

TIPS FROM THE *Home* team

Each week, Florida Home's panel of experts answers questions and offers advice for buyers, sellers and owners.



Mortgages

Our expert: Louis Spagnuolo, WCS Lending, Boca Raton

Q: If my mortgage company goes bankrupt, what happens to my mortgage?

A: If you're hoping your mortgage will go away, forget it. Your debt is the most valuable asset of your old lender and will be transferred to another institution. Most likely, you will be receiving a notice once the change is finalized.

Generally, mortgages are owned by one company, and mortgage payments are collected for the lender by another company, called the loan servicing agent. The servicing agent collects a fee under contract with the owner of the loan.

In some cases, the owner is also the loan servicer, but either way, when one of these companies goes out of business, or when the servicing agent's contract expires, the company you send your payment to is likely to change.

Transfers of servicing involve a risk to the borrower and should be taken seriously. It's critical to look out for fraudulent companies that pretend to be the new servicing

agent and try and induce borrowers to send payments to them. To prevent this from happening to you, you need to confirm the legitimacy of the new firm before sending them any money.

Under federal law, a firm that is relinquishing the servicing of a mortgage to another firm must notify the borrower of the name of the successor firm along with an address, toll-free telephone number, and a specific date when the changeover is effective. The notice you receive from the new firm should conform to the information you received from the old firm.

If there is any discrepancy between the information provided by the alleged new servicing agent and the information provided by the old one, and if you can't clarify it to your satisfaction over the telephone, don't send any money because it might be a scam.

Also, if you participate in auto-draft or any type of electronic funds transfer, it may be smart to set up a new account to ensure everything will be handled correctly.