

Low-Income Latino Homebuyers Hit with Foreclosure Crisis

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by Jessica Del Curto

Joann Velázquez was at the end of her rope. A single mother of three who works hard in construction to support her family, she was about to lose her home. For five years her mortgage had stayed the same, and suddenly she was being slapped with one lump sum she was expected to pay off immediately. The monthly mortgage on her home in Logan Square skyrocketed to an amount she could no longer afford.

"It was horrible. I want the American dream for my kids too," she said. "I wasn't sleeping, I was crying all the time, I was losing my hair."

Velázquez isn't the only homeowner in the city at risk of losing her house. In a nationwide epidemic of foreclosures, homeowners are being forced to give up ownership to banks, ruining their credit scores for years to come. According to the National Training and Information Center, a foreclosure report shows a 36 percent increase in Chicago foreclosures, the largest single-year foreclosure increase in 15 years. In one zip code alone, there are hundreds of houses being boarded up and handed over to lenders, leaving residents in the cold.

When Velázquez had just about given up all hope, she walked into the Spanish Coalition for Housing on a whim.

"Chase Mortgage was putting my house up on an auction block," she said. "I was panicking."

Ofelia Navarro, director of Spanish Coalition for Housing, said Velázquez' situation isn't isolated. She said the epidemic began about a year ago, when their offices suddenly flooded with residents who were on the verge of losing their property.

"We have always worked on the foreclosure side of things," she said, "but in our busiest time, we would see two people a week. If we saw four people in a month that was a lot."

Now, because of the housing crisis, the SCH sees foreclosure cases several times a day.

Navarro blames it on the greed of lenders, who would stop at nothing to get people to purchase a home – even if they weren't financially qualified.

"Many of these lenders were so inundated with business that they were not really looking out to protect the consumer," she said. "They were only looking at making money, and there was lots of it to be made."

But now the market is so slow that those same mortgage companies are going under. Navarro said it's hard for her to feel sorry for them now.

"You reap what you sow," she said. "These lenders were doing anything to get people in the doors. It was a few years ago that exotic mortgages started coming out. These products were targeting low- and moderate-income people, and these were not geared toward first-time homebuyers."

Exotic mortgages are adjustable rate mortgages, where the interest and rates adjust over time. Monthly payments may start off cheaper,

seeming affordable to a moderate or low-income, first-time buyer.

"But the minute their loans reset, where they not only have to pay interest, but principal and interest, their monthly payments go up to \$2,000," Navarro said. "Now where is the income going to come from?"

She said many low- and moderate-income homeowners bought into these mortgages, thinking their dream of owning a home was finally happening. Once payments got so high they could no longer afford it, they were forced to put their property on the market. But the market is flooded with homes for sale now, and no one is buying. This means that those who thought they were purchasing the home of their dreams are forced into giving it back to the bank.

Don't be fooled by scams

Navarro said it's important for people who are in trouble with their mortgage to contact a Department of Housing and Urban Development (HUD) certified counseling agency. Oftentimes, financial counselors can help before a foreclosure takes place.

"If someone gets a few months behind on their payments, the bank has until the third month to file a foreclosure, but it is a process, and the minimum time that a lender that is really aggressive gets before the home becomes theirs is eight months or 11 months, since the first payment is missed," she said.

The worst thing a homeowner can do, Navarro said, is bail out on their homes before they are actually seized by the bank, something she sees far too often.

"There are programs that can help you get on your feet, especially if you have had a loss of income, or you became ill, these programs can help you negotiate with the lender and participate in one of their loss mitigation programs. Often you are able to get back on track and continue homeownership of the property."

While it's important to seek counseling before the actual foreclosure process starts, Teresa Lambarry, also of the SCH, warns of predators who come door to door looking to 'bail out' people who are at risk of losing their homes.

"These people come saying they are rescue fraud, they knock on your door saying, 'Sign over your deed, I'll take over the payments, you will be fine, next year you can buy the property back from me.' But what happens is that homeowner goes out and gets another mortgage in the meantime, and goes deeper into debt."

'It's not just us poor folk'

Navarro stresses that with the foreclosure crisis in full effect, it's not just low- and moderate-income people who are forced to sign away their homes.

"When we first started hearing about the housing crisis, they were focusing on these sub-prime borrowers, or people with bad credit or not enough income, saying it was their fault," she said. "But that's not true. The loans that are defaulting are also 'A paper' [loaned to people with good credit], and they still went under.



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These are people that have lived in their homes for 10, 15 years, and are now losing their properties. So it's not necessarily because they weren't savvy enough."

Lambarry agrees. "Neighborhoods all over the city, where you never see 'for sale' signs, are now on the market. It's not just us poor folk who are suffering from higher taxes and gas prices."

According to a report by the NTIC, foreclosures don't just represent a failure to a family – they represent "a danger to the entire community, affecting property values and neighborhood safety."

While the future looks bleak, Navarro said there are ways people can stay in their homes. It's crucial, she said, that a resident gets pre- and post-purchase housing counseling.

"If you wait too long you might just have to ride out the foreclosure, because there is nothing we can do," she said. "And that is very detrimental to your credit."

As for Velázquez, the Spanish Coalition for Housing was able to help by giving her a modification loan, which spread out what she owed over the next 20 years by tacking it on to her loan.

"With their help I was actually able to lower my monthly mortgage payments," she said. "I am so grateful to them."

Now she said she sleeps easy again.

"When I tuck my kids into bed, it's an awesome feeling to know that a sheriff isn't going to come and take my home, or the bank. It's nice to know that there are organizations out there that, when you fall on your face, they come and pick you up," she said.

To find certified financial counselors in your area go to www.hud.gov.