

Mortgage Settlement Report Finds Banks Reluctant To Reduce Principal, Despite Promises

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The largest mortgage settlement in U.S. history was pitched by its creators as a deal **that would offer quick aid to 1 million people in danger of losing their homes to foreclosure.** But according to a report released Thursday by the court-appointed monitor of the settlement, in the first nine months after the \$25 billion deal was struck, **fewer than 50,000 people received the most coveted form of relief: reduction of principal owed on a first mortgage.**

Meanwhile, more than three times as many borrowers **-- 169,000 -- agreed to a short sale**, which requires they leave the property, according to the report.

Banks still have time to meet their obligations under the settlement, which requires that 30 percent of total relief come in the form of first mortgage principal reduction. But housing advocates say the limited progress so far -- just 14 percent of aid has gone to write down loan balances -- suggests that banks are avoiding, or at least delaying, their obligation to provide meaningful relief as they promised under the deal.

"The numbers are hugely out of whack," said Dan Petegorsky, a spokesman for a group called Campaign for a Fair Settlement. "In some cases banks are five or six times as likely to kick someone out of their house than they are to forgive their debt."

The fear, said Petegorsky and other advocates, is that with each passing month, more homeowners who could have been helped will fall into foreclosure. More than 4 million families have lost their homes since 2007, when the subprime housing market collapsed.

Under the [mortgage settlement](#), reached last March with state and federal authorities, the five settling banks -- **JPMorgan Chase, Bank of America, Wells Fargo, Citigroup and Ally Financial** -- agreed to resolve widespread mortgage fraud and mismanagement allegations. The deal also sought to close the book on the **"robo-signing" scandal**, in which bank representatives allegedly **forged documents and signatures in order to speed foreclosures through the pipeline.** (The deal is separate from [an \\$8.5 billion legal agreement reached in January](#) between 11 mortgage companies and two federal bank regulators over similar "servicing" abuse claims.)