



Groups try school to stem foreclosures

By Nick Carey

CHICAGO (Reuters) - For hundreds of thousands of Americans facing spiraling mortgage costs, the last hope of keeping their home may lie in a classroom in a back office of a local nonprofit group.

It was standing room only at one such class in Chicago's blue-collar South Side in late January, with nearly 70 people packed into a room and hoping for help.

They listened, expectant, as the presenter talked about how to get easier loan terms. When he came to the toughest part, there were gasps from some in the room, as if he had slapped them.

"I'm not going to sugarcoat this for you," said Michael van Zalingen, director of home ownership services at [Neighborhood Housing Services of Chicago](#). "Things will get very tough and many people will lose their homes," he told them. "Sadly, that includes a lot of you here."

Nationally, the number of people with mortgage trouble is so great that nonprofit groups -- with small budgets and staffs -- say that big classes are the only way they can reach everybody.

"There are so many people in need of help that this is the best way to get to them," said Gabe del Rio, vice president of lending and home ownership at [Community Housing Works in San Diego](#), which holds similar clinics every few weeks.

FORECLOSURES RISING

When the dot.com bubble burst in 2001 and interest rates fell, trillions of dollars -- \$1 trillion a year in the peak years from 2004 to 2006 according to U.S. Federal Reserve data -- flowed into mortgages for those seeking the American dream of owning their own home. But lax lending standards meant a big chunk of that cash went into adjustable-rate mortgages that became unaffordable when their interest rates rose. This was exacerbated when a credit crunch cut off funding, leaving many borrowers unable to refinance.

As a result, there were 2.2 million foreclosure filings in the United States in 2007, a 75 percent increase from the previous year, according to real estate data company [RealtyTrac](#).

The crisis has hit minorities harder than whites. All the participants in the Chicago class were African Americans with adjustable-rate mortgages, and their interest rates and monthly payments have already started to go up.

According to most nonprofit groups, 2008 will undoubtedly be worse than 2007. Already, thousands of distressed borrowers -- those with poor and good credit histories alike -- have turned to nonprofits for help, and the groups are overwhelmed.

"A year ago we couldn't have got 10 people to attend one of these classes," said van Zalingen. "Today we had to turn away about 35 people."

The goal of such programs is to reach borrowers before they are in too much trouble, separate them from those whose homes cannot be saved, and try to get them into a loan they can afford, usually a 30-year fixed mortgage.

HOME OR CAR?

Debt counselor Flo Bernard tells the Chicago class that if they plan to seek a loan modification from their lender they must rein in spending, "which may include no more cable TV or selling your new car."

When borrower Ronald Young -- whose monthly payment has spiked to \$1,024 from just over \$700, which his wife Candice says is too much -- argues that he needs his new car for work, Bernard responds: "Do you want to sleep in your home or your car?"

"Because that will be the choice," she added. "Trust me, sell the new car and buy an old, beat-up one."

Those who cannot afford their homes under any circumstance will be encouraged to put their homes up for sale before it is too late.

And, for those who eventually go into foreclosure, there are warnings about the lending scams they will face.

"There are sharks ready to take advantage of subprime borrowers at every step of the way," said Josh Zinner, co-director of the New York-based [Neighborhood Economic Development Advocacy Project \(NEDAP\)](#).

After the class Young, 39, signed up for individual counseling, as did the majority of the other participants. "It's time to do something to keep my home," he said.

Reaching distressed borrowers like Young and giving them basic knowledge of what awaits them ahead of one-on-one counseling sessions is exactly what nonprofit groups say they want to achieve.

"If I wanted to do only individual counseling, I'd need five more counselors," said Mark Seifert, executive director of [East Side Organizing Project in Cleveland](#), which has three counselors on staff.

Another group, the [California Reinvestment Coalition](#), which represents 250 nonprofit groups and public agencies in California, recently raised \$5 million to hire more counselors in hard-hit areas of the state. "In some areas, things are spiraling out of control," said Kevin Stein, the group's associate director.

But some groups are short on funding even for classes. That is the case with Michigan Neighborhood Partnership in Detroit, according to its president, Dennis Talbert.

"We haven't received a nickel in funding and may have to cancel our foreclosure prevention classes."

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