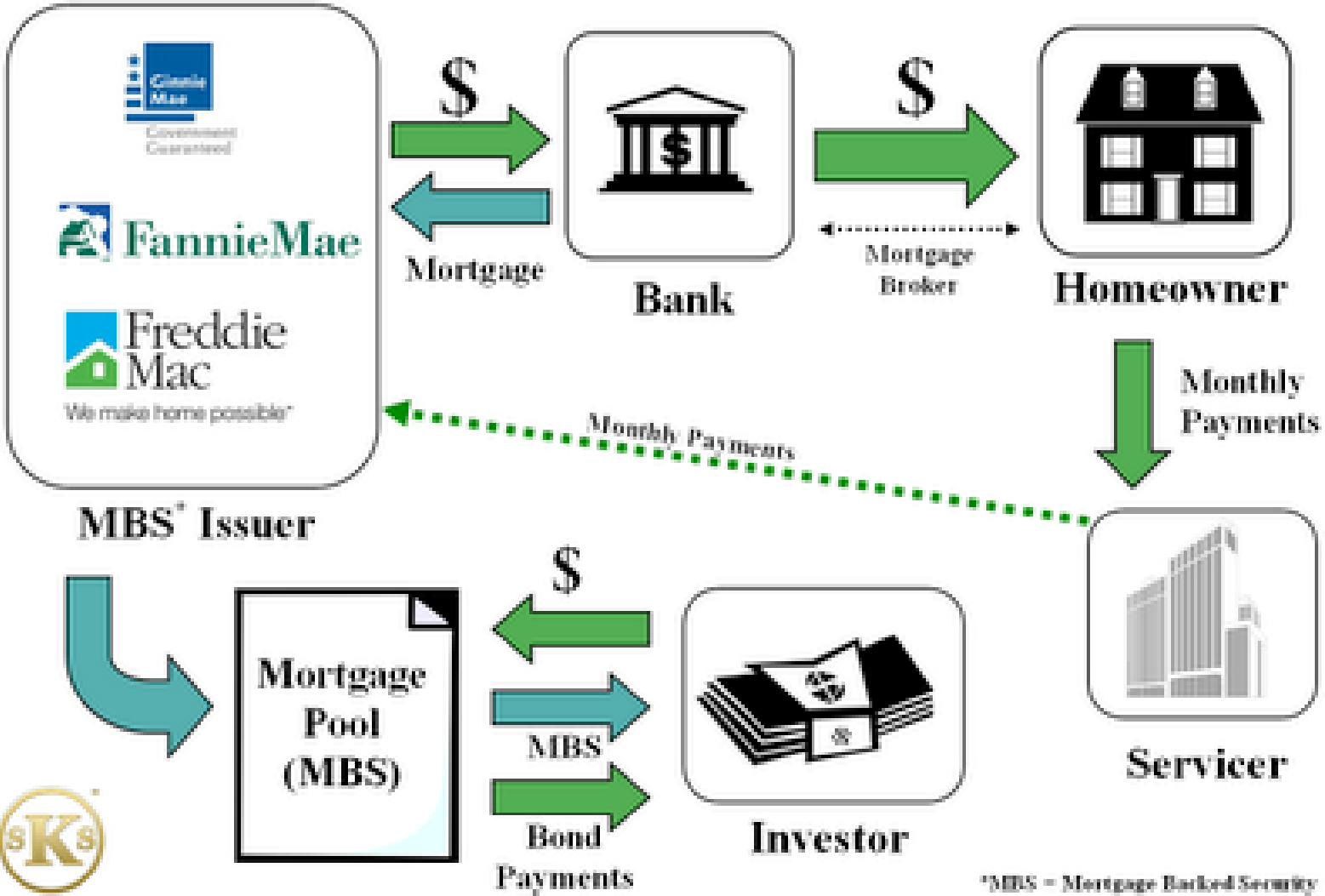


“Nontraditional” Mortgages in General

- Adjustable Rate Mortgage (ARM)
 - typical is a 30-year fixed rate
 - ARM has fixed rate for 2-3 years
 - then adjust to higher, variable rate for rest of term
- Debt-to-Income Ratio
 - typically 28-36% gross income
 - these approached 50%
 - and calculate on fixed rate portion of ARM
- Loan-to-Value Ratio
 - typically 80-20
 - approached 100 (no downpayment, equity)
- Predatory?
- What happens with these when economy/housing ↓

Mortgage Lending with Securitization



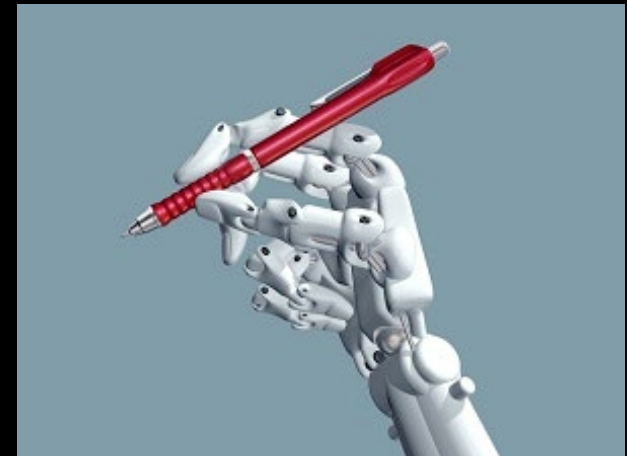
*MBS = Mortgage Backed Security

Klem v. Washington Mutual Bank

- Halstein owns home – worth ~235K to 320K
 - Outstanding mortgage – 75K
- Defaults – and Quality forecloses
 - Why not sell before hand?
 - Quality forecloses on behalf of who?
 - Sells for more than \$1 than owes
 - What happens shortly after the sale?
 - False notary -- earlier date of sale
 - Halstein's guardian had found 235K buyer, but Quality would not delay foreclosure sale

Klem v. Washington Mutual Bank

- What is the claim?
 - Consumer Protection Act
- (1) Unfair or deceptive act or practice
 - Discretion to postpone sale
 - What about directions from WaMu?
 - Whose interest representing?
 - Lack of proper discretion enough by itself?
 - Predating notarizations
 - Robo signing
 - What is harm?
 - Benefit to consumer?
 - Can foreclosure price be enough?



Klem v. Washington Mutual Bank

- (2) occurring in trade or commerce
- (3) public interest impact
- (4) injury to plaintiff in his or her business or property
 - What awarded?
- (5) causation