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Bank of America Suspends Foreclosure Sales

Amid the rising turmoil in the housing market, the Bank of America announced today it is suspending foreclosure sales in all 50 states.

A week ago, the bank suspended foreclosures in those 23 states in which a foreclosure must be approved by a judge, because of growing concerns that huge numbers of foreclosures may have been carried out improperly. But today, Charlotte, N.C.-based Bank of America froze all foreclosures nationwide, threatening to throw the entire real estate sector into chaos.



The move was triggered when the Associated Press published a legal document in which a Bank of America official, Renee Hertzler, admitted in February that, although she signed 7,000-8,000 foreclosure documents a month, she seldom read them. Since the document was made public, concern has been growing in both the banking and real estate sectors that thousands of families may have been evicted from their homes illegally. Bank of America is now promising to keep foreclosures frozen until the company has completely assessed the foreclosure process and the status of foreclosures already carried out. PNC Financial Services Inc. has also suspended foreclosures in 23 states.

Predictably, politicians are harrumphing about allegedly irresponsible foreclosure practices. According to Senator Chris Dodd (D-Conn.), who has promised to hold congressional hearings to publicize the issue, “American families should not have to worry about losing their homes to sloppy bureaucratic mismanagement or fraud. Regulators at the federal, state, and local levels have a responsibility to uphold the law and protect consumers from unfair foreclosure, and lenders have a duty to not cut corners around the law.”

This latest financial crisis aborning has many potential villains — greedy banks overeager to oust delinquent mortgage holders and overzealous regulators who have created such labyrinthine legal burdens on mortgage lenders among them — and not a few victims among mortgage holders who may have been prematurely evicted from their homes. But the root cause lies — and with it, primary culpability — with the Federal Reserve System, whose actions created the enormous real estate bubble that held the entire nation in thrall and led to the cascade of foreclosures and bank failures that ruined the economy.

Photo: Bank of America's headquarters are shown in Charlotte, N.C.: AP Images



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