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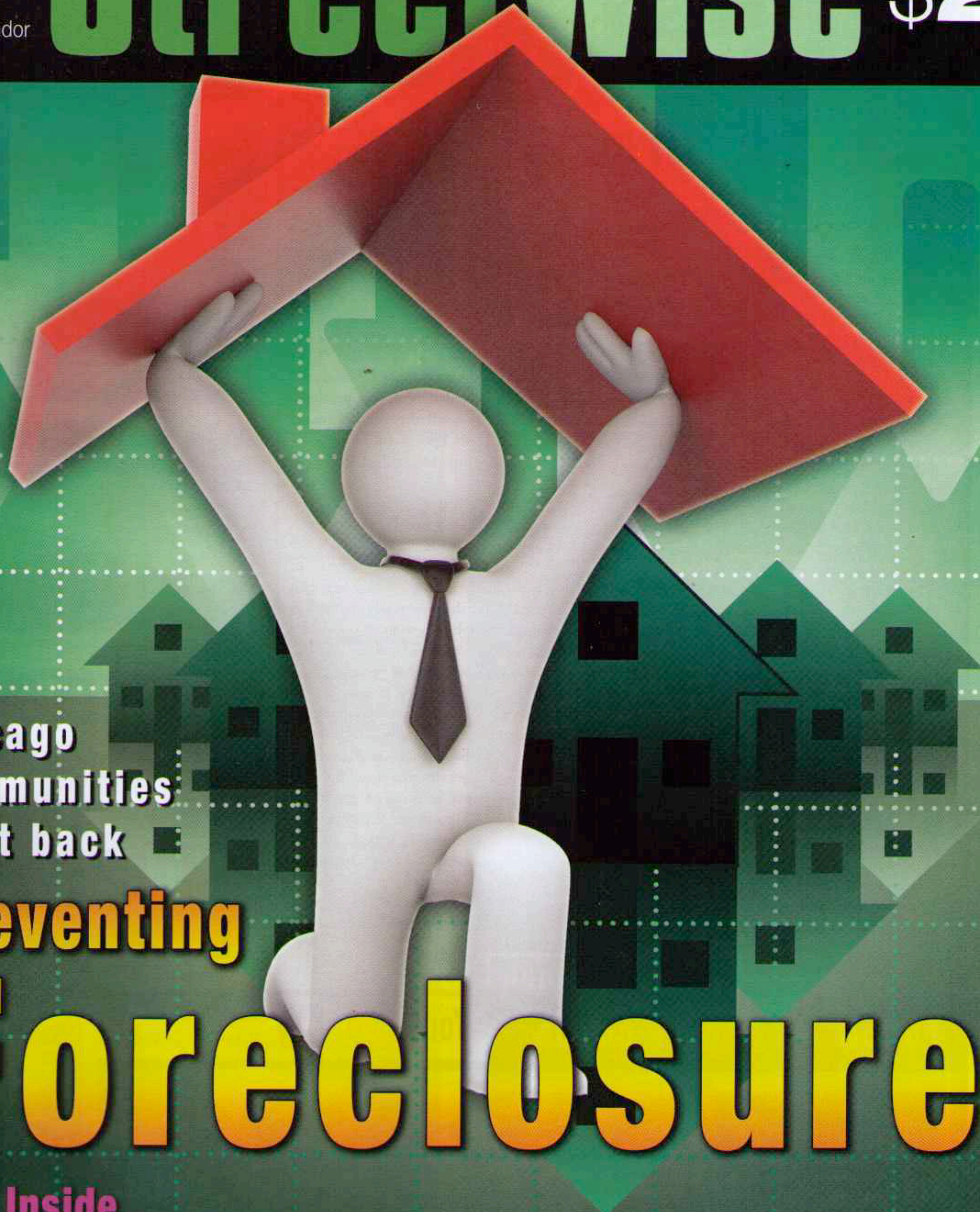

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A volunteer counselor studies homeowner's paperwork at Neighborhood Housing Service "Fix Your Mortgage" event at Northside College Prep School., which was also the scene of photos on following pages (12-13)

Face-to-face help

Cook County's mortgage crisis demands proactive approach

By Mary Faith Hilboldt
StreetWise Contributor

"There's no place like home. There's no place like home. There's no place like home."

Dorothy in the *Wizard of Oz* clicks her shimmering ruby red slippers three times and repeats this phrase over and over with sweet conviction: "there's no place like home."

But what about people who are in danger of losing their homes? How much heel clicking does someone have to do to save their sanctuary?

"We'll beat this—I am not going down like this," said Hamid, who asked that his last name not be used.

Hamid told his story right before his appointment to see a volunteer taking applications for the federal Home Affordable Modification Program, or HAMP, at a "Fix Your Mortgage" event August 21 at Northside College Prep School, 5501 N. Kedzie Ave. "Fix Your Mortgage" was sponsored by the City of Chicago, Neighborhood Housing Services of Chicago (NHS), and the Attorneys' Title Guaranty Fund, Inc. (ATG).

The doors opened at 12:30 p.m., but Elena Ulyanova, spokeswoman for the event, said people seeking to modify their loans or lower their payments to keep their homes were lined up at 7 a.m.

The "we" Hamid is speaking of includes his wife and 7-year-old son.

After a series of hardships that began when the company he worked for went out of business, and culminated with a medical condition and a cardiac transplant, Hamid is on 18 medications and is also fighting Social Security for his medical bills.

Hamid found a part time job next, but lost it. "The meds have bad side effects," he said, hampering current employment.

"But I have tried to hide everything from my family," he added.

PNC bank would like to pay him $5,000 for his home, which he bought for $400,000, he said.

Similarily, Christine, who also asked that her last name not be used, said she is going to lose her house if she doesn't come up with $5,000.

"I'll hold a garage sale, I'll beg family and friends," Christine said, to raise the money to keep her home. She lives with her teenage grandson, whom she supports.

Christine bought her house for $175,000, "but it is worth $181,000," she said.

"I saw this (event) online. I went to the Illinois Department of Housing and kept clicking, until this came up," Christine said. She drove from 5100 South in Chicago to the northwest side event to see if there was some way she could save her house.

Christine's bank loan originated at Mid-America Bank, which then became National City, and then changed to PNC.

PNC Financial Services Group Inc., Pennsylvania's largest bank, bought National City, Ohio's largest bank, for $5.2 billion in stock after receiving U.S. Treasury funds in late 2008, according to *Bloomberg News*. National City had been one of the nation's 10 largest subprime lenders and submitted to the takeover after losses tied to the loans. PNC initially estimated that National City's $113 billion loan portfolio could lose $20 billion over the life of the loans but later set the bad loan estimate at 65 percent, according to the Cleveland *Plain Dealer*.

"With the last bank change, things got worse," Christine said. "For the most part, the bank went through the motions to tell the government the steps they took," and, "in the end, said, 'they couldn't help us.'"

But, Christine added, "I don't feel they did everything they could." After the NHS event, she she began mediation with PNC, she said later.

Both Hamid and Christine came armed with the required documents to meet with a volunteer real estate attorney, fill out an application and have their documents scanned. NHS of Chicago then sent their application and the documents—and those of roughly 400 others—to the perspective lender.

After that, it was up to the applicant to follow up with the lender. After Hamid's name was called for the appointment, a reporter asked to accompany him to the session. He smiled sadly and answered, "this is personal."

Cover Story

Chicago communities fight back

Preventing Foreclosure

By Suzanne Hanney
Editor-in-Chief

Cook County's nearly 200,000 mortgage foreclosure filings since 2006 are among the highest in the nation. Subprime loans in low-income neighborhoods on the West and South Sides started the crisis here, but middle- and higher-income communities are the latest to feel the pain.

So many Chicagoans made their living in the Finance, Insurance, Real Estate sector of the economy that "as soon as they killed the goose that laid the golden egg – the subprime borrowers – they killed their own jobs," said Michael van Zalingen, director of home ownership services for Neighborhood Housing Services (NHS) of Chicago. The loss of those jobs in turn created a ripple effect on consumer spending that has led to more job losses and foreclosures.

"Young professionals out of work are driving the new wave of foreclosures," van Zalingen added. "You see the places where they live -- where they blow all the money they were making -- are where things are hurting now: restaurants, barbers, massage therapists. The people with good loans, responsible homeowners have all seen a significant drop in income. They're the people losing their homes now."

This year, for example, half the 5,000 homeowners that NHS counseled cited "decrease in income" as the reason they were delinquent on their mortgage. Three years ago, 3 or 4 out of 5 cited bad loans, van Zalingen said.

According to officials with the Circuit Court of Cook County mortgage foreclosure mediation program, there were 145,000 filings between 2006 and 2009 and we could reach 200,000 by yearend. Circuit Clerk Dorothy Brown cites more than 4,000 filings a month during 2010.

NHS, a non-profit neighborhood revitalization organization, helped over 400 people at a Fix Your Mortgage event August 21 at North Side College Prep School, 5501 N. Kedzie Ave. The event was on the North Side because three nearby communities had Chicago's highest increase in foreclosure filings for the first half of 2010 compared to a year ago.

New foreclosure filings were up 71 percent in Rogers Park, 69.2 percent in Edison Park and 65 percent in Jefferson Park, according to the Woodstock Institute.

Across metro Chicago, foreclosures were up 38 percent from a year ago. New filings were up 120 percent in the Loop, 72 percent on the Near West Side, 49 percent in Lincoln Park. Condominiums account for 19 percent of filings, up two percentage points from the year before.

Getting proactive

NHS offers foreclosure prevention counseling with volunteer real estate attorneys, who can file an electronic application for loan modification using documents brought by the homeowner. "It's essentially a one-stop event where the homeowner comes in and sends off the application instead of numerous face-to-face meetings with counselors and dozens of calls to lenders," van Zalingen said.

This year's final "Fix Your Mortgage" event will be 9:30 a.m. to 2 p.m. October 16 at Westinghouse College Prep, 3223 W. Franklin. Doors will close at 12:30 p.m. or when 1,000 attendees have been registered.

Dealing with vacant properties is just one concern of policymakers, who are proactive about regaining sustainable growth in the region, said Roberto Requejo, program officer with The Chicago Community Trust. The Trust is in turn a member of the Regional Home Ownership Preservation Initiative (RHOPI).

Another proactive program is the Circuit Court of Cook County Mortgage Foreclosure Mediation Program. Officials say it may also be the first program nationally to address home loans already in court—on their way to potential bank takeover. *(see top right sidebar)*

The mediation program started April 12 with a \$3 million amendment to the Cook County budget, following sit-ins at Cook County Board President Todd Stroger's office the previous November. Toni Richards, a protester with Action Now, said her neighborhood was losing 100 homes to day to foreclosure.

Richards had successfully fought her own eviction in court, but she said many people did not know they had that option. As a result, they abandoned their possessions and their homes – leaving them open to theft and vandalism, right down to the copper pipes.

Faster outreach is essential to catching people who receive foreclosure notices—before they decide to move out of their homes, the Trust's Requejo said. The Trust was awarded \$225,000 of the Cook County money for grants to 10 organizations. These groups have visited nearly 2,000 homes and provided foreclosure mediation information to more than 500 homeowners.

"Trusted community-based nonprofits can be the best messengers to communicate to families that they are not alone: experts are available free of charge (attorneys, counselors, mediators) and can help them stay in their homes," Requejo added in prepared material. Outreach workers tell homeowners about the toll-free helpline and website; they sometimes arrange for counseling in their nearby offices, in lieu of the most distant county facilities at 50 and 69 W. Washington St. downtown.

Going door-to-door

Action Now received one of the Trust grants for outreach work in Englewood, West Englewood, North Lawndale, and seven other communities. Using lists of foreclosure filings provided every 15 days by the Woodstock Institute, organizers knock on doors and leave literature with the helpline number if the occupant isn't home, said Braden Listmann, field director. By this time, the homeowner is usually 90 days delinquent. Organizers will return a second time at a different time of day and a third time, perhaps on a weekend, before mailing the information.

"If we get a hold of someone at the door, we have them make a call to the helpline using our cell phone," Listmann added.

Action Now's job, along with the other Trust grantees, is to lower the 92 percent of foreclosures that happened by default, Listmann said. Only 8 percent of homeowners showed up in court; many of them thought they were in compliance because they had sent in paperwork, but their

Under water? Here's help

Since the Cook County Circuit Court's mortgage foreclosure mediation program began April 12, it has received 11,531 phone calls, counseled 2,800 people and helped 13 families keep their homes.

There were over 66,000 mortgage foreclosure cases pending in Cook County Circuit Court at the end of August and 85 percent of them fit the mediation guidelines, officials said. As of September 10, judges had entered 412 mediation referral orders and there had been 28 completed mediations. Of these, 13 retained their home, 5 borrowers voluntarily gave them up, 9 were unable to reach an agreement and 1 reached a partial agreement.

Homeowners—particularly those who have just received a summons—can schedule a free meeting with a housing counselor, then a consultation with an attorney, by calling **877.895.2444** (**312.836.5222** TDD) from 8:30 a.m. to 6 p.m. Monday-Friday. Or, request an appointment at **www.CookCountyForeclosureHelp.org.**

Circuit Clerk describes mortgage surplus fund

Cook County Circuit Clerk Dorothy Brown calls an $18 million mortgage foreclosure surplus fund a "silver lining" for people whose homes or businesses were sold at a profit after they were foreclosed.

If, for example, you owed $200,000 on a property that was foreclosed in 2002 and subsequently sold for $225,000, the $25,000 surplus is owed to you. Plus interest.

The surplus checks are deposited in the Circuit Clerk's office, which maintains the list of roughly 1,900 people back to 1990.

The Circuit Clerk's office has paid over $1 million to 37 people who were owed mortgage surplus funds this year and $2 million to more than 50 people last year. Average amounts owed range from $3,000 to $10,000.

Brown herself called a couple who was owed $200,000 – and they never called her back, she said at a September 20 press conference.

People who think they may have foreclosure money coming should visit www.cookcountyclerkofcourt.org and click on the Mortgage Surplus Search Engine. Then, they can enter first initial and last name to see if they are on the list. Additional screens will describe paperwork necessary to file motions or appear before a judge, along with frequented asked questions.

Even survivors of deceased people who were owed money may be able to collect, although Brown said she would direct them to the Probate Division first.

Undocumented parties can feel safe claiming the money because "we do not ask questions about immigration status," Brown said.

cases progressed without their legal response.

"Our job is, Number 1, to let people know they are in foreclosure, let them know there is a process where they can work to save their homes," Listmann said.

"The message we're saying is stay in your homes, fight your foreclosure, don't walk away until you're told to by the courts," echoed David McDowell, senior organizer with the Southwest Organizing Project (SWOP). This organization also received a Trust outreach grant for Ashburn, Brighton Park, Chicago Lawn, Gage Park, and four other communities.

Listmann agreed with the stay-put message.

"If you are trying to work with your bank and they are not accepting payments, you can save that money in a separate account," Listmann said. "We have had people whose bank was unwilling to work with them and they were able to buy a new foreclosed house and fix it up so it was livable. Avoid homelessness. That's the message now. Do not move out of your home. Wait until the sheriff shows up at the door. The sheriff's pretty backed up and if you fight it, it could take a year or more. The whole time you are saving up your money and not paying a scam artist who says he can save your home. You can do all this for free."

Subprime lending 12 years old

The foreclosure crisis may be relatively new to the U.S. but Southwest Organizing Project's McDowell says board-ups started in his neighborhoods a dozen years ago thanks to subprime lending. Often centered on home remodeling, new roofs or new boilers, these loans were hard for low-income customers to pay back because of their higher, "predatory" rates.

According to a Woodstock Institute study, 1 in 3 subprime loans were written for people whose credit scores of 630 or more qualified them for regular bank loans, McDowell said. Yet an African American was more likely to be steered by mortgage brokers to a subprime loan than a white person with the same score.

Then, as prices rose during the housing boom, families could get a loan for $100,000, refinance it at $130,000 and once or twice again to pay bills – before ultimately losing it on a $220,000 mortgage, McDowell said. With each "flipping" by mortgage brokers, the equity was stripped out and the loan became harder to pay off.

Three years ago, however, when the subprime industry crashed, the flipping stopped and the foreclosures began, he added. Since January 2008, there have been 7,400 filings in the 60629, 60632, 60638 and 60652 ZIP codes.

Foreclosures are not only a loss to individuals, they deprive communities of potential leaders. And they leave behind dangerous, derelict buildings. "Imagine a 7-year-old alone walking four blocks to elementary school and passing 18 abandoned buildings," McDowell said.

Whole blocks of Englewood are also boarded up, with the exception of only one or two homes, Listmann said. Some people seeking loan modifications have been in court for a year or two.

"There has been no resolution as to loan modification or anything running through the court."

Big bank names appear on the facades of foreclosure homes, but the reason for the inertia is that these banks are not really the owners of the homes, Listmann said. Instead, many of the loans ended up as CDOs: collateralized debt obligations. The risky, high-interest loans were bundled together and sold off like stock, but their owners could be hundreds of people throughout the world.

The banks do not actually own the loan but they collect fees for servicing it. "They don't have an incentive to get an underperforming loan off their books by selling it," Listmann said. "Also, the issue of them acting as servicer: they don't have that big of a stake in the loan itself. They use that fact to their advantage when they deny loan modifications. It's always the investor's fault. They will never tell you who the investor is, but the investor won't participate in government programs."

Pressuring banks

Among possible solutions, Listmann cites the Sweet Home Chicago ordinance, which would use tax increment finance money to rehab the housing. He also favors a proposed Chicago City Council ordinance that would hike fees and fines on owners of five or more vacant buildings.

"The real losers are the investors and the homeowners and the city and the county and the state," Listmann said. "The only winner is the servicer because they collect some fees. If we increase fines and make them secure vacant properties, it will end up costing the servicer. If we can make it more and more expensive to foreclose, then they'll make more money by modifying, hopefully increase loan modifications."

VanZalingen agrees with pressuring banks but worries that an aggressive ordinance would fuel a "scary trend:" lenders filing for release of mortgage. "If the building is abandoned, there's no entity that owns it that the city can go after to clean it up, secure it or get it under control."

His solution?

"Unemployment down to 6%. The only way to do that is for people to start making stuff other countries want to buy."

-Mary Faith Hilboldt & Dorcy Castillo contributing