

Lender cuts Mass. deal over subprime mortgages

By Jerry Kronenberg | Friday, August 1, 2008 | <http://www.bostonherald.com> | **Business & Markets**

A California investment firm has agreed to modify 200 Massachusetts homeowners' subprime mortgages - slashing interest rates and forgiving thousands of dollars in late charges, legal fees and past-due interest.

"This shows what can be done if (the banking industry) looks beyond just saying: 'Let's foreclose,'" Attorney General Martha Coakley said yesterday in unveiling a deal with WMD Capital Markets LLC.

WMD recently bought the mortgages from Fremont Investment & Loan, a lender notorious for aggressively pushing subprime mortgages during the housing boom.

Coakley sued Fremont last year, winning an injunction that limited the firm's right to foreclose on its 2,200 Massachusetts customers.

Fremont has since sold off 490 of its Bay State loans - 200 to WMD and 290 to Carrington Mortgage Services.

A Suffolk Superior Court judge previously extended the injunction against Fremont to loans that Carrington bought. Yesterday's deal releases the mortgages WMD purchased from the court order.

In exchange, however, WMD agreed to:

Permanently switch borrowers' interest levels back to the 5 percent to 8 percent "teaser" rates that the loans originally carried. Most borrowers' rates had shot up in the past year or so to as high as 12 percent.

Forgive roughly \$7,000 to \$10,000 per mortgage of loan-origination charges, late fees, past-due interest and foreclosure-related legal expenses.

Give \$10,000 to \$25,000 "relocation payments" to clients who can't afford the lower-cost loans, but agree to move out quietly.

WMD chief William Daugherty said his company, whose motto is "A Higher Form of Investment Firm," agreed to the deal because the firm supports "market solutions (that advance) public-policy goals."

But foreclosure expert John Anderson said the pact does nothing to address the fact that many subprime borrowers are "under water" - owning homes worth less than their unpaid mortgage balances.

"For many people, the best thing to do would be to take the \$10,000 to \$25,000 that WMD is offering and walk away," he said.

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