

The Times

Errors in loan documents can save strapped homeowners

Even small mistakes in the paperwork may give borrowers the legal leverage to persuade lenders to rework their mortgages.

By Lew Sichelman,

Los Angeles Times

October 12, 2008 WASHINGTON -Homeowners who are having difficulty getting the attention of their lenders to discuss their troubled mortgages might want to obtain a forensic loan review to determine if their lenders made any mistakes when the mortgage was issued.

Even a \$30 miscalculation on the lender's part could be an actionable offense, and the threat of a lawsuit can be enough to persuade the lender to deal with you in trying to find a way to help you work through your financial difficulties. In a forensic loan review, a legal pathologist scours your loan documents looking for errors in, among other things, the truth-in-lending statement the lender provided shortly after you applied for your mortgage and the lender's annual percentage rate calculation so you could compare loan costs. If the truth-in-lending statement doesn't match the HUD-1 closing-cost sheet you received at closing, if the APR is off by just a hair, you might have cause for legal action against the lender. Typically, forensic loan audits are ordered by mortgage investors to determine what kind of legal liability confronts them in the pools of loans they already own or are considering buying. As a so-called business-to-business service, they are not generally available to individual borrowers. The reviews aren't cheap. The fee could be as high as \$3,000 depending on how much is owed on your mortgage. But if an error is found, it could be the 2-by-4 between the eyes. You need to force the lender to move you up to the front of the long, long line of borrowers who are looking for ways to hold on to their homes. "In some cases, if people were simply overcharged by \$30 on the final HUD-1, or if the APR was higher by just 0.125% than was originally disclosed, this may give the lawyers leverage when negotiating with the lender to grant a beneficial loan modification."

Copyright 2009 Los Angeles Times