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Defaults blamed on shady lending

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Plain Dealer Reporter

When Tim and Gloria Ferris of Cleveland got behind on their \$20,000 mortgage a few years ago, they tried to work out a repayment plan.

But in part because their loan, originally with KeyBank, was sold every time they turned around, they never knew whom they should call. And everyone they did call referred them to yet another company.

The Ferrises testified on Wednesday at a Cuyahoga County public hearing that they have \$13,000 in cash right now in trust with a lawyer to catch up on their payments, but no one will accept their money. Their current lender says they owe more than \$40,000 on the \$20,000 loan because of fees.

Their house, in foreclosure for years, is scheduled for sheriff's sale on Monday.

The Ferrises are among nearly 10,000 foreclosure cases pending in Cuyahoga County, a panel representing the county commissioners was told Wednesday. The commissioners are studying ways to resolve the backlog.

But the two-hour hearing turned into an assault on shady lending and the mind-numbing bureaucracy in the courts and among lawyers and lenders.

Attorney Julie Robie of the Legal Aid Society said the problem isn't the slow foreclosure process, but the fact that there are so many foreclosures to begin with.

Any attempt by the county or the courts to speed up the foreclosure process would be disastrous, she said. "The fast-track process could fast-track people out of their homes," she said.

Bradley Payne of the U.S. Department of Housing and Urban Development said the Cleveland metropolitan area has the second-highest default rate in the country for FHA loans a staggering 12.46 percent.

(The Memphis, Tenn., area is No. 1 at 12.58 percent.) Defaults are defined as loans that are 90 days or more behind.

"We expect defaults to keep going up, and we expect foreclosures to rise" in Northeast Ohio because defaults and foreclosures lag bad economic times, Payne said. In most parts of the country, they're declining.

Greater Cleveland already has the ominous designation as the only U.S. metropolitan area where late mortgage payments and foreclosures increased in 2004, according to mortgage giant Freddie Mac.

And Ohio has the highest percentage of homeowners either in foreclosure or with payments that are 90 days or more behind, according to the Mortgage Bankers Association of America. About one of every 11 in Ohio is 30 days or more behind on mortgage payments.

Commissioner Tim Hagan said he and fellow commissioners Jimmy Dimora and Peter Lawson Jones are committed to attacking the foreclosure problem.

He said that the cause isn't the family that loses a job or makes bad financial choices; rather, the gravity of the problem stems from "exploitation" by lenders who trick people into high payments. Hagan said the foreclosure epidemic hurts the whole community. "We are going to do something," he said. The commissioners plan to issue a report and possibly some recommendations by mid-August.

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