

The Real Estate Industry's Fine Art of Deception

Posted by Steve Berman on Jan. 20, 2009

I'm no art expert, but in my limited understanding of Impressionism, the painter traditionally uses short, broken brush strokes to create intensely vivid portraits that are beautiful standing from 20 feet away. From a closer vantage point, that same painting seems more like a crazy mix of random, yet colorful brush strokes, melting together with no particular rhyme or reason.

Like a Monet painting, before the subprime meltdown and financial crisis, home lending appeared powerful and invincible from afar. Homeowners received generous and flexible loans and home sales climbed steadily, as did homeowner's perceived equity.

Fast forward a year, take a few steps closer, and the true colors of the industry begin to separate, unraveling to show the true colors of what we allege is a web of deception concealing fraud and unsavory practices from customers, homeowners and others in the home lending industry.

In the past year, we've filed several lawsuits against title and escrow companies, home lenders and financial institutions. Whether the claim is pushing homeowners into dangerous loans, double charging homebuyers with escrow fees or wrongfully inflating appraisal fees, it all falls in the same bucket - corruption, which damages not only the market, but also individuals and families across the country.

One of the larger alleged schemes we uncovered involves several of the nation's largest title and escrow companies. Over the course of several years, companies like Chicago Title Company, First American Title Insurance, Fidelity National Title Company and Old Republic Title and Escrow have used a captive reconveyance scheme, among others, to take advantage of home purchasers, or those refinancing their homes, our suit claims.

Countrywide's also come under intense scrutiny and legal pressure during the past year. At HBSS alone, we filed four significant cases against the lending giant. Allegations range from predatory lending, illegally blacklisting independent appraisers, ERISA violations with the company's 401(k) plan and significant damage caused to plan participants. The most recent case involves the alleged inflation of appraisal fees.

In a lawsuit filed last week, we contend Countrywide rigged the appraisal process in an attempt to boost profits at the expense of homeowners and third-party appraisers. We believe this scenario played out in cities throughout the country, totaling hundreds of millions of dollars in excess profit for the lending giant.

The unfortunate truth is we don't think this practice ends with Countrywide. In addition to our lawsuits against Countrywide, we're also investigating Wells Fargo and Rels Valuation for the same deceptive practice.

If you purchased or refinanced your home through Countrywide and LandSafe recently, you can join the suit. Or if you want to learn more about our Wells Fargo investigation, you can go to www.hbsslaw.com/WFCappraisals for information.

With record numbers of home foreclosures, companies dissolving and unemployment on the rise, times are tough for most Americans.

The role of private litigation can lend a hand during these arduous times, working towards change that benefits everyone. By changing the corrupt practices of big business, holding CEOs accountable for irresponsible lending and guiding a path for homeowners, there is some good that can come out of all this.

Once the dust settles, perhaps the real estate industry should turn its back on Impressionism and pursue Realism.