Predatory Lending in South Central Pennsylvania:

A Review of Rising Foreclosure Filings and the Relationship to Predatory Lending

By ACORN Fair Housing

For the South Central Assembly for Effective Governance

December 3, 2003

December 10, 2003

Dear Reader:

On December 3, 2003, the Board of Directors of the South Central Assembly for Effective Governance (the Assembly) voted to accept this study on the inroads of predatory lending into South Central Pennsylvania, with particular attention paid to the connection to the subprime-mortgage lending industry. The Assembly commissioned this study from the Association of Community Organizations for Reform Now (ACORN), a project of the American Institute for Social Justice. This study is an essential first step in understanding the seriousness of this problem in our region and, ultimately, in protecting consumers.

In 2001, the Assembly's Housing and Community Development Committee conducted a workshop on predatory lending. This quickly led to the creation of a regional Predatory Lending Task Force (Task Force). At the table were area banks, municipal community development officials, housing counseling agencies, housing and redevelopment authority staff, attorneys, human relations professionals, and others, along with representatives of both the federal and state government.

The Task Force conducted workshops to advance the understanding of the problem and the legal remedies being pursued in neighboring Philadelphia, Baltimore, and the Lehigh Valley. In 2002, the Task Force set out to document the problem of predatory lending in the mortgage industry by a thorough analysis of foreclosures caused by predatory activity. The Task Force secured financial support from area lenders, county and municipal CDBG programs, area nonprofits, USDA Rural Development, Fannie Mae, Freddie Mac, and other organizations. Complete credits are listed at the end of this letter.

The study proved to be a difficult task due to the widely divergent styles of record keeping and data management across our eight counties, which are: Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York. We recognize the diligence and professionalism of the ACORN staff as they doggedly pursued accurate data to compete this study.

The Assembly's Task Force met twice with Valerie Coffin, the chief researcher, to review the presentation of data and to make recommendations on methodology and analysis.

This study stands as critical evidence that predatory lending in the mortgage industry is a serious issue. The Task Force is committed to continued work to build on this study.

This study draws the following important conclusions.

- ✓ Predatory Lending is a very real and growing problem throughout our region. It exists in urban, rural, and suburban communities.
- ✓ It hits those individuals hardest with the least means of protection and the fewest resources – the poor, minorities, and the elderly.
- ✓ The federal, state and local governments' role in combating predatory lending must be increased, in part, because it has adverse impacts on homeownership rates, tax revenue, and neighborhood stability.
- ✓ Predatory lending is a very human problem that impacts (not only the immediate victims) but also the neighborhood, extended families, communities, and ultimately the entire region.
- ✓ New specific resources need to be directed to the families that have been victimized as well as to those organizations and individuals who are directly working to combat the problem and assist victims.
- ✓ The Assembly intends to continue its efforts to prevent further predatory lending by:
    - Making the public aware of this problem,
    - Conducting further research as needed,
    - Broadening its Task Force to include more parties and agencies interested in the effort,
    - Advocating for progressive anti-predatory lending legislation at all levels,
    - Helping housing counseling agencies, legal services and other organizations in their anti-predatory lending efforts,
    - And by assisting victims of this unscrupulous lending.

Respectfully submitted,

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TABOR Community Services
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Waypoint Bank

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PUTTING A FACE ON PREDATORY LENDING

> Mr. and Ms. Allen[1] are an elderly couple from Lititz, Lancaster County, who have been retired and living on a fixed income for a number of years. Mr. Allen is legally blind in one eye and had multiple bypass heart surgery in 1993. Ms. Allen is a diabetic and has recently been diagnosed with severe chronic back problems. After years of making sacrifices to make their mortgage payments, the Allen's paid off their mortgage in 1997 with the assistance of their son. Their house has recently been appraised for $97,000.
>
> The couple received repeated calls from a subprime-lender and in 1999 were convinced to take out a home equity loan. They always paid this loan on time. In the spring of 2002, the Allen's were again being contacted by this lender and urged to consolidate their debt, and in response they inquired about a loan that could pay for an air conditioning unit. Trusting the judgment of the loan officer, the Allens never asked about the interest rate and other details of their loan, nor did the subprime-lender tell them about any of the details. The Allens assumed that with their good credit they would get the best possible loan the lender had to offer.
>
> That May, they received an eight-year mortgage for $65,409 at an 11.1% interest rate (when 'A' rates were around 6.8%), which paid off the 1999 Wells Fargo Financial mortgage for $40,772 and another unsecured loan for $2,999, plus $8,900 for two other loans and a cash-out of $2,350. Their monthly payments were $1,031 – over half of their fixed monthly income. The subprime-lender financed into the loan $6,541 in their own fees – more than 10% of the loan amount – plus $598 in third-party charges, $2,278 for a single premium credit life insurance policy (which the couple, given their health problems probably never qualified for, and would have been denied payment had they tried to collect), and $950 for a Home and Auto Security Plan. Altogether, this subprime-lender stripped nearly $10,000 in equity from the Allen's on a $65,000 loan. To cap it off, the subprime-lender locked the Allens into the high rate with a five-year prepayment penalty for approximately $2,850 – six months' interest on 80% of the amount prepaid – on a loan that lasts only eight years.

This elderly couple is just one of the hundreds of South Central Pennsylvania families who have been robbed by predatory lenders – mortgage and finance companies which make loans at high interest rates with exorbitant fees, and harmful terms, often through fraudulent and deceptive methods. Elderly homeowners and low-income and minority communities are the most severely impacted by these practices.

Despite increased awareness at the national level, and some progress in the past year in combating the problem, predatory lending has continued, as these modern day loan sharks sink their teeth into new prey every day. Many studies have shown a link between increased levels of subprime lending – where predatory lending practices are concentrated – to increased foreclosures in urban areas such as Philadelphia, Baltimore, Atlanta, Boston, St. Louis, and Dayton. This study will examine the impact of subprime and predatory lending on foreclosure filings in the more rural area of South Central Pennsylvania. This area includes the counties of Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York. While this region contains the state capital, Harrisburg, and the cities of York and Lancaster, it also includes many rural areas such as Perry County with fewer than 17,000 households.

Data about mortgage foreclosure filings are a useful tool in understanding the impact of predatory lending. They show the extent to which subprime loans are contributing – and, as the data collected here show – disproportionately contributing to increased foreclosure rates. Looking at some of the common characteristics of loans that result in foreclosure, we can arrive at some sense of what kind of loan terms push borrowers into foreclosure, and a broader understanding of the problems caused by predatory lending.

[1] Borrower names have been changed in all the examples to protect their anonymity.

SUMMARY OF FINDINGS

1) Subprime loans account for an extremely disproportionate share of foreclosure filings. In 2002, subprime-lenders originated 6.6% of loans, but accounted for 36.3% of foreclosure filings. Subprime-lenders thus accounted for between 4 1/2 and 5 times their share of foreclosure filings in the region studied. In contrast, lenders of market-rate mortgages originated a smaller share of the foreclosure filings than their share of loan originations.

2) Subprime-lenders make up an increasing share of foreclosure filings despite having originated a relatively steady share of home loans. In 1997, subprime-lenders originated 7.7% of home loans and accounted for 22.1% of foreclosure filings in the region. In 2002 they originated a slightly smaller portion of loans – 6.6% – but accounted for more than 36.3% of all foreclosure filings.

3) Foreclosure filings increased 112% in the region from 1997 to 2002. The region had 1,744 foreclosure filings in 1997 compared to 3,703 in 2002, an increase of 112%. Adams County had the smallest rate of increase of 57% while the greatest percentage increase was in Perry County where foreclosure filings increased by 394%.

4) Nearly half of the increase in foreclosure filings over the study period came from subprime-lenders. There were 959 more foreclosure filings which originated from these lenders in 2002 than in 1997. This represents 49% of the total increase in foreclosure filings by all lenders.

5) While more attention has been drawn to predatory lending in urban and minority communities, the same large national lenders and their practices also pervade more rural and overwhelmingly white communities like South Central Pennsylvania. The 20 subprime-lenders with the most foreclosure filings in the region originated 16.2% of the loans eventually subjected to foreclosure filings in the region from 1997 to 2002 and these lenders include the largest subprime-lenders in the country.

6) Subprime-lenders make a larger share of loans to low and moderate-income borrowers. Subprime-lenders originated one out of every nine loans to low-income borrowers in the region (10.75%) and one out of eleven loans (8.77%) to moderate-income borrowers while originating barely one out of 23 loans (4.33%) to upper-income borrowers. In comparative terms, low-income borrowers were 2.5 times more likely to get a subprime loan than upper-income borrowers while moderate-income borrowers were still twice as likely as upper-income borrowers to receive a subprime loan.

7) Minorities were more likely to receive a loan from a subprime-lender than whites. Subprime-lenders originated one out of eight loans (13.19%) that were made to African-Americans in the region and one out of twelve (8.14%) of the loans originated to Latinos. In contrast, only one out of 25 loans made to whites (4.04%) were from subprime-lenders. In comparative terms, African-Americans were 3.3 times more likely than whites to receive a loan from a subprime-lender, while Latinos were two times more likely than whites.

8) Almost three out of four borrowers surveyed, 71.4%, indicated that loan terms were different at closing than what they had been led to expect. Out of these borrowers, over half received a higher interest rate than they expected, 10% had a different loan amount and 7% had higher fees than expected.

METHODOLOGY

In order to determine trends in foreclosure activity, we gathered data on foreclosure filings from the records of the prothonotary for each of the eight counties. We identified for each case filed: the plaintiff name, defendant name(s), date of filing, and when available, address(es) of defendant(s). In some cases the addresses were cross-referenced in a different file than the listings.

Lending data was obtained from information reported by lenders under the Home Mortgage Disclosure Act (HMDA). While HMDA data is the standard basis to use for analyzing lending information, it does not include home equity lines of credit, second liens, and loans made by some smaller lenders, which aren't required to report the data. While incomplete, it is the most comprehensive database of lending by geography.

We identified subprime-lenders as those so identified by the U.S. Department of Housing and Urban Development. HUD annually compiles a list of lenders, which primarily originate subprime as opposed to market-rate loans. Its list therefore does not include many large lenders who originate subprime loans as part of their overall lending. For more information on HUD procedures regarding the development of their list of subprime-lenders go to www.huduser.org/datasets/manu.html.

We contacted 100 individuals who had received home loans from one of the ten subprime-lenders with the most foreclosure filings in the region. We called these borrowers over the phone and were able to receive responses to complete 80 surveys. These borrowers primarily lived in Dauphin, Lancaster and York counties. A small number of surveys were completed during face-to-face interviews. We were fortunate that ACORN's organizers uncovered additional homeowners who were willing to share with us their experiences with abusive home loans.

Information about specific loan terms was severely limited by the fact that the mortgage note is the main document filed in court and in the deeds office. While the note has information about some loan features, it is often in the additional riders or in the required disclosures where most abusive features can be identified. Interest rate information is generally not recorded and not obtainable. Upon our survey of 100 loan documents, we were able to identify interest rate information that was recorded on 20 adjustable rate loans.

INTRODUCTION: PREDATORY LENDING

Predatory lending is a problem in the subprime mortgage lending industry. While not all subprime loans are predatory, most predatory loans are subprime. The subprime industry is a fertile breeding ground for predatory practices. Subprime loans are intended for people who are unable to obtain a conventional market-rate loan at the standard bank rate. The loans have higher interest rates to compensate for the potentially greater risk that these borrowers represent. There is a legitimate place for flexible loan products for people whose credit or other circumstances will not permit them to get loans on 'A' terms. Predatory lending occurs when loan terms or conditions become abusive or when borrowers who should qualify for credit on better terms are targeted instead for higher cost loans.

Fannie Mae has estimated that as many as half of all borrowers in subprime loans could have qualified for a lower cost mortgage instead.[2] Freddie Mac suggested a somewhat lower, but still extremely large figure – that as many as 35 percent of borrowers who obtained mortgages in the subprime market could have qualified for a market-rate loan.[3] The difference this could make is enormous: borrowers can easily pay $200,000 more in payments on a subprime loan over its 30-year life.

These higher rate subprime loans are often loaded with abusive features – high fees, large and extended prepayment penalties, financed single premium credit insurance – which cost borrowers even more money, and can lock them into the higher rates. When a borrower with good credit in a high rate loan is also charged inflated up front fees, assessed a prepayment penalty, and/or sold financed single premium credit insurance, it often leaves them without enough equity to refinance into a loan at a more reasonable rate.

Those borrowers who are not in a position to qualify for an 'A' loan are also routinely overcharged in the subprime market, with rates and fees that reflect what a lender or broker thought they could get away with, rather than any careful assessment of the actual credit risk. These loans too are often loaded with additional abusive features like financed credit insurance, hidden balloon payments, and mandatory arbitration clauses (see loan characteristics section). As a result, such borrowers also find themselves trapped in high rate loans even once they have improved their credit. Many borrowers are also repeatedly solicited, and repeatedly refinanced into high rate loans, losing equity through every transaction.

Unfortunately, these problems pervade too much of the subprime industry. Just in the past year, two of the nation's largest subprime mortgage lenders, Household International and The Associates (now owned by Citigroup), announced respective settlements of $485 million and $240 million for engaging in abusive lending practices. While these are the largest settlements in American history for any type of consumer complaints, the dollar figures are well below the financial damage these companies have inflicted on their borrowers.

Abuses are also widespread among unscrupulous mortgage brokers, who convince consumers they are acting to secure the lowest-priced loan when they are actually taking kickbacks from lenders to increase interest rates, in addition to collecting their standard origination fees.[4]

Predatory lending practices are even more insidious because they specifically target members of our society who can least afford to be stripped of their equity or life savings, and have

[2] "Financial Services in Distressed Communities," Fannie Mae Foundation, August 2001.
[3] "Automated Underwriting," Freddie Mac, September 1996.
[4] See testimony of Harvard Law School Prof. Howell E. Jackson to the Senate Banking Committee hearing on "Predatory Mortgage Lending Practices: Abusive Uses of Yield Spread Premiums," January 8, 2002.

the fewest resources to fight back when they have been cheated. Subprime lending is disproportionately concentrated among minority, low-income, and elderly homeowners.[5] Over 1.8 million lowest-income senior citizen homeowners pay more than half their incomes for housing, leaving them with little room to make increased mortgage payments on top of their other monthly expenses.[6]

Many in the lending industry argue that the disproportionate concentration of subprime loans among low-income and minority borrowers is only a reflection of the greater risk that these borrowers represent based on their lower credit ratings. However, Fannie Mae has stated that the racial and economic disparities in subprime lending cannot be justified by credit quality alone. According to Fannie Mae, loans to lower-income customers perform at similar levels as loans to upper-income customers; indeed, some recent research suggests that mortgages to low- and moderate-income borrowers perform better than other mortgages when the lower prepayment risk is taken into account.[7]

Many in the subprime industry portray their primary role as helping families realize the American dream of homeownership, but predatory lending threatens to reverse the progress that has been made in increasing homeownership rates among minority and lower income families. The vast majority of subprime loans are refinances and home equity loans to existing homeowners, not purchase loans. In 2002, more than 65% of the reported home loans made by subprime-lenders were for refinances, and an additional 6% were home-improvement loans.

While it is important for homeowners to be able to use the equity in their homes to meet financial needs, predatory lenders bombard homeowners in many communities with refinance offers that lead to loans at high rates with inflated fees, as well as other abusive terms. By stripping equity, increasing indebtedness, and even costing families their homes, these practices cause homeowners to lose their equity, rather than use it for their benefit.

Furthermore, when we do examine the subprime industry's role in the home purchase market, there is additional cause for concern. From 1993 to 1995 there was a substantial increase in market-rate home purchase loans to minorities. Since then, however, the number of market-rate loans has stagnated, while the number of subprime purchase loans has skyrocketed. From 1995 to 2001 the number of subprime purchase loans to African-American homebuyers rose 686%, while the number of market-rate conventional purchase loans to African-American homebuyers actually fell 5.7%. A huge homeownership gap remains, with over three-quarters of white households owning their own homes, compared to less than half of African-American and Latino families.

This, along with the data from Fannie Mae and Freddie Mac mentioned above, suggests that higher cost subprime loans are replacing, rather than supplementing, less expensive 'A' credit, with tremendous extra costs for borrowers who should be qualifying for, or previously were in, 'A' loans. When buyers who should be eligible for loans at market interest rates are instead steered towards subprime-lenders, they end up paying more each month than they would with a prime, market rate loan. Over the life of the loan, the higher interest rates and added fees deprive these homeowners of a fair opportunity to build equity. In the worst cases, the high interest and fees are only the tip of a predatory lending iceberg in which the loan also contains harmful terms, and the combination of these factors greatly increase the likelihood of foreclosure. The prevalence of predatory lending abuses in the subprime market has been a major factor behind record-breaking foreclosure rates; the Mortgage Bankers Association's survey of borrowers entering foreclosure and mortgages already in foreclosure for second quarter 2002 showed the

[5] "We think [predatory lending is] at epidemic proportions, particularly in low-income, elderly and minority communities." Craig Nickerson, vice president of community development lending, Freddie Mac, as quoted in "Campaign to Help Buyers Avoid Predatory Loans", *Los Angeles Times*, by Lee Romney, July 18, 2001, Business p. 1.

[6] *The State of the Nation's Housing: 2001*, Harvard University Joint Center for Housing Studies, pp. 26-27.

[7] "Performance of Low-Income and Minority Mortgages," by Robert Van Order and Peter Zorn, in *Low-Income Homeownership: Examining the Unexamined Goal*, ed. Nicolas Retsinas and Eric Belsky, 2002, p. 324.

highest percentages in each category since the statistics first started being tabulated in 1972.[8]

In addition, subprime purchase loans are the financing mechanism of choice for carrying out "property flipping" scams, which unfortunately have become all too common an occurrence in a number of cities. Property flipping involves the purchase of distressed properties at a negligible price, and then, after minimal cosmetic or even no repairs, the property is sold at prices far above their actual worth. The victims of property flipping are often unsuspecting low-income, minority first-time homebuyers.

The damage that predatory lending inflicts on our communities must not be overlooked. Homeownership provides the major source of wealth for low-income and minority families.[9] Rather than strengthening neighborhoods by providing needed credit based on this accumulated wealth, predatory lenders have contributed to the further deterioration of neighborhoods by stripping homeowners of their equity and overcharging those who can least afford it, leading to foreclosures and vacant houses.[10]

The last few years have seen a growing recognition of the serious harm being caused by predatory lending, and federal and state regulators have begun to take modest, yet significant, steps against the abuses. After overcoming a legal challenge, the Office of Thrift Supervision implemented regulations in July 2003 that effectively restored consumer protection laws on late fees and prepayment penalties in about half the states. In October 2002, the Federal Reserve used its regulatory authority under the federal Home Ownership Equity Protection Act (HOEPA) to make two significant changes – counting single-premium credit insurance policies as a fee under the HOEPA test, and expanding HOEPA coverage to more first mortgages with very high rates. In May 2002, the Federal Reserve also announced that it would require the collection of annual percentage rates on most high-cost home loans, although the data collection was postponed until January 2004, meaning nothing will be publicly available until mid-2005.

State legislatures and city councils around the country continue to debate anti-predatory lending bills. On the federal level, the Senate Banking Committee in the 107th Congress, under the leadership of Chairman Paul Sarbanes (D-MD), held a number of major hearings on predatory lending. Senator Sarbanes has introduced comprehensive anti-predatory lending legislation in the 108th Congress, S. 1928. Representative Bob Ney (R-OH) has also introduced legislation that would preempt existing state laws that go further than federal law in protecting borrowers, but has thus far seen sufficient bipartisan opposition to his approach that the bill has not moved forward. The House Financial Services committee this year also held hearings on predatory lending; testifiers on all sides of the debate agreed that predatory loans are a problem that must be addressed, although many industry speakers effectively oppose any additional legislative protections for borrowers.

While much of the financial industry has desperately tried to hold off legislation through a combination of announcing insufficient "best practice" standards, hiring high-paid lobbyists, and making large campaign contributions, the actual experience with legislation has been that it works without reducing access to credit. North Carolina Governor Michael Easley announced that the state's 1999 law had saved homeowners $100 million even though borrowers with incomes below $25,000 received a higher share of subprime loans than in any other state in the country.[11]

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[8] "2nd Quarter Foreclosure Rates Highest in 30 Years," *Washington Post*, by Sandra Fleishman, September 14, 2002, p. H1.

[9] *The State of the Nation's Housing: 2002*, Harvard University Joint Center for Housing Studies, p. 10.

[10] "Equity Strippers," Pennsylvania ACORN, May 2000; "Preying on Neighborhoods," National Training and Information Center, September 1999; "Unequal Burden in Baltimore," HUD, May 2000; "The Expanding Role of Subprime Lending in Ohio's Burgeoning Foreclosure Problem," Ohio Community Reinvestment Project, October 2002.

[11] *North Carolina's Subprime Home Loan Market After Predatory Lending Reform*, prepared by The Center for Responsible Lending, Durham, NC, August 13, 2002. See also "Predatory loan crackdown won't ruin the business;

Meanwhile, a huge fight looms in Congress as segments of the financial industry attempt to use Republican control of the Congress as an opportunity to preempt state and local consumer protections against predatory lending without setting any new, meaningful safeguards for homeowners at the federal level.[12] The fate of our country's gains in homeownership in recent decades among people of color and low- and moderate-income Americans hangs in the balance.

City, state laws raise howls of protest, but experience suggests limited impact," *Craine's New York Business*, by Heike Wipperfurth, October 21, 2002, p. 4; "Surprisingly Strong Subprime Growth," Morgan Stanley, by Kenneth Posner and Athina Meehan, July 31, 2002.

[12] "GOP Rout Means a Change in Committees," *National Mortgage News*, by Brian Collins, Nov. 11, 2002, p. 2.

FINDINGS

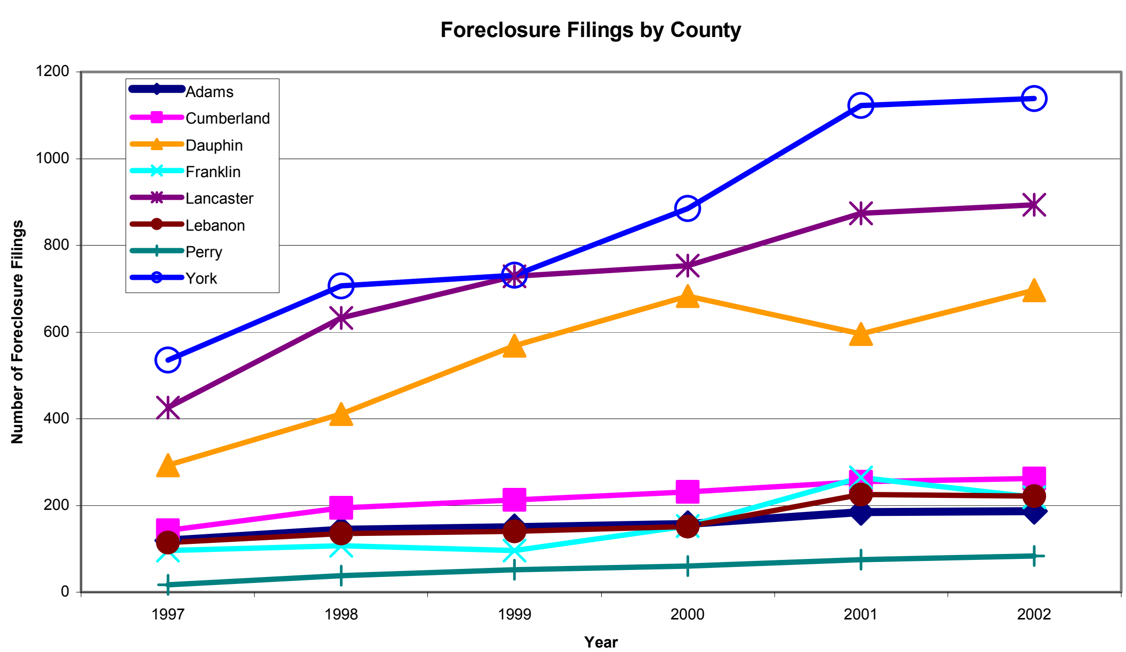
1. Increase in Foreclosure Filings in South Central Pennsylvania

Foreclosure filings increased 186% in the region from 1997 to 2002. The region had 1,744 mortgage foreclosure filings filed in 1997 compared to 3,703 in 2002. Foreclosure filings increased in every one of the eight counties of South Central Pennsylvania. Adams County had the smallest rate of increase at 57% while Perry County had the greatest increase of 394%. The number of foreclosure filings filed in 2002 was not quite double the 1997 numbers in Cumberland County where there was an 83% increase and Lebanon County where there was a 95% increase.

The three most populated counties in the region—Dauphin, Lancaster, and York—experienced similar rates of increased foreclosure filings. Dauphin County's foreclosure filings increased from 293 foreclosure filings in 1997 to 697 in 2002, an increase of 138%. Lancaster County's foreclosure filings increased from 426 filed in 1997 to 893 in 2002, and increase of 110% while York County's foreclosure filings increased 113% from 536 in 1997 to 1139 in 2002.

Yearly Number of Foreclosures Filed 1997-2002

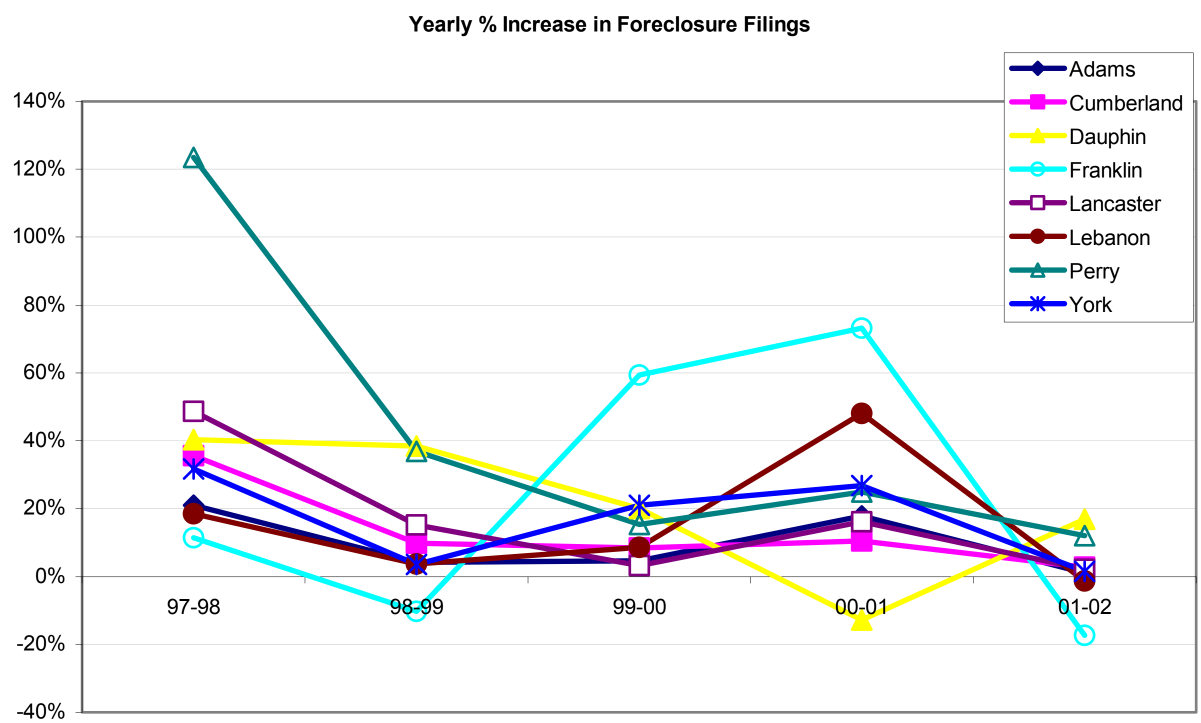
	1997	1998	1999	2000	2001	2002	Total	% Increase	Volume Increase
Adams	119	144	150	157	185	187	942	57%	68
Cumberland	143	194	213	231	170	262	1,213	83%	119
Dauphin	293	411	569	683	596	697	3,249	138%	404
Franklin	96	107	96	153	265	219	936	128%	123
Lancaster	426	633	729	753	874	893	4,308	110%	467
Lebanon	114	135	140	152	225	222	988	95%	108
Perry	17	38	52	60	75	84	326	394%	67
York	536	706	731	885	1,122	1,139	5,119	113%	603
Region	**1,744**	**2,368**	**2,680**	**3,074**	**3,597**	**3,703**	**17,166**	**112%**	**2,726**



Five counties have experienced increases in foreclosure filings every year since 1997: Adams, Cumberland, Lancaster, Perry and York Counties. Lebanon experienced a slight decrease from 2001 to 2002 when there were three fewer foreclosures filed. Dauphin County experienced a decrease in foreclosure filings from 2000 to 2001 although the subsequent year's increase pushed the 2002 foreclosure number above that of 2000.

Yearly Change in Foreclosure Filings

	97-98	98-99	99-00	00-01	01-02
Adams	21%	4%	5%	18%	1%
Cumberland	36%	10%	8%	10%	3%
Dauphin	40%	38%	20%	-13%	17%
Franklin	11%	-10%	59%	73%	-17%
Lancaster	49%	15%	3%	16%	2%
Lebanon	18%	4%	9%	48%	-1%
Perry	124%	37%	15%	25%	12%
York	32%	4%	21%	27%	2%
Region	**36%**	**13%**	**15%**	**17%**	**3%**



The graph demonstrates that the largest percentage increase in foreclosures filed from the year before was in 1998 in most counties; there was also a surge in Franklin County in 2000 and in most counties except for Dauphin in 2001. It is important to note that the actual number of foreclosures filed continues to increase, only at a slower rate than before.

The differences between the counties in the rate of growth of foreclosure filings do not seem to reflect differences in income, race, homeownership rates or population size. Other economic data involving employment rates or homebuilding may offer additional critical analysis of this data, as may the further review of geographic location of foreclosure filings within each county.

Increase in Foreclosure Filings and County Demographics					
	Homeownership Rate	**Total Occupied Households**	**Median Family Income**	**% White population**	**Foreclosure Filings Increase 1997-2002**
Adams	77%	33,652	$ 48,810	94%	57%
Cumberland	73%	83,015	$ 56,406	94%	83%
Dauphin	65%	102,670	$ 50,974	76%	138%
Franklin	74%	50,633	$ 47,075	95%	128%
Lancaster	71%	172,560	$ 52,513	89%	110%
Lebanon	73%	46,551	$ 48,906	92%	95%
Perry	80%	16,695	$ 47,997	98%	394%
York	76%	148,219	$ 52,278	92%	113%
Region	**72%**	**653,995**			**186%**

2. Subprime Lending and Mortgage Foreclosure Filings

Subprime-lenders originated 22.1% of the foreclosures filed in the region in 1997, more than one out of every five. Six years later, in 2002, subprime-lenders originated more than one out of every three foreclosures filed in the region, 36.3%.

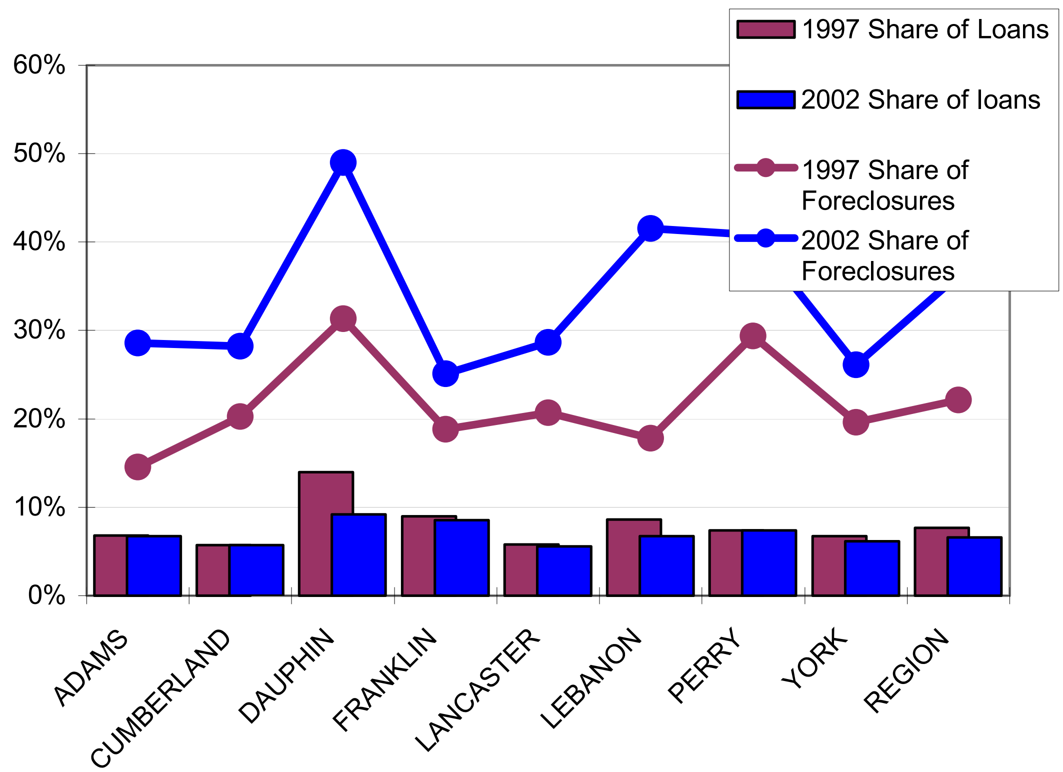
The subprime-lender share of foreclosure filings increased 64% over the six-year period. Cumberland, Franklin, Lancaster, and Perry counties experienced similar rates of growth in the subprime-lender share of mortgage foreclosure filings, ranging from 33.6% to 39.3% in these counties. Dauphin County had the highest initial subprime-lender share of foreclosure filings with 31.4%. This increased to almost half the foreclosure filings, 49% in 2002, an increase of 56.1%. Lebanon and Adams counties had the lowest subprime share of foreclosure filings in 1997 but the greatest increases to 2002. The subprime-lender share of foreclosure filings increased 96% in Adams County to 29% of the foreclosure filings. In Lebanon County, the subprime share of foreclosure filings increased 133% to 42% of foreclosures filed.

Subprime Originator Share of Foreclosures			
	1997	**2002**	**Change**
ADAMS	14.6%	28.6%	95.9%
CUMBERLAND	20.3%	28.2%	39.3%
DAUPHIN	31.4%	49.0%	56.1%
FRANKLIN	18.8%	25.1%	33.6%
LANCASTER	20.7%	28.6%	38.5%
LEBANON	17.8%	41.6%	133.3%
PERRY	29.4%	40.8%	38.9%
YORK	19.6%	26.1%	33.2%
REGION	**22.1%**	**36.3%**	**64.0%**

The subprime-lenders' share of foreclosure filings increased over this time period despite a decrease in the subprime-lender share of loans made in the region from 1997 to 2002.

Change in Subprime Lender Share of Loan Originations			
	1997 Subprime-lender	**2002 Subprime-lender**	**Change**
	Share of Loans	**Share of Loans**	**1997-2002**
ADAMS	6.8%	6.7%	-1.1%
CUMBERLAND	5.7%	5.7%	0.8%
DAUPHIN	14.0%	9.1%	-34.3%
FRANKLIN	9.0%	8.5%	-5.3%
LANCASTER	5.8%	5.6%	-3.9%
LEBANON	8.6%	6.7%	-21.6%
PERRY	7.4%	7.4%	-0.1%
YORK	6.7%	6.2%	-8.0%
REGION	**7.7%**	**6.6%**	-14.3%

The graph below superimposes two sets of data for both 1997 and 2002. The bars indicate the subprime-lender share of loans in each county. The lines illustrate the subprime-lender share of foreclosure filings in each county. While the bars are relatively even, and in a few cases illustrate the decrease in subprime-lenders share of all loans originated (Dauphin, Lebanon and the regional aggregate) the lines above show not only the larger subprime-lender share of foreclosures filed in each county, but the increased share in 2002 compared to 1997.



Change in Subprime Lender Share of Loans Compared to Share of Foreclosure Filings						
	1997 Subprime-lender		2002 Subprime-lender		Change from 1997 to 2002	
County	Share of Foreclosure Filings	Share of Loans	Share of Foreclosure Filings	Share of Loans	Increase in Share of Foreclosure Filings	Increase in Share of Loans
ADAMS	14.6%	6.8%	28.6%	6.7%	95.9%	-1.1%
CUMBERLAND	20.3%	5.7%	28.2%	5.7%	39.3%	0.8%
DAUPHIN	31.4%	14.0%	49.0%	9.2%	56.1%	-34.3%
FRANKLIN	18.8%	9.0%	25.1%	8.5%	33.6%	-5.3%
LANCASTER	20.7%	5.8%	28.6%	5.6%	38.5%	-3.9%
LEBANON	17.8%	8.6%	41.6%	6.7%	133.3%	-21.6%
PERRY	29.4%	7.4%	40.8%	7.4%	38.9%	-0.1%
YORK	19.6%	6.7%	26.1%	6.2%	33.2%	-8.0%
REGION	**22.1%**	**7.7%**	**36.3%**	**6.6%**	64.0%	-14.3%

In all counties in 1997, subprime-lenders' share of foreclosure filings was at least twice their share of loan originations. In Adams, Franklin, and Lebanon counties, subprime-lenders originated a 2.1 times greater share of foreclosure filings than they did all loans. Subprime-lenders originated a 2.9 times greater share of foreclosure filings than all loans in Dauphin County. In Cumberland and Lancaster Counties, subprime-lenders were responsible for 3.6 times greater share of foreclosure filings than their share of all loans. Perry County had the highest ratio, where subprime-lenders were responsible for a four times greater share of foreclosure filings than share of all loans.

In 2002, these ratios were much higher. In the region, subprime-lenders originated 5.5 times the portion of loans being foreclosed than the portion of loans they originated. Lebanon County had the greatest disparity in 2002 when subprime-lenders originated a 5.5 times greater share of the foreclosures filed than their share of loans originated. Franklin County had the lowest disparity ratio in 2002 when subprime-lenders originated a 2.9 times greater share of the foreclosures filed compared to their share of loans originated. This is still greater than the 2.1 times difference in 1997 in Franklin County.

Disparity in Subprime Share of Foreclosure Filings to Share of Loans						
	1997 Subprime-lender		2002 Subprime-lender		Disparity Ratio of Share of Foreclosure filings to Share of Loans	
County	Share of Foreclosure filings	Share of Loans	Share of Foreclosure filings	Share of loans	1997	2002
ADAMS	14.6%	6.8%	28.6%	6.7%	2.1	4.2
CUMBERLAND	20.3%	5.7%	28.2%	5.7%	3.6	4.9
DAUPHIN	31.4%	14.0%	49.0%	9.2%	2.2	5.3
FRANKLIN	18.8%	9.0%	25.1%	8.5%	2.1	2.9
LANCASTER	20.7%	5.8%	28.6%	5.6%	3.6	5.1
LEBANON	17.8%	8.6%	41.6%	6.7%	2.1	6.2
PERRY	29.4%	7.4%	40.8%	7.4%	4.0	5.5
YORK	19.6%	6.7%	26.1%	6.2%	2.9	4.2
REGION	**22.1%**	**7.7%**	**36.3%**	**6.6%**	2.9	5.5

Subprime-Lenders With the Most Loans Originated Resulting in Foreclosure Filing									
	Adams	Cumberland	Dauphin	Franklin	Lancaster	Lebanon	Perry	York	Subtotal
Household/Beneficial (HSBC)	21	32	63	34	72	37	4	65	328
Citifinancial/Associates (Citigroup)	21	14	95	36	54	19	7	42	288
Conseco/Greentree	16	15	74	34	44	18	7	34	242
Ameriquest	6	8	47	21	70	28	10	14	204
The Money Store & First Union Home Equity (Wachovia)	22	10	45	11	47	27	6	30	198
IMC	4	14	65	8	30	11	2	48	182
UC Lending/Aegis	4	4	70	0	33	10	4	28	153
Equicredit/Nationscredit (Bank of America)	5	3	78	4	20	4	0	28	142
Option One (H&R Block)	16	2	53	0	20	7	3	28	129
Equity One (Banco Popular)	1	1	37	1	25	28	0	26	119
Fleet Real Estate Funding (Fleet)	10	4	40	0	19	21	3	18	115
Alliance Funding/Superior Bank (shut down)	7	9	32	10	22	6	3	26	115
Advanta (Chase)	11	3	27	10	14	11	3	32	111
Conti Mortgage	1	6	21	6	13	14	2	14	77
Mortgage Electronic Registration	0	3	15	0	28	1	1	24	72
Provident/Consolidated*	0	1	3	1	36	0	0	26	67
New Century	0	1	32	5	13	0	1	14	66
First National Mortgage Corp. (National City)	6	1	12	10	12	9	3	9	62

*The subprime-lender Provident Bank of Ohio is different than the market-rate lender Provident Bank of Maryland. We believe the subprime Provident loans are undercounted because of the difficulties in differentiating one Provident Bank from the other. If there was any question which lender originated the loan, it was not attributed to the subprime lender.

In the south-central region, the subprime-lenders that originated the most loans that ended in foreclosure are among the largest subprime-lenders in the country. The 20 subprime-lenders with the most loans resulting in foreclosure originated 16.2% of all foreclosure filings in the eight-county region over the six years from 1997 to 2002.

Many of these national lenders have been investigated by regulators and had to pay large settlements, others have been shut down or gone out of business. Associates (later purchased by Citifinancial) were investigated by and reached a settlement with the Federal Trade Commission, as well as the Attorney General of North Carolina. Household and Beneficial settled for nearly $500 million dollars with state banking regulators and attorney generals across the country. The FDIC shut down Superior Federal Bank/Alliance Funding. The loans are now being serviced by LaSalle Bank and EMC. Fleet Real Estate Funding was the subject of several class action lawsuits and is no longer operating. The Money Store was bought by First Union (now Wachovia) and is no longer originating loans. The open loans are being serviced by HomEq, a division of Wachovia. United Companies Lending has emerged from bankruptcy and is conducting business as Aegis.

Despite these shut downs which have occurred over the last few years, the business has continued to grow, with new players popping up to replace old ones, and of course the loans made by now defunct players are still open, still burdening borrowers, and still leading to foreclosures.

The plaintiffs who filed the foreclosure cases often did not originate the loans. However, many of the subprime-lenders who are on this list were also the largest originators of subprime loans in the region. The chart below lists the subprime-lenders with the largest number of foreclosures filed in the region. (Lenders are grouped by corporate owner.)

Subprime-lenders as Plaintiffs in Foreclosure Filings									
Foreclosing Lender	Adams	Cumberland	Dauphin	Franklin	Lancaster	Lebanon	Perry	York	Total
Citifinancial/Associates (Citigroup)	11	15	90	36	115	16	14	85	382
Household/Beneficial (HSBC)	15	35	45	36	100	33	6	61	331
Principal Residential	4	14	24	3	129	19	5	55	253
Conseco/Greentree	11	22	61	33	44	14	7	42	234
Conti Mortgage	7	13	62	7	32	17	4	42	184
IMC Mortgage	5	13	46	4	23	8	1	34	134
Ocwen	0	2	28	4	35	8	1	42	120
United Companies/Aegis	4	5	46	0	15	6	3	30	109
Equicredit/Nationscredit (Bank of America)	4	3	24	3	9	5	2	34	84
EMC (Bear Stearns)	0	1	26	0	25	5	0	16	73
Altegra	0	4	20	2	9	20	0	12	67
Centex Home Equity	0	1	23	2	5	6	2	11	50
ABFS/Upland	6	0	0	0	17	7	0	18	48
Equity One	0	1	15	0	13	9	0	9	47
Ameriquest	2	2	7	3	16	4	4	5	43
The Money Store (Wachovia)	2	4	6	7	12	6	1	5	43
Fairbanks	1	0	1	4	15	8	5	6	40
CIT Group	1	4	9	4	7	0	0	12	37
Aames/One Stop	0	4	9	3	8	1	1	9	35
First National Mortgage Corp. (National City)	0	6	2	0	14	8	0	1	31
American General	1	3	2	7	4	2	1	7	27

The plaintiff who filed the foreclosure action against the homeowner only tells one piece of the story of the increase in foreclosure filings. Since many subprime loans are sold upon closing to another company, or securitized in mortgage-backed securities, the foreclosing lender is often different than the original lender on the loan.

Most of the lenders on the bottom of the list (Centex, First National Mortgage, CIT Group, American General and ABFS/Upland) fall off the list of the largest subprime originators of foreclosed loans only because a greater portion of borrowers were foreclosed on by banks and other companies who now hold the loan, often as trustee of a mortgage security. These lenders do not appear on this list because most of the loans held by banks and other market-rate lenders are prime, or market rate loans. For these reasons, identifying the original lender of these loans is a crucial piece of understanding foreclosures.

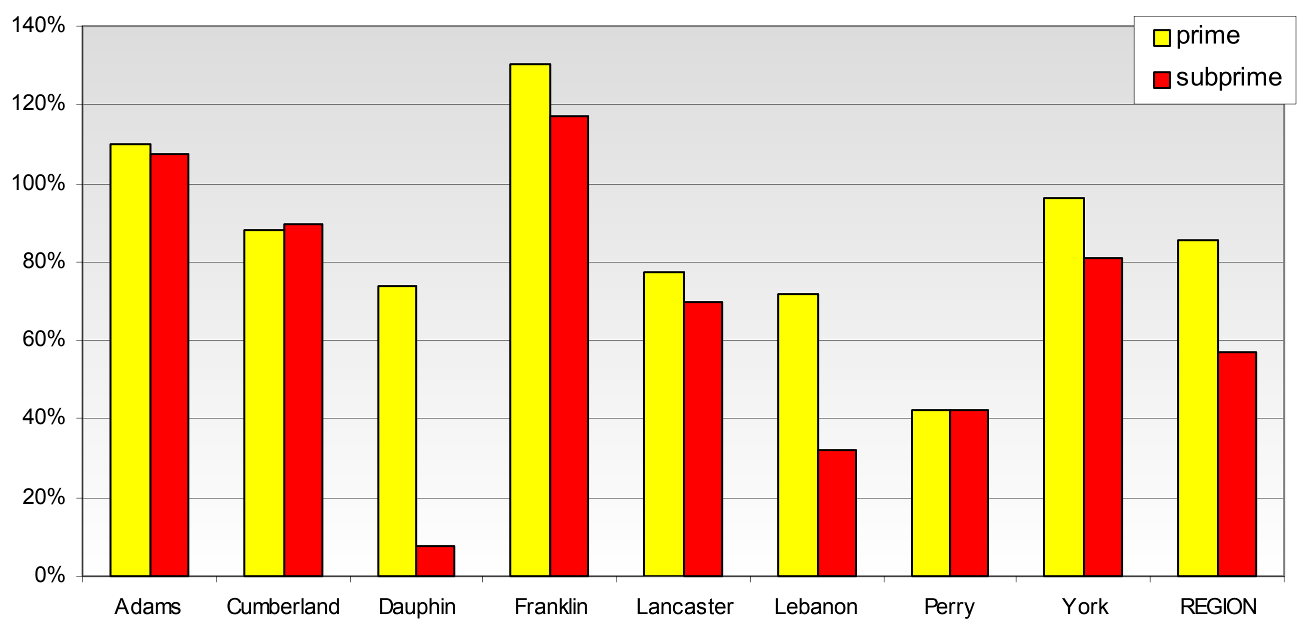
3. Subprime-Lenders' Role in Local Lending Market

The volume of subprime lending in the region has increased over the years since 1997, but the share of loans made by subprime-lenders has held relatively steady (as lending volume has increased over all). Subprime loans are more likely to be made to lower-income and minority borrowers.

In 1997, there were 48,650 loans originated in the region out of which 3,757 were from subprime-lenders, 7.7%. In 2002, there were 89,293 loans originated in the region out of which 5,903 were from subprime-lenders, 6.6% of the total.

Change in Loan Volume 1997 – 2002 by Lender Type		
County	**Prime**	**Subprime**
Adams	109.9%	107.4%
Cumberland	88.2%	89.7%
Dauphin	73.9%	7.5%
Franklin	130.3%	116.8%
Lancaster	77.2%	70.0%
Lebanon	71.7%	31.9%
Perry	42.2%	42.1%
York	96.4%	80.8%
REGION	85.8%	57.1%

Change in Lending by Lender Type



It should be noted that in many parts of the region subprime lending did increase somewhat as a share of total lending until 2000, only to decrease as a share after that. This is likely explained in part by the recent low-interest rate environment which encouraged a much larger than normal number of refinances by prime, market rate lenders. Subprime-lenders made the greatest portion of loans in each county in either 1999 or 2000.

Subprime-Lender Share of Loans						
County	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Adams	6.8%	6.0%	7.5%	9.1%	8.7%	6.7%
Cumberland	5.7%	5.3%	5.7%	6.6%	7.1%	5.7%
Dauphin	14.0%	12.0%	13.0%	12.7%	11.8%	9.1%
Franklin	9.0%	7.0%	9.9%	11.1%	7.3%	8.5%
Lancaster	5.8%	5.7%	7.0%	6.9%	5.8%	5.6%
Lebanon	8.6%	8.4%	9.1%	8.5%	10.5%	6.7%
Perry	7.4%	7.2%	9.6%	8.5%	8.5%	7.4%
York	6.7%	6.6%	7.2%	9.3%	7.0%	6.2%
REGION	7.7%	7.1%	8.2%	8.8%	7.8%	6.6%

According to data reported under the Home Mortgage Disclosure Act, subprime-lenders originated 8.2% of all the loans made in the region during the six years of 1997 to 2002. By county, the subprime-lender share of loans varies from a high of 13.4% in Dauphin County to 9.3% and 9.4% in Franklin and Lebanon counties respectively, to a low of 6.4% in Cumberland and Lancaster counties.

Aggregate Lending in the Region 1997-2002			
County	**Prime Lenders**	**Subprime-Lenders**	**Subprime Share**
Adams	22,594	1,802	8.0%
Cumberland	50,744	3,241	6.4%
Dauphin	50,896	6,838	13.4%
Franklin	20,140	1,877	9.3%
Lancaster	95,469	6,157	6.4%
Lebanon	23,805	2,235	9.4%
Perry	10,317	903	8.8%
York	94,756	7,129	7.5%
REGION	368,721	30,182	8.2%

With the exception of Dauphin County, the counties with lower median family incomes had greater subprime lending levels. On the other hand, Dauphin County has the highest minority population in the region. This follows other national findings that subprime lending is concentrated among minority and lower-income communities. (Table below is sorted by the subprime share of loans.)

Subprime Lender Share of Loans by County Income and Population Race			
	Median Family Income	**% White population**	**Subprime Share of Loans 2002**
Dauphin	$ 50,974	76%	13.4%
Lebanon	$ 48,906	92%	9.4%
Franklin	$ 47,075	95%	9.3%
Perry	$ 47,997	98%	8.8%
Adams	$ 48,810	94%	8.0%
York	$ 52,278	92%	7.5%
Cumberland	$ 56,406	94%	6.4%
Lancaster	$ 52,513	89%	6.4%
Region			8.2%

Breaking down the 2002 data by borrower race, 13.2% of the loans made to African-Americans were from subprime-lenders and 8.1% of the loans made to Latinos were from subprime-lenders compared to only 4.0% of the loans to whites. In comparative terms, African-Americans were 2.2 times more likely to receive a subprime loan than whites while Latinos were 1.3 times more likely to receive a subprime loan than whites.

Subprime Lender Share of Loans by Borrower Race/Ethnicity			
	Prime Lender Loans 2002	Subprime-Lender Loans 2002	Subprime Share
White	65,911	2,772	4.0%
African-American	1,066	162	13.2%
Latino	1,016	90	8.1%

Low-income borrowers were more likely to receive a subprime loan than middle-income or upper-income borrowers. Almost one out of every nine low-income borrowers in the region, 10.8%, received a subprime loan and more than one out of twelve, 8.8%, of the loans made to moderate-income borrowers were from subprime-lenders. In contrast, only 4.9% of loans to middle-income borrowers were from subprime-lenders and only 4.3% of loans to upper-income borrowers were from subprime-lenders. In comparative terms, low-income borrowers were 2.5 times more likely to get a subprime loan than upper-income borrowers while moderate-income borrowers were still twice as likely as upper-income borrowers to receive a subprime loan.

In the counties where at least 100 loans were originated to a minority group, the disparities are even greater. African-Americans were 4.4 times more likely to get a subprime loan than whites in Lancaster County while African-Americans were 2.8 times more likely to receive a subprime loan than whites in York County.

Disparity in Subprime Lending to African-Americans			
	Subprime Lender Share of Loans		
County	White	African-American	Disparity
Dauphin	5.9%	15.1%	2.6
Lancaster	1.9%	8.4%	4.4
York	4.5%	12.6%	2.8
Region	4.0%	13.2%	2.2

The disparity was also greater for Latinos in counties where they received at least 100 loans. In Lancaster County, Latinos were 3.3 times more likely to receive a subprime loan than whites while Latinos were 3.1 times more likely to receive a subprime loan in Lebanon County. In York County, Latinos were 2.1 times more likely to receive a subprime loan, while in Dauphin County, Latinos were 1.6 times more likely than whites to receive a subprime loan.

Disparity in Subprime Lending to Latinos			
	Subprime-Lender Share of Loans		
	White	Latino	Disparity
Dauphin	5.9%	9.4%	1.6
Lancaster	1.9%	6.3%	3.3
Lebanon	4.2%	12.9%	3.1
York	4.5%	9.6%	2.1
Region	4.0%	8.1%	1.3

Even when comparing subprime lending among borrowers of the same income, minorities

are more likely to receive a subprime loan than whites.

In Dauphin County, more than one out of four loans (27%) to low-income African-Americans were from subprime-lenders, while only 11.9% of the loans to low-income whites were from subprime-lenders -- a 2.3 times difference. Furthermore, 16.2% of the loans made to middle-income African-Americans were from subprime-lenders, a greater portion than the 11.9% of the loans to low-income whites.

In Lancaster County, one out of nine loans to low-income African-Americans, 10.5% were from subprime-lenders compared to only 4.7% of the loans made to low-income whites.

In Lebanon County, 8.7% of the loans made to low-income Latinos were from subprime-lenders while an even greater 22.9% of the loans made to moderate-income Latinos were from subprime-lenders. In contrast, only 5.1% of the loans to low-income whites were from subprime-lenders and 4.9% of the loans to moderate-income whites.

In York County, one out of nine loans (11.5%) made to low-income African-Americans were made by subprime-lenders and 12.2% of the loans to low-income Latinos were from subprime-lenders compared to only 5.9% of the loans to low-income whites.

Since minorities and lower-income borrowers are more likely to receive subprime loans, they are more likely to have predatory loans and be victim to the rising foreclosure filings in the region.

4. Loan Quality: Results from Borrower Surveys

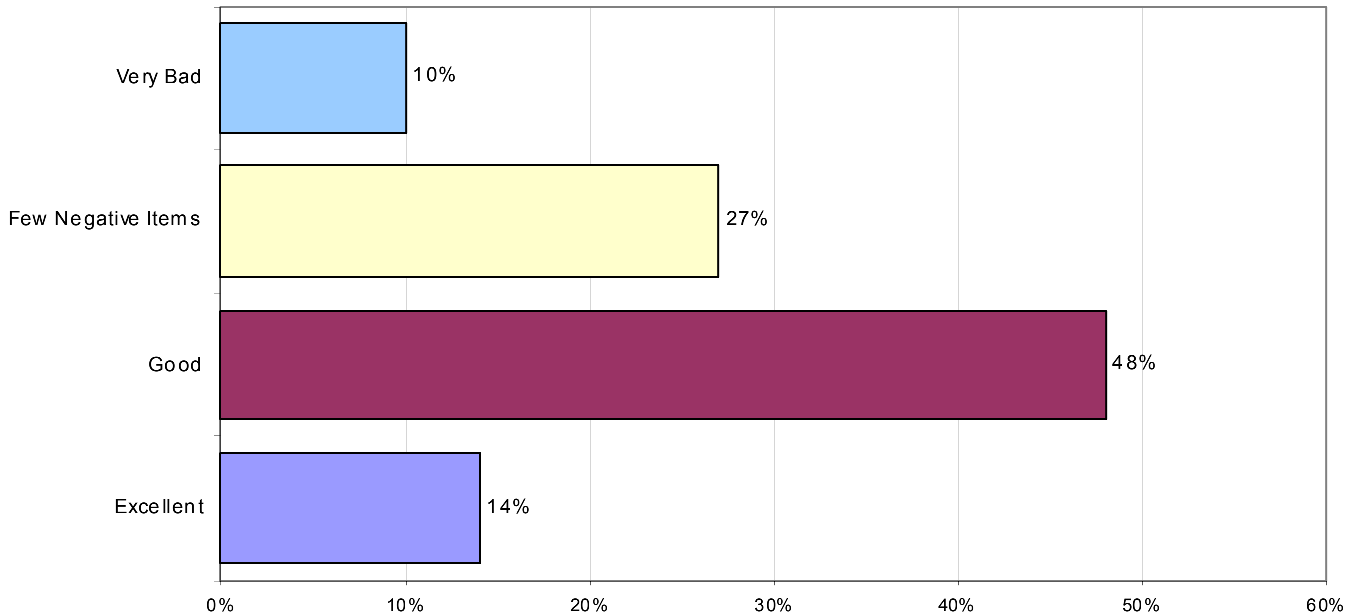
We surveyed 80 families who received loans in the past three years one of the ten subprime-lenders with highest number of foreclosures in the region. These surveys were conducted via telephone home visits. We randomly called these borrowers telling them about the survey and that we believed they may have received a high-cost loan. While a few surveys were conducted at individuals' homes, most were conducted over the phone. (See the appendix for a sample survey.) We contacted 100 families in order to complete 80 surveys.

<u>Demographics</u>:

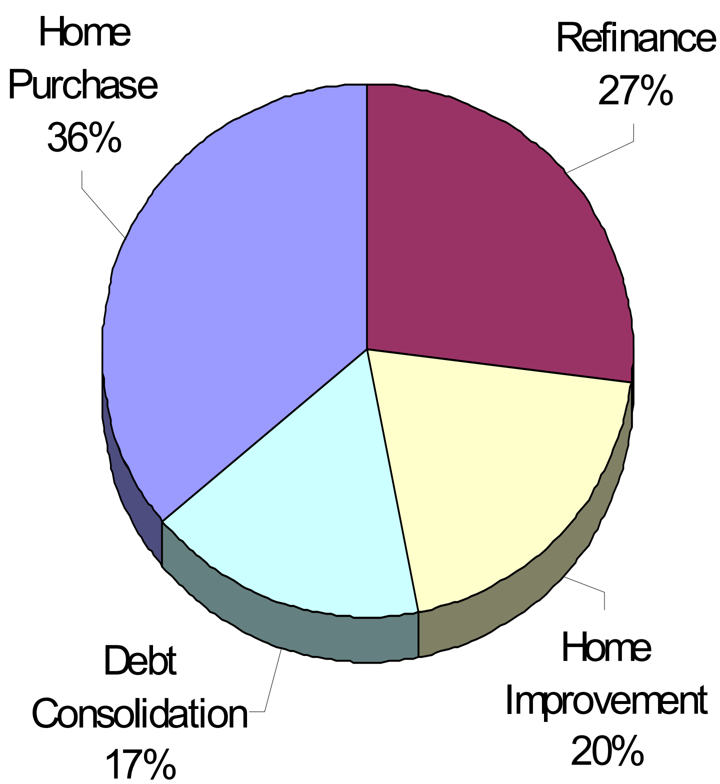
Out of the borrowers surveyed, 42% reported a yearly household income below $40,000 while 29% reported a yearly household income $40-$60,000 and 12% reported a yearly household income above $60,000. 7% declined to answer the question. Only 8% of borrowers surveyed were age 65 or older while 42% were aged 45-64, 43% were 30-44 years old and 8% were aged 18-29.

<u>Credit</u> :

Almost half of the borrowers surveyed perceived their credit to be "good" (48%) while 27% said their credit had "a few negative items". Fewer borrowers rated their credit as "excellent" (14%) and even fewer as "very bad" (10%).



A little more than one-third of the borrowers surveyed received the subprime loan to purchase their home (36% of respondents) while 27% received the loan when refinancing and 20% for a home improvement. Since many refinance loans are also used for home improvement or debt consolidation, the 17% who received the loan for debt consolidation, may have also been a refinance of their original loan. Even the 20% of the home improvement loans may have been actual refinances. All of the borrowers who received a loan to make home improvements had done the work themselves so there were no data about home improvement contractors.

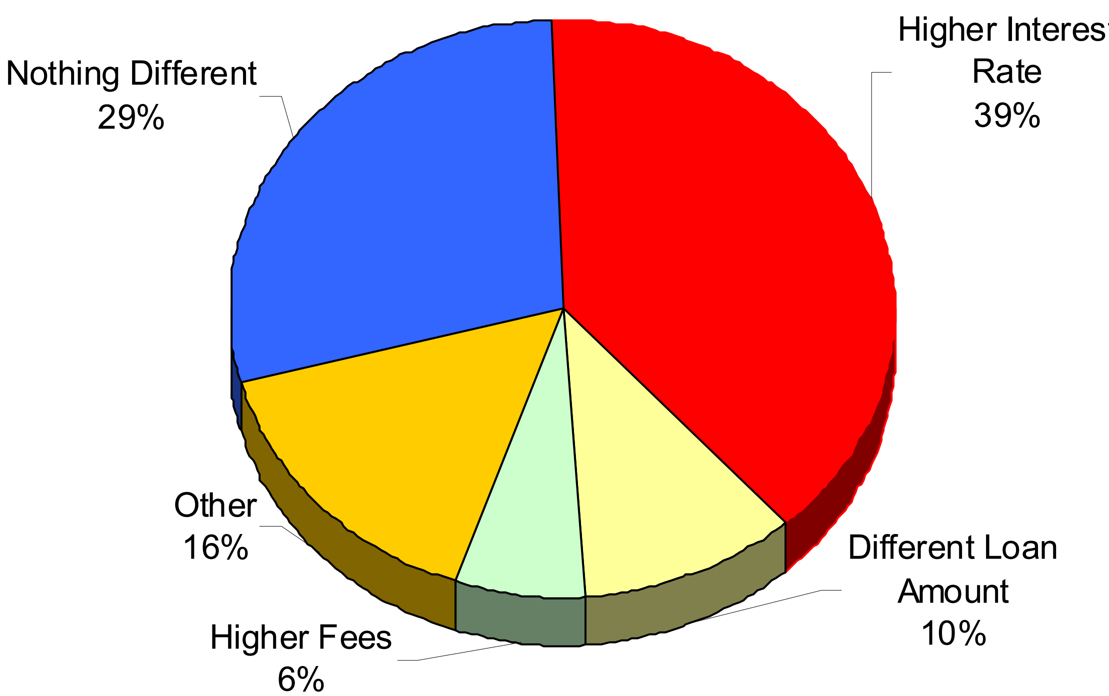


Experiences with Lenders:

Our survey indicates that 40% of the borrowers had an initial contact by their lender through either a phone solicitation (23%) or direct mail (17%). Another 38% of borrowers were referred to the subprime-lender. Of those who reported being referred to the subprime-lender, 30% of those referrals were from a real estate agent, while 20% were from another lender or a mortgage broker.

Of borrowers surveyed, 71.4% reported that the terms of the loans they actually received were different in some way from the terms they had been told. Of those borrowers, over half received a higher interest rate than what they had been told, 10% had a different loan amount, and 7% had higher fees. We believe these numbers are an understatement since fees are often financed into the loan and many borrowers don't fully understand their loan paperwork until they meet with a loan counselor or consumer advocate. It is then they may realize the full amount of fees they were charged on their loan.

Only half the borrowers surveyed knew whether their taxes and insurance were escrowed as part of their loan payments. Out of those who knew they had no escrow, 39% had believed that their tax and insurance payments would be included in their monthly loan payments. Predatory lenders will solicit borrowers offering lower monthly payments without specifying these lower payments do not include the escrow for taxes and insurance that the borrowers may be paying on their current loan. For many homeowners, they would not think of a loan existing without including the escrow so they do not think to ask if it is included in the payments.



Ability to Repay:

Of those surveyed, 45.5% reported problems paying their loans. Of those reporting problems, 9% reported a loss of employment or change in wages, while 3% reported a difficulty in paying due to insurance and taxes not being escrowed as they had expected. Other reasons were difficult to tabulate but varied from "cash flow" to "bills". What is striking about this finding is that more than 90% of those who reported having trouble paying did so despite not reporting a change in employment or wages, suggesting that a significant number of these loans were unaffordable from the outset.

Other:

Most borrowers did not know information about their appraisals, type of interest rate (fixed or adjustable) or what their interest rates were. The response rate was too low to examine data on questions about counseling, the HEMAP program, or if the lender offered payment plans when the borrower was late.

5. Loan Quality: Results from Public Records

The loan documents, which are publicly available at county courthouses and recorders of deeds, do not provide sufficient information to evaluate the presence or absence of most abusive lending characteristics, and, of course they can tell us nothing about the borrowers' credit or about deceptive practices, which may or may not have been part of the loan process.

A few predatory lending features can be seen from the loan documents filed in county courthouses and with recorders of deeds. In that light, we would note the following.

- In a sample of 25 first liens by Citifinancial and Conseco in Lancaster County, only two had a loan to value ratio under 100% while half had a ratio over 120%.
- A sample of 20 hybrid adjustable rate loans originated by Ameriquest, Equicredit and Option One had an average initial interest rate of 9.95% with rates ranging from a low of 7.6% to three loans with starting rates above 12%. These loans would never have an interest rate lower than these initial rates. However, the interest rates could climb to a maximum of 12.75% to 18.75% during the life of the loan.
- A home-buying scam in a York County development abused the FHA lending program by over-appraising home values and falsifying borrower information. [13]
- Deed records in Dauphin County point to property "flipping" where some homes are bought by investors at foreclosure sales for bargain prices and re-sold at much higher inflated values within days.

[13] "U.S. Housing Agency Fraud Spurs Harrisburg, Pa. – Area Lawsuit" York Daily Record October 8, 2003.

EXAMPLES FROM LOCAL FAMILIES

In addition to the story at the beginning of the report, we were able to review paperwork provided by several families who had significant problems with their home loans. Here are a few more examples.

David and Mary Brown[14] – Denver, Pennsylvania

Mr. and Mrs. Brown and their children have lived in or near Lancaster all of their lives. David works in construction, and Mary had been working outside the home but now is self-employed as a daycare provider. They bought their home ten years ago with a 30-year mortgage from a bank, which had an interest rate of 7.5% and monthly payments of $800, including taxes and insurance. In August 1998, the Browns had suffered through a bankruptcy resulting from their being unable to keep up with unsecured debts they had accumulated.

The Browns' first contact with Beneficial came over a decade ago from personal loans Mr. Brown acquired. They continued to receive regular solicitations from a subprime-lender about taking out additional loans. In mid-2001, the Browns responded to the company's solicitation about consolidating some debts and lowering their payments. In July 2001 (just after the Pennsylvania law went into effect), the subprime-lender stacked two mortgages against their house at the same time – a first mortgage for $107,981 that increased their interest rate to 11.0% and an open-end second mortgage for around $6,000 with an even higher rate of 20.0%. The first mortgage financed into the loan single-premium credit life and disability insurance policies that totaled nearly $10,000. And despite the high rates, the subprime-lender's fees on the first mortgage cost nearly $8,000 – over 7% of the loan amount. Between the two loans, their mortgage payments jumped to $1,216, not including taxes and insurance, which cost about $170 per month.

In October 2002, the same subprime-lender gave them another loan that consolidated those two mortgages into a slightly lower rate of 10.3% (by comparison, 'A' rates at the time were around 6.2%) and provided a cash-out of $12,803. To acquire the loan, the subprime-lender financed into the loan another $6,595 of their own origination fees, plus another $1,319 in third-party charges – meaning the two refinancings stripped away approximately $17,000 of their equity. The subprime-lender also pressured them into financing into the loan a home and auto club membership for $2,000, which they subsequently cancelled (although it still slightly increased the fees). Trapping them in the high rate, the subprime-lender put in a prepayment penalty that the Browns don't remember being told about that lasts for three years and costs six months' interest, or approximately $6,500, if they would refinance to a lower rate with another lender.

The Browns have looked at refinancing their mortgage to a lower rate, especially as the bankruptcy will soon be wiped off their credit record, but are prevented from doing so by the combination of the fees and the prepayment penalty. Since their house was most recently appraised for $128,000, their initial loan amount of $127,895 plus the prepayment penalty of $6,500 means they don't have any equity in their house and prevents any other lender from refinancing their loan. Mr. and Mrs. Brown know the payments are too high for them to afford and are very worried about the strong possibility of losing their house.

Mr. & Mrs. Collins – Hummelstown, Pennsylvania

Mr. & Mrs. Collins have very good credit and bought their house in Hummelstown, Dauphin County, in March 2002 with a 30-year mortgage for $129,000 at a 7.1% interest rate and monthly payments of $1,207. The house has recently been appraised for $145,000. Mrs. Collins works for the state government and Mr. Collins works as a teacher.

The Collins' first contact with the subprime-lender came when they bought furniture that was financed through a loan. Subsequently in May 2001, they needed some extra cash to pay bills and took out an unsecured loan through the subprime-lender for $1,064, which had an origination fee of $41. The loan had an interest rate of 18.0% and required three years of monthly payments of $37.

After moving into their house, Mr. and Mrs. Collins wanted to remodel the bedroom and

[14] Names have been changed in all these examples to protect the borrowers' anonymity.

acquired another loan for $2,530 that also paid off the previous loan and had an origination fee of $123. They didn't pay too much attention to the terms of the loan, but it ended up containing a very high interest rate of 28.8% and four years of monthly payments of $85.

They regularly received solicitations for additional loans from the subprime-lender and in September 2002 talked with a loan officer about a $10,000 loan to make home improvements. The loan officer said that wouldn't be a problem and sold them on the tax benefits, and they went through with the application for a home-secured credit card. Further on, the loan officer said he could only get them $7,500. Despite their good credit, the subprime-lender gave them a 19.8% rate – which the salesman made sound good by comparing it to their extremely high rate unsecured loans. The Collins were told they could never withdraw any more from the credit line than $7,500, but the subprime-lender slipped in a page on their loan documents stating that the credit limit on the loan is an absurdly high $200,000.

When the Collins asked the subprime-lender to lower the rate, the loan officer argued that they should instead consolidate all of their loans –including their low rate first mortgage – into a new loan at 9%. Fortunately for them, the Collin's then consulted a friend knowledgeable about financial issues who told them this was a bad deal, and that they could do much better. Now the Collins are refinancing into a 20-year loan at 6% with monthly payments of $1,250.

Mr. and Mrs. Davis – Reinholds, Pennsylvania

Mr. and Mrs. Davis have been living in their house in Reinholds since October 2001. The loan through a market-rate mortgage lender was for $97,900 ($865 each month) which included all their property taxes, and homeowner's insurance. These payments were manageable along with the other bills, until Mrs. Davis had to quit her job in March 2002 because of acute arthritis. Mr. Davis still makes an average of $48,000 / year before taxes, but now they do not have Ms. Davis's income to help out. Their home is currently valued at $121,500 (up from when they bought it, at which point it was just $104,000).

In July or August of 2002, the couple decided to get a $20,000 revolving line of credit through a subprime-lender, which cost them $335 each month. They needed the loan to help pay back additional bills and continue with their mortgage. The subprime-lender, at this point began to harass them repeatedly for additional loans and because of payments that they alleged they were receiving late, none of which were actually being sent late. They were really tired of the high payments and the harassing phone calls and so they started looking into refinancing their mortgage and home equity loan. They found a different subprime-lender, who originally thought that they could only refinance the market-rate loan, mostly because the subprime-lender stated that they were not going to disclose the payoff amount. Eventually, this second subprime-lender stated that they had to refinance both loans (including the subprime loan), because the first subprime-lender had (without telling the Davis's) secured their line of credit by their home.

Their refinance loan had a principle of $118,737, with finance charges that came out to $237,117, for a total of $355,853.90. Their interest rate is variable and currently is 9.25%. This amount does not include any of their taxes or their homeowner's insurance, which together are nearly $180 per month. At the time of the loan, they were grateful because they thought they were getting out of their subprime loan, even though they were quoted the price of $843/mo., and when they came to sign the papers it was at $889/mo. There is also a two-year prepayment penalty.

The loan has given the Davis household a lot of trouble since they received it. Their first payment, due on March 1, was sent to the lender who had refinanced their loan, who only at this point told the Davis's that their payments had to go to their previous subprime-lender (which is how they found out that their loan was really to the same subprime-lender they had before.) It was sent there automatically, and was signed for when it was delivered on March 7th. The subprime-lender repeatedly denied receiving the payment, despite the fact that they cashed the check on March 27th. It was not until the Davis's mailed a copy of the canceled check and faxed it twice that the subprime-lender stopped calling weekly, and ultimately daily, demanding a payment. Because of their current income situation, and the extra taxes and insurance payments they have to pay now, and the high rate of the loan, the Davis's do not know how they will be able to continue payments on the loan.

RECOMMENDATIONS

- **The South Central Assembly for Effective Governance should continue to take a leadership role** in dealing with predatory lending in the region by bringing together lenders, real estate professionals, advocates, and victims to work on solutions to this problem which devastates not only individual family lives, but the communities which are impacted by the resulting foreclosures.

- **Work towards greater consumer protection in legislation at all levels.**
  - National: Support the comprehensive anti-predatory lending legislation sponsored by Senator Paul Sarbanes, S. 1928 and oppose legislation sponsored by Representative Bob Ney that would preempt existing state laws which go further than federal law in protecting borrowers.
  - State: Work with the state predatory lending coalition on state-level legislation to provide greater consumer protection.
  - Local: Bar predatory lenders from participating in local housing programs and require that participants in those programs utilize HUD-certified loan counseling agencies. Establish local procedures to guard against inflated appraisals in home sales.

- **Increase funding for HUD-certified loan counseling agencies in the region to provide training in the identification of predatory loans.** Counseling agencies need greater resources to counsel both first-time homebuyers, families with impaired credit, and those who may already have predatory loans.

- **Prime, market rate, lenders should provide fair lending trainings for all loan officers and develop flexible lending programs for borderline applicants**. Lenders who offer both market-rate and subprime products should establish uniform underwriting and pricing guidelines for all their subsidiaries to ensure that borrowers receive the lowest cost product available.

- **Develop a loan rescue fund to assist homeowners who are victims of predatory lenders.** The program needs to consider a borrower's credit history prior to the predatory loan and to assist borrowers who may have little or no equity.

- **Local governments should receive a yearly report on the number of foreclosures filed and the original lenders involved in the greatest number of foreclosures.** This will help identify trends more quickly and identify problem lenders sooner. At this point in time, this would require significant changes in the way data is maintained in the prothonotary offices.

- **Conduct additional research into the effectiveness of the state HEMAP program on local homeowners.** Our survey was inconclusive to determine if borrowers received the appropriate notifications of the availability of the HEMAP program and counseling that is available and if they received these notifications prior to the foreclosures being filed at the prothonotary offices. Additional research should also determine if the HEMAP program has the capacity to effectively assist victims of predatory lending or if the program be revised.

APPENDICES

- Characteristics of Predatory Loans
- Borrower Survey Form
- Sample Maps of Foreclosure filings

Characteristics of Predatory Loans

The reach and effect of abusive practices by predatory lenders have increased along with the dramatic growth of the subprime industry. The following are some of the more common predatory practices.

Financing Excessive Fees into Loans

Predatory lenders often finance huge fees into loans, stripping thousands of dollars in hard-earned equity. Borrowers in predatory loans are routinely charged fees of just under 8% of the loan amount in fees, compared to the average 1% assessed by banks to originate loans. Once the paperwork is signed and the rescission period expires, there is no way to retrieve the lost equity, and borrowers frequently lose up to $10,000 or $15,000 from their home while receiving little, if any, benefit from the refinancing. The damage is compounded at higher interest rates as borrowers often pay tremendous interest costs in the several years it can take just to pay down the fees. Typically, the loan fees are kept below 8% in order to stay under the HOEPA fee threshold established by federal law. Higher fees would then require additional disclosures to the borrower and would trigger a few very limited consumer protections.

Charging Higher Interest Rates Than Borrowers' Credit Warrants

While the higher interest rates charged by subprime-lenders are intended to compensate lenders for taking a greater credit risk, too many borrowers are unnecessarily paying higher interest rates. Borrowers with perfect credit are regularly charged interest rates 3 to 6 percentage points higher than the market rates. Some subprime-lenders, there simply is no lower rate, no matter how good the credit. According to a rate sheet used by the Associates in the spring of 2000, their lowest interest rate for a borrower with excellent credit and a low loan-to-value ratio was over 10%, and since then Household borrowers with excellent credit were seeing rates above 11%. And for borrowers with imperfect credit, rates are frequently much higher than even somewhat blemished credit would reasonably warrant, as well as for what the industry describes as standard rates for B, C, or D borrowers.

Making Loans Without Regard to the Borrowers' Ability to Pay

Some predatory lenders make loans based solely on a homeowner's equity, even when it is obvious that the homeowner will not be able to afford the payments. Especially when there is significant equity in a home, the lender can turn a profit by reselling the house after foreclosure. Until that happens, the borrower is burdened with exorbitant monthly payments.

In other cases, the opportunity to strip away huge amounts of home equity drives the origination of clearly unaffordable mortgages. For mortgage brokers, the immediate opportunity to legally take away several thousand dollars of home equity more than offsets the eventual consequences of the loan, which will be dealt with by the holder on the secondary market. Similarly, personal commissions may push loan officers at mortgage companies to make loans that cannot be repaid.

Prepayment Penalties

More than two-thirds of subprime loans have prepayment penalties, compared to less than 2% of conventional prime loans.[15] The penalties come due when a borrower pays off their loan early, typically through refinancing or a sale of the house. The penalties remain in force for periods ranging from the first two to five years of the loan, and are often as much as six months' interest on the loan. For a $100,000 loan at 11% interest, the penalty would be over $5,000, which would be financed into the new loan. For borrowers who refinance or sell their houses during the period covered by the prepayment penalty, the penalty functions as an additional and

[15] HUD-Treasury Report on Predatory Lending, p. 90.

expensive fee on the loan, further robbing them of their equity.

Lenders argue that prepayment penalties protect them against frequent turnover of loans, and that as a result of the higher rates which investors are willing to pay for loans with prepayment penalties, they are able to charge borrowers lower interest rates. The truth is, however, that very large and quite predictable numbers of borrowers in subprime loans do refinance within the period covered by the prepayment penalty and may well end up paying more in the penalty than they "saved" even if their interest rate was reduced. It is particularly pernicious when prepayment penalties keep borrowers trapped in the all too common situation of paying interest rates higher than they should be.[16]

Borrowers are frequently unaware that their loans contain a prepayment penalty. Some lenders' agents simply fail to point it out, while others deliberately mislead borrowers, telling them they can refinance later to a lower rate, without informing them of the prepayment penalty that will be charged. Even the most knowledgeable borrowers can easily miss the prepayment penalty amid the mounds of paperwork, and end up robbed of additional equity or trapped in an excessive rate because the penalty boosts up their loan-to-value ratio (LTV).

In a significant step forward in September, the federal Office of Thrift Supervision changed a rule interpretation that effectively restored a number of state laws providing varying levels of consumer protections against prepayment penalties. The state Attorneys General's settlement with Household also represents a major advance in requiring the country's largest subprime-lender to limit all of its prepayment penalties to the loan's first two years, both retroactively and prospectively.

Loans for Over 100% Loan to Value

Some lenders regularly make loans for considerably more than a borrower's home is worth with the specific intents of maximizing their debt and thus their payments, and trapping them as customers for an extended period. Even borrowers with excellent credit have no way to escape from a high rate loan if they owe more than their homes are worth. Borrowers are frequently unaware that they owe much more than their homes are worth, and even more frequently unaware of the consequences. In the face of criticism from Wall Street and longstanding pressure from ACORN, in the spring of 2002 Household quietly eliminated its common practice of using extremely high-rate open-end second mortgages that push borrowers' LTV ratios above 100%.

Yield Spread Premiums

A yield spread premium is compensation paid by a lender to a mortgage broker for the broker's success in getting the borrower to accept a higher interest rate than the lender would have given the borrower at their standard, or "par," rate. Brokers usually receive this kickback on top of an already large origination fee financed into the borrower's loan. While brokers typically try to create the impression with borrowers that they are trying to secure the best possible loan, yield spread premiums create an obvious financial incentive for brokers to increase the loan costs. In the text of a proposed rule that would change how the premiums are disclosed but would not alter their fundamentally abusive nature, HUD estimates that lenders annually pay brokers $15 billion to increase borrower's interest rates – the same amount that borrowers pay in origination charges.[17]

Yield spread premiums further harm borrowers in that the financial incentives often drive lenders to insist that the loans include prepayment penalties. Since by definition a yield-spread premium pushes the borrower into an excessive interest rate, borrowers who later realize their

[16] See also the discussion below on how prepayment penalties interact with yield-spread premiums to trap borrowers in excessive interest rates.
[17] Docket No. FR-4727-P-01, *Federal Register*, July 29, 2002, p. 49170.

actual interest rates are more likely to refinance out of the loan. To reduce the likelihood that borrowers will refinance out and to ensure their profits even if they do, lenders often require brokers to also include a prepayment penalty when the interest rate is inflated due to a yield-spread premium.

Home Improvement Scams

Some home improvement contractors deliberately target their marketing efforts to lower income neighborhoods where homes are in the most need of repairs, and where the owners are unable to pay for the service. The contractor tells the homeowner they will arrange for the financing to pay for the work and refers the homeowner to a specific broker or lender, even driving them to the lender or broker's office. Sometimes the contractor begins the work before the loan is closed, so that even if the homeowner has second thoughts about taking the loan, they are forced into it in order to pay for the work. The lender may then make the payments directly to the contractor, which means that the homeowner has no control over the quality of the work. As a result, the work may not be done properly or even at all, but the homeowner is still stuck with a high-interest, high fee loan.

Single Premium Credit Insurance

Credit insurance is insurance linked to a specific debt or loan which will pay off that particular debt if the borrower loses the ability to pay either because of sickness (credit health insurance), death (credit life insurance), or losing their job (credit unemployment insurance). It is rarely promoted in the 'A' lending world, but it has been aggressively and deceptively sold in 'single premium' form in connection with higher cost loans, and then financed into the home loans, costing borrowers equity in their homes, and forcing them to pay higher interest charges.

With 'single premium' policies, instead of making regular monthly, quarterly, or annual payments, as people do with other insurance policies, the credit insurance is paid in one lump sum payment. This may be as high or even higher than $10,000; especially if borrowers are sold multiple forms of credit insurance, as is frequently the case. This premium is then financed into the loan, increasing the loan amount. (since the loan amount is higher, the lender's origination fees also increase), and the borrower must then pay monthly interest on the amount of the insurance premium. While the coverage on a single premium policy usually lasts for only 5 years, the borrower pays for it, (and pays interest on it), over the 30 years of the home loan. After those 5 years and the coverage has expired, the remaining loan balance is usually higher than the original balance would have been, minus the policy. This means that the policy prevents the borrower from building up any equity. Typically, single premium credit insurance policies cost four to five times as much as monthly-paid credit insurance and over ten times as much as term life insurance policies. Of course, the cost of these alternative products are not secured against the borrowers home.

Over the last couple years, a huge amount of attention to the damage inflicted by single-premium credit insurance has forced most major lenders to phase out the sale of this product. The HUD-Treasury report recommended the prohibition of such policies on all mortgages, Fannie Mae and Freddie Mac announced that they would refuse to purchase loans with financed credit insurance, and state laws enacted in North Carolina, California, Georgia, and New York have effectively prohibited the policies on all mortgages. At the end of last year, the Federal Reserve recognized that single-premium credit insurance policies function as an additional fee in counting the premiums toward the HOEPA points and fees threshold.

While all of these steps represent a huge breakthrough, unscrupulous lenders and brokers are shifting over to debt cancellation and suspension agreements, which technically do not provide insurance and can avoid some of the regulations but essentially function the same way. Other lenders are setting up the same incentive systems to reward loan officers' sales of monthly-paid credit insurance policies. While monthly-paid policies are not as damaging as the single-premium policies, such incentives push loan officers to slip in the policies without the borrower's consent, and borrowers frequently encounter the bureaucratic runaround when they try to cancel the policies.

Balloon Payments

Mortgages with balloon payments are arranged so that after making a certain number of regular payments (often five or seven years worth, sometimes 15), the borrower must pay off the remaining loan balance in its entirety, in one "balloon payment." About ten percent of subprime loans have balloon payments.[18]

There are specific circumstances where balloon payments make sense for some borrowers in loans at 'A' rates, but for most borrowers in subprime loans they are extremely harmful. Balloon mortgages, especially when combined with high interest rates, make it more difficult for borrowers to build equity in their homes. After paying for some number of years on the loan, with the bulk of the payments going, as they do in the early years of a loan, to the interest, homeowners with balloon mortgages are forced to refinance in order to make the balloon payment. They incur the additional costs of points and fees on a new loan, and they must start all over again paying mostly interest on a new loan, with another extended period, usually thirty years, until their home is paid for.

In addition, many borrowers are unaware that their loan has a balloon payment, that their monthly payments are essentially only paying interest and not reducing their principal, and that the balloon will ultimately force them to refinance.

Negative Amortization

In a negatively amortized loan, the borrower's payment does not cover all of the interest due, much less any principal. The result is that despite regularly making the required monthly payment, the borrower's loan balance increases every month and they lose, rather than build, equity. Many borrowers are not aware that they have a negative amortization loan and don't find out until they call the lender to inquire why their loan balance keeps going up. Predatory lenders use negative amortization to sell the borrower on the low payment, without making it clear that this payment will cause the principal to rise rather than fall.

Loan Flipping

Flipping is a practice in which a lender, often through high-pressure or deceptive sales tactics, encourages repeated refinancing by existing customers and tacks on thousands of dollars in additional fees or other charges each time. Some lenders will intentionally start borrowers with a loan at a higher interest rate, so that the lender can then refinance the loan to a slightly lower rate and charge additional fees to the borrower. This kind of multiple refinancing is never beneficial to the borrower and results in the further loss of equity. Flipping can also take place when competing lenders refinance the same borrowers repeatedly, promising benefits each time which are not delivered or which are outweighed by the additional costs of the loan.

Property Flipping

Property flipping is an elaborate scam in which unsuspecting first-time homebuyers are sold houses in serious states of disrepair for prices far above what the houses are actually worth.

The typical "property flip" begins with an investor or real estate company purchasing a distressed property for as little as a couple of thousand dollars. After doing minimal cosmetic or even no work to the property, the owner finds a buyer, frequently targeting low-income, minority

[18] HUD-Treasury Report on Predatory Lending, p. 92..

families. The buyers have no agent representation of their own and no real estate knowledge, putting them at the mercy of the seller/owner. The seller/owner abuses this position by lying about the condition of the house, promising to make visibly-needed repairs, setting the sales price at far above the property's actual value, and referring the buyer to a subprime-lender or broker.

Many subprime-lenders will only make a purchase loan if the loan is for 80% or less of the value of the property. In these instances, the property seller uses a number of schemes in order for it to appear that the buyer has the required down payment of 20% or more. The seller first sets the sales price far above what the property is actually worth, then the seller falsifies the buyer's deposit and will often create a second mortgage, which exists on paper only. The key to the scam is having a lender or broker that will utilize appraisers who will support the property's inflated sales price. In exchange for their participation, the lender or broker is compensated by the fees and additional charges on the loan, which are often excessive.

Buying one's first house is often a major milestone in life and an important step towards achieving economic self-sufficiency, but the swindlers involved in property flipping have made the experience one of the worst things to ever happen to their victims. While there are no hard numbers about how many families have been victimized by property flipping, the problem reached epidemic proportions in many cities before the authorities were even aware that a problem existed. And although the economic downturn has played a role, HUD's failure to implement adequate reforms has contributed to the highest ever delinquency rates on FHA loans. [19]

Aggressive and Deceptive Marketing – The Use of Live Checks in the Mail

Much of the competition between lenders in the subprime industry is not based on the rates or terms offered by the different lenders, but on which lender can reach and "hook" the borrower first. Predatory lenders employ a sophisticated combination of "high tech" and "high touch" methods, using of multiple lists and detailed research to identify particularly susceptible borrowers (minority, low-income, and elderly homeowner) and then mailing, phoning, and even visiting the potential borrowers in their homes to encourage them to take out a loan.

One of the methods used routinely and successfully by predatory lenders is the practice of sending "live checks" in the mail to target homeowners. The checks are usually for several thousand dollars, and the cashing or depositing of the check means the borrower is entering into a loan agreement with the lender. The appeal of the checks is that they are a fast and easy way for a homeowner to obtain cash.

This initial loan is just an entry point into the financial life of the homeowner. The loan has an artificially high interest rate and monthly payment, in order for the predatory lender to be able to offer the homeowner an opportunity to refinance it, along with other debts, into another loan at a slightly lower rate. The predatory lender's ultimate goal is to get the homeowner to refinance their entire mortgage with them.

[19] "2nd Quarter Foreclosure Rates Highest in 30 Years", *Washington Post*, by Sandra Fleishman, September 14, 2002, p. H1.

Borrower Survey Sheet

Loan Information Sheet
County ________________________________ Filing Number ________________

Borrower Information
First Name _________________________ Last Name ________________________
*Address*________________________________ *Email* _______________________
City ____________________State _____Zip ____________ Phone ___________

Original Mortgage Lender ____________________________ Phone ____________
Date of Original Loan ___________

How did you first make contact with the lender?
Lender called _____ Lender sent mail ______ Referred by someone __________
Who referred? ________________ Other __________________________________

Did you go to a loan broker? ____ Who was the Broker? ______________________
Purpose of loan
Home purchase _____ Refinance ________ Home Improvement _______
Debt Consolidation _______ Other ____________________________________

Home Improvement
Was the project completed on time and to your satisfaction? ________________

Refinance or Debt Consolidation
How many times have you refinanced in the past 5 years? ____________________
What other loans did you have/do you have now? ____________________________
Who was your original lender when you bought your house?___________________
How long ago did you buy your house? ____________________________________

Was there anything that just didn't seem right about the whole process?__________
____

Was there anything that was different at closing from what you had been told? ____
Higher interest rate ____ Higher loan amount than expected______
Lower loan amount than expected ______ More fees than expected _____
Some debts were not paid _____

When you originally contacted the lender, did they encourage you to borrow more or less money? ____

How do you think your credit was?
Excellent ____ Good____ a few negative things _____ Very bad _____

Did the lender say anything about your credit? What did they say? ______________
____
Do you remember the amount your house appraised for? ______________________
Did it seem high, low, or just right? _______________________________________

Do your mortgage payments include an escrow for taxes and insurance? __________
If not, did you think they would be included? ________________________________

What is your interest rate? ___________ Is it adjustable or fixed? _______________
If adjustable, how often does it change?____________________________________
What did it start at? _____________ What is it now? _________________________

Please characterize how the lender treated you. ______________________________
____

Have you had problems paying the loan? ___________________________________
If yes, did the lender file a foreclosure against you in court? ___________
What caused you to get behind? ____
____
Did the lender try to work out a payment plan with you before filing against you in court?
____
Did the lender notify you about housing counseling available? _________________
____
Did you go to a counseling agency? _______________________________________
If so, was it helpful? ____
____
Did you participate in the state HEMAP program? ____________________________
What happened? ____
____
____
____

Age Range
18-29 ____ 30-44 ____ 45-64 ____ Over 65 ____

Household Income Range
Under $20,000 ____ $20-$40,000 ____ $40-$60,000 ____ Over $60,000 ____
Did not answer _______________

Would you like us to look over your closing papers? ___________________________

Sample Maps