

The important difference between “loan servicing scams” and “predatory lending.”

With so many players involved in your mortgage, how can you tell which one is willing and able to take advantage of you?

It shouldn't surprise anyone reading this that there are so many players involved in the lending industry that the average home buyer is literally at the mercy of a machine.

Real estate lending runs on volume and repeat business. The more homes move into and through the system the more money the system makes. A single property can be financed many, many times and each time the system makes money.

It's an economic engine involving trillions of dollars every year. If you add in all the things around the edge of the real estate, homebuilding, financing, insurance and home products industries it becomes the single largest component of the American economy.

With a system as complex as the lending industry, there are opportunities for thousands of businesses to operate and they create hundreds of thousands of jobs.

You'll never meet most of the people involved in your home loan. After you've closed and moved in, the only contact you'll have is with the entity that “services” your mortgage. Sometimes it's the same company you signed the loan with, but because loan servicing is a people-intensive business, many lenders outsource that function to companies that specialize in it.

At the front-end, or where loans are originated, there have been a number of well-publicized lending practices that have come to be categorized with the catch-phrase “predatory lending.” These scams set people up to enter into loans that were knowingly fraudulent and in many cases, illegal. The media caught on and numerous state and federal legislators reacted to the stories by bringing forward new laws and regulations to curb the most egregious examples of “predatory lending.”

What has not yet been addressed are the more covert acts of businesses that operate in the loan servicing industry.



KUTV Television, Salt Lake City, Utah, along with dozens of other stations around the US, helped expose the practices of the Utah-based loan servicing company.

Despite nationwide coverage of Fairbanks Capital by investigative journalists in both print and television outlets, most state and federal regulators, legislators and even consumer watchdog groups still confuse servicing scams with predatory lending.

Where do your state financial services regulators and Attorney General stand? Do they recognize the difference between loan servicing scams and predatory lending? *They probably don't, but they need to!*

Do your state and federal Representatives and Senators also understand why the laws and regulations being focused on predatory lenders aren't going to stop loan servicers from operating scams that take billions of dollars and all-too-often, homes from consumers?

Do they realize how many of the Chapter 13 bankruptcies involve borrowers who are filing just to stop a servicing scam from taking a home?



Along with a specious and deliberately misleading label of “sub-prime” borrowers, the confusion is helping to prevent effective regulatory legislation from being considered. There are major federal agencies that have their heads in the sand when it comes to anything associated with “sub-prime” lending, and they've been convinced by the industry that the problem is with the consumers, not the servicers.

They've also been distracted. The “identity theft” issue has done more to draw attention away from the loan servicing scam perpetrators than anything else.

The reason? Credit card companies are ultimately taking the early financial hit in identity theft cases, and they have enormous influence. The thousands of loan servicing scam victims just don't have that kind of clout in their state Capitols and Washington.

Another reason not much is being done at the Federal level is the industry's ability to convince Washington that it should regulate itself as it works to protect its customers, the all-important mortgage-backed securities investors. Clearly, the lenders and servicers message to Congress is that if investors get skittish about putting money into those kinds of instruments, the whole mortgage-driven economy would be jeopardized. And without aggressive servicing or if consumer protections are implemented, loans won't be made to the sub-prime market.

Both of those arguments are laughable - the profits to be made in legitimate lending and servicing are more than adequate to operate and attract investment capital. In addition, because mortgage loans are secured by property, and often insured against loss, the risk is incredibly small. And contrary to the propaganda of the servicing industry, everyone along the lengthy food chain of the real estate industry profits from a foreclosure except the person who loses the home. That's why so many of these companies are owned by or closely tied to other types of real estate or investment insurance-related businesses. The more parts of the system they own, the more profitable it becomes.

As with all free-market businesses, if the industry weren't profitable, no one would be in it!

The lending industry has obviously convinced Congress and the administration that a certain amount of loan servicing abuse is acceptable as long as the servicers are protecting their real customers - the securities investor's.

The loan servicing scam is extremely profitable - much more so than legitimate operations, and the industry that it works in contributes enormous amounts of money to politicians.

Loan servicing scams won't be brought under control by the huge industry that they practice in and support.

It is time for consumers to take their case to Washington to put a stop to these practices.

For more information, and for help you are a victim of the loan servicing scam, visit www.msfraud.org