESPA, etc.

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Posted By: [Tawny](#) | Fri, 6 Oct 2006 13:30:26 EST

The FTC is investigating EMC. It was announced by Bloomberg News in December 2005. EMC Mortgage will go down, but since this is a public forum I won't comment on how, but will say it is going to happen. Look for some prison time too! Many are looking into EMC's illegal racket and their lawyers will be sitting in prison with them.

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Posted By: [anon](#) | Mon, 10 Jul 2006 14:54:47 EST

I have sent in at least 10 letters disputing the payment posting and they have not responded or fixed the situation. OTS does not regulate EMC and the FTC refuses to take any action. What is a poor homeowner supposed to do?

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Posted By: [Anoymous](#) | Tue, 7 Feb 2006 14:18:08 EST

I have my mortgage served by EMC, they refuse to post partial payments to my account claiming my contact does not allow for me to send in partial payments, wrong, my mortgage does not say that. They overset my escrow and it took them 2 months to correct. CSR's told me to send in a lower amount that they would accept it, but they have not and now I keep showing past due.

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**Posted By: Anonymous** | Tue, 7 Feb 2006 14:17:46 EST

I initiated a petition drive to mandate monthly statements for those of us who are forced to blindly trust how our payments are applied. Being able to receive a monthly statement should be common sense. Without a statement how do we verify our taxes and insurances are paid, or if late charges are being applied when payments are made timely? Please go to [msfraud.org](http://msfraud.org) and click on the link to support our right to verify.

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**Posted By: Denise Richardson** | Mon, 9 Jan 2006 09:09:19 EST

My mortgage was sold 3 times in two years. The servicer has added so many fees that my mortgage doubled in two years. It is very important for people to report this stuff to the right agencies. Our case is in court, that was our only choice to save our house they tried to take it in a foreclosure sale that we stopped. They are ruining our lives.

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**Posted By: c dicob** | Mon, 26 Dec 2005 11:39:37 EST

I believe that this fraud will not stop until, judges are made aware of the problem, and quit believing in everything these servicers are saying to them without evidence. If I went out and stole my neighbors car, I would go to jail. When the courts start to give big chunks of the servicers money to these victims of the fraud, this will stop. If we could choose the servicer for our loans it would make a huge difference when these fraudulent servicers don't have any customers to service.

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**Posted By: Anonymous** | Sun, 18 Dec 2005 01:45:12 EST

My mother has been facing problems with her Mortgage Service company Wendover Financial Services. She had to file bankruptcy and she cannot afford an attorney. They stopped accepting her payments and have added stupid fees that have raised the loan amount. I have read that these companies are sub-prime lenders and target low income and minorities. She never had a problem with them until she had to file for bankruptcy in 1998 for reasons that she had no control of.

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**Posted By: wmtz** | Sat, 19 Nov 2005 04:14:52 EST

EMC took over my loan servicing. They did not post my last payment to the previous company. They then reported me delinquent to the credit bureau and it took me 5 months to straighten it out. Then, when my insurance payment was due, they failed to pay it and I was cancelled, after having escrowed my payments to them, I had to buy new insurance out of my pocket and my premium was doubled because EMC had erroneously reported my mortgage payments as delinquent to the credit bureau.

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**Posted By: Distraught** | Thu, 17 Nov 2005 17:55:52 EST

Wonder what will be the response of all these crooked servicing cos. in light of the destruction by Katrina, will they cut their customers some slack ( I doubt it or show their true nature by accelerating foreclosures on people ???

I sure hope they do something stupid so the Feds finally see this servicing " business " for what it really is !

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**Posted By: Anonymous** | Tue, 20 Sep 2005 21:10:11 EST

My mortgage was sold to EMC and I'm very concerned because this company has too many complaints on [www.ripoffreport.com](http://www.ripoffreport.com). Also, I've heard that EMC has a 30% foreclosure rate. Why should I be forced to do business with a company that I did not select in the first place?

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**Posted By: Anonymous** | Thu, 25 Aug 2005 19:46:17 EST

Mortgage Servicing Fraud is being ignored in favor of Predatory Lending Laws and needs to be separated from any legislation on Predatory Lending. Mortgage Servicing Fraud destroys families and lives with no remorse. Go to <http://www.msfraud.org> and read the information on this site, not only will you be shocked at what you read, you will also learn and be able to protect yourself in the event you begin to experience problems with your Mortgage Servicing Company.

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**Posted By: Anonymous** | Sat, 30 Jul 2005 22:46:18 EST

Fortunately, people are finally starting to connect the dots on these abuses. See link below.

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<http://www.prwebdirect.com/releases/2005/5/prweb243928.htm>

Posted By: **Anonymous** | Wed, 8 Jun 2005 12:15:10 EST

Mortgage Servicers are perpetrating some of the worst fraud in the real estate industry. Ameriquest, Fairbanks, EMC, Temple-Inland, Guaranty and many others are under heavy scrutiny by many government agencies, due to thousands of consumer complaints of fraudulent foreclosure and fee padding.

Posted By: **Anonymous** | Mon, 6 Jun 2005 21:58:06 EST

Mortgage Servicing Fraud is rampant. Fabricated foreclosures are the current wave, where the new servicer loses payments, delays postings, force-places additional insurance and forecloses without cause, in order to strip equity, collect penalties and fees and resell the property at a profit. There are many horror stories. Beware mortgage servicers - Go to [MSFraud.org](http://MSFraud.org)

Posted By: **Robert** | Mon, 6 Jun 2005 18:39:11 EST

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