Poor business ethics report

Finance, Investment

Poor Business Ethics

Earlier in the year Bank of America, JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial all being big time mortgage and loan lending institutions were alleged to be engaging in illegal practices. An investigation that was carried out by New York State investigators found out that bank of America along with other financial firms did not follow the laid down procedure when creating their mortgage-backed securities as provided for in the New York state law. Bank of America is said to have flawed the mortgage banking process by failing to provide important documents to other entities. These home loans were turned into securities and sold on Wall Street to potential investors which include pension funds and insurance companies.

Questions that were raised following court testimonies and independent studies were whether the financial institutions gave or passed the necessary documents to the trusts which are the independent entities that oversee the securities for the investors (Nasipouri, 2011, para 3). Lack of proper documents translates into lack of ownership rights. For example in some instances, borrowers who faulted payment would be sent packing as their homes would be seized by the trusts but due to lack of necessary documents the court would find taking such action as an offence since the trusts did not have any legal standing.

Another down turn to this unethical practice of not providing necessary documents like mortgage documents to another party as required by the New York state law that guides securitization, would be investors claiming back their hard earned money from the financial institutions which would translate to huge losses. New York’s top cop Schneiderman had earlier on in the year requested for Bank of America’s along other financial institutions’ mortgage documents (Nasiripour, 2011, para 1). Bank of America executive, Linda DeMartini said in her testimony in a New Jersey bankruptcy case that Countrywide normally did not provide crucial documents for loans sold to investors.

The impacts of these unearthed unethical practices include loss of business with potential mortgage takers and loan lenders. Investors faith in the Bank of America would lose their faith in the company and may even sell their shares at a throw away price as their share prices will inevitably take a dip as a result of this scum. The bank now has to grapple with numerous lawsuits and private actions that are compelling the bank to buy back the faulty mortgages.

REFERENCES

Nasiripour, S. (2011). “ Bank of America faces new probe: New York attorney general launches investigation into mortgage securitization”. Huffpost Business. Retrieved from http://www. huffingtonpost. com/2011/06/13/bank-of-america-mortgage-investigation-schneiderman_n_875681. html