Herrera Beutler seeks hearing on FDIC's loan sales

Loans were from failed financial institutions, including Bank of Clark County

Troy Wayrynen/Columbian files

Rep. Jaime Herrera Beutler, R-Camas, has requested a House hearing on the Federal Deposit Insurance Corp.’s sale of loans from failed banks, including the former Bank of Clark County, to Miami-based Rialto Capital Management, as well as similar sales.

By Gordon Oliver

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Rep. Jaime Herrera Beutler, R-Camas, joined fellow Republican Rep. Lynn Westmoreland of Georgia on Tuesday in requesting a House hearing on the Federal Deposit Insurance Corp.’s sale of loans from failed banks, including the former Bank of Clark County, to Miami-based Rialto Capital Management, as well as similar sales.

The two House members have asked a subcommittee of the House Committee on Financial Services to hold the hearing. Their two-page letter is addressed to Rep. Spencer Bachus, R-Alabama, chair of the Financial Services Committee, and Rep. Randy Neugebauer, R-Texas, chairman of the Subcommittee on Oversight and Investigations.

In their letter, Herrera Beutler and Westmoreland say FDIC’s deals with Rialto, a subsidiary of home development giant Lennar Corp., are structured in a way that appears to give Rialto little incentive to work
out loan modifications with borrowers. The FDIC-Rialto agreements “create an incentive to litigate rather than engaging with borrowers to find a settlement,” their letter states.

In a news release, Herrera Beutler said a congressional hearing would provide an understanding of the deal, which was intended to help FDIC recover some money for its insurance fund. “Once we more fully understand what took place, we can determine whether congressional action can help prevent the kind of scenario that unfolded in Clark County from happening again,” she said.

Herrera Beutler and Westmoreland cited an article published in The Columbian on Jan. 16, the third anniversary of the Bank of Clark County’s shutdown by banking regulators, as highlighting issues facing borrowers across the nation whose loans were sold to Rialto. The article reports on efforts by Battle Ground property rights advocate Chuck Cushman to assist borrowers nationally in negotiations with the financial firm.

A spokesman for Lennar Corp. did not respond to a request for comment late Tuesday.

Herrera Beutler said in her news release that she began looking into problems stemming from Rialto’s purchase of the Bank of Clark County loans in March 2011. She said she met with the deputy to the FDIC chairman and submitted information last September at a field hearing of the House Committee on Financial Services. Her office said some seven or eight borrowers or their representatives have asked the congresswoman for assistance.

Rialto paid $243 million two years ago for a 40 percent interest in a pool of loans from 22 failed financial institutions, including the Bank of Clark County. The FDIC held the remaining 60 percent stake in those loans, which had an unpaid principal balance of about $3 billion. Money recovered from payments on those loans or property sales are divided between Rialto and FDIC.

The FDIC told The Columbian in mid-January that 137 former Bank of Clark County loans, with an unpaid balance of nearly $100 million, were bundled into the deal. It said that Rialto has foreclosed on more than one-quarter of those loans. Other loan holders have renegotiated payments or are up to date on payments, have filed for bankruptcy, or have seen their properties sold through short sales or with discounted payoffs.