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Accidentally Foreclosing on Veterans

COMMENTARY: by JONATHAN FOXX

Jonathan Foxx is a former Chief Compliance Officer of two publicly traded financial institutions, and the President & Managing Director of Lenders Compliance Group, the nation's first full-service, mortgage risk management firm in the country.

It seems the mantra of our times is "mistakes were made." In an era when lack of accountability in politics and finance has become all but forlornly accepted by many voters, and the word "blame" is banned from public discourse as being unproductive rhetoric, we find out within the last few days that J.P. Morgan Chase (JPM) "wrongly foreclosed on 14 active-service military families and overcharged thousands more on their mortgages."

Is this a symptom or an isolated incident?

Accidentally Foreclosing on Veterans

The findings come from a year long internal audit conducted by JPM of its accounting requirements involving active military service under the Service Members Civil Relief Act (SCRA).

Indeed, back in April 2008, Congress passed the Foreclosure Prevention Act, which aimed at protecting active duty service members and their families from foreclosure. In this legislation, John Kerry introduced the Military Family Homes Protection Act (MFHPA), thereby expanding the scope of the SCRA.

Salient provisions included the specific relief to active duty soldiers with, among other things, one year relief from increases in mortgage interest rates. Soldiers returning from war could expect that, under current law, those interest rates would be no more than 6%, and their mortgages are not subject to the delinquency process, let alone having their properties subject to foreclosure. In fact, another feature of the MFHPA was its extension of certain SCRA protections from 3 to 9 months, allowing a returning service member time to meet with the lender and take corrective action.

Mistakes Were Made

Still, mistakes were made. Foreclosures happened.

Veterans lost their homes and many were overcharged.

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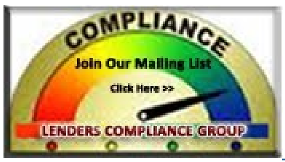

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How many military families were overcharged in interest? 4,000.

Thus speaks JPM's Kristin Lamkau, Chief Communication Officer:

- We made mistakes here and we are fixing them. Any customer mistake is regrettable.
- We feel particularly badly about the mistakes we made here.

Let the Finger Pointing Begin

Now the finger pointing commences, as we have seen so many times over the last few years, with little or, at best, mixed results:

->Jonathan Rowles, Marine Captain and veteran, who sued JPM over this matter wants punitive damages in light of the alleged repeated violations of the law going back years,

->Class action certification (PDF) is being developed by Richard A. Harpootlian, Rowles's attorney,

->Federal prosecutors in South Carolina are possibly getting involved,

->Elizabeth Warren indicates that the situation "emphasizes" the need for the CFPB,

->Senator Reed (D-RI) wants US Attorney General Holder's DOJ to investigate,

->An inquiry from a congressional committee is supposedly underway, and

->Jamie Dimon, JPM's CEO, whose PR casts him as a friend to the veterans, probably has some relationship repair on his agenda, especially in light of all the touting he's done recently about JPM being so friendly to the military.

This often repeated ritual of unaccountable blame has an atavistic quality to it. And it lasts for a few news cycles and then fades away. Eventually, some resolution will appear on page 5 of the second section of the regional newspaper or make its way onto the 11 o'clock news broadcast.

Yet disrupted lives of those affected are not mere statistics.

Mistakes in foreclosure processing are inexcusable, and especially egregious when the lives at stake belong to members of the military - those particular Americans who have served our country valiantly through military service and sacrificed so much on our behalf!

Upon their return from action, should they be faced with such a situation?

Real Lives - Not Just Statistics

Sometimes it's a good idea to get out of the analysis itself and listen to people. Please read the following.

Here's what Julia Rowles, wife of the aforementioned Captain Rowles, stated about the way they were treated:

> They would say, "We will take your house. We will report you to the credit agency. This is a bad situation that you don't want to be getting into. Pay us today." They were harassing us for money that we did not owe them.

And:

> They kept still charging us 9 and 10 percent, and we were paying upwards to $2,000 when we should have only been paying $1,400.

This is just one voice, and she's speaking as the wife of a service member who had to litigate in order to save his home. But a "mistake" almost cost them their house!

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How many more Jonathan and Julia Rowles are there out there these days, but do not have the benefit of counsel or proper assistance from representatives of the VA?

Veterans Administration - Complicity

Many people I have spoke with believe that the VA is affirmatively preventing this situation from getting worse for service members. If you think so, too, you would be wrong.

According to Torrey Shannon - activist wife and Executive Director of Cleaning for Heroes, whose veteran husband is on 100% total and permanent, yet ineligible for any special grants for an adapted home, and whose steady income that comes with 100% total and permanent disability is being delayed due to the usual bureaucratic gridlock:

> It appears the Veteran's Administration has been flying under the radar when it comes to their contribution to the homeless veteran population. Due to a backlog in processing thousands of disability claims, military members and their families are forced to live on the streets because of foreclosures and are heading into bankruptcy courts at an alarming rate.

Mrs. Shannon further states that "most of the wounded veterans I know have waited more than six months to get their first disability check from the VA after leaving the military. By the time they got their first payment from the VA, they were bankrupt or had lost their home to foreclosure." What she would like to see happen immediately is a moratorium on veterans foreclosures for at least nine months.

Her view is valid, and it's a start.

Of course, this assumes that some problems veterans tend to have emerge within 9 months of discharge. Some may take years to develop, and, once incurred, can have a catastrophic impact on health and financial stability.

There are organizations that will help veterans who face foreclosure, if at times even belatedly, such as the National Association of Consumer Advocates (NACA).

REOs and the Veterans Administration

The VA has a robust REO pool.

A whole segment of the real estate industry is now devoted to the acquisition and marketing of veterans' homes that have become REOs.

But was the way that these properties became REOs a result of prompt claims processing, accurate charging of mortgage interest, proper application of the protections provided by the aforementioned laws, providing foreclosure prevention remedies, mediation, and assistance to veterans?

When it comes to REOs, maybe the VA bureaucrats want to run the Veterans Administration like any other business. But evicting veterans, often with just a couple of weeks notice or even less, and as a result of those VA bureaucrats' own dereliction of duty in processing veterans claims or neglect to scrupulously implement the law itself, is surely contrary to the spirit and strengths of our obligations to members of our military service.

We can do better - and we must do much more for our veterans.

What do you think?

I would welcome your comments.
Please feel free to email me at any time.

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