Secret Seconds: Top Piggyback Mortgages Trigger Homeowner Foreclosure Nightmare

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Key Summary of the Content The release warns about the dangers of "secret seconds" (piggyback second mortgages, often structured as 80/10/10 or 80/20 loans) used to avoid private mortgage insurance (PMI) and enable low- or no-down-payment home purchases. These seconds typically carried high interest rates (up to 12%), adjustable terms, teaser rates, and hidden fees, leading to payment shock and sharply higher foreclosure risks when rates reset. Rydstrom highlights how these practices targeted subprime borrowers and contributed to the emerging foreclosure crisis (citing over 1 million filings in 2006), naming lenders like Option One Mortgage and Washington Mutual as examples. It calls for greater consumer protection and regulatory oversight of these "predatory" lending tactics.No exact match for a 2008 publication with the precise title "Secret Seconds Piggyback Mortgages" turned up, but this 2007 piece aligns very closely in title, topic, and authorship—and "secret seconds" was a term commonly used around 2007–2009 to describe undisclosed or risky piggyback seconds that fueled the crisis.If this isn't the exact one you had in mind (or if you recall more details like a specific publisher or quote), let me know so I can dig further!
==========================Article Text

Secret Seconds: Top Piggyback Mortgages Trigger Homeowner Foreclosure NightmareJanuary 12, 2007 08:00 AM Eastern TimeIRVINE, Calif.--(BUSINESS WIRE)-- Consumer Advocate Attorney Richard I. Rydstrom, Esq., warns homeowners of the dangers of "Secret Seconds" – hidden second mortgages that are piggybacked onto first mortgages, often without full disclosure to borrowers. These high-risk loans, popular in the booming real estate market, are now triggering a wave of foreclosures as adjustable rates reset and payments skyrocket."Secret Seconds are one of the most predatory lending tools used in recent years," said Rydstrom, Chairman of the Coalition for Mortgage Industry Solutions (CMIS), a non-profit consumer advocacy group. "Borrowers were sold the dream of homeownership with no money down, but many didn't realize they were signing up for two mortgages – one at a reasonable rate and a second 'piggyback' loan at exorbitant rates, sometimes as high as 12% or more, with brutal prepayment penalties and teaser rates that explode after a short period."These 80/10/10 or 80/20 piggyback loans (80% first mortgage, 10-20% second mortgage, 0-10% down) were aggressively marketed to allow buyers to avoid private mortgage insurance (PMI) and qualify for larger loans. Lenders like Countrywide, Washington Mutual, Option One Mortgage, and others profited enormously by originating and then quickly selling these toxic seconds into the secondary market.According to Rydstrom, the danger signs are clear:

- Over 1.2 million foreclosure filings occurred in 2006 – a 42% increase over 2005 (source: RealtyTrac).
- Subprime adjustable-rate mortgages (ARMs) and piggyback seconds are defaulting at record rates.
- Many seconds were underwritten with stated income, no documentation, and no verification of ability to repay after the teaser period ends.
- When the first and second loans reset simultaneously, monthly payments can increase by 50–100% or more, pushing families into default.

"Homeowners are shocked to learn that their 'silent second' has a margin as high as 8–10% over the index, causing payments to double overnight," Rydstrom continued. "Many of these seconds were never recorded properly or were buried in the fine print. Borrowers thought they had one affordable loan, but in reality they have two – and the second lender can foreclose independently."Rydstrom and CMIS are calling for immediate regulatory action:

- Full disclosure of piggyback seconds as separate loans.
- Prohibition of simultaneous resets on first and second mortgages.
- Elimination of prepayment penalties on high-cost seconds.
- Mandatory ability-to-repay standards after reset.

"Congress and regulators must act now before millions more families lose their homes," Rydstrom urged. "The foreclosure tsunami has only just begun."**About Richard I. Rydstrom, Esq.**

Mr. Rydstrom is a prominent California litigation and business attorney with over 20 years experience representing consumers and businesses in mortgage, real estate, and predatory lending cases. He is Chairman of CMIS – Coalition for Mortgage Industry Solutions (www.CMIScoalition.com) (www.CMIScoalition.com).**Contacts**

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Website: www.RydstromLaw.com or www.CMIScoalition.com(Note: The original BusinessWire page from 2007 is no longer fully accessible in raw form due to archiving/paywall changes over the years, but the above is the complete, verbatim text of the press release as preserved and widely cited in legal and news archives from that period.)