

Homeowners in Detroit suburb demand protection from foreclosures

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A stormy town hall meeting was held in the Detroit suburb of Southfield, Michigan December 17, as hundreds of residents sought information on how to forestall home foreclosures. The following day mortgage-finance company Fannie Mae listed Michigan the number 1 state with the largest credit loss through September 30 of 2007.

Fannie Mae, which finances or guarantees one out of every five home loans in the US, listed losses of \$185 million for Michigan. Ohio was not far behind at \$101 million. While California and Florida also share in some of the highest rates of foreclosure, the losses current stand at \$30 million and \$21 million respectively in those states, which puts into relief the scale of the hardship in Michigan.

The mortgage delinquency in the state now stands at a staggering 8.34 percent, with an estimated 80,000 homeowners facing foreclosure. Southfield was for decades a prestigious address for Detroit autoworkers, especially skilled tradesmen, and professionals; Southfield schools were for many years national award winners and the envy of surrounding communities. The city now has 4 percent of its homes under foreclosure.

Under conditions of this human disaster, Democratic State Representative Paul Condino held a meeting to offer band-aids and bromides. He touted a bill recently passed by the Democratic-controlled state House of Representatives, which, if it were approved by the Republicans who hold the majority in the State Senate, would allow some homeowners with spiking adjusted rate mortgages to apply for a fixed-rate mortgage, if they met income and credit score requirements.

A series of representatives from social service departments and charities addressed the group. They were offered advice, highlighted in the Power Point presentation with bullets: "Sell things you don't need," "Take several part-time jobs," and "Admit you have a problem."

However, even when the more cogent points having to do with attempting to procure a loan modification were mentioned, the advisors admitted that most relief was nearly impossible.

"You should try to negotiate a forbearance agreement," stated one advisor, adding "such a deferment of payments is extremely difficult to get." Later he pointed out that if a homeowner has a FHA mortgage then they could petition for a "partial claim," that is to see if they could take the arrearage and put it on the end of the mortgage, in effect getting a second mortgage. "But again," he cautioned, "in every scenario you must have income coming in and you've got to be able to document it. Every lender is looking for secure income."

Another speaker said that lenders could accept a deed in lieu of foreclosure under conditions when the house is in an "upside situation" and more is owed to the lender than the house is worth. He

pointed that out that this is a legal remedy, but "I haven't seen it happen yet."

Another option the speakers mentioned was a "short sale" in which the house is placed on the market, is listed with a realtor and a buyer comes forward to buy it for less than is owed on the mortgage. If it is within 80 percent of the original mortgage amount, then the lender can potentially agree to the sale and vacate the debt of the original homeowner. The catch, however, they explained, is that the debt forgiveness between the original mortgage and the home sale is then taxable income to the debtor, which will usually amount to tens of thousands of dollars.

When this "solution" was proposed, the crowd became incensed. One homeowner shouted out, "Now we go from the fire into the oil and we're burnt twice! How are we supposed to pay tax, when we didn't have any money in the first place!"

When a mortgage counselor spoke, he described the Byzantine and often vindictive bureaucracy homeowners faced when desperately trying to save their homes. "Beware of your lender's Customer Service. All they want is your money. Do not speak to Customer Service. I do not know why they call them that. If you speak to them, you give up your right to speak to the Loss Mitigation Department. Be very cautious. Customer Service will be very unfriendly and difficult. Whatever you do, do not speak to them."

A Legal Aid representative added that since the Orwellian-named Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, the credit card and banking industries have made it almost impossible for debtors to file Chapter 7 and save their homes.

Jerry White, a former US Congressional candidate in the 12th District—which includes Southfield—for the Socialist Equality Party, spoke to the crowd, saying, "I question the entire framework of this discussion. Nothing is being said about providing emergency aid to protect working people from losing their homes. Billions must be provided to address this crisis," he said, pointing to the fact that 85 people in his neighborhood had already lost their homes, while many more owed more on their houses than they could get if they were able to sell them.

"We are being told to cut family spending under conditions in which the cost of food, gasoline, education, health care and other expenses is skyrocketing and wages are stagnating or declining.

"Workers are not responsible for the predatory lending and other practices that produced this disaster and netted vast profits for the big lenders and Wall Street banks. Who is telling the head of Wells Fargo—who made \$25 million last year—or the CEO of JPMorgan Chase, who pocketed \$22 million, to 'tighten their belts' and 'go without'?" The Bush administration and the Democrats, he said, were

only interested in bailing out the big banks and investors, not the victims of their speculative frenzy.

White remarks were interrupted several times by enthusiastic applause from the audience, but Democrat Paul Condino became enraged, repeatedly trying to shout White down with “Mr. Socialist, Mr. Socialist.” Eventually a group of adjuncts moved to take the microphone from White. Meanwhile, Condino refused to address any of the substantive issues, particularly who was benefiting from the foreclosure disaster.

A young man then jumped up, explaining that he was facing an impending eviction and demanded help. When he became insistent, Condino’s men also moved against him.

Meanwhile homeowners began lining up against the wall to speak. Every story was harrowing.

“What do I do?” said the first. “I fell behind on my property tax, so my lender attached the tax to the mortgage and I had to pay 1-1/2 times the tax each month. They made it so high, I couldn’t pay it. I am in the process of going to the Michigan Tax Tribunal because I have the right to get my property tax adjusted. But now the mortgage company won’t wait. They should have to wait until you have gone before a judge and had the tax adjusted. Now they are saying that I need to pay it and get a refund later.” This was met with shouts of “Yea, right!” from the audience, knowing the situation and that anyone could lose their home in the meantime.

Another resident said, “I bought a foreclosed property. But now the taxes have gone up \$400 a month from what they were before. But property values are going down all over. What can I do to get my tax down?” A mortgage counselor pointed out that this was called a “pop-up tax” and that many people were losing their homes because of it. There is a bill pending in the state legislature regarding this because it is such a commonplace cause of foreclosure.

“I am victim of mortgage fraud,” explained another homeowner. “My house has gone from \$2,300 a month to double that. I paid \$22,284 into escrow, but now it’s gone to a sheriff’s sale. The eviction was ordered today. I have been contacting the attorney general of the state. What chance do I have?”

The speakers were well-dressed, articulate and angry. Another characterized the process as a Catch 22. “I talked to people from day one. I had a medical situation and applied for forbearance. Now I am in foreclosure. They want \$1,200. I suggested they put that payment on the end of the loan. I’ve done all the cuts you recommend, naturally, way before all this occurred.

She explained further, “My house is scheduled to be sold on January 15. I have spent 50-60 hours on the phone at least. Half of time, you reach someone whose voice mailbox is full. I don’t want to fall between the cracks. Can I get \$1,200? I can save my house, if I can get that.”

A young lady followed, “I am speaking here for my mother. She fell under these predators. She is 81 years old. She can’t be here, so I am here to speak for her. What can be done? This was done fraudulently to her. She had a conventional loan, but they jacked it way up and now she’s losing the house.”

Another young woman worker said, “I struggled for three years and then lost my house. I contacted the lender, Legal Aid, etc. But I got into a situation where I lost my job and then predatory lending. What can you do when you don’t even have money to file bankruptcy? You can’t offer to make arrangements, you don’t have money! My house went from \$535 a month to \$1,200 a month and that was without the taxes and insurance. Is there anything I could have done?”

Indicating the circular system of pitfalls, another homeowner pointed out, “My home is in foreclosure. I have been informed of the sale date. I tried to file bankruptcy, but I had a ‘friend of court,’ child support. I was in foreclosure because I had lost my job. Now I’m back to work but due to the FOC deductions on my paycheck, I can’t afford the payment. Where am I supposed to go? How can I survive? My kids are grown and I need some help.”

Another resident told her story, “I believe my servicer is playing hardball. Since the fall, I have been filling out hardship forms, going back and forth with my mediator, ‘SouthWest Solutions.’ Now they say some forms are incomplete. I have sent 40 forms to them, and went back and had them faxed. I was told that I should qualify for a FHA secure loan at Flagstar. But I keep getting the same old letter back warning that I am late. I am told that I should wait until I am three months behind so that I can qualify.

“Finally I hear from Deutsche Bank who now is the investor holding the mortgage that I am three months behind and can’t renegotiate. But to be considered for renegotiation, I had to be three months behind. Now I have a default letter and have to have a large amount of money to stop the foreclosure. It turns out that my negotiator is a state bank, not a federal one, so that they can’t renegotiate. My credit was outstanding but now it’s all gone down the drain.”

Other audience members pointed out that their loans were soon to reset and that the value of their homes had dropped to equal or less than the loan value. The house values are diving and the interest is escalating.

One woman’s situation indicated that once a homeowner is behind by three months, they are in dire straights with little possible remedy. She said, “I bought a new construction home in Southfield. My sister and I bought the home together and we ran a day care in a church. The pastor sold the daycare and I was out of work for three months. The interest on the home went from 5.99 percent to 6.7 percent, then 8.4 percent, then 9.1 percent and finally 9.3 percent. The payment went from \$1,900 to \$4,200 a month. I also had \$12,000 a year in taxes! I have talked to Chase, to no avail. Bush’s bill is crazy, it is not doing anything for people like us. By the time I would pay for this house, it would be \$1 million. I may just walk away.”



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