



Who Services Your Mortgage?

You recently signed on for a long-term mortgage loan. You shopped around and found a lender you really liked. A few months after your loan closes, you receive a letter in the mail informing you that your mortgage loan has been taken over by a new company and that you must send your payments elsewhere now. What happened? How could your loan be taken over? What good did it do to shop around for a lender you felt really comfortable with?

Many people do not realize that most mortgage loans are bought and sold on the secondary market like stocks and bonds. This allows the rates and the risk on the loans to remain low. Very rarely does a mortgage stay in the hands of one servicer for the entire term of the loan. In fact, you may find that your mortgage is serviced (handled) by several different companies over the life of your home loan.

No matter who owns your loan, the company or loan servicer is responsible for the collection of your monthly mortgage payments, as well as for keeping records of mortgage payment received and the balance of your account. If you have an escrow account, the servicer will also be in charge of that as well. An escrow account allows you to deposit funds for the servicer to use to put toward paying the property taxes and homeowners insurance policy on your home. The servicer is required to supply you with a statement of estimated costs and due dates for the year. He or she will also provide you with a yearly statement of all the activity on your escrow account. If you do not have an escrow account, then you are responsible for making those payments yourself as they come due.

If your loan is sold and comes under the management of a new servicer, the new company is legally required to notify you within 15 days after the switch is made. This notice should give you the new servicer's name and address, as well as the date when the company will start receiving your payments.

Unfortunately, this system of buying and selling mortgage loans, generally leads to a lack of quality in mortgage servicing. The buying and selling is done behind the scenes, and you can neither choose nor get rid of your servicer (unless you refinance.) The servicer has little incentive to provide you the best service possible because your satisfaction or lack thereof has no bearing on whether or not they keep their employment. Plus, the servicer rarely works with the mortgage borrowers personally, and there is a good chance the loan will be sold again sometime in the near future.

While you cannot do much about choosing who handles your mortgage loan, nor much about the quality of the service offered, you should do your part to keep accurate records in case you run into any trouble with your servicer. Be sure to file away records of billing statements, cancelled checks – any documents that prove how much you have paid on your mortgage. This will help insure you against loss in any disputes you may have with your mortgage servicer.