Cuff case study

Business

Mortgage brokers relaxed documentation requirements and impaired or limited credit histories. Many loans were provided as “ stated income loans”, Nearby the borrower did not have to prove income. Additionally, mortgage brokers gave new homeowners “ adjustable rate mortgages which often included introductory below market rates. Below market “ teaser: rates allowed for a low monthly payment in the first few years of the loan and then were adjusted in line with market rates thereafter.

” “ Countryside’s conduct was deemed illegal in the case Department of Legal Affairs Florida v. Countrywide Financial Corp.. Et al. Filed June 30, 2008.

Specific illegal practices alleged in the case included: 1 .

CUFF did not follow its own underwriting standards. 2. CUFF did not follow industry underwriting standards. 3. CUFF placed borrowers into loans they knew they could not afford.

4. CUFF failed to properly disclose loan terms including: a. Misrepresenting duration of “ teaser rates” b. Misrepresenting adjustable rates as fixed rates. C. Misrepresenting the manner and degree of payment increase after initial fixed ate period.

. Not disclosing that low teaser rates would expire and dramatically increase resulting payment that might be far beyond borrower’s means. 5. CUFF knowingly placed borrowers in inappropriate mortgages. 6.

CUFF provided underwriters with bonuses based upon volume of mortgages approved. ” Countrywide originated the pay-option mortgages, which allowed borrowers to choose their monthly payments even if they did not cover the entire interest amount. Neat was unethical was that senior executives knew that defaults and delinquencies

Mould rise. I would suggest that the government complete more audits on mortgage companies. The government can set up clear guidelines and regulations on approving mortgages.

I would also advise current mortgage companies such as Bank of America to set up and monitor closely ethical standards for the company. Countrywide compensated employees based on loan originations and did not include loan defaults. I would disallow this practice. When engaging in unethical behavior senior executives benefit short term.

Motion ad unbelievable perquisites which amounted to approximately .

He also ' exercised $121 million of stock options in 2007 and reportedly stood to collect a reported windfall of $80 million to $115 million on the $4 billion sale of the company to Bank of America as part of his severance package. However… Motion forfeit(De) $37. 5 million".

Eventually almost everyone gets caught and is either removed from their positions, slapped with a heavy fine or sent to prison. The government is hurt as Nell when companies engage in unethical behavior.

They are left to deal and clean Jp the mess the greedy top level executives create. The government has to come up Ninth a solution to the thousands of foreclosures across the country. Lastly, as California attorney general Edmund Brown put it " CUFF lending practices turned the American dream into a nightmare for tens of thousands of families by putting them onto loans they could not understand or ultimately afford”.

Thousands of families lost their homes or are stuck with houses sold to them at a value that is no longer current.