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Company targets foreclosure customers

By: BRADLEY J. FIKES - Staff Writer

CARLSBAD ---- Homeowners at their wits' ---- and wallets' ---- end are the targets of a new startup company in Carlsbad.

The company, You Walk Away LLC, says it will guide qualified homeowners through the process of abandoning their home and mortgage, for $995.

Co-founder Jon Maddux, said his company tells callers they should talk to their lender first. But lenders don't always cooperate, he said, so for homeowners in dire straits, walking away may be their only choice. Chad Ruyle is his partner in the new venture.

"We help people through foreclosure, not into foreclosure," Maddux said. "The people who come to us are the type of people who are in financial ruin and have nowhere to turn."

You Walk Away said it tells customers how long they can live in their house "payment free," enrolls them in a credit repair program, and gives them a conference with real estate attorneys on its staff. The company has received prodigious media attention in the last few weeks, from CNN Money and other news agencies.

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Maddux said that since the company opened on Jan. 1, it has signed up about 100 customers throughout California. The company also operates in Nevada and will soon be in Colorado, Arizona and other states, he said. It's on the Web at http://www.youwalkaway.com.

Walking away raises moral and practical questions. Is it ever ethical to go back on a contract? And is $1,000 a fair fee for the service?

Mike Shedlock, an investment adviser with Sitka Pacific Capital Management, said that in some cases, the answers are yes. Someone who can't afford a mortgage and is not able to deal with the lender should give up immediately. Delaying only means the homeowner gets deeper in debt, he said.

Shedlock, who wrote about the company on his blog at http://tinyurl.com/2y45m9, said the help and relief from pressure might well be worth the company's fee to a distressed homeowner.

"I think it's a reasonable price," Shedlock said. "Do you want to do that research on your own, or do you want to talk with a lawyer for $995 bucks and make sure there's no snags down the road?"

But Gabe Del Rio, director of the home ownership center for Community HousingWorks, takes the other side: Walking away is the worst answer, he said. It's bad for your credit, and less drastic options might allow you to retain your home, Del Rio said. His nonprofit can be reached at (760) 432-6878 or http://www.chworks.org.

Del Rio said there are other options for cash-strapped homeowners.

"Most of those we're seeing simply can't afford their adjusted rate (on a variable mortgage)," Del Rio said. "They are fine on the initial rate of 6 percent or 6.5 percent."

And if you reach a deal with the lender, you haven't broken your contract, he said.

Shedlock, however, said that for those whose homes are declining in value, with little or no equity, walking away can be a "rational" decision. You'll take a hit on your credit for a few years, he conceded. But if you remain current on your other debt, such as credit cards and auto loan, you can rebuild.

Shedlock characterized the "moral" argument about honoring a contract as one-sided: It exclusively looks at the obligation of the homeowner to act ethically toward the lender. But lenders also have moral obligations, which were often flouted in the later stages of the housing bubble, he said.

"What about the moral obligations of banks not doing the credit-worthiness checks of the customers and lending to them anyway," Shedlock asked. "What about the moral obligation of someone who has a family, to take care of his family, to the best extent of his ability?"

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