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## Boston Firm Offers Homeowners a Second Chance After Foreclosure

### SUMMARY

For those who have lost a home they could have afforded at market rate, Boston Community Capital offers an avenue to renege on the 90 properties they have financed have defaulted so far. Paul Solman reports.

**The Alfred P. Sloan Foundation** provided funding for this project

## Transcript

**JIM LEHRER:** And back to the mortgage mess. NewsHour economics correspondent Paul Solman has told us about foreclosed houses and then selling them back to the former owners.

It's the third in his ongoing series on the mortgage crisis and part of his regular reporting Making Sense of

**PAUL SOLMAN:** Prudhomme and Pierre Dumerant and family are fighting to stay in the Boston area home. To make the mortgage, they were foreclosed on by GMAC, which held the loan, and is reviewing foreclosures paperwork.

But GMAC sold the loan. The Dumerants still face eviction.

**PRUDHOMME DUMERANT,** homeowner: We leave it up to -- you know, up to the Lord. You know, But

**PAUL SOLMAN:** The Dumerants are part of a three-step movement in Boston, step one, public protests Life Vida Urbana. Step two is litigation, courtesy of Harvard Legal Aid, to drag out the process.

Dave Grossman directs the legal effort.

**DAVID GROSSMAN,** director, Harvard Legal Aid Bureau: Relatively soon into it, we realized we were not going to stop banks. We could beat banks up and stop them from evicting people after foreclosure, but they still have a stable equilibrium.

We had to find an endgame. We had to find someone to buy the property back. And the obvious solution was to buy it back.

**PAUL SOLMAN:** Enter BCC, or Boston Community Capital, the crucial third step of the program. It's tailored to help homeowners face. They could afford a market-price mortgage, but their banks foreclose instead, though they

Elyse Cherry is the CEO of BCC.

**ELYSE CHERRY**, CEO, Boston Community Capital: If we can find a borrower that is someone in a home upon who has the ability to pay a mortgage at roughly market rate for that home, then we go out to the owner, is that has charge of the mortgage and we negotiate, or we attempt to negotiate a purchase from that entity around and sell back to the homeowner.

**PAUL SOLMAN**: The bulk of BCC's funding comes from investors and foundations, along with some gov at roughly market value, typically half or less of what the foreclosed homeowner owes.

Second, BCC sells it back to the homeowner with a 30-year mortgage at about 6 percent at the moment, with a cushion against default. To further insure that its investors get their money back, BCC's evaluation is tough.

Moreover, once accepted:

**ELYSE CHERRY**: They are mortgages that are paid every two weeks. In fact, what we have done is to tie automatic deposit of the paycheck and automatic withdrawal of the mortgage.

**PAUL SOLMAN**: These are pretty stringent terms.

**ELYSE CHERRY**: Yes. But there's another piece to it. We have put onto this something that we call a shared appreciation term, what that really means is, should the market come back, someone who has financed with us and is in arrears have paid in the past will actually only be entitled to roughly half of what that appreciation is.

**PAUL SOLMAN**: Since the program began at the beginning of the year, BCC has financed 90 properties. That's pretty typical.

**PAMELA KING**, homeowner: The value of the properties had gone down, so I was, like, owing 50 percent when I found out that they could buy it back at the true cost, you know, I was just thrilled.

**PAUL SOLMAN**: So, what was your old payment per month, and what's the new one?

**PAMELA KING**: It was like \$3,500. And the new one is closer to \$1,600.

**PAUL SOLMAN**: And were you amazed?

**PAMELA KING**: I attribute it to my strong faith that I had faith and hope, and I thought it was an answer.

**ELYSE CHERRY**: Right now, nobody believes that you can lend to people who are in foreclosure and get paid back. It's about is proving that to be untrue.

I think that the critical reason that people fail to pay is because the mortgage that they had and the monthly payment was much higher than their income would allow.

**PAUL SOLMAN**: A recent meeting at City Life reflected the new anti-foreclosure momentum.

**JEANETTE FORDE**, homeowner: Hi. I'm Jeanette Forde. My house got foreclosed on. Working with BCC on Thursday, they called me, and they want to sell the house back.

(CHEERING AND APPLAUSE)

**PAUL SOLMAN**: When you got the foreclosure notice, you assumed you would be evicted?

**JEANETTE FORDE:** I thought, where am I going to go? You know I have myself, my children. I have grown up and I have devastated.

**PAUL SOLMAN:** What's the mortgage for? How much is it worth? And I guess, how much are you offering?

**JEANETTE FORDE:** It was like \$80,000-something -- \$86,000 12 years ago. At the end, I owed like \$200,000, because of all the repairs that need to be done on the property.

**PAUL SOLMAN:** So, you took a lot of money out of the house in the form of home equity loans, I trust, right?

**JEANETTE FORDE:** Yes. Over the years, we have taken different equity loans.

**PAUL SOLMAN:** So, do you understand how there will be people in our audience who will say, wait a second, you were good, entered into a formal contract to do so, and now is essentially reneging on that contract?

**JEANETTE FORDE:** Well, actually, at the end, the last mortgage that we received, it was one of those where we were working with the mortgage company to get a loan modification. But they refused to give us a loan modification.

**PAUL SOLMAN:** Cherry says 90 percent of BCC's offers are accepted.

**ELYSE CHERRY:** Typically, what a lender would want is to be able to sell in the short term at the best price possible. I think a lender that the price we're offering is the best price for a distressed property in that neighborhood.

**PAUL SOLMAN:** It turns out the price BCC offered for the Dumerants' house was topped. GMAC sold the house for more than BCC offered. What do you think is going to happen to them?

**ELYSE CHERRY:** They're -- they're going to lose their home.

**PAUL SOLMAN:** You mean, if somebody else is offering more than you are, there's nothing you can do about it?

**ELYSE CHERRY:** We sometimes will go back and forth with a lender to get to the right price. But we do go to market, because, from our perspective, if a homeowner gets into trouble subsequent to borrowing money from another lender has, right, which is that we have to figure out how to get value back out of that home.

**PAUL SOLMAN:** Though the outlook appears to be grim, Prudhomme Dumerant's lawyers have stayed in court to present new evidence that GMAC foreclosures are legally suspect, who knows what might happen.

**PRUDHOMME DUMERANT:** If there is any way that's possible for us to get the property back, we will do it. We will end.

**PAUL SOLMAN:** But the fact that BCC has been able to help anyone in the Dumerants' position is unique. How typical is Boston Community Capital of organizations like that, community development finance institutions?

**DAVID GROSSMAN:** They're the only CDFI in the country who's been willing to step up and play the role in the foreclosure crisis in Boston.

Nowhere else in the country has a CDFI been -- been willing to step in and finance owners to buy their homes back on a model here. And, as a result, we have been able to save more people's homes than any other city in the country.

**PAUL SOLMAN:** But, if it's such a wonderful model, why aren't they doing it in other cities?

**DAVID GROSSMAN:** They're worried about the risk involved. BCC, by definition, in the program, is -- it's people who have just gone through foreclosure. Everyone in the program is either in foreclosure or has gone through foreclosure. Underwriting standards, those are people you don't underwrite.

**PAUL SOLMAN:** But, through stringent terms and vigilant vetting, Boston Community Capital has been able to get loans that have been frozen by the banks themselves, the BCC model may offer an increasingly attractive option.

**JIM LEHRER:** Paul's next report examines why some homeowners are struggling to get loan modifications.

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