

Testimony
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Domestic Policy Subcommittee
Oversight and Government Reform Committee
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206 Washington Street Southwest
Atlanta Georgia
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“Examining the Continuing Crisis in Residential Foreclosures and the Emerging Commercial Real Estate Crisis: Perspectives from Atlanta.”

Chairman Kucinich and Members of the Committee, thank you for the opportunity to testify today. My name is Tia McCoy. I am the Manager of the HomeOwnership Center for Resources for Residents and Communities or RRC, and have been in this position with RRC since 2006. RRC is a twenty year old non-profit, community development corporation. We were originally founded to revitalize the Reynoldstown community in Atlanta and have since expanded to offer our services to the southern metro Atlanta area. We are a HUD certified housing counseling agency and a member of the national NeighborWorks America network.

RRC’s Foreclosure Prevention Services

RRC’s HomeOwnership Center participates in the National Foreclosure Mitigation Counseling program through the Department of Housing and Urban Development (HUD). Clients find out about our services from a variety of sources, including the national HOPE campaign, which provides a telephone hotline for families at risk of losing their homes. The primary method by which clients find us is word-of-mouth from someone else who has received assistance.

Our housing counselors provide one-on-one counseling services, with the majority of their counseling conducted in face-to-face sessions with the client. The counselor quickly assesses whether or not there is a potential for resolution for the foreclosure situation and provides the client with their options. Clients that move into the resolution process typically require an intensive amount of counseling with the counselor making multiple calls to the lender and others regarding the documentation needed to resolve the situation.

Assistance is in the form of a loan modification, refinance, repayment plan, special forbearance, short sell, rescue funds or some other option offered by the servicer/lender. Due to the increased pressure and initiatives such as Making Home Affordable, servicers are starting to become more responsive, however it still may take 90 days or more to obtain a resolution from the servicer.

Our foreclosure prevention services are available to homeowners of all income levels, with an emphasis on low- to moderate-income and minority households. Clients seeking foreclosure prevention assistance come to us from across the southern metro Atlanta area, with the bulk of these clients coming from Fulton and DeKalb counties. Since initiating foreclosure prevention services two years ago, RRC has served about 300 clients, with about 85% of these clients

being below 80% of the area median income and 93% being minority households. Previously we found that people threatened with foreclosures were frequently dealing with predatory loan situations or interest rate adjustments. Now, we are seeing more clients who have lost jobs or their employment has changed and their income is lower.

Public Awareness of Foreclosure Prevention Services and Scams

There is a great need for foreclosure counseling, as people are not succeeding in navigating the servicers documentation processes and communication problems on their own, but there is still limited public awareness about the existence of free foreclosure prevention services. There still is a stigma or embarrassment about seeking help, but that has lessened in recent months as public awareness campaigns have increased. RRC has conducted a variety of outreach efforts to inform homeowners about our free services, and we have benefitted from the recent support of 5 AmeriCorps Members/VISTAs with this effort. We utilize community presentations, doorknockers on homes in highly impacted communities, social networking on the Internet, free newspaper postings, and sharing flyers through our partner organizations.

Some of our clients were previously clients of for-profit companies whom they paid for foreclosure assistance. These companies promised that for a fee they would be able to help them resolve their situation. These clients came to us because the for-profit companies were not able to assist them with a modification. Our services are free to the clients, and we have been able to successfully obtain loan modifications for these homeowners. Although many of our clients have seen these ads by for-profit companies or been directly approached, only a few have been taken advantage of – typically those who are the most desperate. The media's recent stories about foreclosure scam situations do seem to be raising awareness.

Working With Servicers

Our housing counselors are still finding that the mortgage servicers still do not have the systems and staffing in place to effectively handle foreclosure resolutions. The servicers still seem to be overwhelmed with the volume.

The typical counseling situation is that the counselor will put the documentation together with the client, fax the documentation to the servicer, and then call to confirm that the servicer has received it. Then the counselor will call again a couple of days later to check on the progress. The servicer will state that they do not have any documentation, and the counselor will refax the information and confirm again.

When documentation is sent in, it seems that the servicer's staff do not enter the information into the computer system or the computer systems are not set up effectively to track the foreclosure resolution process. When the counselors call the servicer, they almost never are able to talk to the same person that they spoke with previously. A recommendation would be to encourage servicers to put a point person or team of people responsible for specific cases – so a counselor or client could know who is assigned to their case.

A current example of this situation – Our counselor assisted an elderly couple with their documentation. The servicer, Saxon, sent a letter confirming that they had received all the documentation that they needed, and they were just waiting on a property appraisal. The servicer told the client to call back in two weeks and the servicer would have an answer. The counselor and client called back in two weeks, and the servicer stated that they did not have any documentation. The counselor faxed the letter to the servicer where the servicer had stated

that they had indeed received all the documentation. The servicer still insisted that they did not have any documentation. The counselor resubmitted everything and the processing of the information had to start over. The counselor was able to get the foreclosure date pushed back one month to December 1, 2009, while the couple is still awaiting the processing of their documentation.

Another example of the servicers' limited capacity is that due to the volume they still seem to be only dealing with the most urgent cases. If a homeowner is current on payments now but it is clear that they are going to fall behind due to a loss of income, it is very tough for them to get a response no matter how persistent they are. Or if they are only one or two months behind, their cases get pushed to the background even if it is evident that they are going to fall further behind.

Many of the servicers do not seem to be investing in hiring qualified staff or training the staff that they do hire for these front line foreclosure resolution positions. The staff who answer the telephones for the servicers frequently understand very little about mortgages or foreclosures. They typically sound like they are reading a script and are unable to answer any questions. For example, I was on a three way call with a client (who happened to be a State of Georgia elected official) to a servicer, and the staff person was attempting to calculate the client's income, but it was obvious that he did not know how to do it. He was responsible for triaging the cases coming in, but had not even been trained in income calculation. I asked how long he had worked there, but he refused to answer me. Some servicers are better than others. When you call, you will get a staff person who will actually examine the case and the notes from the last conversation about the case and be able to think through the situation with you. However, this is rare.

The servicers' consider the clients' documents to be out of date after one month. Due to the servicers' slow processing of documents, the counselors and clients have to work together to update the documents monthly and usually resend them several times during the period they are being processed. Clients have to be extremely persistent and determined.

The clients who call the servicer regularly and are extremely proactive and involved get a resolution more quickly. Those who create the most consistent noise are able to get help, and the other cases seem to get pushed into the background. Consider what this means for homeowners who are less educated and less knowledgeable about how to work through a multi-layered, confusing organization. I worked with a married couple in their 60's who had very limited education and could not understand the letters that they were receiving from the servicer. The husband was working and the wife was receiving disability, but her payments were erratic. It took us 8 months working together to get a loan modification. When we received the modification, the servicer went out of business. The loan was sold, and the new servicer called and notified them that it would not honor the modification. I was able to clear up the issue, but there is no way they could have worked through all these complicated communications on their own.

Even when a modification is successfully completed, the servicers frequently will not directly communicate that to the client, the client has to pursue the information. On last Tuesday, I was on a 3-way call with a client and servicer to check on the status of their documentation, and the servicer informed us, "Oh we got your workout done on October 1st", and no one had informed the client. Please recall that our clients are in a financial crisis and struggling in other aspects of their lives as well. The servicers current processes seem to require time and energy from the

client that is almost the equivalent of a part-time job, while the client is simultaneously often trying to juggle a real job, family and other financial issues.

A current example of this – We have a client who was out of work for over a year and has a foreclosure sale scheduled for November 3rd. She recently obtained a new job and can now afford her mortgage. Our counselor called Bank of America together with her, providing the evidence of the new job, to try to get the foreclosure sale date pushed back so that a resolution could be worked on. The first 3 people that the counselor called at Bank of America said that there was nothing that they could do – despite the evidence that she could now make payments. Finally, on the fourth call the counselor found someone who said, “I’ll try to get the date pushed back, be sure I have all the documents.” The client is in training this week in Las Vegas for her new job. She is trying to step out of work training sessions and make calls to Bank of America together with our counselor to get the foreclosure sale date pushed back. Why does it so difficult to communicate with the servicer in these situations to obtain a resolution that will obviously be better for all involved than a foreclosure sale?

We have also found that when the servicers do send communications to the clients, they are often very unrealistic about what they expect. For example, a client will received a loan modification in the mail on one day, and the letter will state that the servicer expects notarized documents and a check by the next day. It might take the servicer 6 months to process the homeowner’s documents, but then they want information back in 24 hours. Although a person may be delinquent on a loan, they are frequently still working a job and trying to take care of family. With no notice, they are expected to take off work, get documents copied and notarized and overnighted back to the servicer. The clients are at the mercy of the servicer and don’t dare not respond as directed.

A primary question we have regarding these difficulties communicating and working with servicers is that we know that servers have the capacity to efficiently make modifications when they focus their organization on it – why can’t it happen more systematically on a regular basis? We have participated in big foreclosure events with servicers where hundreds of clients are assisted daily. At these events, clients are assisted face-to-face and receive concrete information and quick solutions. Clients will drive across several states to come to these events because they know they can get assistance. Why can’t better internal systems be established at servicers so that clients can be assisted effectively each day over the phone?

Making Home Affordable Program

The publicity around the Making Home Affordable Program has increased public awareness that resolutions are possible and encouraged clients to seek assistance. However, with the Making Home Affordable Program, we are finding that clients are receiving trial modifications of typically 3 months from the servicers, but then these trial modifications are not being turned into permanent modifications. When the date for conclusion of the trial modification arrives, and the client or counselor asks what is next, there is no response. The client continues to make trial modification payments without knowing their status.

One benefit to the Making Home Affordable Program has been that there is more information available to a client online. Clients can go online to see what the eligibility criteria are and determine if their loan is serviced by Freddie Mac or Fannie Mae. They can also find out if their mortgage is under the 31% of gross monthly income criteria. We are finding that the servicers are disregarding one aspect of the criteria. When credit cards are not being paid, they are not supposed to be included in the debt ratio. The servicers are denying homeowners participation

due to their debt ratio being supposedly too high, and the counselors are having to resend the information again and again with notes describing the credit card situation.

Foreclosure Prevention Counselors

In this foreclosure crisis situation, there has been very little attention to the trauma that is being handled by foreclosure prevention counselors and the stress that they are having to manage. Our counselors have dealt with clients whose financial situations have resulted in them threatening suicide, getting divorces, and having serious health problems. The counselors deal with one negative story after another all day long and are able to provide clients with very little information about their prospects for saving their home. There needs to be training and support for counselors on handling this stress. What would the impact of foreclosures on our society be without the assistance of these counselors? The number of foreclosures and the costs to our country would certainly be much greater.

Community Stabilization

Although the focus of this testimony is on the foreclosure counseling and prevention process, I also want to mention the importance of foreclosure outreach in community stabilization. At RRC, we think that it is crucial that Neighborhood Stabilization Program initiatives that are focused on acquiring, rehabbing and putting to positive use previously foreclosed properties are also accompanied by foreclosure prevention outreach to protect neighboring homeowners from entering the same situation. Community stabilization efforts need to include community building, community education and foreclosure prevention in addition to physical change. This is our focus as we work on implementing our own Neighborhood Stabilization Program grant.

Conclusion

Once again, thank you for this opportunity to testify. I would be happy to try to answer any questions that you might have.

Attachment Client Case Example

Below as an attachment, we have included a full case example from a client. This client worked to obtain a resolution for more than 12 months. To finally obtain a loan modification for this client we had to contact a supervisor at Home EQ and threaten legal action by copying Legal Aid's name on the letter. Much of this case example is from the client's own notes, when they were providing a description of their hardship situation. Some names and confidential information have been removed.

For several years leading up to my parents' deaths in 2004 and 2005, they stayed in my home. As their health declined, I took less responsibility at work and also a reduced income in order to care for them. After my parents' death, the tenants in my rental property vacated. Eventually, I was able to get a new tenant at a reduced rental charge while I conducted some repairs on the property. It was very difficult to catch up with the loss of rental income and my parents' contributions to the household. In addition to the

challenges presented by loss of rental income, there were several mortgage interest rate changes and payment increases that furthered my inability to get and stay current.

12/13/07 Received a collections letter from Morris, Schneider, Prior, Johnson & Freeman regarding HomeEq Loan #_____. Payoff: \$132,370.35.

12/21/08 Received letter from HomeEq Servicing with tentative scheduled foreclosure sale date of 02/05/08.

12/28/07 Foreclosure letter, sale date 2/4 from Morris, Schneider, et al

02/04/08 Paid \$9954.96 to Morris, Schneider to stop foreclosure. Signed and recv'd reinstatement of loan. \$8700 Cashier's Check from Bank of America

03/18/08 Recv'd a collections letter from McCurdy & Candler regarding HomeEq Loan #_____. Payoff: \$143,290.63. No notification from HomeEq.

03/19/08 Contacted McCurdy Law Firm. Explained loan had just been taken out of foreclosure in February. Per Ms. P. of McCurdy & Candler, only the mortgage company could change any proceedings. Contacted Morris, Schneider firm. Per agent, payments were sent to HomeEq via FedEx and signed for by HomeEq on 2/7/08.

03/25/08 Foreclosure letter from McCurdy & Candler, sale date 5/6. Contacted HomeEq. No payment received. Unable to stop sale. Late March – Mid April Faxed to Mr. G. (HomeEq agent) copies of \$8700 cashier's check #___ and MoneyGram money orders (#R_____, #R___ in the amount of \$500 each and #R___ in the amount of \$254.96) used to reinstate loan on 2/4 at Morris, Schneider office. Several conversations with Mr. G. (HomeEq agent) who informed me payment had been sent to HomeEq North Carolina office instead of California. Still unable to locate payment. Informed by Mr. G that all interests and fees stopped while account placed in research status. Also told payments could not be received until resolved.

Mid April HomeEq (Mr. G) requested me to process stop payment and file loss claims on cashier's check and money orders used for February 4 payment to Morris, Schneider. Informed by Bank of America that loss claim could not be filed on \$8700 cashier's check before 90 days after purchase (5/4/08) because value exceeded \$1,000. MoneyGram agent emailed forms to me to file claim which could take up to 60 days to process.

05/05/08 Filed first loss claim for MoneyGram money orders. Fees will be deducted from face value of money orders.

05/09/08 Filed claim for lost/stolen official check at Bank of America, Fulton Industrial Branch, Atlanta, GA. Told to expect refund in 10-14 days.

05/23/08 Revisited Bank of America branch. Rep unable to locate claim. Said he would call San Antonio branch that handles claims, then get back with me.

05/27/08 Refiled loss cashier's check claim. Another 10-14 days for processing. Mid June Received Privacy Statement from HomEq.

06/15/08 Called bank to inform still no refund received. Told to come in and local branch would cut a check.

06/17/08 Replacement \$8700 Cashier's Check #0980346 issued for check lost by HomEq. However, still no refund from MoneyGram.

07/01/08 Started credit counseling with Reynoldstown Revitalization Corporation (an affiliate of HOPE (Note: now known as Resources for Residents and Communities, name change 11/2008). Attended workshop. Said they would contact HomEq to determine possibility of reworking loan – possible reduction in interest and/or payment. Advised to hold \$8700 cashier's check to determine what could be done. Also told this could be a 30-45 day process, so be patient. Also necessary for me to contact HOPE Line before Reynoldstown could proceed. Completed the HOPE Line process

07/25/08 Received Counseling Summary from HOPE Line. Late July Received call from HomEq agent Mr. G; informed him of credit counseling and still no refund from MoneyGram. He said there was no documentation of contact by HOPE or any other agency.

07/31/08 Lft message for Ms. Tia McCoy at Reynoldstown agency to please call with update on my file.

08/08/08 Visited Reynoldstown office to get status of my file. Ms. Tia McCoy in class, but said she or Ms. Sharon would contact me week of 8/11.

08/13/08 Ms. Sharon called to say they needed proof of income to proceed. Requested proof of income from employer, since payroll stubs are not received with checks. Company has changed payroll processes, so info not immediately available. Wk of 8/20 Received call from HomEq agent. Explained, I was working with agency and had been in touch with Mr. G. Called MoneyGram to determine status of claim. Informed that there is no way to track mailed claims. The money orders had not been cashed. Operator said if claim submitted via fax with indication payment involved mortgage payment, processing would be expedited with \$18 fee per money order. Resubmitted claims for lost money orders via fax.

08/22/08 Received collection letter from McCurdy & Candler, payoff \$152,164.60.

09/04/08 Received call from HomEq agent concerning my intentions for handling loan. Again, explained above details.

09/08/08 Received refund checks from MoneyGram for money orders lost by HomEq.

9/10/08 Received 2 identical envelopes from McCurdy & Candler. Opened one that was a collection letter. Failed to open 2nd envelope which I later determined was the sale date letter. However, never received notification from HomEq.

9/11/08 Called HomEq. Spoke with Mr. B. (HomEq agent) who gave me a very thorough coverage of my options. Made him aware I was working with HOPE. He said I could do everything directly with the company to get a modification rather than going through an agency. He took new financials. Said he would submit for loan modification (5 year rework). Told me to be prepared to submit a hardship letter, lease agreement for rental property, proof of income and statement regarding checking account. Tax and insurance info not necessary since handled through HomEq escrow account.

9/15/08 Picked up certified letter from McCurdy & Candler at United States Post Office indicating my home was in foreclosure and scheduled for sale at courthouse on 10/7.

09/17/08 Received Escrow Account Disclosure Statement from HomEq Servicing indicating escrow shortage of \$1916.43 and new payment of \$1646.33 effective 11/01/08. All indications would be that this loan is still active and not in foreclosure or scheduled for sale.

09/18/08 Called HomEq, spoke with Ms. S. who said there was no sale date on property. Account still in research status regarding lost payments. She said there was nothing in my file regarding results of application for modification. Put her on 3 way call with attorney's office so she could hear attorney's office refer me back to mortgage company and to hear that there was in fact a sale date. We were disconnected. Called HomEq back within 5 minutes. Spoke with Ms. J. who said there was definitely no sale date and the account was still in research status; however, the modification had been denied on 09/11/08 – the same day I spoke with Mr. B. Ms. J. could not answer why the modification had been denied, but she would investigate. There would probably not be a response before Monday, 9/22/08 since the HomEq office would be closed on Friday, 09/19/08 for a major training meeting. She reiterated there was no sale date. She also confirmed that no foreclosure/sale letter had been issued from HomEq as received on earlier action, so there couldn't be a sale date. While speaking with Ms. J., my file was updated to reflect details of disconnected conversation with Ms. S. Both Ms. S. and Ms. J. escalated the sale date issue to their respective managers.

09/23/08 Follow-up call to HomEq to clarify loan modification denial and foreclosure/sale date.. Spoke with G. (Operator code GM5). He determined that a programming glitch caused the same-day denial and that there was a note in my file indicating eligibility for the modification. After several minutes on hold, he said a \$10,000 deposit towards modification and required documentation had to be received to proceed with modification. I requested a fax from HomEq indicating the requirements to proceed with modification. He said that he didn't know if there was a document he could fax, but one would be mailed. After placing me on hold for several

more minutes, he said that there was in fact a new form that he could fax. I gave him my fax number, he emphasized that time was of the essence – since HomEq files had now been updated to reflect a sale date. He agreed that a client could in fact be discussing a way to save their home while the house was being sold. I asked if an itemization of interest payments, legal fees, late fees would be provided since there were so many confusing issues over the past months. He said there would be a detailed list made, however I needed to focus on saving my home. Agreed, but I can't afford to pay for fees related to unjustified legal actions. He suggested that after the modification was in place and home saved such issues could be addressed to a Customer Care Department.

9/24/08 Called HomEq to get details on submitting documents and down payment for modification. Spoke with T. Told her G. agreed to send a fax on 09/23/08 with list of required documents for modification She said there was nothing in my file indicating a fax was to be sent. She emphasized getting everything in ASAP. She gave me details for mailing, Western Union and bank-to-bank transfer options for submitting the \$10,000 deposit. She also gave me the fax number for the Loss Mitigation Dept. T. indicated that in 2 days if there was a fax to be sent out it would be available for resending then.

I'm making every attempt to submit necessary documentation and \$10,000 deposit as requested to proceed with modification. However, for 7 months I've done everything HomEq requested, but unable to get a letter from HomEq indicating that my loan will be considered for modification upon receipt of deposit and required documents.

In the words of a HomEq agent, the last 7 months have been a "customer service" nightmare.

My primary income is steady with potential for increases, the main rental tenant is in place and stable with one year completed, second tenant will be in place in November and I will continue musician responsibilities at the church.

Ultimately this client received a positive workout in October of 2008, after RRC contacted a supervisor at Home EQ and threaten legal action by copying Legal Aid's name on the letter.