

Signed, Sealed, Defaulted.



the facts

Mr. and Mrs. White purchased a home and soon after their purchase, Mrs. White became ill. Over time she accumulated a large amount of medical bills and the Whites struggled to afford them. One day when Mrs. White was leaving the hospital after receiving treatment for her illness she was approached by Mr. Chase, the owner of a mortgage broker firm called Loans For Anyone. Mr. Chase engaged Mrs. White in conversation, empathizing with her condition. When Mr. Chase learned Mrs. White owned a home he mentioned he owned a mortgage brokerage business and could help her obtain a loan to refinance. He told Mrs. White this would provide her with the money necessary to pay off her medical debt and leave her in a better financial condition.

Risk Factor #1

Mr. Chase approached Mrs. White and solicited her to take a loan beyond her means, when she was in a vulnerable state of mind.

Mrs. White decided to take Mr. Chase up on his advice to refinance. The Whites closed on a loan they thought was at a fixed rate. At the closing, an application for an adjustable loan was introduced to the Whites, and signed by Mr. White, but never explained or discussed. The loan given by Loans for Anyone was originated by Good Luck Mortgage, who transferred the loan to another entity shortly after closing. The Whites did not know where to send their payments and when they attempted to contact Mr. Chase, their calls were not returned. The Whites fell behind on their payments. After some research, they found that their loans were now being serviced by Phantom Processing, Inc.

Risk Factor #2

Loans for Anyone and Mr. Chase have little to no documentation that an adjustable rate mortgage was ever discussed with the Whites, and no proof that they ever undertook any of their contractual and statutory obligations.

The Whites contacted Phantom Processing, Inc. and were informed by Phantom that a fixed rate mortgage was unavailable to them and they would have to start making larger payments in order to get out of their default status. The Whites then lodged a complaint with their state's attorney general. After the complaint, Phantom offered to modify the loan to a 6% fixed rate.

The initial complaint went to court and involved all parties, Loans for Anyone, Good Luck Mortgage, and Phantom Processing, Inc., among others. Mr. Chase was named individually on the allegation that he, together with Loans for Anyone, breached a fiduciary duty by failing to adequately disclose the nature and terms of the agreement; by failing to seek out and obtain credit on the best terms available; by obtaining credit terms without regard to the Whites ability to pay; and arranging for an inflated appraisal. Punitive damages were sought against Loans for Anyone and Mr. Chase.

the result

The lawsuit took two and a half years to settle and legal fees cost more than \$200,000. The case settled for \$75,000.

Loans for Anyone and Mr. Chase should have been more careful about who they solicited for business. They should have obtained credit for the Whites on the best terms available and avoided obtaining credit terms without regard to the Whites' ability to pay. If Loans for Anyone and Mr. Chase found it necessary to solicit those whose ability to pay was questionable, they should have communicated better the terms of the loans and informed the Whites of the consequences of missing loan payments. Dated, accurate and detailed records of their correspondence with the loan recipients should have been maintained as well as the records of the measures they took to uphold contractual and statutory obligations.

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