

## Wachovia offers loan modifications

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**SAN RAMON** — Some homeowners who obtained adjustable-rate mortgages from World Savings Bank may be able to restructure their home loans and avert foreclosure through a new program launched by Wachovia Corp., officials said Thursday.

Wachovia has commissioned about 10 mortgage companies, including BWC Mortgage Services, to find residential borrowers who have a "Pick A Pay" adjustable rate mortgage. These loans were all originated by World Savings. Wachovia inherited the loans after it bought Golden West Financial Corp. a few years ago.

"This can help homeowners, absolutely," said Michelle Kinder, an executive vice president with BWC Mortgage Services. "Wachovia has given us some scenarios under which loans could be restructured."

San Ramon-based BWC Mortgage will seek out borrowers who have such loans, which are generically known as pay option ARMs. The mortgage company intends to find borrowers who qualify for new and restructured loans that would conform to FHA, Fannie Mae, or Freddie Mac standards.

Borrowers could benefit if they are in these kinds of scenarios: If they are burdened by loan amounts that exceed the value of the home; if they are making monthly payments that lead to steadily larger loan balances, also known as negative amortization; or if

they are facing a big increase in their loan payments after a few years of mortgage payments.

"Cash-out options are also available, which will allow borrowers to consolidate some of their debts," Kinder said.

There are some caveats. Chief among them: The loans must be current and not in default, BWC said.

Wachovia officials said they are attempting to be proactive in restructuring the Pick A Pay loans that originated with World Savings, the operating bank that was owned by Golden West.

"We are actively calling our customers and providing them with the options of refinancing into an FHA or conforming type of loan," said Donald Vecchiarello, a Wachovia spokesman. "We are working with a few companies in California to help us with that project."

The customers who obtain a restructured loan will likely be placed into a typical 30-year loan, or loans that have a blend of fixed and adjustable rates. One would have a fixed rate for three years and another would have a fixed rate for five years. After the initial fixed-rate period, the mortgage rate would float up or down, depending on prevailing trends in interest rates.

The California program that includes BWC Mortgage will last about 60 days. After that, Wachovia will determine if the pilot project is successful. If the pilot passes muster, Wachovia intends to continue the program for another year or two.

"The decision to modify these loans is to be applauded," said Preeti Vissa, a program manager with the Berkeley-based Greenlining Institute. "We hope that Wachovia will declare a foreclosure moratorium at least until they modify all option

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ARMS."

Greenlining officials said these loans have turned out to be lethal for more than a few homeowners. Robert Gnaizda, general counsel of Greenlining Institute, criticized Golden West's former co-chief executive Herbert Sandler and World Savings and because they devised and hawked the mortgages, which allowed borrowers to choose different payment options.

"Wachovia's option ARMs are among the most toxic loan instruments on the market," Gnaizda said.

"When World Savings introduced them as the primary method of financing home mortgages, they had an unduly optimistic view of home prices. Herb Sandler believed home prices would continue to go up at well above the inflation rate, despite history to the contrary."

The program also could help Wachovia by removing a number of loans and shunting them over to other financial organizations.

"From Wachovia's perspective, this does allow us to get some loans off our books," Vecchiarello said. That enables us to increase our liquidity and capital."

BWC has already begun to scout for borrowers who could qualify for the restructuring.

"From the customer's perspective, they would not have to worry about adjustable rate mortgages," Vecchiarello said. "They would have a steady payment for the next 30 years."

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