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PRESS RELEASE

Lack of Transparency in Mortgagee sale

THE Consumer Council would like to voice out the unfair practices imposed by financial institutions when selling repossessed properties.

The lack of transparency in the system is a concern for us whereby home owners are left in the dark without having a say while their property is being disposed. This happens in a very dictatorship style where the financial institution and their lawyers open tenders in the absence of the homeowner. There is lack of transparency in the whole process where it is often seen the mortgaged property is not sold at market value. Generally the information on the amount owed by the homeowner is leaked to bank officers from other banks or their acquaintance. Such practice must stop to protect homeowners. With the current practice, homeowners are simply butchered with a million dollar axe and forced to be tagged as bankrupt in most cases.

The Council has observed the increasing number of homes going on mortgagee sales in recent months. Many home property owners have suffered and are still suffering for repossession of properties or mortgagee sale losing their entire life savings. This leaves the client in a very vulnerable state with all rights denied and not forgetting to mention the social and mental consequences the person goes through. Financial institutions use mortgagee sales to recover arrears and costs at the client's expense.

This lack of transparency in the sale of repossessed property exposes many risks where bank employees and lawyers can have unfair advantage over property that are put up for sale from defaulters. The Council believes the delay in selling the property is a profit making mechanism for the bank the other parties involved since the client is forced to pay the interest until the property is sold and also is held accountable for the shortfall incurred.


The downturn in the global economy and the rise in the cost of living is wreaking its toll on homeowners who divert a significant portion of their salaries and wages to home loan repayments and yet go deeper in debt.

The Council is therefore of the view that Public Auctions would be a fairer and more transparent way of selling off repossessed properties. We are calling on policymakers and stakeholders to seriously consider implementing rules to govern the sale of mortgaged property. Auctions can be made mandatory and regulations be imposed to control the bidding process so that everyone knows their rights, responsibilities and obligations through the auction process. This would avoid the current discrepancies in the system.

Auction laws should take modern business practice into account and go into in-depth detail about what an auctioneer must say at an auction, how auction companies should advertise and what their contracts must say. We should take our cue from countries like Australia for instance that have real estate auctions with strict mandatory provisions to govern the auction process.

Unlike mortgagee sales, auctions can reveal the true market value of a property and are conducted in an open forum where all bids are known and participants are given immediate feedback on the property's value. Auctions eliminate long negotiation periods where interest pile up, buyers know they are competing fairly and on the same terms as all other buyers and receive comprehensive information on property via due diligence packet. Any consumer taking part in an auction can easily and quickly make market comparisons when they see biddings at the same place and at the same time.

Meanwhile, Council advises home owners facing foreclosure to make immediate arrangements with their banks on ways of making their payments. Intending homebuyers should seek pre disclosure statement from the financial institution to understand their financial obligation before they engage in any home dealings.



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Premila Kumar
Chief Executive Officer