Assignee Liability

Protecting Homeowners and Strengthening the Mortgage Market

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Contact Josh Nassar (202) 349-1865
or Lisa Ransom (202) 349-1880

What's an "assignee"?: Mortgage brokers and mortgage lenders make loans, but they usually don't keep them. The majority of mortgages are sold into a secondary market for the loans, where they are bundled together and packaged as investments. The parties that own an interest in the loan as it flows through the investment process are known as "assignees" of the loan.

Why do we need assignee liability? Often loan originators simply seek to deliver what the secondary market will buy with little regard for whether homeowners can make their payments and afford the loan, because they don't keep the loans they make. And when loans are sold, homeowners who get abusive loans often have no way to pursue justice, because the party holding the loan has too little legal accountability.

<u>Without assignee liability, a family that has been the victim of a predatory loan may not be able to stop the foreclosure of their home</u>. Instead, the victim must bring a separate action against the loan originator after the home is already lost. The action can take years to resolve, and often the original lender is no longer in business or has no assets.

FAST FACTS

- In 2006, about 75% of subprime loans, worth $483 billion, were securitized and sold on the secondary market.
- Mortgage brokers and other minimally-capitalized originators are frequently out of business before a homeowner even knows that she has a predatory loan.
- The market is <u>not</u> self-correcting. In October, Standard & Poor's announced that it had downgraded 1,713 classes of residential mortgage-backed securities (RMBS) backed by subprime and Alt-A mortgages issued in the first half of 2007.

H.R. 3915 provides reasonable, common-sense provisions for assignee liability. **Please support this bill, but stress that the bill can only work if it is strengthened, not weakened.**

Investments in Mortgages Drove the Market

"The big demand was not so much on the part of the borrowers as it was on the part of the suppliers who were giving loans which really most people couldn't afford. We created something which was unsustainable. And it eventually broke. If it weren't for securitization, the subprime loan market would have been very significantly less than it is in size."

Alan Greenspan
Newsweek, 9-24-07