

Banks act to rework mortgages

By Daniel Massey
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With the number of New York City mortgages in foreclosure at its highest level in at least 15 years, lenders are intensifying their efforts to help borrowers hold on to their homes.

Mortgage servicers completed 1,560 loan workouts in New York during the first two months of the year, up from 1,027 in the first three months of 2007, says Hope Now, an alliance of mortgage companies and investors. Nationally, mortgage companies handled 183,000 workouts in April, a 14% increase over March levels, Hope Now reports.

“In the past, lenders sent out warnings of foreclosure, and nobody was doing anything except demanding your money,” says state Sen. Jeff Klein, D-Bronx. “Now, lending institutions are much more willing to modify loans.”

Nevertheless, the number of foreclosure auctions in the city last month climbed 50% from year-earlier levels. And *lis pendens* filings—the formal notices that begin the foreclosure process—skyrocketed 70% from the previous month, according to a report released last week by PropertyShark.com.

In an effort to contain the mortgage crisis, nonprofit groups and government agencies have embarked on aggressive efforts to educate homeowners about ways to keep their property, and to encourage the banking industry to assist those who are in danger of losing their homes.

Citigroup completed 20,000 loan workouts across the country during the first quarter, a 177% increase over the same period a year earlier. In New York state, the bank completed about 1,000 workouts, a 300% increase from the first quarter of 2007.

Since October 2006, HSBC has modified 11,900 loans nationwide, worth \$1.9 billion. Option One recently created a Homeownership Preservation Office. WaMu has begun meeting with distressed borrowers in monthly seminars, and has sent out more than 15,000 educational DVDs to customers already in foreclosure to explain their workout options.

Bankers' boost

“There is an aggressive outreach going on,” says Michael Smith, president of the New York Bankers Association. “Our members are reaching out to distressed borrowers.”

Early indications suggest that the rise in workouts is starting to chip away at a loan crisis that has forced 3,330 New York City homes into foreclosure auctions in the past year.

The number of auctions in New York City declined for the second consecutive month in May and was down almost 5% from April levels, the PropertyShark.com report shows.

Even so, some housing activists remain skeptical. They worry that the workouts are more cosmetic than substantial, providing short-term relief for borrowers without altering the structure of their loans.

“We hope for and we welcome servicers being more flexible, but I've yet to see evidence that that is happening,” says Josh Zinner, co-director of the Neighborhood Economic Development Advocacy Project. “We want to see more evidence that these are real, affordable modifications over the long term.”

An April report by the State Foreclosure Prevention Working Group, a multistate task force, found that industry efforts to prevent unnecessary foreclosures were not keeping pace with the rising rate of homeowners in trouble.

The study, which analyzed data from October through January, found that 7 out of 10 distressed borrowers were not on track to complete loan workouts. While the number of borrowers receiving modifications has increased, the gains have been matched by an increasing level of delinquent loans, the report said.

CANCER VICTIM GETS AN ASSIST

GEORGE MASCIA was recuperating from esophageal and stomach cancer when his worries suddenly shifted from getting healthy to saving his home.

The 6.9% introductory rate on his mortgage reset, and the 70-year-old Bronx resident **saw his monthly payment balloon 40%**, to \$3,500. Additional increases would soon bring the rate to 13.5%, or \$4,500 a month. In February, Mr. Mascia's three-story brick home went into foreclosure.

“I put myself in such a desperate hole that I wasn't able to afford the payments,” he says.

But Mr. Mascia did not lose his home. With the help of state Sen. Jeff Klein, he **met with Wells Fargo and struck a deal** that allowed him and his wife, Sylvia—who suffers from acute emphysema—to stay put. He negotiated a fixed rate that carries a payment of \$2,580 a month, a figure he can afford.

“They were able to work out a deal I never thought I would get,” Mr. Mascia says. “It can be done.”

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