COMMUNITY DEVELOPMENT NETWORK OF MARYLAND

Testimony
Maryland Financial Consumer Protection Commission
November 16, 2018

Dear Chairman Gansler and Members of the Maryland Consumer Protection Commission:

The Community Development Network of Maryland urges immediate action to curb what could be another foreclosure crisis in Maryland.

CDN is a statewide 501c3 network made up of over 180 member organizations across the state. CDN is the voice for Maryland's community development industry, particularly the critically important nonprofit, small developer and community based organization members of that industry. Our purpose is to strengthen, promote, and advocate for Maryland's community development industry who serve rural, urban and suburban communities.

CDN has several organizations in its network, including those who develop affordable housing, those who facilitate development and revitalization in their neighborhoods, those who work to alleviate poverty, and those who help people purchase homes and avoid foreclosure. There are 50 housing counseling agencies in Maryland.

Recently, the housing counseling agencies in our network have been working with clients whose lenders have provided misinformation about what the family could afford. In addition, clients looking to avoid foreclosure are having a harder time getting modifications.

An example on the mortgage origination side, one of the counselors at Arundel Community Development Services reports that twice, she was working with families on social security, whose lenders told them they could afford a $300,000 home. I have attached a couple of examples.

On the mortgage servicing side, since HAMP ended, the servicers are not publishing their criteria for making decisions on modifications, there is no longer a single point of contact, and no explanations for denials of modifications, or an automatic deed in lieu offer when that was not what the client wanted. Moreover, often the loans are sold to various investors two and three times, so the counselors have to go through the process again, each time. The attachment to this testimony outlines some of the specific cases that one counselor in Montgomery County is seeing.

As you know, the last housing crisis had significant impacts in Maryland, including many families financially devastated, to communities with hundreds of vacant and abandoned properties. Many families and communities are still reeling in the aftermath. We are committed to ensuring that such a crisis does not happen again in Maryland. We also believe that some of this behavior is happening to people of color specifically, and will be looking into these matters from a fair housing perspective as our organization works to revive Maryland's only fair housing agency.

Our recommendations to address these include:

Mortgage Origination Side:

- Include in Maryland statute the "Ability to Repay" standard so that all Maryland licensed and regulated lenders must follow this standard to ensure families can afford their mortgages. A description of the Ability to Repay standard in the CFPB rules is here. https://files.consumerfinance.gov/f/201411_cfpb_atr-qm_smallentity-compliance-guide.pdf and basically says that lenders cannot make higher priced loans that families cannot repay.

Mortgage Servicing:

- Add the requirements that were under HAMP to Maryland statute that requires all Maryland licensed and regulated mortgage servicers to:
    - Publish criteria as to how the services makes decisions on loan modifications
    - Ensure a single point of contact that counselors can use who has decision making authority on modifying loans
    - Clearly explain why modifications are denied.
    - Include the Ability to Repay standard in decision making for loan modifications.
    - Include that all servicers must make an effort to modify loans.

We are still looking at what part of the code these go into, and will be engaging the Maryland Bankers Association in this conversation at our meeting with them next Tuesday.

Thank you for your consideration of this request. Please do not hesitate to contact me should you have any questions.

Respectfully Submitted,

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Attachment A: Examples of mortgage origination problems:

Originator: Norcom Mortgage
Grossed a client's SSI benefits 25% so they could approve a $260,000 mortgage for a family earning $26,000 per year.

Originator: Homeside Financial
Considers food stamps as income when approving loans.

Originator: First Home Mortgage
Advised a client to pay down debt and sell their engagement ring for the down payment/closing costs.

Attachment B. servicing problems.

Client 1:
Mortgage Servicer: Freedom Mortgage Services
Servicer Phone Number: (855) 690.5900
Current Balance: $278,700.94
Mortgage Payment: $1,770
Past due amount (aprox.): $ 21,000
Reason of constant denials: Not enough income (as you can see below, client have enough gross income per month below)
$ 5,732 Gross Income per month

Client 2:
Mortgage Servicer: Carrington Mortgage Services
Servicer Number: (800) 561-4567
Current Balance: $211,486.58
Mortgage Payment: 1,482.83
Past due amount as of 8/18/2018: $4,577
Reason of denial: Not enough income
Gross Income: $3,731

Client 3:
Mortgage Servicer: Select Portfolio Servicing, Inc.
Servicer Phone Number: (800) 258-8602
Current Balance: $456,139.63
Mortgage Payment: $1,686.14
Past due amount: $ 60,558.72
Reason of denial: Not enough income (the client does have enough income)
Gross Income: $6,785

Client 4:
Mortgage Servicer: Mr. Cooper
Property Value: $380K
Loan Balance: 470K
Past Due Amount: $34K
Monthly Payment: $2007.83
Interest rate: 3.625%
Non interest Principal: $67K
Reason for denial: Investor does not do modifications (see notes below)
Monthly income: $4150
Here are my notes from the HCO:
He received the denial letter from the lender, Mr. Cooper, the denial letter said "the investor or guarantor is not participating in modifications". I call to the lender and they explained to me that the investor doesn't participate in modifications, spoke to Monica. The only available options will be liquidation or pay the amount behind, $34,147.
HARDSHIP: Client was unemployed for one year.
Provided with the realtor vendor list, the lender is willing to give up to $10K for relocation assistance after trying 3 months of short sale and then going to deed in lieu.

Selene Finance - loan #0010220754 - Borrower Fernando E. Freire
Previously with Ditech, request for modification was denied in August of 2018 because hardship was deemed not temporary and they were not able to afford the loan, which is not the case. Then they said that borrower did not quality because they could not lower the rate (currently at 4.5%) They also said it was denied because they were more than 6 months delinquent. Recently Selene approved them for a Deed-in-Lieu the borrowers never requested and they were offered $4000 in writing, after escalating they are currently under review for modification one more time.