

## Mortgage Lenders Being Sued: Home Loan Market to tighten

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Everyone cheers when the banks get their wrists slapped for fraud but are increasing lawsuits tightening the home loan market even further, and if so what does this mean for real estate investors?

Politicians claim they understand that mortgage lending needs to be loosened up and that consumers need easier access to credit but are current moves, simply driven by panic and actually having the opposite effect?

In the last couple of weeks we've seen more mortgage giants being sued, with government promising more lawsuits on the way as well as an announcement of 530 indictments for mortgage fraud this year alone. Most recently this even includes Wells Fargo being sought for \$190 million in damages for bad loans taken on by the government and Wells was arguably one of the most cautious of lenders during the recent boom and even more so now.

Yes, fraud, which has surprisingly only rocketed since 2008 needs to be stopped to prevent greater losses for the government and tax payers and to restore confidence in buying mortgage backed securities in order to keep money in the market. However, the dramatic increase in lawsuits and prosecutions could certainly make things even scarier to investors realizing how deep and widespread this fraud really goes.

On top of this, this all means more payouts being demanded from banks, which may not really hurt them now but certainly makes them less eager to make new loans.

This could just be the tip of the iceberg too as the government plans a new system for reviewing loans earlier, threatening to discover even more fraud in the next few months and kicking back

more bad loans to originating banks.

There may have been some signs of credit easing recently and demand for more and riskier securities with better returns but more lawsuits and a tightening on behalf of originators who are too afraid to make loans could slow housing growth in 2013.

However, before Americans throw up their arms in despair, this may not be such a bad thing. Nationally home prices rose over 10% in the last year, with some areas seeing growth exceeding 15 and even 30%. If we don't want to race to another bubble then reasonable growth is good. Plus there doesn't really seem to be any lack of buying power in the market with the best properties still being snatched up in days.

Thankfully for investors focused on wholesaling and flipping houses the rise of transactional lending means they aren't hurting either. This type of funding provides them all of the capital they need to finance their rapid, low risk flips without having to jump through the endless hoops of banks, making it much more attractive anyway.

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