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HEADLINE: HUD IG Eyeing Fairbanks

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BODY:

The Inspector General of the Department of Housing and Urban Development is looking into allegations that a subprime servicing company, Fairbanks Capital Corp., is mishandling accounts and overcharging homeowners.

HUD secretary Mel Martinez told the Senate Banking Committee last week that the HUD IG has initiated an investigation into "what appears to be a horrible situation."

It was only two weeks ago that Sen. Barbara Mikulski, D-Md., asked the HUD IG to investigate Fairbanks' business practices.

However, the nation's largest subprime mortgage servicer has been the subject of a series of television news stories by WBAL in Baltimore that focused on consumer complaints about Fairbanks, which is based in Salt Lake City.

Fairbanks president Bill Garland said his company is reviewing all the cases that have been subject to media attention.

"We have contacted HUD and will be providing that agency with accurate information to address the unfounded allegations reported in the media that have prompted the HUD inquiry," he said.

A HUD IG spokesman said, "This matter is under continuing review and we have no comment at this time."

Last week, Sen. Paul Sarbanes, D-Md., told the HUD secretary that he is concerned about reports that Fairbanks is forcibly adding insurance to accounts at great expense to homeowners and in

some cases threatening foreclosure. "It seems to be a case of pure abuse," Sen. Sarbanes said.

Mr. Garland declined to comment on the remarks by secretary Martinez and Sen. Sarbanes.

However, the company maintains that a common source of disputes involves the lack of escrow money on many subprime accounts. This can cause problems when homeowners don't understand that they are responsible for paying the taxes and insurance. (See related story, page 2)

In related news, Standard and Poor's, citing "increased regulatory scrutiny," has placed the Fairbanks Capital Corp. on CreditWatch with negative implications.

S&P raised concerns about a recent meeting between the company's management and Maryland regulators to address borrowers' concerns, as well as a request by Sen. Mikulski, for HUD to consider initiating a wider investigation into Fairbanks' servicing practices.

"Fairbanks is confident of its ability to continue to provide high-quality non-prime mortgage servicing and believes S&P's review will not affect the company's standing as the leading servicer of non-prime and alt-A mortgages," the company said in a statement.

Fairbanks is one of the top-rated servicers by S&P, as well as by Moody's and Fitch Ratings. The company pledged to continue to cooperate with regulators and said it remains "committed to industry best practices."

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