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Empowering and Strengthening Ohio's People



Testimony of Audrey Sweet
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SUBMITTED TO:
THE JOINT ECONOMIC COMMITTEE
THE HONORABLE CHARLES SCHUMER,
CHARIMAN,

July 25, 2007

Good morning Senator Schumer and ladies and gentlemen of the Joint Economic Committee. I appreciate the opportunity to appear before you and want to thank Senator Sherrod Brown for his intense interest in this issue. I ask that my comments today, both written and oral, be made part of the record for this hearing.

My name is Audrey Sweet. Together with my husband, and two children, I live at 16008 Northwood Ave. in the city of Maple Heights, an inner ring suburb that is to the southeast of the city of Cleveland. Maple Heights is home to about 26,000 residents¹ (a 7.1% decrease in just the last six years²). In 2005, the median home value was about \$102,000 compared with \$85,000 just five years earlier.³ Indeed, this "increased value" in housing prices...a 16.7% increase in five years while Cleveland and most inner ring

¹ <http://www.city-data.com/city/Maple-Heights-Ohio.html>

² <http://www.city-data.com/city/Maple-Heights-Ohio.html>

³ <http://www.city-data.com/city/Maple-Heights-Ohio.html>.

suburban valuations remained flat or declined...is an example of the after effect of abusive lending. Without question, housing prices did not appreciate this much in my community. Had they, I would have had no problem refinancing my loan to avoid the impending adjustable rate.

When my husband and I began our home loan search, we repeatedly heard that our financial situation would not allow it. We did not fully understand why nor did we appreciate the fact that these “responsible lenders” were probably doing us a favor to some extent.⁴ We knew our credit was not great and that there was not a lot of money left at the end of the month. However, we also knew that we always paid our rent on time and we felt that if we could just get a mortgage payment for around the same amount we would be fine and could have the “American Dream.” With that belief, we were then introduced to a real estate agent who said she could take care of everything.

We were so excited that finally someone was going to give us a chance. She took us to the Countrywide Home Loans office and the interviewer took our information and stayed in contact with the real estate agent. The agent took us to homes that were in our price range and when we finally found one that we liked the agent said that the seller and the lender were willing to do all types of things to help us get the home. **It was as though everyone was doing us a favor.** When you match that with our lack of funds, our lack

⁴ Since I became involved with ESOP and this issue, I have learned a lot about the lending industry Community Reinvestment Act (CRA). While this is a topic for another hearing, I want to make it clear that, absent Third Federal Savings & Loan which has agreed to invest in me and my neighbors, I am hard pressed to name another bank in Cleveland that is stepping up to the challenge.

of knowledge about mortgages, credit, finances, and less than stellar credit, we were a **dream come true; at least for the broker**

When we were finally told the amount of the monthly mortgage payment, we were shocked! When we expressed our concern, we were told not to worry about it, as long as we paid the mortgage on time for a year we would be able to refinance to a better rate. We just had to prove ourselves. We requested that the property taxes be escrowed but were told that if we did, the loan would no longer be affordable and we would not be approved. In the excitement of the moment, I did not focus in on the fact that he just told me that by his calculations my income would not support the expense of both a mortgage and property taxes. He knew that I would eventually lose my home yet went forward with the loan. I **trusted the broker about “proving myself”**. **Indeed, that is what makes me so angry: I lived up to my end of the deal by paying my mortgage but neither he nor Countrywide lived up to their commitment.**

Of course, a refinance never happened and we have since fallen behind on our mortgage from time to time **but have managed to bring it current each time**. I did end up seriously neglecting the property taxes. I knew that eventually Countrywide would become concerned but I never had enough money at the end of the month to cover the cost of the taxes. When you compare that bill to the others (daycare, lights, gas, insurances, cars, water, groceries) it was the least urgent and repeatedly got pushed to the back.

In March of this year, Countrywide took action and paid the back taxes, a total of \$3493.51. I fully expected that they would do this to protect their interest in the property; however, I did not expect what came next. In April, I received a letter from Countrywide, informing me that my monthly payment was to increase from \$1055.61 to \$1713.88 effective in June for the next 12 months because our back taxes had been paid by Countrywide. In addition, our rate is set to adjust up in February 2008 **(It is written in our loan docs that it can only go up never down)**! \$387.72 of this increase was attributed to the “shortage amount”, however when you multiply that amount by the 12 months it was going to be effective it comes to \$4652.64. **I have yet to receive a clear explanation of what that amount was to cover.**

This new payment amount and my experience with Countrywide’s lack of willingness to help prompted me to call Empowering and Strengthening Ohio’s People aka East Side Organizing Project (ESOP).

In preparing for my visit to ESOP, I began to look over my home loan documents and discovered several things I had apparently overlooked until then. The first was that my gross monthly income was recorded as \$726 dollars more than it actually was. Secondly, I have two sets of loan documents, one that was created 10 days before we closed and one that was created the day of closing. The closing day documents list my assets as \$9400.00 in my Charter One Bank account. I have never had \$9400 in the bank. Indeed, coming up on payday, I am fortunate to have \$94 left! The final item I noticed was that the tax amount listed on the appraisal report was \$1981.34, which

comes to about \$165.00 a month but Countrywide listed \$100.00 a month as the tax amount.

As I began to think back to my mortgage application experience, I was embarrassed. I remembered how I felt so undeserving of a loan because I had been turned down so many times before and I realized that I had signed my name to a 30-year mistake. **Once I realized that Countrywide was actually counting on me feeling this way, I became angry.** I began to see that I had been taken advantage of and that they were hoping that my initial feeling of embarrassment would keep me from sharing my experience with anyone. However, that would mean I would lose my home and I have decided not to let that happen.

Since I first came to ESOP in April 2007, various resources have been presented that I would not know of otherwise. One service ESOP has offered me is a weekly conference call with Countrywide. These phone calls were essential to my result with Countrywide, as there were witnesses to every promise made and excuse given (and there were many more excuses than promises during those calls!). ESOP is also able to share with the borrower their knowledge of lending practices and experiences with Countrywide and other lenders. While the calls were helpful to keep my case in their face, they also served to show just how little Countrywide cared: for example, the same modification was offered twice. I declined both times, as it did not fit what I had stated I could afford.

Although, I have asked repeatedly for the following information I have yet to receive it:

- 1) The name of the compliance officer working on my case (When asked, my Countrywide rep stated that he did not know what her name was).
- 2) I have never had the amount of the tax payment explained
- 3) I have never been told how the \$9400.00 in assets appeared on my loan documents the day of signing or what was used to document this amount.

After these talks, I would usually end up feeling defeated. However, ESOP continued to encourage me. Without their support I would have given up long before the issues were resolved. Once Countrywide finally received a report from their compliance person, I received a call from them. They stated **“while what happened with your loan was not exactly illegal, there were definitely some things that could have been done better”** Since then my three contacts at Countrywide repeatedly refer to **“the special circumstances”** with my loan but have yet to explain to me what the **circumstances are or admit to anything.**

In June Countrywide executives met with ESOP to speak with their borrowers. As the Co-Chair of that meeting, I was struck by their less than willing attitude to keep people in their homes; whether or not, Countrywide made a bad loan! They refused to answer any questions from the borrowers or to sign a letter of commitment to work with borrowers through ESOP⁵. When I approached one rep after the meeting about my

⁵ ESOP currently has formal written agreements with: CitiFinancial (extends through the entire Citi network), JP Morgan Chase, ACC Capital Holdings (i.e., Ameriquest), Litton Loan Servicing, Ocwen Financial, Third Federal Savings & Loan, Charter One Bank and Select Portfolio Servicing. Combined, they represent about 40% of the “servicing” market in Cleveland. Per those agreements, ESOP has an

specific situation, he said that he had never seen my file nor did he have any knowledge of it. Yet, I was told by another Countrywide employee that this gentleman was working very closely on my case.

Based on my "special circumstances", Countrywide offered me a new loan with the back taxes and various fees wrapped for a total of \$122,000 at a fixed rate of 8% and taxes escrowed. Prior to coming to ESOP, I might have agreed to this workout. However, Countrywide has deceived me too many times to continue the relationship at this point. ESOP has referred me to a program with Third Federal Savings and Loan. The program includes classes on budgeting, credit and the home buying process. Because of ESOP's referral, I have been approved for a refinance loan through Third Federal. I will enter into the new agreement effective August 1, 2007. I will be in a fixed rate of 7.2% with my taxes escrowed.

I know that what happened with my loan was wrong and it is unfortunate that when left to their own devices Countrywide refuses to behave responsibly. I have tried to work with Countrywide on my own in the past. I have never been able to reach the same person more than once. My conversations and agreements were never recorded so that others have access to what should be happening with my account. I have been lied to. ESOP provided the backing needed to deal with lenders such as Countrywide. Without ESOP, Countrywide would not have been held accountable and I would have lost my home.

85% workout rate. Because we do not have a similar agreement with Countrywide, the workout rate is LESS THAN 50% of the countrywide homeowners who have come through our doors.

Ladies and Gentlemen, while I am proud to be a part of ESOP, I should not need to search endlessly for an organization to take “my case” in order to highlight the injustice. I got lucky with ESOP. While ill-funded, very grassroots, and, admittedly, “different”, ESOP SAVED MY HOME.

It is my hope, that by appearing here today, I have shed light on what so many Americans, particularly in my area must endure to keep their homes. I am sad to say that my situation is not an isolated incident. I am asking that you take action and hold the lending industry accountable through better regulation and legislation.

Again, thank you for the opportunity to appear before you.