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TESTIMONY OF JANE A. WILSON
CHAIRWOMAN, BOARD OF DIRECTORS
ST. AMBROSE HOUSING AID CENTER, INC.
On
THE FORECLOSURE CRISIS
Before the
Committee on Oversight and Government Reform
United States House of Representatives
March 8, 2011
Baltimore Field Hearing

Chairman Issa, Ranking Member Cummings and members of the Committee, thank you for coming to Baltimore today and for the opportunity to share the experiences of Maryland homeowners facing foreclosure and the steps that St. Ambrose is taking to try to preserve sustainable homeownership and neighborhood stabilization.

My name is Jane Wilson and I am the Chair of the Board of Directors of St. Ambrose Housing Aid Center, Inc. St. Ambrose Housing Aid Center, Inc. ("St. Ambrose") is a non-denominational, 501(c)(3) non-profit, located in Baltimore, Maryland. St. Ambrose is a HUD-certified counseling agency and a chartered member of NeighborWorks America ®. Since its founding in 1968, St. Ambrose has provided direct housing services to over 100,000 low and moderate income families through five distinct but interrelated housing programs. The Foreclosure Prevention Division of St. Ambrose provides default counseling services and direct legal representation and legal counsel to homeowners and nonprofit housing agencies across Maryland. St. Ambrose has been involved with foreclosure prevention for over 30 years of its 43 year history.

In the rich history of the organization, we have witnessed a dramatic change in the face of foreclosure. In 2007, as the crisis began to take shape, our counselors were working with homeowners that had been given unaffordable loans with high interest rates and features such as negative amortization. These loans were offered without verification of a borrower's ability to repay the loan or the value of the underlying property backing the mortgage. As we know, what is now referred to as the subprime lending crisis was just the beginning of what was to come as the risky loans packaged and sold as securities on Wall Street ultimately collapsed the entire market. Over these past few years, it has been the experience of the attorneys and housing counselors assisting homeowners facing foreclosure in Maryland that homeowners eligible for certain types of loss mitigation relief, including that available under the Making Home

Affordable Program introduced by President Obama in March 2009, face impending foreclosure sales of their homes despite applications submitted for review under applicable state, federal or investor-specific loss mitigation guidelines. In the 33 years of providing foreclosure prevention services to families in Maryland, we have never witnessed such systemic and deliberate dysfunction at the large mortgage loan servicers that has resulted in the sizeable loss of wealth to homeowners and communities across Maryland.

As you have heard from Maryland Governor Martin O'Malley, the State of Maryland has made a significant commitment in working to maintain and preserve stable communities here in Baltimore and across the State. Maryland foreclosure law was changed to provide meaningful notice and an opportunity for homeowners facing foreclosure to obtain relief, regulatory oversight and enforcement actions have grown, and trained housing counseling agencies, like St. Ambrose, have taken on the monumental task of advocating on behalf of homeowners that become collateral damage as they are lost in the maze of trying to negotiate some type of loss mitigation relief to avoid for foreclosure, or at the very least, obtain a dignified exit from their home that is not devastating to the broader community where the property is located. We recognize that not every home can be or must be saved in the process, but we also see the sizeable losses to investors, taxpayers and the government as a result of the systemic failings within the servicing industry.

I would like to share a few examples of these failings, which are by no means isolated cases:

1. A client fell behind on her mortgage payments in 2008 after she and her husband separated. She contacted St. Ambrose when she was approximately two months behind in her mortgage payments. One of our housing counselors originally sent a modification request on behalf of the client to her servicer in December 2008. Between December 2008 and February 2010, our housing counselor helped the client submit loss mitigation information to the servicer on ten separate occasions. Each time, the servicer stated that it would take at least 30 days to review the loan for a modification. Each time, 30 days or more later, the servicer told our housing counselor that the modification package was incomplete.

   In February 2010, our client was finally sent a HAMP trial period plan. A few days after making her first payment on the trial period plan, she was notified that the servicing rights for her loan had been transferred to a different servicer. The new servicer informed our client that they had no record of the HAMP trial period plan, and that if she wanted assistance, she would need to submit a new loss mitigation request to them. Most recently, the new servicer offered our client an unaffordable repayment plan—not a modification—that requires a payment approximately $800 more per month than her pre-hardship payment. She could not accept that agreement, and since that time, a St. Ambrose attorney has continued to advocate for a modification.

   The servicer failures in this case are particularly frustrating because the loan is owned by Fannie Mae, and despite our attempts to discuss the client's case with Fannie Mae, neither Fannie Mae nor the servicers have done anything to assist our client.

2. A client fell behind on her mortgage payments in March 2008. This client is self-employed and suffered a decrease in income due to loss of business. St. Ambrose submitted a loss mitigation request on her behalf to the mortgage servicer in October, 2008. A representative of the servicer contacted the client regarding loss mitigation independently of the request we submitted, and told the client he could not speak to the St. Ambrose representative because he did not have on file a third party authorization to release information to St. Ambrose. The authorization had in fact been submitted with the loss mitigation request.

   We subsequently sent the client's third party authorization to the servicer on four more occasions over four months. The loss mitigation request with the client's financial information was resubmitted three separate times.

   By the end of January 2009, our client had been denied a modification twice. The servicer claimed that the second denial occurred because it had not received the appropriate financial documents despite the information having been sent in each request that we faxed to the servicer.

   Over the next five months, St. Ambrose had to send updated information on behalf of the client to the servicer six more times before the loan was reviewed for a modification. During this time, a foreclosure action was filed and the Order to Docket was posted on the client's property.

   In June 2009, the client was approved for a HAMP trial period plan, and she began making payments. However, shortly after making her first trial period payment, she received notice that a foreclosure sale of the property had been scheduled for June 24, 2009, which, as you can understand, caused the client great distress over the conflicting information she had been receiving. A St. Ambrose attorney was able to get this sale cancelled, and the client successfully completed her trial period plan.

   In October, 2009, the servicer informed our client that she was in review for a permanent loan modification through HAMP and that the servicer did not require any further documents for this review. She was further told that she should receive her final modification documents for execution in the mail. When she did not receive these documents, St. Ambrose contacted the servicer and was told that she needed to submit further income documentation in order to be approved for the final modification. However, the servicer did not provide the appropriate contact information to transmit these documents until the end of November, 2009.

   Our client finally received her permanent modification agreement from the servicer at the end of January, 2010. She executed the modification and has been successfully making payments. Nevertheless, it took more than a year, from December 2008 to January 2010, of sending and resending documents to arrive at the permanent modification. During that time, our client accrued significant arrearages, which were eventually recapitalized into the loan.

3. Another client came to St. Ambrose in December 2008 seeking assistance in preventing the foreclosure of her home. She was nine months behind on her mortgage due to loss of employment. A foreclosure case had been filed, and the client had received an Order to Docket, but no sale had been scheduled. Prior to coming to St. Ambrose, the client was able to find new employment and needed assistance in modifying the loan to reduce the monthly payments and to bring the loan current.

   In February 2009, St. Ambrose submitted its first loss mitigation request to the servicer on behalf of this client. After months of following up with the servicer and repeatedly faxing documents, the servicer told a St. Ambrose attorney in June 2009 that there were no notes on the file since the beginning of April. This appeared to indicate that the servicer had taken no action on the case in approximately two months. At this point, our attorney escalated the case with the servicer and submitted a new loan modification request. Despite escalation efforts in June, the borrower was not offered a HAMP trial modification plan until November 2009—almost six months later.

   In March 2010, the client contacted St. Ambrose again due to suffering a further hardship. She is originally from Haiti and has many family members still living there who lost their homes and were injured in the earthquake that occurred in January 2010. She spent a significant amount of money to aid her devastated family, and would have to continue to provide them with financial support.

   In May 2010, St. Ambrose contacted the servicer on the client's behalf to request a new loss mitigation plan, citing this new hardship as the basis for the request. It again took over six months of following up and repeatedly faxing paperwork to the servicer to get any response. Despite escalation efforts, the servicer informed St. Ambrose that the client could not qualify for a loan modification because she had not made nine payments on the loan. This requirement is not a part of HAMP and is not consistent with our experience assisting clients in this situations. When our attorney sought an explanation from the servicer, we were told that they had no record of the trial modification being offered to the client. The St. Ambrose attorney then emailed the servicer a copy of the trial modification offer sent by the servicer . Despite this evidence, the servicer informed St. Ambrose that the file had been closed and in order to reopen it, the client would have to submit an entirely new loss mitigation request.

   Presently, this case remains unresolved as the client is still gathering the required documents to include in the new request for a loan modification.

4. Another client fell behind in her mortgage payments in May 2010 after incurring significant unexpected medical costs. The health issue kept her out of work beyond her accumulated sick time, and when she began working again, her income was reduced for several months as she repaid the additional sick time. The client was attempting to work with her mortgage servicer during this time, but did not complete a loan modification package. In September 2010, a foreclosure case was filed, which included a Final Loss Mitigation Affidavit. Under Maryland's new mediation law, a Final Loss Mitigation Affidavit certifies that the servicer has reviewed the loan for all loss mitigation options prior to filing the foreclosure.

> The Final Loss Mitigation Affidavit in this case was signed by a non-attorney representative of the servicer who was located in Missouri. The Affidavit falsely stated that the borrower had entered into modification trial period plan and failed out of that plan due to non-payment. In fact, the loan was never reviewed for a loan modification, and our client never received approval for a trial period. The servicer had simply filed a false affidavit with the Court.
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> St. Ambrose filed a motion to dismiss the foreclosure based on the false affidavit and, in lieu of responding to the substance of the motion, the servicer directed its local attorneys to dismiss the foreclosure. This case has all the indicia of a case of robo-signing.

The servicing industry must be repaired. The problems within the industry, from our perspective, are deeply rooted and systemic. We at St. Ambrose are committed to doing our part in ensuring that every homeowner that we can assist receives our assistance, but our efforts are too often frustrated by the failure or inability of the servicers to respond to legitimate requests for loss mitigation.

It is also important to note the effect of the current crisis on vulnerable communities in Baltimore. As mentioned previously, in addition to foreclosure counseling, St. Ambrose provides additional services to the community that we serve. One of those services includes the acquisition and rehabilitation of vacant properties in certain Baltimore City neighborhoods.

The Housing Development Program has for the past five years operated as an Asset Control Area manager purchasing 171 foreclosed and vacant properties and renovating and reselling those properties to homeowners in northeast Baltimore. St. Ambrose has been chosen by the City of Baltimore to duplicate this model in communities identified to receive funding through the Housing Recovery Act's Neighborhood Stabilization Plan I and II. In FY10, we acquired, renovated, and sold 30 homes under the ACA program and 1 in the NSP I program. This year, we expect to acquire, rehabilitate and sell 70 homes.

Our ability to bring stability to vulnerable Baltimore neighborhoods has been made possible by Community Development Block Grants funding from the Neighborhood Stabilization Program. It is critical that these programs continue to receive adequate funding in order to preserve entire communities in Baltimore and across the nation.

The Board and Staff of St. Ambrose are grateful to Congressman Cummings for his leadership and support in this area and we thank you for taking the time to come to Baltimore to discuss this critically important topic with us today.