



CT FAIR HOUSING CENTER

STATEMENT OF ANDREW PIZOR

I am an attorney at the Connecticut Fair Housing Center. Before joining the Center, I worked in private practice, representing homeowners who had been victimized by predatory mortgage lenders and brokers. One of my clients experienced some problems that illustrates why the bill we are here to discuss today is so important. My clients are unable to be here, so I will present their story for them, using the name "Rivera."

In late 2004, the Riveras, who owned a house in Waterbury, Connecticut decided to move to Winsted. They found a new house and arranged a mortgage through Statewide Mortgage Co., a mortgage broker in Naugatuck. A representative of Statewide met the Riveras at their home to prepare the loan application. Mr. Rivera explained that they wanted the same type of mortgage they had on their current home—a fixed-rate, 30-year loan and Statewide led them to believe they would have no problem getting such a loan.

The Riveras sold their Waterbury home and were scheduled to close on the new Winsted house the next day. They moved out of their old house and into a hotel for what was expected to be brief stay of a couple of days. Their mortgage broker, however, repeatedly rescheduled the closing. When a day was finally set for the closing, the Riveras and some family members met at their lawyer's office.

They had never been given an opportunity to read the closing documents or to see the final loan terms until the closing. Even their lawyer was not given a copy of the closing documents until the day of the closing. When the Riveras read the documents, were shocked to discover that the mortgage had an adjustable rate, rather than the fixed rate they had requested, and the mortgage was also significantly more expensive. Knowing that they could not afford such a mortgage, the Riveras refused to sign. The seller of the Winsted home refused to give the Riveras more time to find alternative financing and sold the house to another buyer. Since the Riveras had already sold their Waterbury home, they were homeless for over a month, living with relatives and in hotels with most of their belongings left in storage until they found another home to purchase with a better mortgage.

The mortgage lending industry often dismisses stories of predatory lending by saying "homeowners can protect themselves by reading the loan documents before signing them." However, as many closing attorneys and homeowners will confirm, lenders rarely provide copies

221 Main Street, Hartford, CT 06106
Phone (860) 247-4400 • Fax (860) 247-4236

Toll Free (888) 247 4401

900 Chapel Street, 10th Floor, New Haven, CT 06510-2865
Phone (203) 772-3247 • Fax (203) 562-7107

of the *final* loan documents until the day of the closing, and there is currently no law preventing lenders from changing the loan terms at the last minute.

The legislation discussed here today will protect people from the problems faced by the Riveras by: requiring mortgage brokers to timely disclose all material facts that might reasonably affect the borrower's rights; making the mortgage broker act as the borrower's agent; requiring brokers and lenders to act in good faith; and preventing lenders from making loans without a reasonable belief that the borrower has the ability to repay it.

Andrew G. Pizor
Senior Loan Policy Counsel

STATEMENT OF ZINA HILL-MALCOLM

Contact: [REDACTED]
[REDACTED]
[REDACTED]

My name is Zina Hill-Malcolm and I am a resident of Hartford. I bought my house in March of 2006. I knew enough to ask for a fixed-rate loan when I applied. I understood I would probably get a slightly higher rate because I had questionable credit at the time. I went to the CT Partners Company to try and get a mortgage. I am a real estate agent and they were one of the companies we would refer our clients to. I thought I was going to a place I could trust.

During the process of getting my mortgage, I encountered many problems. The only information I thought I knew about the loan before the closing was that I would receive a 10% fixed rate. I never saw any paperwork before the closing date. Then about a week before the closing, I was urged by the CT Partners representative to make changes to the mortgage, which I declined to do. At the closing, I finally saw the paperwork and noticed that the loan had a 12% rate instead of the 10% I was told I would get. So, I told the attorney at the closing that I wouldn't sign it. Eventually the CT Partners representative came into the room. He used a number of tactics to pressure me to sign including saying, "Fine. Don't sign. You can stay homeless then." Ultimately, I only signed the paperwork after I was told I could refinance the mortgage soon. But, that day never came.

Within two months of signing the mortgage, my rates jumped. Before the year's end, my rate jumped two more times. I tried to deal with the problem by calling my mortgage lender, Countrywide. I was told that they would not refinance with me. After much stressful searching, the Ortiz Agency of New Haven said they could help me. That loan was through New Century. I did not fully understand the paperwork but I felt I had no choice but to go with this offer because of the problems I was facing with my mortgage at the time. Unfortunately, the New Century loan was for two fixed years with a balloon payment. By the time I figured that out, my mortgage servicing was given to another company and I have been struggling to deal with the mortgage since.

This ordeal has been demoralizing and overwhelming. I have a disabled son and must spend much of my time caring for him. It has been very hard taking care of my son while also trying to save our home. If the bill proposed by the Connecticut Fair Housing Center had been law when I applied for my mortgage, CT Partners would have been required to act as my agent and in my best interests. The law would have also required CT Partners and Countrywide to tell me about the interest rate change and the change to an adjustable-rate loan before the last minute. That would have given me time to look for a better loan elsewhere and would have prevented them from surprising me at the closing with their high-pressure tactics. I truly hope something is done to protect other people from this type of problem in the future. Thank you.

STATEMENT OF ANDREW DLUGOLECKI

Contact: Andrew Pizor, (860) 247-4400, ext.108 or (203) 570-4249 (cell)

My name is Andrew Dlugolecki and I live in Bristol, Connecticut. I have owned a two-family house there for about 25 years. I live on one floor and rent the other. In December 2003 I refinanced my mortgage with Town and Country Credit Corporation. Because Town and Country misled me and gave me a predatory mortgage, my house is now in foreclosure.

Before Town and Country, I had refinanced my mortgage with other companies in the past and – because I live on a fixed-income – I have always insisted on mortgages with a fixed interest rate. I told Town and Country that my only income was from Social Security Disability and the rent paid by my tenant. I also told them that I wanted a fixed-rate loan. In December 2003 a Town and Country loan officer visited me and asked me to sign some papers. He said they were necessary for my loan application and talked non-stop as I tried to sign them. He asked me many questions that were irrelevant to the loan and distracted me so much that I did not have an opportunity to read the papers. After I signed, he took all the papers with him and said he would let me know about the loan. Later, he told me that I had been approved for the loan.

I did not realize until later that the papers I had signed were the actual, final, mortgage documents. Instead of the fixed-rate loan I had asked for, Town and Country gave me loan that was fixed for two years and then became adjustable for the remaining 28 years. Someone at Town and Country also changed the income information that I gave them and put false information on my application that made my income look five times higher than it really is. Because I live on a fixed-income, I could not afford the payments once the interest rate went-up. Town and Country sold my mortgage to an Ameriquest mortgage trust and foreclosed on my house.

My lawyers are helping me fight the foreclosure and have found many other problems with my loan. But, the court has said it will not consider some of these problems because the mortgage trust owns my loan now instead of Town and Country.

If the Connecticut Fair Housing Center's bill had been law when I got my mortgage, my house would not be in foreclosure today. The mortgage company would have been required to verify my income; they would not have been allowed to change my loan from a fixed-rate loan to an adjustable rate without telling me, and—even if they still violated the law—the court would be allowed to consider these violations even though my loan has been sold to someone else.

I am speaking here today to encourage the Connecticut legislature to pass the Fair Housing Center's bill so other homeowners will be protected from predatory loans like the one I have.

STATEMENT OF MARIA SANTANA

Contact:

~~44 Middletown Ave.
New Haven, CT 06515
(203) 507-2000~~

My name is Maria Santana and I am a resident of New Haven. By describing the problems I have had in keeping my condominium, I hope you will understand the need for the law proposed by the Connecticut Fair Housing Center.

I am a high school teacher in New Haven. In 2006 I bought a condominium for \$238,900. I put \$1,500 dollars down and got a first and second mortgage through Countrywide. I was thrilled because this was my first home, but I now regret ever buying it and will probably lose my home to foreclosure.

During the entire process of getting my mortgage, I was only allowed to see preliminary documents for one of the two loans I would eventually receive. The closing was the first time I was able to see all the documents for my mortgages but, as I later learned, the loan terms were very complicated and nobody explained the details to me until after I had signed the papers. I was unable to go over any of the paperwork with the people from Countrywide because they did not show up to the closing. At the time I signed the mortgage documents I did not realize that my income had been falsely inflated on the application. I told Countrywide my true income but it was tripled on the application. The application also shows a fake savings account that I did not put on the application.

I could not afford the payments on my loan, and the Wall Street trust that now owns it filed a foreclosure action against me last January. At the time of the foreclosure, the monthly payments on my two loans totaled nearly 100% of my monthly income. The first mortgage was a 2/28 adjustable-rate loan with a 12.37% APR. For the first two years the payments were to be interest-only with a fixed-rate. The second loan was for about \$48,000 at a 13.2% APR and had a \$42,000 balloon payment after 15 years.

If the legislation proposed today was in place when I got my mortgage, I might not be in foreclosure today. Under this proposal, income must be verified. If the lender fails to verify income, that can be raised as a defense to foreclosure. This is such a simple rule that it almost seems unnecessary to put into law. Yet if Countrywide had followed this basic business practice, they would have discovered that someone had changed the income information I gave Countrywide and falsified the details of my loan application.

I'm still fighting the foreclosure and I am always worried that someone will come to kick me out of my home. Countrywide thinks it helped me buy my first home, but I would have been better off if they had never given me this loan. I probably cannot save my home, but I hope by speaking today we will pass a law that will prevent other borrowers from losing their homes.

STATEMENT OF RAY SECO

Contact information: ~~Ray Seco, Norwalk, Connecticut, 979-95-1947~~

My name is Ray Seco and I am a homeowner living in Norwalk. I cannot attend the press conference today because I cannot afford to take time off from work.

In 2005, my wife had just lost her job and our budget was tight until she got back on her feet. So when our mortgage company made a call to our home offering to refinance our mortgage, we did so. About three hours before the closing they called to tell me that there had been some changes made to the terms of my loan. The representative said that the offer was the best they could do for me. He went on to say that I shouldn't go to another company because my credit score would drop. With my wife's job loss on my mind and the prospect of worsening my credit, I decided to continue despite feeling uneasy about the situation.

Later that day, the closing happened at my house. The proceedings were short and to the point. I was shown where I was to sign on which papers. When I was done signing, it was over. Nobody discussed the terms of the loan with me at all. Later I would learn that I had a negative amortization loan that had a prepayment penalty for the first 3 years. I also was unaware that my income had been falsified on the application. At the time I was making roughly \$50,000 dollars a year. The documents said I made almost \$10,000 a month.

Ever since I became aware of the terms of my loan I have been fighting to get out of it. This process has torn me up. I have attempted to refinance but because of my struggles in making payments, my credit is ruined. In addition, in the last year, housing in my area has lost thousands of dollars in value. As a result, I have been forced to file for bankruptcy. It has been hard for my wife and I but I really worry about my kids. I don't want them to live with the constant threat of being homeless.

During our time of need I thought our mortgage lender was trying to help us. If the bill that is being proposed had been law when I received my mortgage I wouldn't be in the position I am today. Under the proposed bill the lender would be legally obligated to work in my best interest. Also the bill wouldn't allow for prepayment penalties to be added on subprime or non-traditional loans like mine. If that had been in effect when I first got my mortgage, I might've been able to refinance without paying exorbitant fees. Lastly, the bill requires lenders to verify the borrower's income. If that simple act had been done during this process, whoever falsified my income would never have gotten away with it. I am glad to know that I am not alone in wanting a change in the mortgage lending process.

STATEMENT OF DARNELL WALKER

Contact Information:

~~1111 Pine Street
Bridgeport, CT
06604~~

My name is Darnell Walker. I am a homeowner from the city of Bridgeport. I am unable to be at the press conference today because I have to work to ensure that I keep the house for which I have fought so hard.

In 2005, I applied to refinance my home through Bridgefield Mortgage Services, in order to buy-out the person I original bought the home with. After running a credit check, the broker told me that I would get "the best rate going." In fact, when I told him I normally deal with banks directly he assured me I would be getting a ½ % point less than what any bank would offer me.

Their offer was for a 6.5% interest rate on a 30-year fixed rate loan. I agreed to move forward with that rate. A week before the closing, the offer was changed to a 7.8% interest on a 30-year fixed rate loan. I felt I could not back out because at the time I had a court agreement that limited the time I had to get a mortgage. In addition, I would have lost my \$20,000 down payment if I went back on the deal. On the day of the closing, the rate changed again from a 7.8% fixed to an adjustable rate mortgage. I was also told I would need to pay \$7,200 in closing costs. That was the first time anyone told me I would need to pay any closing costs. I felt like I had no choice at this point because it was too late to look for another loan or to reschedule the closing. So, I suggested that they work the closing costs into the mortgage. Later, I found out that my loan had a two-year, 5% prepayment penalty which nobody had told me about.

Since that time I have tried to find a way out of this mortgage. Unfortunately I have been unable to refinance due to the prepayment penalty.

During the loan negotiations I was assured that I was going to receive a loan that had a low, fixed rate. Instead, I was given an adjustable rate loan at a high interest rate along with a prepayment penalty. I could have afforded the loan I was promised but I can barely make the payments on the loan I received. As the interest rate goes up, I'll have even more trouble making the payments.

I believed my mortgage broker when he said he would get me "the best rate going." If the proposed bill had been law when I got my mortgage, I wouldn't be in the position I am in today. The new mortgage broker duties would have required him to act in my best interest. Plus, if there wasn't a prepayment penalty in my loan I could refinance my mortgage without having to pay additional fees. I am happy to add my voice to those calling for reform in the mortgage process.