

Class Sues Wells Fargo on Reverse Mortgages

By HEATHER JOHNSON



SAN FRANCISCO (CN) - In a federal class action, homeowners say Wells Fargo Bank and Fannie Mae broke the law on reverse mortgages, in a program meant to protect survivors from losing their homes after the noteholder dies.

The class claims the bank and Fannie Mae violated the "95 percent rule" on reverse mortgages, which gives borrowers the right to 30-day notice that they may sell a Home Equity Conversion Mortgages property for 95 percent of its appraised value when a loan becomes due and payable.

Home Equity Conversion Mortgages (HECM) are commonly known as reverse mortgages.

The HECM rule is meant to protect survivors when the homeowner dies during a bad real estate market. The class claims that Wells Fargo and Fannie Mae, which buys the bank's mortgages, demand repayment of the full mortgage balance and foreclose if they don't get it.

The class claims the bank and Fannie Mae refuse to allow surviving spouses and other heirs to pay fair market price for the homes.

Plaintiff Robert Chandler says his late mother, Rosemary Chandler, obtained a Home Equity Conversion Mortgage in 2005 for a home she had lived in since the 1940s. When she died in 2010, Robert says, Wells Fargo foreclosed without informing him of the 95 percent rule. Fannie Mae took possession of the property and still holds it.

Chandler seeks declaratory judgment, damages and an injunction. He is represented by Michael Ng with Kerr & Wagstaffe