Bank of America Subsidiary Sued by State of Washington over Bad Foreclosures

August 10, 2011 â€“ Bank of America continues to run into legal issues over its foreclosure practices. On Monday, B of A announced that it was being sued by beleaguered insurance giant AIG for more than $10 Billion. AIG is claiming that the bank sold it overvalued mortgage backed securities. Now comes word that Washington State Attorney General Rob McKenna is filing suit against Recon Trust, a B of A subsidiary. The suit alleges that Recon Trust illegally foreclosed on thousands of Washington State residents and is seeking financial restitution and penalties.

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Some state laws a pretty clear. The State of Washington has some rules for companies that handle foreclosures that would seem to be fairly easy to follow. Among these is a requirement that a company operating as a trustee in a foreclosure have an office somewhere in the state. And that office needs to be open so that consumers can walk in, make last minute payments to avert a foreclosure, ask questions, etcâ€¦ But Recon Trust has no office anywhere in Washington.

Recon Trust is saying that it doesnâ€™t need to comply with Washington state law since B of A is a national bank. McKenna doesnâ€™t agree. "Recon Trust ignored our warnings, repeatedly broke the law and refused to provide information requested during our investigation," McKenna said."Recon Trust's illegal practices make it difficult, if not impossible, for borrowers who might have a shot at saving their homes to stop those foreclosures."

The company is also accused of foreclosing on homes that it couldnâ€™t prove that it had the right to foreclose on, inaccurate notarization of documents, failure to conduct foreclosure proceedings in a public place and a variety of other legal infractions.

If McKenna wins his law suit, Recon Trust could be liable for up to $2,000 in penalties for each infraction plus restitution to consumers who were illegally foreclosed upon. The overall dollar amount of the suit is not currently known but it could range into Billions of dollars.

Recon Trust is also being sued by private parties in Utah, Nevada, California, Oregon and Arizona over its foreclosure practices in those states.

byJim Malmberg

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