

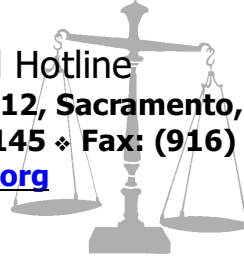
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A HUD-Approved Housing/Reverse Mortgage Counseling Agency

*California Senior Legal Hotline is a special program of Legal Services of Northern California,  
a nonprofit law firm with offices in Auburn, Chico, Eureka, Grass Valley, Redding, Sacramento, Ukiah, Vallejo and Woodland*

## **Recent Cases of Successful Foreclosure Intervention**

*Senior citizens in California have been especially hard hit by the nationwide housing crisis. During this unprecedented collapse, they constitute one of the most vulnerable classes of citizens in most need of protection, as they have been the targets of predatory lending and mortgage rescue scams designed to steal the equity that has accumulated in their properties over decades. At the same time, they are typically less able than younger homeowners to develop additional income, while expenses for needed health care, in-home help, repairs on older homes, etc., compound the problem.*

*In 2008 the California Senior Legal Hotline handled 272 foreclosure-related cases. As of July 20, 2009, the hotline has already handled 230. The demand for housing counseling among senior citizens in our state far exceeds capacity, and the examples below illustrate the degree to which foreclosure counseling at the Senior Legal Hotline can make a difference in the lives of those most susceptible to abuse by unscrupulous mortgage brokers. In the examples listed here alone, foreclosure counselors at the hotline were able to reduce principal balances by \$661,535 and monthly payments by \$5,937.*

*The nonprofit, HUD-approved status of the Senior Legal Hotline makes its continued functionality all the more critical to the effort against further decline in the nation's housing market. This is because the fewer nonprofit, HUD-approved agencies out there, the more rescue scam operations that will crop up and infect the field of housing counseling services. California Senior Legal Hotline provides invaluable housing counseling services to the elderly at no cost to them, while loan modification companies, especially those that operate illegally, charge thousands of dollars up front and do not guarantee any satisfactory results.*

***Cases as of July 2009***

### **P.R.G., Santa Maria (80-08-18256):**

P.R.G., 68, contacted the California Senior Legal Hotline (SLH) after his home was sold in foreclosure and he was a week away from being physically evicted. A foreclosure counselor at the hotline helped the client obtain a stay of execution in the eviction case and then got it set aside. The foreclosure counselor contacted the bank that had foreclosed and explained that the client's wife was diagnosed with a life-threatening illness, rendering them unable to move out of their home without extreme hardship. Over the next eight months, the foreclosure counselor successfully negotiated the rescission of the foreclosure sale and then a settlement with the bank whereby the client, by now widowed after his wife's death, obtained a reverse mortgage in the amount of \$85,662, which the bank accepted as payment in full of the previously outstanding balance, \$484,069. This amounted to a principal writeoff of \$398,407, 82 percent of the balance that was due. The client has kept his home and will no longer have any mortgage payments while he remains

in his home the rest of his life.

**A.R., Sacramento (80-09-00959)**

A.R. contacted SLH after her husband died. They were making minimum payments on an option ARM. HomEq, the loan servicer, initially refused to modify the principal and would grant only a five-year reduction in interest. It would then rise and become fixed at 8.875%. HomEq ultimately agreed to defer \$200,176 in principal to the end of the loan term, leaving only current payments on \$83,329, and modifying the interest to 4.875% for five years followed by 1% annual increases until the rate reaches what the market rate will be at that time -- on condition that SLH also helped A.R. transfer the property into her name.

**C.W., Oroville (80-08-18531):**

C.W., 62, contacted SLH after her home was foreclosed upon in August 2008. A foreclosure counselor negotiated with the lender to rescind the sale of the property and place it back into her name. He then negotiated a loan modification that reduced the principal balance from \$43,800 to \$20,000, reduced the interest rate from 9% to 5% and increased the loan term from 10 to 20 years. The lender also agreed to waive arrearages and fees totaling \$5,982. As a result, the client is able to stay in her home and her monthly payments have been reduced from \$425/month to \$132/month.

**F.S., Rio Dell (80-08-05528):**

After falling seven months behind on her mortgage, F.S., 78, called the California Senior Legal Hotline, where a foreclosure counselor negotiated a repayment plan with her loan servicer that would have her make three standard monthly payments, at which time the servicer would consider her for a loan modification. The client made her first payment as scheduled, but then her loan servicer went out of business, assigning the servicing rights for her loan. The new servicer sent the client payment coupons to be included with her future payments. These payment coupons indicated that the amounts due were the same as under the repayment plan with the previous servicer. Instead of honoring the arrangement with the previous servicer, however, the new servicer foreclosed on the property. The foreclosure counselor called the new servicer and negotiated a rescission of the sale two days after it took place. The new servicer agreed to honor the repayment plan, and the client made her final two payments. The new servicer then offered a loan modification in which the principal balance on the loan was reduced from \$299,176 to \$169,536. In addition, the interest rate was fixed at 6.44% for the life of the loan. As a result, the client's monthly payment was reduced from \$1,787 to \$1,065. She is now able to continue living in the house she's called home for the last 30 years. The case was covered by AARP's on-line news journal.

**F.M.B., Exeter (80-08-12413):**

F.M.B., 84, contacted SLH after her home had been foreclosed upon. Prior to this, her two sons died within five months of each other and she could no longer afford the \$2,100 monthly mortgage payment with her fixed income. The highly predatory loan, originated by Countrywide, had been taken on by Fannie Mae, which contracted with a local realty agency. After the foreclosure, the locks on the client's home were changed and the client was locked out before any legal eviction proceedings were ever initiated. Many of her possessions remained inside. Formal eviction proceedings had begun and a resale to a new owner was pending when a foreclosure counselor at the hotline, with cooperation from local attorneys with Central California Legal Services and Kings-Tulare Senior Legal Assistance, helped the client regain possession of her home by having a locksmith change the locks on the doors and re-enter the premises four months after the lockout. A press release spurred newspaper and TV coverage. As a result of these efforts, the

eviction proceedings were put on ice, as was the pending sale. SLH continues to negotiate with Fannie Mae in an attempt to save the client's home; it has been proposed that the proceeds of a reverse mortgage that the client could obtain be accepted as a short refinance of the original loan. The case has been covered by the Fresno Bee, Wall Street Journal and Visalia Times Delta.

**L.H.M., Sacramento (80-08-09056):**

L.H.M., 61 contacted SLH after her Sacramento home was damaged in the severe rainstorm of January 2008. Her main source of income at the time was a child care business, which had to be put on hold until her home could be repaired because it was now unsafe for children. As a result, the client lost nearly all her regular income and fell behind on her mortgage payments. A foreclosure counselor at the Senior Legal Hotline assisted by negotiating a loan modification whereby the client's interest rate was fixed at 5% and her monthly payment was lowered from \$1869/month to \$1121/month. The foreclosure counselor also facilitated the release of homeowner's insurance funds being held by her lender pending payment of the mortgage. This enabled the client to begin repairs on her home.

**A.B., Sacramento (80-08-16127):**

A.B. contacted SLH after her home had been foreclosed upon. She informed a foreclosure counselor that a representative of her loan servicer told her that she could prevent the foreclosure from taking place if she paid them \$4,000. The client did so, but the foreclosure took place anyway.

The foreclosure counselor contacted the new servicer of the loan, because the servicing rights had recently been transferred. The counselor then discovered that although the property had been foreclosed upon, the foreclosure had been rescinded because representatives of the new servicer realized that the foreclosure had been done by mistake during the period when the servicing rights were being transferred from the previous servicer. The counselor then negotiated a loan modification whereby the interest rate was reduced from a variable 9% to a fixed rate of 6%, reducing the monthly payment from \$2,465 to \$1,987.

**T.C., Sacramento (80-08-03339):**

T.C., 69, contacted SLH because she could no longer afford to make her monthly mortgage payment after her son stole a substantial portion of her savings. A foreclosure counselor negotiated a loan modification with her lender, whereby the interest rate was reduced from 8.34% to 5.5% fixed. The monthly payment was reduced by \$936, from \$3,124 to \$2,188, enabling the client to stay in her home of 20 years.

**K.&H.G., Los Molinos (30-07-03297):**

After working with a couple for nearly a year and a half, trying to make their mortgage more affordable, the Chico office of Legal Services contacted SLH for assistance. The clients are disabled and have substantial medical bills. A foreclosure counselor at the hotline negotiated a loan modification whereby the lender reduced the interest rate from a variable 8% down to 5.585% fixed for the life of the loan. This reduced the clients' monthly payment from \$1,566 to \$1,233, enabling them to afford their mortgage while paying medical bills and other expenses.

**P.G., Roseville (80-08-03312):**

P.G., 62, contacted SLH because she could no longer afford her monthly mortgage payment of \$1,963. She said that a predatory mortgage broker told her not to worry that the monthly payment was so high, because she could use the cash-out she received to pay it for a few months before refinancing because her home would then be worth more. But the housing market began to decline,

and the client could no longer afford the payments. The client was desperate to keep the home, as it has been in her family for more than 50 years. A foreclosure counselor at the hotline negotiated a loan modification whereby the client's interest rate was reduced to a fixed 6.5%, lowering her monthly payment from \$1,963 to \$1,767. With this new payment and a new job for her husband, she is able to afford to keep the house.

**A.M.H., Carmichael (80-08-06456):**

A.M.H., 71, met with a foreclosure counselor at SLH at a workshop held in West Sacramento. She explained that she suffered from diabetes, rheumatoid arthritis and emphysema, which caused her to be hospitalized several times and placed on an oxygen machine, leading to higher medical expenses. As a result, she could no longer afford her monthly mortgage payment of \$2,262. The foreclosure counselor negotiated a loan modification whereby the lender offered a fixed rate of 5% for the life of the loan, reducing the monthly payment from \$2,262 to \$1,782.

**M.P., Lancaster (80-08-07689):**

M.P., 62, contacted SLH two weeks prior to the scheduled foreclosure sale of her property. A foreclosure counselor at the hotline was able to negotiate a special forbearance for the client while he attempted to reach a satisfactory resolution to address the client's mortgage delinquency. As a result, the lender postponed the foreclosure and has now offered to accept a short payoff of the loan through a reverse mortgage of \$79,000, reducing the amount owed by \$61,000 and enabling the client to live in her home the rest of her life.

**P.&O.D., Sacramento (80-08-13948):**

P.&O.D., 69 and 88, respectively, contacted SLH after they had been scammed out of at least \$181,000 by a fraudulent contractor who offered to renovate a home they had purchased and planned to occupy because of their increasing difficulties navigating the stairs in their two-story residence across the street. The clients called the hotline because the city was threatening to fine them for code violations in the home, which had been left a mess by the scammer. The hotline was instrumental in getting the facts to the police – and getting the attention of law enforcement and the State Contractors License Board – resulting in the arrest of the perpetrator. Meanwhile, however, the values of both homes had plummeted and the clients could not afford the imminent increases in their adjustable rate mortgages, taken to finance the renovations. A foreclosure counselor at the hotline negotiated with their lender for a workout whereby the clients were given a three-month forbearance period in which no payments were due, followed by a loan modification in which the interest rate was reduced to a fixed 5% for five years and would then adjust to 6.1% for the remaining term of the loan.

The clients were also facing problems with the mortgage on their second home. The same foreclosure counselor negotiated with the lender on this mortgage and obtained a forbearance period of six months in which no payments were due, and thereafter a loan modification in which the interest rate would be reduced to 4.5% for 6 months, followed by an interest rate of 6.75% for the next four years.

These two loan modifications will result in savings to the clients of \$9,136 over the next five years, not including interest, and will enable them to remain in their home despite the criminal acts perpetrated on them by the fraudulent contractor.

TV news and print media (Sacramento Bee) coverage of the case brought an outpouring of help to the victims from volunteers who helped repair the damage and complete the renovations.

**I.W., Lancaster (80-08-07425):**

I.W., 72, contacted SLH when she could no longer afford her adjustable rate mortgage payments. Her husband had suffered an aneurism that prevented him from working, and she was suffering from heart disease, which prevented her from working. Her interest rate was 11.75% before a foreclosure counselor at the Senior Legal Hotline negotiated a loan modification reducing her interest rate to 6% for three years and reducing her monthly payment from \$293 to \$181.

**V.D., Wilseyville (80-08-03646):**

V.D., 62, contacted SLH five days prior to the scheduled foreclosure sale of her home, which unlike most such scenarios these days, had \$100,000 in equity. A foreclosure counselor helped the client find a bankruptcy attorney who could help her and provided the relevant information that enabled the attorney to file the bankruptcy on behalf of the client, postponing the foreclosure sale. The additional time that this allowed for the client resulted in her brother discovering that she was in danger of losing her home, and he paid off the mortgage for her.

**R.D., Sacramento (80-08-11327):**

R.D., 62, contacted SLH after falling behind on his mortgage. This had happened because after signing up and being approved for his servicer's "Skip-A-Payment" program (allowing borrowers to skip one month's payment, with that payment being added to the principal balance and capitalized), the servicer refused to accept subsequent payments because it considered the client delinquent for the month that he skipped. A foreclosure counselor at the Senior Legal Hotline assisted the client in applying for a loan modification, but after four months and two separate denials by his servicer, the situation was not looking good. The foreclosure counselor, viewing the denials by the servicer as unfair based on the financial information the client provided, wrote a letter of appeal to a senior vice-president of the servicer. The letter detailed the extremely difficult and frustrating experience of navigating through the servicer's loss mitigation process (which included months of waiting and different information from different people within the same department). In response, the senior vice president contacted the foreclosure counselor, who negotiated a loan modification for the client in which the principal balance of the mortgage was reduced by 20%, from \$243,440 to \$194,752. In addition, the interest rate was reduced to 2.25% for five years, followed by a step-up to 2.875% in year six, 3.5% in year seven, 4.125% in year eight, 4.75% in year nine and 5.375% in year 10. From year 11 onward the rate will be fixed at 6.5% for the remaining life of the loan. This reduced the current monthly payment by 40%, from \$1100 to \$660.

**R.S., Sacramento (80-08-08231):**

R.S., 69, contacted SLH after receiving notices from her servicer alleging that she was delinquent on the mortgage for her home of more than 46 years.. The seriously disabled the client had become a victim of predatory lending; she was promised a 5% interest, fixed-rate mortgage that would result in lower monthly payments than she was making at the time. What she got was a negatively amortizing, option adjustable-rate mortgage that soon resulted in higher payments than those she was making at the time she refinanced. Due to the predatory nature of the loan, a foreclosure counselor at the hotline contacted the servicer to inquire about how much the alleged past-due amount was, as well as propose a settlement offer. The settlement proposal involved the client obtaining a reverse mortgage, the proceeds of which would pay off a substantial portion of the current loan, though not the entire amount. (Forgiveness of the difference would be required of the servicer to avoid a lawsuit for fraud.).

The servicer failed to respond to the written request made by the foreclosure counselor on behalf of the client, to find out how much the past-due amount was on her mortgage. In addition, no

decision was ever rendered on the client's settlement offer of a short-payoff of the loan through a reverse mortgage. While the servicer was supposedly considering the offer and looking into the client's written inquiry, the foreclosure sale that had by this point been scheduled was postponed on three separate occasions. A fourth postponement was promised, but the servicer foreclosed on the client's home (of 46 years) anyway in October 2008. Ten days later, the bank filed suit in state court to evict the client from her home. On the day before the eviction hearing, the client filed for bankruptcy. Then Sacramento Senior Legal Services, LSNC/SLH's legal representation program for the elderly in the Sacramento region, agreed to represent the client in a lawsuit for wrongful foreclosure, fraud, elder abuse and other claims within the bankruptcy court.

Within a month of filing the lawsuit, the client again offered to settle the dispute by obtaining a reverse mortgage to pay off a substantial portion of the fair market value of the property in what would now be a repurchase of her home. Accepting this proposal would mean a potential loss for the bank of about \$25,000. Instead, the bank has chosen to hire a law firm in Southern California to fight a legal battle in Sacramento that has now continued for more than six months, as the bank has dragged the elderly, disabled the client into five different courtrooms, before six different judges, shopping for a forum most favorable for its interests. It is clear that the bank has spent far more on attorney fees and costs than it would have lost by accepting the proposal the client made six months ago, not to mention expending valuable court resources and taxpayer money. (The bank is a TARP bailout assistance recipient.)

**M.C., Concord (80-09-01033):**

M.C., 71, contacted SLH after she had fallen behind on her mortgage payments and was defrauded by a mortgage rescue scam company in Southern California. The client paid this company \$2,300 up front, supposedly for help getting a loan modification. The company contacted her servicer, but failed to obtain a loan modification that would be affordable and sustainable for the client. The company then refused to refund the \$2,300 that was paid for services not rendered. When the client contacted the hotline, her home was scheduled for a foreclosure sale in 13 days.

A foreclosure counselor at the Senior Legal Hotline contacted the servicer and explained the client's situation, stressing that she fell victim to a foreclosure rescue scam and as a result fell further and further behind on the mortgage but now was working with the hotline, a nonprofit, HUD-approved housing counseling agency. The servicer offered a three-month forbearance plan during which she would make monthly payments equal to the current amount due each month, after which the client would be considered for a loan modification. The client began this plan, and in the meantime the foreclosure counselor searched for a higher authority with the servicer. He reached a vice president and was able to secure a loan modification whereby the interest rate was reduced to 2% (with interest-only payments) for three years, stepping up to 3% in years four through six, followed by 4% in years six through eight. The interest rate will remain fixed at 4% with fully amortizing payments for the remaining 30 years of the loan beginning in year nine. This resulted in a current monthly payment reduction of 42%, from \$2,866 to \$1,667, allowing the client and her family to remain in their home.

The foreclosure counselor also assisted the client by researching the history and activities of the rescue scam company that defrauded her. He found that the company had changed its name after receiving numerous complaints, and was now doing business with the same telephone number at a different location. The foreclosure counselor sent a letter to this company on behalf of the client, demanding a full refund, only to receive a response stating that the company that she dealt with is not the same and no refund is due to her. The client is now pursuing a lawsuit in small claims court to recover the \$2,300 that she paid for loan modification services that she never received.