



# LAW ADVOCATE GROUP, LLP

9701 Wilshire Blvd. Suite 1000 Beverly Hills, CA 90212

Phone: 310-651-3065 Fax: 310-601-7110

[www.LawAdvocateGroup.com](http://www.LawAdvocateGroup.com)

## DORON F. EGHBALI REAL ESTATE LAW

### [How Can the Foreclosure Crisis Eventually Affect All of Us?](#)

Monday, November 1, 2010 by [Doron F. Eghbali](#)

The foreclosure crisis engulfing the real estate market has far reaching implications for all of us. In fact, many of us might not have realized the havoc this fiasco could wreak upon not only upon those whose houses were wrongly foreclosed, but also upon those of us owning a house and those of us thinking about purchasing one. In fact, such ramifications could increase mortgage interest rates, title insurance costs and consequently make it harder to purchase, maintain or refinance existing ones.

#### **SOME RAMIFICATIONS OF FORECLOSURE CRISIS**

##### **1. HIGHER TITLE INSURANCE PREMIUMS**

Title insurance is what protects home owners from claims of ownership by other people. The foreclosure crisis has cast a shadow on the properties sold, as litigation by state Attorneys General and those whose houses were wrongly foreclosed upon loom large over such properties. Generally, title insurance companies are liable for such costs of litigation and have to pay for them. Accordingly, it is understandable title insurance premiums would rise to shield such companies against the eventuality of costs of litigation.

In fact, on October 1, 2010, Old Republic Title Insurance informed its agents to no longer issue policies on homes foreclosed on by GMAC or JP Morgan Chase. On or around October 20, 2010, Fidelity National Financial, the nation's largest title insurance company, demanded that lenders vouch for their properties before it insures such properties.

##### **2. HIGHER MORTGAGE INTEREST RATES**

This is important to understand the process of foreclosure by mortgage servicers to understand why mortgage interest rates are probably poised to rise, if the prevailing real estate conditions persist without governmental assistance. In fact mortgage servicers, until very recently, worked on low margins high volume business. This meant the servicers relatively would not make lots of profit on one particular loan as they collected lots of mortgage payments and then sent such

mortgage payments to lenders and make lots of small profits, amounting to relatively lots of profits. However, servicers also manage foreclosures and the fact servicers are under enormous scrutiny by courts and regulators to perform their job well, they will have to charge higher. This cost will eventually be passed onto borrowers by lenders in the form of higher mortgage interest rates. Undoubtedly, higher mortgage interest rates could make it harder to refinance, too.

This is extremely important to note mortgage servicers have always had the responsibility to perform their job well. Nonetheless, now, they have to prove they are performing what they are supposed to do, instead of having people not familiar with the documents sign under oath attesting they know what they are signing. This is, in fact, the problem of robo-signers, as we all have heard about so frequently.

### **THE BOTTOM LINE**

The question then arises if home prices as a consequence of such real estate environment will be changed drastically in the foreseeable future. The answer is probably no. However, given the volatility and uncertainty prevailing lenders, sellers, buyers, title insurance companies, the government and even mortgage servicers coupled with already anemic real estate market, there is no certainty.

---

***DORON EGHBALI** is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. Doron Can Be Reached at: 310-651-3065. For More Information, Please, Visit: HERE.*