

Why do Banks Prefer Foreclosure?

A video appeared February 8, 2010 by a group called "Think Big, Work Small". The subject matter of the video is a case history of borrowers who, by virtue of a series of agreements between One West Bank and the FDIC that were entered into when the failed IndyMac Bank was taken over by OWB last year, completed a short sale that resulted in an estimated 34% profit for OWB. To add insult to injury, the borrowers had to sign a promissory note to OWB for an additional \$75,000. I studied the situation and wrote an article summarizing the highlights (see companion Page on this blog "Foreclosure Profits Beat Loan Mod". It does appear that the loss sharing arrangement between FDIC and OWB facilitates quick, easy and virtually guaranteed profit maximization by foreclosure. What do you think?