

Mortgage Relief for Service Members

By John H. Cushman Jr. - At War (The New York Times)

Members of the military services who lost their homes in unfair foreclosures have won a big victory – and will receive big payouts — in the comprehensive settlement of mortgage litigation that was reached last week.

Four big lenders have agreed to identify service members who lost their homes or were denied interest rate reductions in violation of a law that protects active duty and deploying troops from credit card or mortgage abuses – and to make up their losses. The lenders are JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial, formerly GMAC.

The breakthrough was described in a briefing on Friday by Holly Petraeus, assistant director for the Consumer Financial Protection Bureau’s Office of Service member Affairs; Tom Perez, assistant attorney general for the Justice Department’s civil rights division; and Attorney General Beau Biden of Delaware.

Wells Fargo, Citigroup and Ally will be required to provide any service member who was a victim of a wrongful foreclosure a minimum of \$116,785, plus lost equity and interest, Mr. Perez said. Banking regulators could decide to make the payout even higher. JPMorgan Chase, which has compensated some service members because of an earlier private settlement, will provide victims either their home free and clear of debt or the cash equivalent of the full value at the time of the sale. “In addition,” Mr. Perez said, “service members will receive compensation for any additional harm suffered.”

Those who think they may qualify can contact an Armed Forces Legal Assistance office. (More details are at servicemembers.gov. Or call the Justice Department at 800-896-7743.)

Service members do not have to apply for relief. The government, over time, will identify victims and notify them.

Mr. Perez said “the law postpones, suspends, terminates or reduces the amount of certain consumer debt obligations so that members of the armed forces can focus their full attention on their military responsibilities without adverse consequences for themselves or their families. It allows our service members to focus on the critical role they play in protecting our nation.”

He added: “Among these protections is a prohibition on foreclosure of a service member’s property without first getting approval from the court, if the service member received the mortgage loan prior to entering military service. And if a foreclosure is filed in court, it requires the servicer to notify the court that a service member is on active duty.”

Finally, he said, the Service members Civil Relief Act “provides that a service member can have his or her interest rate lowered to 6 percent on debt that was acquired before entering military service.”

The settlement expands the protections in important ways, like covering deployed troops regardless of whether they took out their mortgages before or after enlisting, and providing mortgage relief when military families whose homes are under water financially are relocating for new assignments.