

Subprime, Exotic or "Crap?" Mortgage Industry Lingo

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Former Credit Slips guest-blogger Max Gardner is always trying to understand the real mechanics and economics of mortgage servicing. At one of his infamous Bootcamps, he had an employee at a now-deceased mortgage servicer share an insider's perspective on default mortgage servicing. The employee used some terms of art that are pretty revealing of the serious problems in the mortgage industry. For example, servicing technicians who have to load a new set of subprime or Alt-A loans into the system call those loans "Crap of the Crop," because even on arrival at the servicer all or almost all of the loans already have major problems such as incomplete documentation, existing defaults, etc. Another popular term is "scratch-and-dent" loans. Quite a bit more colorful, than "subprime" isn't it?

The explanation for why homeowners can't get reliable answers on loan modifications is that the default servicing technicians are "cab drivers," when successful HAMP and other loss mitigation programs would require "cup drivers" in NASCAR parlance. The servicing industry doesn't care much for "CRAMP," their term for Hope Now and HAMP, which the former employee described as a vehicle designed for an 8-lane Interstate running on a two-lane country road. And those qualified written requests that consumers can use to get information on their mortgage loans? Those QWRS are "Quite a lot of Written Regurgitated S**t" because most consumers won't know what to do with the information that the system spits out in response to the request. Depressing that the best legal tool consumers have may be aptly described with such acronym. If there is a bright spot here, it's that folks like Max who are holding the industry's feet to the fire are making a difference. In fact, Max got his own term. A "BCA" is a boot camp attorney, whose request means a lot of work and trouble for the unlucky servicing tech who gets such correspondence.