

Martha Coakley presses banks on loans

New rules may help borrowers save homes; mortgage firms asked to show they comply

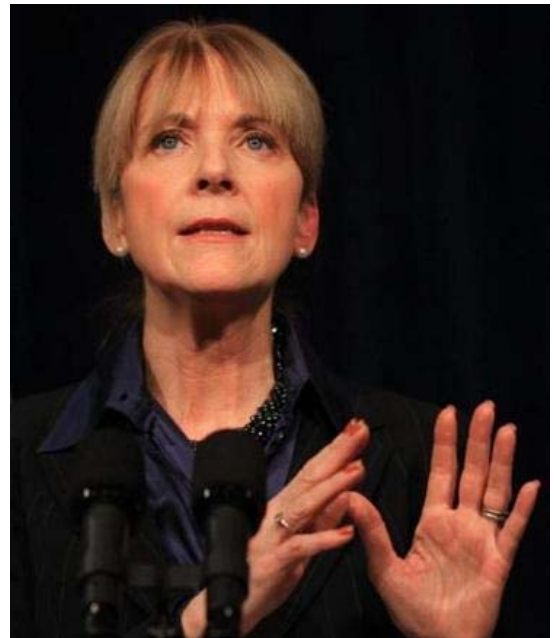
By Jenifer B. McKim | GLOBE STAFF FEBRUARY 19, 2013

Concerned that some mortgage lenders are not complying with a new foreclosure law, Massachusetts Attorney General Martha Coakley is asking banks to confirm in writing that they are following state rules to help troubled borrowers save their homes.

Specifically, Coakley is concerned that loan servicers are not complying with a provision, made effective in November, that allows lenders to modify a loan even if there is a second mortgage on the property. Many lenders are reluctant or unable to negotiate a mortgage modification if there is a second loan and another lender involved in the property, which complicates the process.

While these homeowners represent about a fifth of all mortgage borrowers, they represent a larger proportion of those with troubled loans, according to a recent study by New York University's Furman Center for Real Estate and Urban Policy.

On Thursday, Coakley wrote to about 300 mortgage servicers, asking them to confirm they follow the law.



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Attorney General Martha Coakley says new state rules aim to avert foreclosures.

“We believe compliance with this provision of the statute is both straightforward and will more efficiently facilitate loan modification efforts,” Coakley wrote.

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In August, Governor Deval Patrick signed the Act to Prevent Unnecessary and Unlawful Foreclosures, which provides added protections to mortgage borrowers. The law requires creditors to help eligible homeowners modify mortgages if it makes more financial sense to investors than seizing a home.

The Massachusetts law is meant to help more holders of first loans to renegotiate because they now do not need permission from the second-lien holders, lenders who can stall the process. Moreover, even after a loan modification, the first loan continues to hold priority status over the second lien in case a borrower defaults again.

Coakley said her staff realized that efforts to help homeowners had been stymied by lenders unaware of the provision through the office’s HomeCorps program, which works directly with borrowers.

In one example, she said nearly a dozen homeowners were waiting for permanent mortgage help from Wells Fargo Home Mortgage that was held up because of complications with second liens. Since then, she said, Wells Fargo has changed its policy and helped dozens more homeowners — becoming an example of how the system can work.

“We want to make sure the other servicers understand the new statute and are complying with it,” Coakley said. “We believe it can break a log jam.”

Wells Fargo spokesman Jim Hines declined to speak specifically about the issue. However, he said the lender last month worked to become “fully compliant” with state regulations. “We have been putting our full focus on correcting these issues,” he said.

Coakley said that despite complications the foreclosure law has helped homeowners avoid foreclosure. The state opened its HomeCorps hotline in April, funded by a national settlement with major mortgage lenders. The hotline receives about 70 phone calls a day and has helped more than 1,200 borrowers restructure their loans into affordable payments. Coakley’s office was not able to say definitively how many of these loans were

modified because of the new law.

“We are still getting last-minute phone calls on the eve of an auction,” she said. “Nobody is claiming victory yet, but we are encouraged.”

Foreclosure help, as well as an improving economy, appear to be slowing the number of property seizures in the state. Last year, 7,424 homeowners lost properties to foreclosure, a 13 percent drop compared to 2011, according to Warren Group, a Boston company that tracks the housing market.

Lewis Finfer, executive director of the nonprofit Massachusetts Communities Action Network, said complications with second liens are some of many challenges facing homeowners striving for help. He praised Coakley for pushing lenders to do more.

“It is better than it used to be, but it is still nowhere where it needs to be,” he said.

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