Court Roundup: News on Several Mortgage Servicing Lawsuits

By Denise Richardson

Homeowners who have endured poor treatment, abuse and neglect by their lenders have taken to the courts. Several class action suits have been filed against notorious mortgage servicers who have been accused of stringing along borrowers who sought loan modifications under the federal HAMP program.

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In one suit, plaintiffs' attorney Keller Rohrback filed a class action in federal court in San Diego March 17 against Chase Home Finance and JPMorgan Chase.

The complaint should sound familiar to anybody who reads this blog:

The complaint alleges that Chase engaged in bad faith with respect to mortgage loan modification negotiations by leading mortgagors to believe that Chase would permanently modify their mortgage loans upon successful completion of HAMP TPPs or other temporary payment plans. Chase allegedly instructed mortgagors to stop making mortgage payments under the false pretense that doing so would not hurt their credit scores and was necessary for them to attain a loan modification. Even after mortgagors followed Chase's instructions, however, Chase allegedly imposed artificial obstacles to obtaining a permanent modification, by, among other things, repeatedly requesting duplicative financial information and needlessly delaying the loan modification process. The complaint also alleges that Chase proceeded with the foreclosure process based on mortgagors' failure to meet impossible and shifting demands, charged unreasonable fees, and failed to properly apply payments or keep accurate records.

The Seattle-based firm is looking for borrowers who tried to modify their loans with Chase and other servicers, including American Home Mortgage Servicing, GMAC Mortgage, EMC Mortgage, Litton Loan Servicing, Nationstar Mortgage or SunTrust Mortgage. Get in touch with them at 800-776-6044 or via email at info@kellerrohrback.com.

Another class action suit, filed against EMC Mortgage, has been expanded to include EMC's new parent company, JPMorgan Chase. As I wrote last fall, the suit, which is now being heard in U.S. District Court in Orange County, Calif., alleges that the two lenders strung along borrowers for years in an "extend and pretend" strategy. Delaying loan modifications, while collecting payments and servicing fees, allowed EMC and Chase to disguise distressed loans on their balance sheets, the lawsuit says.

Borrowers who have struggled with EMC Mortgage's loan modification program in California may want to contact the class action attorneys, Lanza & Smith, at 888-244-3934.
The good guys won in a Georgia case.

On March 21, a jury awarded $20 million in punitive damages against PHH Mortgage Corp., doing business as Coldwell Banker Mortgage, to U.S. Army Sgt. David Brash.

Sgt. Brash, an active duty soldier out of Fort Benning, Ga., spent more than a year trying to get his home loan and credit rating straightened out after PHH mistakenly reported his mortgage payments late or missing. Sound familiar? (See earlier blogs about their treatment of Todd and Kendra Parker: Dear PHH and the follow up here.)

According to the Columbus Ledger-Enquirer, "During the six-day trial, jurors heard that Coldwell Banker improperly reported Brash, 29, to credit bureaus which led to a 'serious delinquency' on his credit report, that it refused to answer his questions or correct his account and damaged him emotionally, physically and financially, his attorneys and court documents say. 'The jury was aggravated as to how he was treated,' said Charlie Gower, an attorney who represents Brash. 'I think the jury was just very mad because they were attacking David Brash the soldier and basically calling him a liar.'
This jury award speaks volumes. The question is, just who will 'hear' it?

The jury's outrage over how PHH treated Sgt. Brash should serve as a warning to those mortgage servicing companies who treat their customers in the same manner. As more and more victims of predatory mortgage servicing practices turn to the courts, chances are more and more jurors will view the actions (or in-actions) of the defendant with the same outrage and disgust as Sgt. Brash's jury did.

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