

Boston Program Helps Owners Get Foreclosed Homes Back

By [George Hicks](#)

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BOSTON — By now, stories like this are all too familiar. Six years ago, near the peak of the housing bubble, a Boston woman bought a rundown two-family house with a subprime mortgage she could barely afford.

“We’d been renting all along,” said Bose, who asked that we not use her full name. “Our dream was owning our own home, which is the American dream.”

Facing increasing monthly payments on a house in desperate need of repair, she refinanced with a succession of predatory lenders.

“But then suddenly, the mortgage kept going up,” Bose said. “And it was no longer what we talked about originally.”

A social worker, she lost her job in the recession and defaulted on her mortgage. Bose blames herself for believing that her lenders were not setting her up to fail.

“We signed,” she said. “We signed those papers, not knowing that they were not on our side.”

Her story ended in foreclosure, but this owner got her home back — through a privately funded program that is now being held up as a national model to help communities blighted by foreclosures.

Finding Home Help

Bose has lived in Boston for 30 years. She’s married with three school-age children.

By March of last year, when Bose went back to work full-time, her mortgage payments had jumped to over \$4,000 a month, and would ramp up to almost \$5,000 — not including late payment fees of as much as 25 percent. Bose



says she requested a loan modification, but the servicer refused.

Mary Nunziato, right, stands in front of her foreclosed home in Revere. A program from Boston Community Capital seeks to help foreclosed owners keep their homes. (AP)

By December, Bose and her family and tenant were facing foreclosure and, ultimately, eviction.

“They were harassing us, they were calling us,” Bose said. “And when I got the letter saying that they have to foreclose the house, that was when I knew I had to do something.”

So last December, after she reached out to friends for help, Bose ended up at the weekly meeting of the “Bank Tenant Association” at [City Life Vida Urbana](#). City Life, a community activist organization, has been advocating for affordable housing and tenants’ rights in Boston’s poorer neighborhoods for 37 years.

City Life’s Melonie Griffiths explains the group’s mission. “Here at City Life we organize to help strengthen ourselves so we can fight to stay in our homes,” Griffiths said.

At these “bank tenant” meetings, members organize demonstrations outside foreclosed properties, banks and mortgage lenders’ storefronts. City Life provides referrals to loan modification counselors. Also on hand are pro-bono lawyers, who advise tenants fighting eviction from foreclosed properties.

But for Bose, it was too late. She was already in foreclosure. So City Life referred her to [Boston Community Capital](#) (BCC), a non-profit which has financed affordable housing and commercial real-estate development in low-income communities for 25 years.

In 2007, BCC studied the steep increase in Boston foreclosures and found huge disparities between income and mortgage-related debt. So it set up a mortgage brokerage to try to provide refinancing at terms appropriate to borrowers’ incomes.

“And what we discovered, in short order, was that the mortgages that people in the neighborhoods had were so large that it wasn’t possible to refinance them,” said Elyse Cherry, BCC’s CEO.

She says BCC had to come up with a different strategy. “We recognized that our best shot was really at attempting to buy property post-foreclosure, but prior to eviction,” Cherry said.

The BCC Model

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In other words, after foreclosure, BCC could purchase these homes at a deep discount, sell them back to the owners, and provide an affordable fixed-rate mortgage.

To do this, BCC designed the SUN Initiative — the acronym stands for “Stabilizing Urban Neighborhoods” — a \$50 million program to buy, resell and finance over 2,000 foreclosed homes over five years.

It’s raised \$32 million in capital since last December, all from private investors. To bring homeowners in, BCC relies on community organizations like City Life. And that’s how Bose became one of the SUN Initiative’s first clients.

“This Boston Community Capital did not give you a mortgage that you cannot afford,” Bose said. “They don’t want to see you fail. They really put it right on the table. And everything is well explained.”

To Cherry, Bose’s story provides a litany of predatory lending practices.

“For example, teaser rates, meaning that you have a rate for the first two years then jumps in year three. That would be a predatory loan,” she said. “Insistence from the brokers that you really should refinance because, after all, you can get more cash and it’s not going to cost more money; that kind of misleading activity we would also include in the concept of predatory lending.”

Cherry also saw predatory practices in the way extra payments were suddenly added to the loan.

“You have a loan of, say, \$500,000, and the broker essentially says, ‘How much would you like to pay on that loan?’ ” Cherry explained. “And then at some point down the road, all of the money that you’re not paying, in terms of accrued interest or principal, gets added, and your interest rate jumps. That would be a predatory loan.”

Nevertheless, Cherry says, when evaluating potential borrowers, BCC employs standards that were more or less abandoned in the “low-doc, no-doc” loan market of the last decade.

“We’re familiar with the property, we become quite familiar with the borrower, we underwrite them very carefully to understand what their history has been of paying debt,”

Cherry said. “Once we’ve gone through that we make a determination about whether a borrower can afford a mortgage.”

Cherry adds that homeowners with multiple refinancings, like Bose, face further scrutiny.

“If we see that there’s been a significant amount of money taken out through refinancing, then we do ask where the money has gone to,” she said. “And if someone says, ‘We’ve put that money into our homes, we have new bathroom, new roof, new porches,’ whatever, we send someone out to take a look to ensure that the work is actually been accomplished.”

So far, about 60 percent of applicants to the SUN Initiative have been accepted. And of those, about 90 percent succeeded in getting their homes back. That’s over 50 homes since last December.



Melonie Griffiths, left, attends a City Life demonstration that successfully delayed her own eviction from her house in Dorchester in 2008. (AP)

But Cherry explained the BCC model is not meant to generate cash windfalls for the homes’ owners.

“They often have neighbors who say, ‘Wait a minute, I have a \$300,000 mortgage, too. My house isn’t very different from your house. I’m working two jobs, my spouse is working two jobs, how come you’re getting a mortgage for \$150,000? Why shouldn’t I stop paying.’ And that’s a good question,” Cherry reflects.

So BCC requires all borrowers to share any appreciation in the value of their homes. The more they owed prior to foreclosure, the less they get when they sell. BCC also requires that borrowers pay a 25 percent markup on their home, which brings the sale price closer to true market value.

Even so, Cherry says some of her clients have been harassed in their own neighborhoods, which is why this report does not Bose’s full name.

Home Again

Back at Bose's house, she says the past six years seem like a bad dream — but with a happy ending. This house became hers once again on April 9. It's a story she shares with homeowners like herself each week at City Life meetings.

"Most people don't know that help," she said. "But when people hear directly from me, they know that it's not impossible. It's possible."

Recently, the Federal Reserve asked Boston Community Capital to provide a blueprint of the SUN Initiative so that the program might be replicated in other parts of the country where home prices have fallen sharply and neighborhoods are threatened by increasing foreclosures.

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- [**WBUR Series:** The Depreciating American Dream](#)
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