


[Home](#)[News and Features](#)[Online exclusives](#)[Boston nonprofit helping foreclosure victims](#)Tools:  [SHARE](#)TEXT SIZE: [A](#) [A](#) [A](#) [FEEDS](#) [PRINT](#)[News and Features: Online exclusives](#)[Make a Comment](#)

Boston nonprofit helping foreclosure victims

Boston Community Capital has helped more than 90 families stay in their homes

BY: ARWA SULTANALI

October 12, 2010

FOR NEARLY TWO years, the federal government has pledged billions of dollars to keep banks from foreclosing on homes—with little result.

But while the bailout has faltered and foreclosures have climbed to record highs, some families in Boston are finding recourse in an unusual source--Boston Community Capital--a nonprofit that hasn't received a penny of bailout money. In fact, it isn't even a bank.

Since last fall, BCC has helped more than 90 families stay in their homes in Dorchester, Roxbury, Hyde Park, Mattapan, East Boston, and Roslindale by buying the foreclosed properties and then selling them back to the families. Its goal over the next five years is to expand the rescue effort to 2,000 homes in Boston and neighboring Revere.

Last May, Mattapan resident Marchelle Jacques-Yarde was presented with a 48 hour-eviction notice after her two-bedroom condominium was foreclosed on by the lender. The notice came one day before her 28th birthday.

"What a birthday present," she recalls saying. But, thanks to BCC, "today I can sleep soundly knowing that no one is ever going to kick me out; this is my place, this is my home."

The Boston nonprofit is getting high praise in foreclosure prevention circles across the United States. "People are calling us from California to Rhode Island to Ohio and Michigan," said Patricia Hanratty, a Boston Community Capital executive.

"I haven't heard of another program like it," said Prabal Chakrabarti, director of community development at the Federal Reserve Bank of Boston. At the request of the Federal Reserve, the nonprofit recently provided a project thumbnail for review by agencies and organizations elsewhere in the country to better cope with an increasing number of foreclosures, plummeting home prices, and neighborhood stabilization issues. "It's one of the few successful programs that I know of," Chakrabarti said.

For a good part of this decade, BCC—a community action investment group made up of individuals, religious organizations, and foundations—was mainly occupied with such matters as making homes more energy efficient, helping businesses in low-income neighborhoods, creating jobs, and funding other nonprofits. The 25-year-old institution has approximately \$500 million under management.

But about two years ago Hanratty, a retired Fleet Bank executive, and Elyse Cherry, BCC's chief executive officer, began looking at publicly available documents on housing loans in Fall River, New Bedford, and Boston.

As a banker, Hanratty was familiar with the commercial real estate crash of the late 1980s and early 1990s and the retail recession that followed shortly thereafter. Cherry is a former real estate attorney who often worked closely with Hanratty on numerous foreclosure and bankruptcy cases back then.

"Our sense was that this problem of foreclosures was going to mushroom and Elyse asked me to come on as a consultant," said Hanratty, who later was appointed president of BCC's real estate and mortgage lending units.

After talking to some of their former colleagues and officials in the mortgage banking community, the two concluded that the solution of two decades ago wasn't going to work today.

Back then the banks owned the loans themselves and wrote them off their books with little repercussion. Today, however, a vast majority of the mortgages have been sold off to thousands of private investors in pension funds, municipalities, and foreign groups all over the world. Banks are merely payment processors—or servicers—of the loans. Writing off soured loans could expose them to lawsuits by the investment community, Hanratty said.

That, in part, explains why the government is having so much trouble getting banks to cooperate.

Loan modifications—the government's primary focus—often requires forgiving a portion of the debt by the lender. But because so many of the loans have been bundled and resold, it is almost impossible to communicate with investors. "The banks haven't a clue on how to solve the problem, they're still chasing their tails trying to figure it out," Hanratty said.

Hence BCC's business formula: where the government has looked to save homes before they fall in foreclosure, BCC springs into action mostly after they do.

The banks' liability is greatly reduced once the property goes into foreclosure, which automatically devalues the property. "The banks don't have to do much explaining to their investors once the home is in foreclosure," said Hanratty.

To date, the loans of roughly 1 percent of the estimated 5 million homes in foreclosure trouble have been successfully modified under various government programs.

By comparison, more than a third of the 260 cases being handled by BCC have been happily resolved with another 15 percent wending their way towards a resolution.

BCC's modus operandi is pretty straightforward: It buys the home from the bank at a post-foreclosure price (which typically is 50 percent to 70 percent off what the delinquent homeowner owed) and resells the property to the homeowner for a slight premium. Thus the family gets to stay in their home without being evicted and BCC makes a small profit.

What's more, while modified loans under government programs have reduced monthly mortgage payments by about \$500 on average, BCC has managed to cut mortgage payments much more drastically—often by twice that much.

Such was the case with the Yardes of Mattapan.

Weighed down with a monthly mortgage of about \$2,000 a month—more than 50 percent of their combined gross pay--Marchelle and her husband, Christopher, were struggling to make ends meet. After paying for gas, utilities, car loans, Internet access, and health insurance, the Yardes say they were lucky to have \$40 a week left over for food.

"God help us if we needed new tires or brakes for the car," Marchelle says. Often they would have to put their grocery bill on their credit card and tack it on to next month's expenses, she said.

Marchelle attends college full time and works part time; her husband is an accountant. They bought the \$235,000 condo in 2007 shortly before they were married. The down payment of \$10,000 was money that would otherwise have been used for their honeymoon. "Our home was our wedding gift to ourselves," she said. "Ironically it was ruining our marriage."

Unable to pay their bills, the Yardes applied for a mortgage modification plan under the Obama Administration's Home Affordable Modification Program last year. Their application was rejected by the bank. The condo was placed in foreclosure in February.

Enter BCC.

Even though the Yardes owed \$218,000 to the bank, BCC purchased the condo in foreclosure for \$57,500 and sold the property back to the Yardes for \$72,000. Their monthly mortgage payment today—less than \$1,000.

"We can breathe more easily now and there are more smiles on our faces," said Marchelle.

A new development in the foreclosure crisis, however, could put a crimp into BCC's business. Last week, Massachusetts Attorney General Martha Coakley asked four of the nation's largest banks—Bank of America, J.P. Morgan Chase, Wells Fargo, and Ally Financial's GMAC Mortgage unit—to suspend all foreclosure activities, including the sale of foreclosed properties. The moratorium was requested due to allegations that in thousands of cases lenders were signing foreclosure documents without reading them. The brewing scandal has already acquired the nickname "robo-signing."

If BCC is impacted by the moratorium, it may have to rescue homeowners by entering the short sale market. In a short sale, BCC would buy a home before the property goes into foreclosure, although it may end up paying close to foreclosure prices for the property. Like foreclosure sales, short sales also reflect current market values of a property and not what's owed to the lender.

Banks haven't been keen on short sales, Hanratty said. But BCC, which currently has about 15 short-sale transactions, may look harder at them as a result of the moratorium, she added.

One reason for BCC's success is the result of its ability to pay for homes in cash. The nonprofit has raised \$35 million from its investors. BCC lends money to homeowners at a 6.5 percent rate and gives investors a 4.25 percent return. Hanratty said BCC plans to raise an additional \$15 million to purchase additional homes.

"There are a lot of elements to BCC that makes the model look really promising, one of which is that they've got strong investor interest," said Chakrabarti. In addition to strong financial backing, the nonprofit is also in touch with a network of low-income assistance organizations that alert them to new foreclosure cases as well as a group of Harvard lawyers and professors ready to appeal evictions and other foreclosure matters in court.

"It helped that we started off the program with \$5 million of our own money so we could make our own mistakes," said Cherry, BCC's chief executive. "By the time we went to investors to get more money for the project we were able to show them that we had already done several successful mortgages and we knew where the sticky spots are," she said.

BCC doesn't always succeed in winning properties back for the distressed homeowner, however. Sometimes in a foreclosure, another bidder will enter the auction with a higher offer for the property, as in the pending case of the Dumerants of Everett.

Two brothers, Pierre and Prudhomme Dumerant, purchased a spacious eight-bedroom home in Everett for \$523,000 in 2004. Sharing the home with Pierre, 51, and Prudhomme, 36, are their 76-year-old mother, Pierre's wife, their two children, a cousin, a niece, and a sister.

Both brothers are Boston cab drivers. Together they earn about \$30,000 a year, or about \$2,700 a month. Their monthly mortgage of about \$4,000 quickly drained their savings. Multiple attempts to refinance the home drew them even deeper into debt. The home eventually went into foreclosure.

Based on current market evaluations, BCC has made an offer of about \$215,000 for the Dumerants' home. A second bidder is offering something closer to the bank's asking price of \$250,000, Prudhomme said.

BCC and the Dumerants are now waiting to see if the second bidder will receive the financing to purchase the home. BCC declined to speak about the case, citing client confidentiality reasons. But the Dumerants say they're scared.

If the second bidder prevails, the Dumerants are out on the street. Finding an affordable house big enough for nine people isn't easy. "I don't know what to do. I just leave it up to the Lord," Prudhomme said recently. "My mother, she is sick, she cries every night."

(Arwa Sultanali is a graduate student in the journalism department at Emerson College. This story was written as part of a directed studies course on explanatory business journalism. The story project was supervised and edited by Emerson College adjunct professor Joseph Pereira.)

ALSO CHECK OUT

Also Find Us On:



RELATED ARTICLES

No related articles currently available

RELATED BLOG POSTS

No related articles currently available

RELATED TOPICS

No related topics currently available