

# Analytical paper :the legal perspective

Law



Word count – 547 words In the film “ Inside Job” written, directed and produced by Charles Ferguson, he tries to expose how financial services in the United States became unrecognisably corrupted in the space of 30 years. The unregulated acts of conglomerate investment banks caused the credit crunch crises of 2008 and most certainly your local community bank was not to blame. The film focuses on quite intentional frauds perpetrated by government employees, politicians or even academics.

There are various unlawful, financial practices adopted and described in the film and the crucial question Ferguson poses is why no one is prosecuted or send to jail.

One such unlawful practice executed is by predatory mortgage lenders. During the housing boom, they went after middle class workers, who given the circumstances will not qualify for a mortgage. However, they were approved and received a 100% mortgage with considerably low interest rates.

When the crises hit the home-owners and they couldn't keep up with the impossibly high repayments, they now seek the protection of the law and filing lawsuits against the borrowers. Those who can afford a lawyer can either delay the proceeding of getting their home foreclosed or try and negotiate with the bank whether the loan can be modified to a more appropriate terms. Those who are not able to afford an individual lawyer can join a group lawsuit. Some of the borrowers who might have lost their homes already are seeking damage compensation. A common predatory lending practice describes also in the film is that of so called Balloon Loans. This type of loan provides the borrower with unrealistically small monthly repayments, which cover the interest on the mortgage. The principal of the loan is not

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factored into the repayments. So in order for the borrower to finish the loan he needs to pay a lump sum of several thousands . In most of the cases this is not possible and foreclose of the property will take place.

In the rule of law it is the lenders duty to establish and determine that the borrower can re-pay the mortgage based on his credit history, current income and other assets. It was a common practice for the lenders to ignore or disregard some of these factors in order to get the deal finalized. What are your rights before the court of law if you had fallen victim to a predatory lender? According to the Truth in Lending Act, you need to be provided with notice of rescission. This documents allows the borrower to turn the loan down within three days. If you did not receive the notice of Rescission, the contract is not legally binding. Hence, if you wish you can walk away from the predatory loan and not oblige to the lenders repayments. Also you will be able to collect damages in court about that.

If the mortgage documents clearly stipulate that your lender violated the Truth in Lending Act you are also able to file a lawsuit on the legal grounds of a borrower. You might be able to claim monetary damages and in some instances get twice the amount of the agreed mortgage that the lender levied against you. Although the Truth in Lending Act is a federal law, the states law may also apply when preparing a civil suit.