

# The Columbus Dispatch

Ohio's Greatest Online Newspaper

## BROKERED DREAMS

Ohio's disgrace: No.1 in home foreclosures  
Sunday, September 18, 2005  
Geoff Dutton

### | THE COLUMBUS DISPATCH

The American dream dies here every Friday morning, one house at a time. An auctioneer takes the stage in a Franklin County courthouse auditorium to sell houses whose owners are months behind on their mortgage payments.

The process, routine and bureaucratic, has grown more lengthy as foreclosures have skyrocketed across Ohio. Mortgages go bad here more often than in any other state. Driven by a weak economy, foreclosures are fueled by aggressive mortgage brokers, appraisers and others who profit regardless of whether the loans ultimately succeed or fail, a Dispatch investigation found.

State oversight is tepid. Brokers are paying less in fines even as state officials document more wrongdoing. Millions in state licensing fees, meant for enforcement, have been spent instead on keeping the state budget afloat.

Borrowers in Ohio are especially vulnerable because the state hides from consumers key information about brokers, doesn't require appraisers to be licensed and doesn't cover mortgage lending under a law prohibiting deceptive sales practices.

At the same time, Ohioans are stretching themselves ever thinner with bigger and riskier home loans, a Dispatch analysis of federal data shows.

The traditional 30-year, fixed-rate mortgage with a 20 percent down payment is no longer the norm. Many buyers now can qualify for mortgages of four or five times their annual income — with no money down. Interest-only loans offer manageable mortgage payments in the first few years, followed by steep increases.

The volatile mortgages are proving to be ticking time bombs for a growing number of people, particularly in Ohio, where the stagnant real estate market makes it more difficult for borrowers to sell houses to escape financial trouble. Only three states had slower growth in housing values last year, according to federal statistics.

A record number of houses are falling into foreclosure, with many ending up on the courthouse auction block. Lenders filed more than 5,900 foreclosure notices last year in Franklin County, and more than 59,000 statewide — both up sharply in recent years.

Deputy sheriffs post eviction notices after the auction each week. If the former owners don't leave, crews break open the doors, haul everything to the front lawn and change the locks.

"There's more and more of this every year," Deputy William Eddy said on a gray, drizzly summer morning as workers piled furniture, a TV and family photos on a Near East Side lawn. Among the items were videotapes with titles such as "How To Buy Your First Home or Inexpensive Property with No Down Payment" and "How To Get Cash At Closing When You Buy Real Estate."

### **Foreclosure explosion**

Of Ohio's home loans, 3.3 percent were in foreclosure in the first half of 2005, according to the Mortgage Bankers Association. That is more than triple the U.S. average of 1 percent.

After years of running below the national average, Ohio's foreclosures spiked in mid-1997 and never turned back.

The trend cuts across every type of mortgage, from riskier loans for low income buyers with spotty credit to conventional loans for upper-middle-class suburbanites.

"It's a problem almost without regard to income level," said Franklin County Treasurer Richard Cordray, who recently posted consumer tips for avoiding foreclosure on his county Web site. Consumer advocates say Ohio should tighten oversight of mortgage lending.

"While other states are passing comprehensive reform, Ohio is actually weakening its standards while this foreclosure explosion is going on," said Uriah King, a former Ohio housing advocate now with the national Center for Responsible Lending in Durham, N.C.

State Commerce Department officials disagree, noting that broker licensing standards were upgraded in 2002, and that they've added to the staff in the consumer division.

But they acknowledge problems and say they are studying possible reforms.

"I admit that we can improve," said Commerce Department Director Doug White, a former Senate president appointed in January. "We admit that there is a need to do better."

Until now, lawmakers mostly have sided with the real-estate industry and have resisted state involvement, saying it's misguided to blame brokers and lenders when people take on debt they can't afford.

Frustrated city officials across the state, seeing vacant homes dotting some neighborhoods like dandelions, resorted to adopting local regulations to rein in aggressive lending. But state lawmakers passed a bill in 2002 invalidating local control, effectively killing new or proposed ordinances in Cleveland, Toledo and Dayton.

At the same time, the legislature formed a special committee of industry officials and consumer groups to study "predatory lending" — manipulating people into costly loans they can't afford. The committee report, completed a year later, largely adopted the industry's stance that new broker licensing requirements should be allowed to play out before more regulations are considered.

"We must empower consumers with the knowledge and skills to protect themselves," the committee, led by Rep. Chuck Blasdel, concluded after 13 public meetings with testimony from more than 60 witnesses who presented 2,200 pages of information.

Calls for tighter regulation are "well-intended but are misguided," according to the 2003 report. More consumer safeguards would "deny borrowers the opportunity to achieve financial success in the name of removing the chance of harm."

That was two years ago.

Ohio has since passed Indiana to claim the highest foreclosure rate in the nation.

### **State secrets**

The state, while resisting tighter regulations, keeps secret much of the information that would help borrowers make more-informed decisions.

People shopping for everything from a nursing home to a day-care provider can research complaints and state inspection reports. The state makes much of that information available on the Web.

Not so for mortgage brokers, who serve as matchmakers between lenders and consumers borrowing money to buy real estate or refinance a mortgage.

Complaints against brokers and their loan officers are kept secret.

For example, even after the owner of Ameribanc Mortgage was sentenced in March to nine years in prison for stealing \$5 million from customers, complaints against the defunct Westerville company remain shielded from public view by a special exception to the state's publicrecords law.

Lawmakers exempted complaints at the request of brokers when updating the regulations in 2001. Commerce officials noted that information about state disciplinary action is available to the public.

"There's no question our focus ought to be that we provide as much information as possible to consumers," said Senate President Bill M. Harris, an Ashland Republican who sponsored the Mortgage Broker Act. But he and the Commerce Department director said that shielding complaints protects brokers from false accusations.

Mortgage loan officers also undergo a mandatory criminal background check before they are licensed, but those who fail can ask for and receive special consideration for a license. When background checks began in 2002, they snagged as many as 15 percent of loan officers — about 1,300. Yet the state sought to reject only about 140, according to the predatorylending report.

No one knows how many withdrew their applications and how many were licensed anyway.

The Commerce Department doesn't track which loan officers were licensed despite a criminal record. And the results of criminal background checks, culled from public court and police records, aren't public.

### **Criminal brokers**

A background check revealed Richard J. Fraser's grand-theft conviction, but the state granted him a loan-officer license anyway.

Fraser persuaded the Commerce Department to issue his license at the same time he helped orchestrate a \$5 million mortgage scam in the Cincinnati area.

Now the 45-year-old Hamilton man faces 30 years in prison after pleading guilty in February to federal bank-fraud and tax-evasion charges. Fraser admitted bilking lenders through sham sales of run-down houses.

When Ohio's background checks began, mortgage brokers were allowed to remain in business while the state sought to deny them a license, an appeals process that could take more than a year. During that time, known felons such as Fraser could continue arranging mortgages.

Fraser lost his license for failing to complete a mandatory state licensing exam as his mortgage-fraud scheme unraveled.

Commerce spokeswoman Denise Lee said the background checks and appeals are an important precaution but aren't foolproof.

The number of licensed brokers in Ohio has increased six fold during the past five years. Nearly 2,200 mortgage brokerages based in 34 states employ more than 8,300 loan officers in Ohio.

The state doesn't keep track of how many have been convicted of crimes, but The Dispatch, using limited available public records, identified 20 convicted thieves, sex offenders and drug dealers licensed as loan officers. Some failed to disclose their criminal histories on their state applications but were exposed by the background check. The state issued them a license anyway.

Moreover, the Commerce Department runs only a state criminal background check, rather than a broader national check that could reveal federal crimes and convictions in other states. Commerce officials, Attorney General Jim Petro and others criticized this loophole more than two years ago, but it remains open.

### **Unlicensed appraisers**

The vacant house at 176 N. 20 th St. is a typical city neighborhood eyesore. An overgrown, weed-infested lawn. Broken and boarded-over windows.

Yet an appraiser valued it at \$265,000 last year.

Huntington Bank, based on the appraisal, loaned a buyer \$238,200. Later, suspecting fraud, Huntington sent its own appraiser, who put the house's value at \$40,000.

Huntington filed a complaint with the Commerce Department in January against Bexley appraiser Jeffrey M. Lieberman, citing seven properties with inflated values.

Lieberman, who is licensed, said that an unlicensed former assistant forged his signature on the disputed appraisals.

The state is investigating but has no authority over unlicensed appraisers. In fact, 22 percent of complaints from January 2002 through April 2005 were dismissed for lack of jurisdiction, typically because the appraiser was unlicensed, records show.

Of the 421 total complaints, another 83 — one of every five — hadn't yet been assigned to an investigator because of a backlog of cases. Some complaints were months old, with the oldest dating back more than three years.

The backlog piled up as more complaints against appraisers poured in during the past several years, from 97 in 2002 to 138 in 2004. This year, complaints are on pace to surge another 70 percent to 234.

This summer, the department doubled the number of appraiser investigators to four and is pairing them with attorneys at the outset to speed up the cases.

"We can't tolerate this," White said, adding that he expects the backlog to be eliminated by the end of the year.

In the 2003 predatory-lending report, all participants agreed that appraisers should be licensed and undergo national criminal background checks. But more than two years later, lawmakers have not required licenses. And the background check applies only to Ohio crimes.

### **Weak enforcement**

Consumer advocates and finance companies agree on one issue: Ohio has fumbled oversight of mortgage lending.

Activists see limited state control as a reason for tightening regulations, especially given the escalation of foreclosures.

But finance companies cite weak enforcement of existing laws and regulations as an example of why the state has no business taking on an even larger role.

The Ohio Association of Mortgage Brokers, the Ohio Financial Services Association and the Ohio Mortgage Bankers Association successfully pressed that point in a joint letter to the predatory-lending committee.

"The industry is as anxious as any member of the study committee to remove the bad actors from our ranks. The (Commerce Department) has the proper tools in place to accomplish this, but has been largely unable to use them," they wrote. In 2002, Ohio began requiring state criminal background checks, continuing education classes and other new standards for mortgage brokers. To enforce the new rules, the state collects licensing fees from brokers and appraisers. But officials struggling to balance the state budget raided the enforcement fund of \$4.4 million in the first two years. Although lawmakers have not diverted money from the fund since 2003, about \$1 out of every \$3 collected remains unspent each year. White said the department is evaluating its performance and developing a better plan before ramping up enforcement. "Doug White is not for slopping money around. . . . I won't spend it unless we have a good strategy," he said. Anthony Sharett, the Commerce Department's attorney examiner, acknowledged that Ohio lags other states in consumer protection.

"I don't think there's any doubt about that," he said during a recent roundtable hosted by the Columbus Urban League. But "legislators pass regulations" and the department follows their direction.

While regulations cover broker behavior, he said, "We don't control the types of loans they give out." Federal regulations place limits on the riskiest home loans, but Ohio, unlike states such as North Carolina and New Mexico, hasn't significantly expanded those protections.

### **Unpaid fines**

The state collected less than 10 percent of the fines levied against brokers last year. Of \$294,200 in fines, only \$22,100 was paid.

Most fines were suspended on the condition that the broker not commit another violation, or were levied against companies no longer in business, including a \$100,000 fine against Ameribanc.

Rather than fine brokers, the state typically required them to take more continuing education classes. Of more than 22,000 licenses issued to loan officers, 17 have been revoked.

"The Department of Commerce, they don't have any capacity to do this. They don't have any interest," said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio. "They're lap dogs to the industry."

But Commerce officials say the fines seem to be working. Fines for administrative problems, such as failing to fulfill continuing education requirements, fell last year. That suggests fewer brokers are flouting routine rules, spokeswoman Lee said.

Meanwhile, fines for professional misbehavior have increased, reflecting more vigorous enforcement, she said. Commerce hired six more employees — investigators, lawyers and administrators — for the Office of Consumer Affairs. When it opened, the office had two employees fielding hundreds of complaints, drawing fire during the lending study.

Before the Mortgage Broker Act took effect, "We had 15,000 mortgage brokers operating out there without any oversight at all," said Rep. Blasdel, an East Liverpool Republican.

Sen. Harris agreed: "We put very stringent requirements on the licensing of brokers."

### **Slow response**

But the state has a track record of responding slowly — if at all — to even the most egregious violations.

Ohio regulators didn't open an investigation into Ameribanc until after the Westerville company had shut down and faced a lender's fraud and embezzlement lawsuit, despite numerous complaints.

Shirley Rispress filed her complaint in September 2002. By the time state regulators got involved 16 months later, the Columbus woman had lost her house to foreclosure, and dozens of other people had been scammed out of at least \$5 million.

"They just kind of flip you off," Rispress said. The Commerce Department had forwarded her complaint to Ameribanc. "They don't take you seriously at all."

Lee, of Commerce, replied: "We acted at the moment we had enough to move."

In Cincinnati, Fraser orchestrated his elaborate mortgage-fraud scheme while the state considered revoking his broker's license for a previous grand-theft conviction — then granted him a license anyway.

Ohio regulators never punished Mercantile Mortgage.

The Westerville company was fined \$250,000 by the Federal Trade Commission for deceiving homebuyers and agreed to rewrite more than 1,600 loans in 2002. The settlement agreement

followed probes by the FTC, U.S. Department of Housing and Urban Development, and the state of Illinois, where homebuyers said they were cheated.

Yet Mercantile remains a registered Ohio broker with a spotless state record.

"The division conducted a thorough review and concluded they qualify for the registration," department spokesman Dennis Ginty said. "The information collected during that review would not be public information."

Mercantile chief executive Bran Silveous said the company settled the federal case rather than mount a costly legal fight. "We didn't do anything wrong," he said.

Critics see weak lending regulations and enforcement as part of a perfect storm brewing in Ohio, worsened by a struggling economy and a housing market eroded by foreclosures.

"If you're looking as a predator," outgoing Columbus Urban League president Samuel Gresham Jr. said, "there's no better state than the state of Ohio."

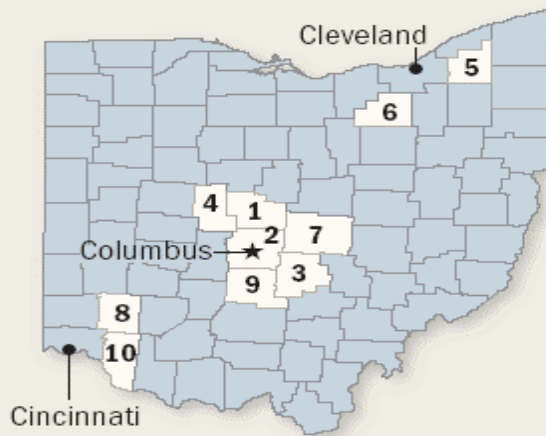
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Sunday, September 18, 2005

## Stretching for a mortgage

Central Ohio leads the state in borrowers who stretch themselves financially with a mortgage of more than twice their income. Fast-growing Delaware County tops the state, with a median mortgage that's 2.4 times the median income of homebuyers.



COUNTY	MEDIAN LOAN	MEDIAN INCOME	LOAN-TO-INCOME RATIO
1. Delaware	\$182,000	\$77,000	2.4
2. Franklin	\$114,000	\$52,000	2.2
3. Fairfield	\$120,000	\$55,000	2.2
4. Union	\$121,000	\$56,000	2.2
5. Geauga	\$150,000	\$70,000	2.1
6. Medina	\$130,000	\$62,000	2.1
7. Licking	\$109,000	\$52,000	2.1
8. Warren	\$136,000	\$66,000	2.1
9. Pickaway	\$100,000	\$49,000	2.0
10. Clermont	\$112,000	\$55,000	2.0
Ohio	\$97,000	\$50,000	1.9

Source: *Dispatch* analysis of federal Home Mortgage Disclosure Act data, 1998-2003

THE COLUMBUS DISPATCH

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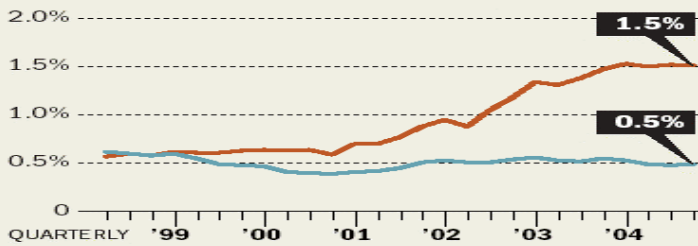
## Comparing foreclosure rates

Ohio's foreclosure rate leads the nation. The gap between Ohio and the nation as a whole continues to widen. How Ohio's foreclosure inventory compares to the nation's for the three most common types of mortgages:

— Ohio — U.S.

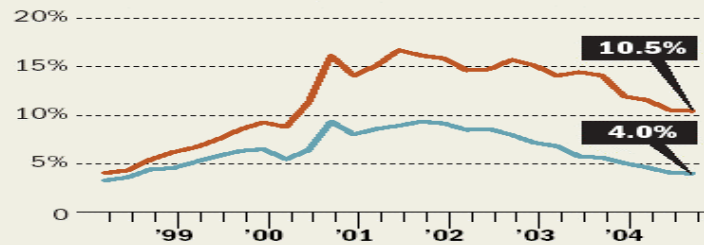
### Prime mortgages

Low interest rates for borrowers with good credit



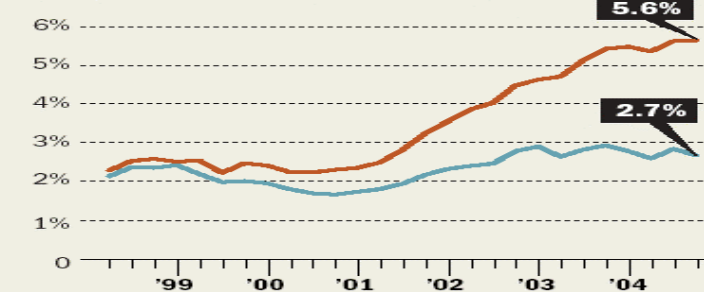
### Sub-prime mortgages

Higher interest rates for borrowers with tainted credit



### FHA mortgages

Government-backed through the Federal Housing Administration, often for first-time homebuyers



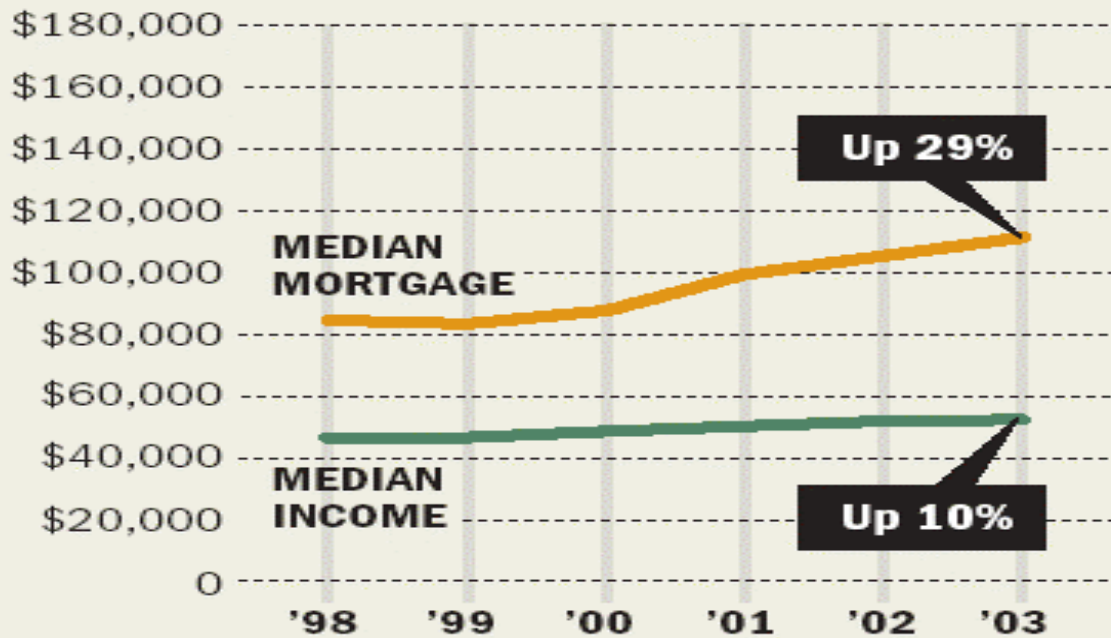
Source: National Delinquency Survey by the Mortgage Bankers Association

THE COLUMBUS DISPATCH

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## Growing mortgage gap

Mortgages have risen nearly three times as fast as incomes across Ohio since 1998. Half of Ohioans who obtained mortgages in 1998 had incomes above \$48,000 and mortgages above \$86,000. After five years, the median income rose to \$53,000 but the figure for mortgages jumped to \$111,000.



Source: *Dispatch* analysis of federal Home Mortgage Disclosure Act data for 1998 through 2003

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Attorney general powerless to investigate mortgage fraud

Ohio and Virginia are the only states without protection for homebuyers

Sunday, September 18, 2005

Geoff Dutton

THE COLUMBUS DISPATCH

If you suspect that you've been cheated by an appliance store, car dealership or almost any other business, you can seek help from the top state lawyer.

But not if you've been scammed on your mortgage.

Ohio and Virginia are the only states that exempt mortgage lending from consumer-protection laws, according to an Ohio legislative report.

"There's no recourse for consumers," said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio. "You have more protections buying a TV on credit than a home."

Ohio's Consumer Sales Practices Act was enacted in 1972 to protect people from deceptive sales practices. It is enforced by the attorney general's consumer division and through private lawsuits.

Consumers can sue brokers who arrange the loans but not the lenders themselves. That means borrowers might recover broker fees but aren't entitled to be released from a loan, even when the state finds misconduct, Attorney General Jim Petro noted in a letter to a legislative committee studying predatory lending two years ago.

"We need to lift that exemption and allow us to help consumers in Ohio," said Michael Gonidakis, senior deputy attorney general. The attorney general, unable to help consumers, has been limited to assisting local law enforcement when lending practices appear deceitful to the point of being criminal. Borrowers in some cases can sue based on the state mortgage broker law, but it's regarded as less consumer-friendly.

The state Commerce Department punishes brokers but doesn't have the authority to help consumers who believe they have been wronged.

Including mortgage lending under the consumer-protection law, Petro wrote, "would catapult Ohio into the forefront of protecting homeowners against the scourge of predatory lending." Among other things, it would allow the attorney general or a private attorney to sue for triple damages and legal fees.

All mortgages would be included, not just the costliest loans covered under Ohio's predatory-lending law.

"That would be huge," said Steve Olden, a Cincinnati legal-aid attorney specializing in housing and consumer issues. "That's probably the No. 1 thing our legislature could do if they wanted to help consumers."

The precaution, he said, has proven reasonable and workable in virtually every other state.

But the Commerce Department opposes applying the law to mortgage lending. "We have to be concerned about duplication of regulations in this area," spokeswoman Denise Lee said.

Rep. Chuck Blasdel, a Republican who led the lending study, agreed.

The law doesn't "work, or fit, with mortgage lending," said Dayna Baird, a lobbyist for the finance industry. She said broad language in the law would open up lenders to a flood of frivolous lawsuits.

Lenders, like insurance companies and public utilities, aren't covered by the consumer-protection law, she said, because other regulatory safeguards already apply.

"The mortgage lending industry," Baird said, "is as regulated as they come on the state and federal levels."

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Borrowers beware

Sunday, September 18, 2005

Here's how Ohio mortgage laws compare to those in other states, particularly North Carolina, which advocates cite as a leader in protecting consumers:

## WHAT'S COVERED

**Ohio:** Full protection kicks in only for high-cost loans, defined as mortgages with fees totaling 8 percent or more of the loan. (Fees for a conventional loan typically total 2 percent or less.)

**North Carolina:** Protection starts when fees reach 5 percent.

**Why it matters:** Mortgage fees can be 60 percent higher in Ohio before triggering full protection. Ohio's trigger mirrors federal standards. New York, Georgia, New Jersey and New Mexico are among states with a stricter, 5 percent limit.

## HIDDEN COSTS

**Ohio:** Brokers often arrange mortgages with interest rates above the lowest available, then split the difference with the lender to boost profits. This extra cost to the borrower is called a yield-spread premium. Ohio doesn't count it toward the 8 percent cost limit that triggers predatory-lending protections.

**Other states:** Massachusetts, Illinois, New Mexico and Georgia are among states that count yield-spread premiums when calculating loan costs. Some states ban yield-spread premiums for high-cost loans, viewing them as kickbacks.

**Why it matters:** The yield-spread premium is just one example of an array of potential loan costs that Ohio doesn't necessarily count toward the 8 percent trigger. That means mortgages can be larded with extra costs to the borrower without triggering the additional consumer protections.

## REFINANCING

**Ohio:** Prohibits refinancing a low-interest government or nonprofit-sponsored mortgage, such as those arranged by Habitat for Humanity, within the first 10 years without written consent.

**North Carolina:** Prohibits refinancing any low-interest home or consumer loan, or otherwise making a loan that doesn't provide a "net tangible benefit" to the borrower.

**Why it matters:** Unscrupulous lenders encourage refinancing and home-equity loans with fees and interest rates that ultimately leave the homeowner worse off. These lenders target the elderly because of home equity built up over the years. Brokers and lenders generate fees by "flipping" loans — repeated refinancings. This is prohibited in many states but not in Ohio.

## PREPAYMENT PENALTIES

**Ohio:** Banned only for mortgages with fees that hit the "high-cost" trigger, in accordance with federal regulations.

**North Carolina:** Banned for all mortgages of \$150,000 or less.

**Why it matters:** Prepayment penalties trigger added costs when a person pays off a loan early. Sources: Ohio Department of Commerce, state House Predatory Lending Study Committee Report and the Center for Responsible Lending

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Going, going, gone

Sunday, September 18, 2005

Story by Jill Riepenhoff Photos by Renee Sauer

THE COLUMBUS DISPATCH

Single, sharp bang of a gavel left 1-year-old Elijah Mulroy homeless. Not in the literal, bricks-and-mortar way. His mother will find them shelter when deputies evict them from the home she no longer owns.

But the boy is homeless in a way that hampers a better life.

Homes usually increase in value as no savings account can. They allow for braces and college. They provide retirement nest eggs.

But Elijah's stability vanished at the Franklin County Courthouse last month in a single syllable: "Sold."

His mother, Kendra Mulroy, never imagined that her shot at the American dream would end so horribly. "I don't want him to believe that I didn't try to make a difference," she said, hugging him tightly.

When she signed the governmentbacked mortgage for \$60,000 two years ago, foreclosure seemed unimaginable.

"It was something I could afford," the 22-year-old single mother said. "I was a couple of doors down from my mom. It was a little family house."

But her two-bedroom ranch in North Linden slipped away almost effortlessly.

"I was up on my house payments until I lost my job," Mulroy said of her work as an office assistant at a Columbus truck rental company. "When I lost it, everything went with it."

By the time she found another job, as a hotel clerk, it was too late. Then, in July, she lost that job, too.

More than 100 others shared Mulroy's public humiliation when their houses were auctioned on the last Friday in August. Most of the houses were sold to the banks holding their mortgages.

Some of the former owners had lost jobs or had divorced.

Some had jumped on the wave of easy credit and found themselves in too deep.

Some had mortgages

They lived in shabby inner-city houses and new suburban houses. One lived in a house in the posh New Albany Country Club subdivision; another lived in one of Upper Arlington's most desirable neighborhoods.

Many moved weeks, even months, before the auction, making it difficult to pinpoint the reasons for their foreclosures.

It's unclear when or why Azeb Abate abandoned her Near East Side house. She bought it for \$74,000 two years ago from property investor Donald F. Green, who paid \$20,000 for it.

A code-enforcement notice posted on the door suggested that the house has been vacant since at least May 31. And someone is now using the front porch to toss back 40-ounce bottles of King Cobra Malt Liquor.

On the Far West Side, in a subdivision so new that stakes support saplings along the streets, vacancies continue to rise.

The auction of a deserted twostory house on Federalist Drive with a cozy porch and satellite dish created another vacancy in the Village at Galloway Ridge, a Dominion Homes community. It became the 14 th house in the neighborhood sold this year because the owners couldn't pay their mortgages.

Most of the former owners in the Village accumulated stifling debt after buying their houses. They owed dozens of creditors when they filed for bankruptcy.

The former owners on Federalist likely were in too deep almost from the day they signed their mortgage in 2002, borrowing about \$130,000, which was more than three times their annual income, records show.

Their bankruptcy, filed in April, erased \$1,300 owed for cell phones, cable TV and home telephone; \$3,000 for credit cards; and nearly \$25,000 on two cars.

Their house, and most of the other foreclosed properties in the Village, remain empty, property of the U.S. government.

The effects of foreclosures ripple through nearly every neighborhood. They touch thousands of Franklin County residents every day. They turn good dreams bad.

### **Suburban eyesore**

Todd Alt could stand the stench of smoke and rain-soaked insulation only so long.

Three months after a fire gutted a neighbor's house, Alt began a long, frustrating and, so far, futile battle to level the fire-ravaged house four doors from his own on the Far West Side.

"She was untouchable because she was in foreclosure," said Alt, a trustee with the Wexford Green Homeowners Association.

She was the woman who owned the two-story frame house on Wexford Green Boulevard. It had an enviable, multi-level deck, but it fell into foreclosure in the spring of 2003 and then burned in June 2004.

She stayed in the house while the foreclosure chugged through the courts — a process that can take months or years before a house is sold by the sheriff.

She abandoned it after the fire. Neighbors such as Alt, who have a stake in the aesthetics of their neighborhood but are powerless to do anything about a house in foreclosure, were left with an eyesore.

No one in the subdivision knows why the woman stopped paying her mortgage.

The woman hasn't been seen by neighbors since the fire. She left behind her charred belongings and three cats. A kindly neighbor eventually found the cats homes.

Nearly everyone who lives in the 100-house subdivision passes the house every day. It's six doors from the entrance of the 15-year-old neighborhood with shade trees, neatly trimmed lawns and swing sets.

"We want to come home to a nice, clean neighborhood," Alt said. "But we have to walk the dog in front of that monument of city ineptness."

Alt complained to Mayor Michael B. Coleman's office, city building inspectors, the woman's mortgage company, her insurance company and an attorney during the foreclosure process.

"It was a runaround," he said. "I got it from the city, the mortgage company, the attorney."

He finally gave up.

Plywood covers doors and windows. Glass shards litter the porch and yard. Melted vinyl siding hangs off the facade. A rusted refrigerator and an upended dishwasher, still filled with pans and plastic containers, occupy the back deck.

Ten neighbors share this view — some from their front windows and others, such as Alt, from their back yards.

"This is a hull. It's not a home. It won't ever be a home," he said.

He fears that the house, valued by appraisers at \$54,000, has hurt everyone's property values and made a less-than-desirable impression on prospective buyers. The house now belongs to a bank.

"The only way to deal with this," Alt said, "is to move."

### **Mounting losses**

Sonia Lanning awakens each day with the same feeling: "I'd like my life to be over."

Certainly, much of it has collapsed.

"I've lost everything in a year: a business, two houses and a husband," Lanning said.

Her husband of 14 years left her in August 2004. The bills went unpaid. Bill collectors called.

The bank's agent arrived at her farm near Mechanicsburg and repossessed her truck.

Then another bank took the 11-acre horse farm about 30 miles west of Columbus in Champaign County. She arrived home one day to find deputies padlocking the door. She persuaded them to give her a couple of days to retrieve her belongings.

In a final insult, she lost her townhouse condo near Grove City at the sheriff's sale last month.

It was the last place she had to go and nothing fancy — two bedrooms, two baths and a small kitchen. She and her former husband had bought it as an investment.

She tried to reach a settlement with the mortgage company. But to catch up, her monthly payments would have jumped \$212 a month to \$900.

And the condo association wanted \$2,000 owed for delinquent monthly dues.

"It was just impossible," she said.

She can't work, she said, because of degenerative arthritis in her back. But it's the emotional wounds that keep her mostly bedridden.

"If it wasn't for my dogs and my daughter, I probably wouldn't be here," Lanning said.

Emma, an 18-month-old Rottweiler, and Bella, a pudgy cocker spaniel, nudge her from the grip of depression many times each day to let them outside.

At 56, she is virtually broke and, perhaps even more distressing for her, a first-time welfare recipient living with her son. That and a \$500 monthly alimony check are her only income. "It's supposed to be easy for me right now," she said. "I now have to start over."

### **Easy money**

Just last year, Steven DeWitt, his fiancée and their two kids called a Sawmill Road motel room home.

They had lived there for nine months and celebrated the children's second and fifth birthdays there. They spent nearly every waking hour in the cramped room.

"There was no place for them to play," said DeWitt, 43, who worried about them being cooped up all day. "You don't know how hard it was for me to go to work."

But DeWitt, a Dublin-area truck driver earning \$600 a week, saw an ad promising a mortgage upon completion of a homebuyer-education class. He enrolled.

The class apparently was enough to mitigate years of poor credit. DeWitt walked away from all of his debt by filing for bankruptcy in 1996. Civil judgments followed — four in all, for failing to pay new debts. The most recent, for more than \$4,600, came just a year before he sought a mortgage.

DeWitt had no savings. The lender arranged for a downpayment gift.

Last September, DeWitt signed a \$90,000 Federal Housing Administration-backed mortgage.

"I was doing good," he said, recalling the day he took his family home to the three-bedroom East Side split-level with a fenced-in back yard. Euphoria was short-lived. "Two weeks after I moved in this house, my boss fired me," DeWitt said.

The family sank into the quicksand of debt.

DeWitt sold his van for \$80 to buy diapers. He took odd jobs, but they did little more than put food on the table and heat the house.

He found a steady job this summer as a short order cook — too little, too late. He figures he needs more than \$10,000 to catch up on his mortgage.

Last month, he and his fiancée, Tiffany Blair, launched a catalog business, selling kitchen tools, bric-a-brac and stuffed animals. The sales kit, ordered by mail, costs them \$40 a month and offers hope: "Live Your Own American Dream."

So far, the entrepreneurial life has proved fruitless with a handful of small orders — not enough to make his monthly \$705 mortgage payment.

But DeWitt never has had enough. After a year of homeownership, he has yet to make a single mortgage payment.

Less than 24 hours before the auction, DeWitt bought some time. He filed for bankruptcy for a third time. He will remain in his home a few more months.

### **Maxed out**

The cash-advance store became an addiction.

Borrow \$350. Pay some bills. Repay the cash-advance place \$402.

For six months, Mary and Marco Houpe tried to fend off financial ruin by borrowing against their paychecks.

"We were robbing Peter to pay Paul," Mrs. Houpe said. "Eventually, Peter got tired of being robbed." Foreclosure and bankruptcy followed.

"I feel like such a failure," Mrs. Houpe said.

When they bought their North Side split-level house in 2000, the Houpes were careful not to get in too deep. Both had steady and decent incomes. Mrs. Houpe, 33, supervises the lock-box department of a bank, and her 41-year-old husband manages mutual funds.

They can't pinpoint when their finances soured. It happened one appliance, one video camera, one Christmas present at a time.

As the bills mounted, Mrs. Houpe turned to cash advances but never could make up ground. By March 2004, the couple no longer could afford the \$990 monthly payment.

So many creditors were calling that the Houpes quit answering the telephone. They skipped meals so their children could eat.

When they filed for bankruptcy in April, the Houpes owed two dozen creditors for car loans, overdrawn checks, credit cards and yard care, to name a few.

"Once you get behind, it's very, very difficult to get caught up," Mrs. Houpe said. "It's just a vicious cycle."

Then came marital problems. The Houpes separated.

But the toughest moment involved denying their 3-year-old daughter, Trinity, a \$3 McDonald's Happy Meal.

"It's so hard when you say, 'Mommy doesn't have any money,' " Mrs. Houpe said. Trinity accepted the answer without argument.

The Houpes now view the bankruptcy and foreclosure as a small blessing. They've repaired their marriage, found a nice house to rent in Worthington and established a household budget.

"We've learned from our mistakes," Mr. Houpe said.

Stability, both said, has returned.

"It's a new beginning for us as a family," Mrs. Houpe said. "There's no way I can go through this again."

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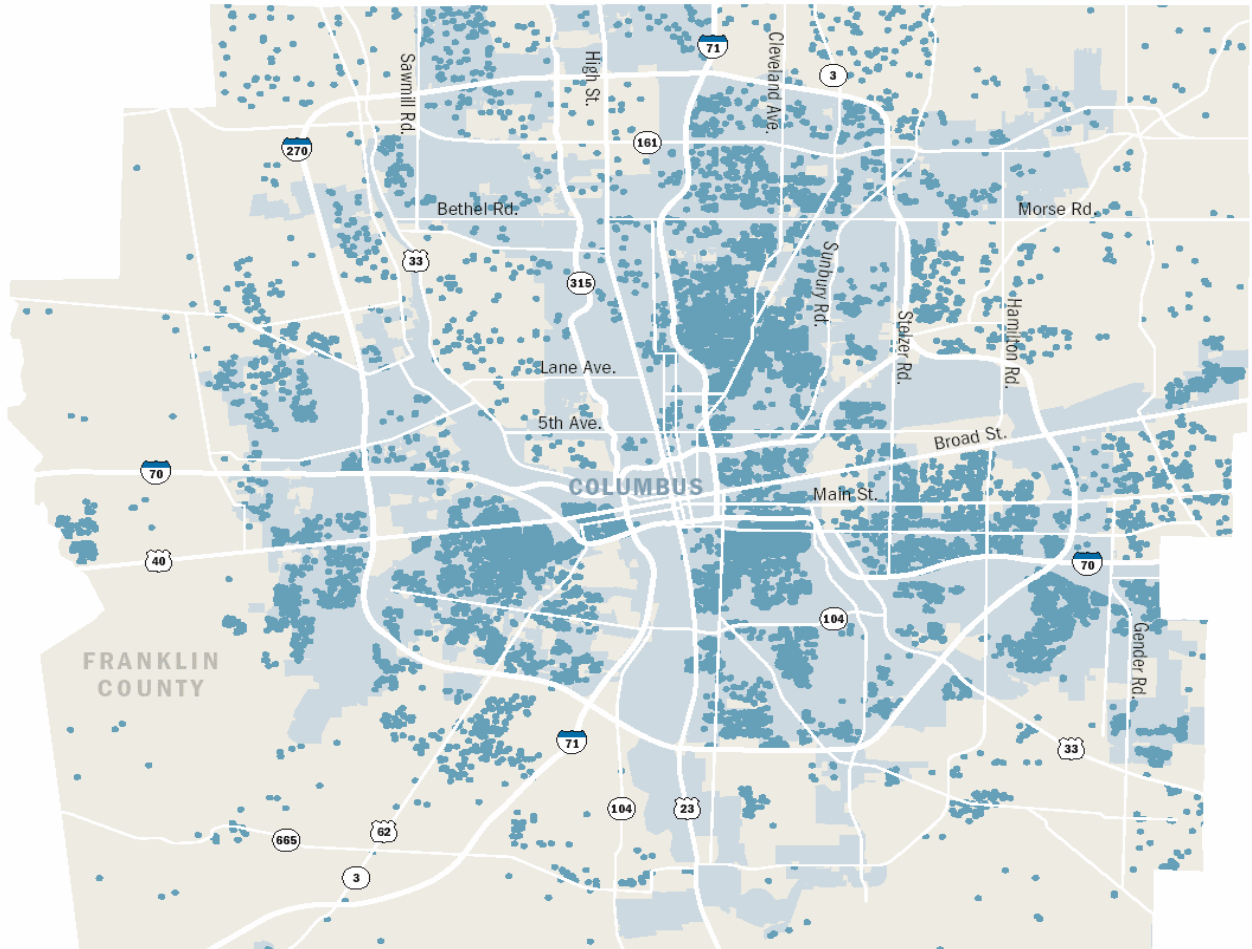
Sunday, September 18, 2005

## Franklin County sheriff's sales 2000-2004

Nearly 12,000 single-family houses have been listed for sheriff's sale in Franklin County during the past five years. Most houses were sold, usually for two-thirds of their appraised values, causing property values to fall in some neighborhoods. A small percentage of homeowners managed to find a way to save their

houses. Others filed for bankruptcy protection, which often delays foreclosure.

Not every foreclosed property winds up in a sheriff's sale. Banks and other lenders can sell the properties with the permission of the homeowner, avoiding the court proceedings. Those "short sales" are not tracked by any government agency.



Source: *Dispatch* analysis of records from the Franklin County sheriff and auditor, Jan. 1, 2000, to Dec. 31, 2004

THE COLUMBUS DISPATCH



# The Columbus Dispatch

Ohio's Greatest Online Newspaper

The Hot Issue

The Columbus Dispatch

Sunday, September 18, 2005 7:20 AM

How have foreclosures and mortgage problems affected you or your neighborhood?

Oct 20, 2005 06:20 am

\$300 to \$500,000 homes. How young families can afford these homes have us all scratching our heads. Most of them are sparsely furnished would cost a fortune. Not to mention the cost to heat and cool. Tax increase, over crowded schools and traffic congestion. For Sale signs pop up within 2-3 years houses next door to each other and sometimes as many as three in a block. All equity has been lost. Both parents have to work. Young people want everything right now that took their parents 30 years to acquire. When the banks end up with vacant property we all pay through higher interest rates. You can not prosper on borrowed money.

Oct 5, 2005 04:41 pm

On one level, I'm personally, pleased at the high foreclosure and suburban vacancy rate. It's the price we pay for uncontrolled sprawl and the race to "escape" the diversity of the innercity instead of investing in it. Greg (Franklinton)

Sep 29, 2005 09:28 am

As a Realtor, I have seen the foreclosure rate getting worse each of the last 3 years that I have been licensed. I started, and continue, my career devoted to educating my Buyers and Sellers as to the pitfalls and unethical procedures that they will be exposed to when buying or selling their home. I do everything I can to help my clients make the best informed decision by giving them ALL the facts. Unfortunately there are predatory lenders and unscrupulous builders out there ready and willing to prey on them. Real Estate is my passion, but not at the expense of others. And I refuse to associate with anyone that feels otherwise. DRS - USA-1 Real Estate

Sep 20, 2005 08:40 pm

I'm tired of people blaming the builders. God gave us all a brain. Please, use it. What ever happened to "If you can't afford it, make do with what you have". People want it all, fast, and be damned the consequences!

Sep 20, 2005 09:20 am

Fortunately, I live in an older, established neighborhood and do not see these problems. My husband and I were recently considering buying a newly built home in the same school district but after driving through the "new" neighborhoods, changed our minds. The communities were not even finished yet and homes were vacant, up for sale and very unkept. This is what happens when the beverly hillbillies never struck oil but wanted a new home!

Sep 19, 2005 05:36 pm

Neiamiah commented that buyers are starting with 3% equity. In fact, the sales price is inflated by atleast that much & new home owners are 3% or more behind in developing equity. Add to this, the points for buy downs etc. & it will require several years before any equity is available. If a buy must sell, adding a 6 or 7% realtor commission & they are screwed.

Sep 19, 2005 01:01 pm

It's interesting that Mr. Borrer states that the reason Dominion Homes is the leader in foreclosures is that they sell to less advantaged families, giving everyone the opportunity to be a homeowner. If he is so concerned about providing quality housing to disadvantaged and low income families why not sacrifice a little profit and build affordable housing that families can honestly qualify for and afford for the life of the loan? I wonder if Dominion would be so quick to loan such large sums to

families that obviously will struggle with the payments if the losses came out of his pocket?

Sep 19, 2005 10:43 am

I am the president of our home association in an M/I built subdivision that is approximately 8 years old. We have been plagued by foreclosures for the last 3 years. It seems we are doing well, however, according to the Dispatch report, that we are nearly at a constant 10-15 percent in foreclosure at any given month. When a house is vacant in the summer months, myself and others in the community will tend to those lawns in an effort to keep the neighborhood appearance acceptable.

Sep 19, 2005 09:49 am

We all knew this day was coming - the day foreclosures would hit the ceiling. I remember driving around Dominion-built neighborhoods in the late 1990s with my brother and we discussed that someday if the economy heads south the people who barely qualified for these homes will be in big trouble. Guess what? - many of them are. I truly believe that home ownership is not for everyone.

Sep 19, 2005 08:24 am

Wow, great comments and advice. Those that got screwed have some heart, your experience and comments may have saved others like me, from making the same mistake. Looks like I am going to be finding another way to finance my home that is in the process of being built. Whoda thunk the builder may be hosing me. Fifth Third here I come!

Sep 18, 2005 09:01 pm

I've seen neighborhoods that have greater than 50 of the homes in the process or already foreclosed. I love the "Best homes in the best neighborhoods" commercials, check out the neighborhoods 3-5 years later. If the home builder is financing your mortgage run, don't walk, from the deal. Here is another tip: ask the developer to see one of their developments that is 3 years old and if the FOR SALE signs are more numerous than landscaped properties keep looking. Better to buy a nice house you can afford than a great house someone else will enjoy at your expense. Buyer beware.

Sep 18, 2005 08:43 pm

We are selling our home after 4 years and will be short selling or deeding back to bank if it does not sell. We were young and very pushed to build by our builder and told they "fight to the death" to get these mortgages for people, including ourselves. Do people realise that these builders ask if you want to use your choice of title company or theirs(builders), and of course you think "why not use theirs?" and then find out when you use their company they tack on at least \$10,000.00. to the price of the home!At least 12 homes in my subdivision are foreclosed or about to foreclose. We have learned our lesson, and hopefully these homebuilders will too. This was not the best of everything!

Sep 18, 2005 08:19 pm

My son and his new wife started out 5 years ago trying to achieve the American dream.At that time both had little more than minimum wage jobs. They were what I think was given the speach of a politition by the TRAINED salespeople of MI homes.I tried to counsel my Son however the Salesperson had better training thn me at making the sale!!!!!! Today they are bankrupt have lost the home of which they were asured they could afford the stepping ladder of payments that their salery would grow with the payment increase.I realize they signed for the house but the used car sales pitch should be OUTLAWED.Ben Martin Jr.

Sep 18, 2005 08:01 pm

I'm not there yet, but may get the opportunity (cheating wife. It's time lenders and public officials find a way to keep people in their home and not force them out.

Sep 18, 2005 04:05 pm

Foreclosures are rampant in the Canton Massillon area. Predatory lenders have been chased out of othe areas, and have set up shop in this area. There are virtually hundreds of homes, particularly in poorer neighborhoods where interest only loans at 11-14% interest rates which have been foreclosed on.

Sep 18, 2005 01:57 pm

First - my heart goes out to those of you suffering directly from these atrocities. I know of others that have likewise lost a home, and it is just appalling that, in these difficult economic times with a record number of poor American citizens, we have houses standing empty and unattended, contributing to the further demise of our economy simply by their neglected existence. And yet our state government continues to tie local authorities hands by not allowing them to deal with these problems while those "in charge" do little to change the situation. How can we as individuals and citizens, make a difference? RBH - Clintonville

Sep 18, 2005 10:39 am

I had a beautiful home but the lender went bankrupt and their buyer foreclosed on most of the homes in the neighborhood (including mine) forcing us to move elsewhere. When I drive through that neighborhood I still see those homes sitting empty.

Sep 18, 2005 10:10 am

I live in Columbus, between Worthington and Westerville. The homes here are 30 to 35 years old and among the best Columbus has to offer. The county has raised the taxes (21 last year) and now they have raised the appraisals to outrageously unrealistic values. Columbus schools have failed us and houses in the neighborhood aren't selling. There are many with sale signs just sitting. The house across the street from me is in the process of foreclosure and apparently there will be many more foreclosures in the area. It's sad but the handwriting is on the wall for Columbus.

Sep 18, 2005 09:47 am

We are currently trying to sell our home and 4 houses in our immediate area are foreclosures. We have resorted to mowing their lawns in hopes of being able to sell our home. The problem isn't entirely the homeowners it is mainly these cookie-cutter homebuilders offering "Interest Only or ARM" mortgages to people who cannot afford a house in this neighborhood. These builders are padding their pockets while ruining credit of the greedy. Legislation needs to step in and buyers need to know their financial limits. In the meantime, our home is listing for LESS than we purchased it for 4 years ago and has STILL been on the market after 4 months. Thanks Ambassador Homes. TP in Hilliard

Sep 18, 2005 09:37 am

When individuals start looking for a new home, the builders push you to purchase a home larger than you can afford, explaining all the different type mortgages available. The costs are affordable for the first few years and then these individuals are in foreclosure. We have watched this happen in our neighborhood. On the third year of every new development there are homes for sale like crazy, then they are foreclosed on. I blame the builders because they push for a higher American dream. We were sensible and did not listen to the builder, but looked at our pocketbook. The builders also make it impossible to sell your home, even when you can afford it.

Sep 18, 2005 09:18 am

We have 4 houses under some state of foreclosure in our neighborhood. All the houses are barely maintained by the banks, the lawns get mowed every once in a while. They are eye sores. Sometimes the lawns get so high, the neighborhood association has had to resort to mowing the lawns. I have even seen items stolen from the houses, like landscape plants, and screen doors. D.H - Canal Winchester

Sep 18, 2005 08:57 am

Some houses here go into foreclosure and then go rental. We're a relatively new subdivision (early 90's) and in pretty good shape. Once you go rental, it's hard to go back. Though I would rather have a rental unit with a good landlord than a vacant home. It's crazy- people need to be realistic about the mortgage products they use. The very idea of an interest only mortgage- come on, how greedy can you get?

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# The Columbus Dispatch

Ohio's Greatest Online Newspaper

## SUBURBAN BLIGHT

Dominion Homes leads the state in FHA mortgage defaults

Monday, September 19, 2005

Stories by Jill Riepenhoff

Photos by Fred Squillante

Big dreams filled Rick and Christy Alonso when they bought their new house from Dominion Homes. Start a family. Build equity. Move to a larger house. But six months later, their suburban neighborhood on the Far West Side began to deteriorate. New houses suddenly emptied. Thistles and dandelions overran lawns. Neon orange labels appeared in windows, signaling foreclosures.

The Alonsos, whose second son was born nine days ago, live on a cul-de-sac, surrounded by houses lost to foreclosures.

They want to move

but can't afford to sell. Their 4-year-old house is worth less than they paid for it.

Foreclosures damage entire neighborhoods. They affect families such as the Alonsos, homeowners who pay their mortgages on time yet find themselves stuck with houses losing value.

Until recently, court records show, new subdivisions have been spared the brunt of foreclosures, which have plagued inner-city neighborhoods for years.

The recent spate of suburban foreclosures includes buyers whose appetite to have it all — now — leads to financial overreaching.

Bankers, credit counselors, appraisers, consumer advocates and others in real estate also blame some builders who act as mortgage brokers, because their control over much of the deal reduces checks and balances.

In Franklin County, two homebuilders have financing divisions that handle government-backed mortgages: Dominion Homes and M/I Homes.

Only Dominion stands out for homeowners in financial trouble. Comparable data for loans without government insurance is not publicly available.

Federal and county data show that:

- Dominion's two-year default rate is the highest in the nation among homebuilders with mortgage divisions that handled more than 1,000 Federal Housing Administration backed loans. It ranks fifth among all types of large lenders.
- The company leads the state in the number of homeowners who defaulted on FHA loans within two years of closing: 221 between August 2003 and July 2005.
- 11.5 percent of Dominion's customers in Franklin County have fallen more than three months behind on their FHA mortgages in their first two years of homeownership. That's nearly 2½ times the national figure. At least half of Dominion's customers have government-backed mortgages.
- Nearly a third of the Franklin County houses and condominiums built since 1998 that have been listed for sheriff's sales involved Dominion buyers, a Dispatch analysis found. Of the 1,253 new

homes sent to public auction, 395 were built by Dominion and 295 by its larger competitor, M/I Homes.

- Since 2000, Dominion is the only central Ohio builder whose mortgage practices have raised red flags at the U.S. Department of Housing and Urban Development, which insures FHA loans. HUD auditors found violations that included false or undocumented income levels for buyers.

When loans go bad, FHA reimburses lenders 100 percent, removing all risks to them and to the brokers who arrange the financing. The reimbursements are paid from insurance premiums paid by every FHA borrower.

Dominion Homes chairman and chief executive officer Douglas G. Borrer said he expects higher default rates because his company sells to a broad market that includes people with poor credit histories.

"We have worked very hard to expand that market, to provide houses to people who previously had not been able to have new homes," he said. "These people are not of the same credit quality, the same earnings level, the same understanding of credit as people in other parts of town."

Even so, Borrer said, most Dominion buyers "have been successful in their purchase. We're providing a benefit and value to the city of Columbus."

He also stressed that his company operates within the law and remains in good standing with HUD. Yet Dominion's default rate and the critical HUD audits should raise concerns at the FHA, said Nicolas Retsinas, a former FHA commissioner who now directs Harvard's Joint Center for Housing Studies.

"They weren't put on a watch list?" he asked. "That's surprising. That should merit scrutiny."

### **Audit violations**

Five years ago, Dublin-based Dominion Homes expanded into the largely unregulated arena of mortgage brokering.

Its mortgage division, Dominion Homes Financial Services, acts as matchmaker between its customers and eight lending partners. As the broker, Dominion offers special interest-rate deals and down-payment assistance. Dominion recovers those costs by building them into the price of its houses.

The company controls the construction, price, sale, loan-application process and closing. Private lenders provide the cash.

Though legal, the arrangement bothers some in the industry. "Nobody's looking out for the buyer," Columbus appraiser Lori J. Austin said.

Many in real estate agree that the cleanest sales happen when buyers hire attorneys, and lenders, appraisers and title agencies work independently.

An undisclosed connection between Dominion Homes and a title agency, for example, caught the eye of HUD auditors.

The Dispatch used the federal Freedom of Information Act to obtain audit reports of central Ohio builders with mortgage divisions. HUD audits mortgage lenders every two years.

In 2002 and 2004, HUD randomly selected 42 Dominion loans and found violations in 22 cases, some of which had more than one problem:

- The builder didn't tell buyers in 20 cases that it was part owner of Alliance Title, a violation of the federal Real Estate Settlement Procedures Act. The company now discloses the connection.

- In one case, Dominion used a \$5,000 bonus to qualify a borrower without evidence that the buyer had received such bonuses in the previous two years or had a "reasonable prospect" of continuing to receive them in the future. Without the bonus income, the borrower didn't meet HUD standards.
- In another case, Dominion couldn't document how a borrower was able to pay nearly \$2,000 to close a loan. The borrower's bank account, opened about a month before closing, had a balance of \$750.
- In six other cases, Dominion didn't prove that its customers had steady jobs or sufficient incomes to afford a mortgage. Auditors noted that one couple received a loan in 2003 despite "an unstable work history and minimal earnings for both borrowers." The audit did not indicate how much money the couple borrowed.

"We do everything in our power to follow all the rules," Borrer said.

A computer program analyzes buyers' income, debt and credit standing to determine whether they meet standards — largely replacing the underwriters who scrutinized loan applications in years past.

"We don't set policy on how government loans are made," Borrer said. "We sell homes to people who qualify."

The 2002 audit was resolved satisfactorily, HUD spokesman Lemar C. Wooley said.

But the 2004 audit report said that the problems were so serious that HUD refused to insure those loans. At the agency's request, Wooley said, Dominion signed documents accepting financial responsibility if those houses go into foreclosure.

Dominion vice president Thomas L. Hart said the company never signed such an agreement, pointing to a May 2, 2004, letter from HUD that said the agency had "closed out all matters concerning Dominion Homes Financial Services' portion of the review."

#### ' We were fools '

When the Alonsos walked into Dominion's model home five years ago, they were, in most ways, typical customers: young, first-time homebuyers who needed an FHA mortgage.

They had no money for a down payment but good credit. He is a State Highway Patrol trooper, and she was about to graduate from school as a dental hygienist.

They relied on their Dominion salesman to determine what they could afford and arrange the details of their loan, including an interest-rate buydown, a down-payment gift and an estimate on property taxes.

Once the terms were set, Dominion sent the Alonsos to one of its financing partners, Wells Fargo, to process the paperwork.

"We were fools," Mrs. Alonso now says.

To qualify for a government-backed loan, borrowers need acceptable credit and steady income. The program allows them to carry more debt than private mortgages such as those secured by Fannie Mae.

So they are riskier loans, failing on average five times as often as conventional mortgages.

In Franklin County, Dominion trails only Colony Mortgage in the number of FHA loans originated in the past two years but leads in defaults.

"We are a pioneer, leader and champion of developing affordable homes for people in areas of town that have socioeconomic challenges," Borrer said.

"We absolutely would have the highest percentage" of defaults, he said. "These are minorities. These are people that work at Wal-Mart. These are people who wouldn't be able to afford a home" without Dominion.

Company executives downplayed the two-year default rate because it includes loans that may not ultimately end in foreclosure. They said they rely on quarterly snapshots of mortgage performance based on the rate of defaults and foreclosure claims paid by the FHA insurance fund.

That measure showed that on July 31, Dominion's rate was 6.1 percent in Franklin County loans, compared to 2.5 percent for all lenders nationally.

Dominion executives said that a HUD memo directs them to use the quarterly report. They cited a 17-word footnote offering guidance on using the quarterly measure.

However, the seven-page memo focused on a broader measure that tracks defaults during the first two years of government-backed mortgages.

"HUD has specifically admonished us not to rely upon that as an indicator," said Nancy Doran, senior vice president of Dominion Homes Financial Services.

HUD relies on more than a quarterly snapshot to monitor mortgage defaults, said William Glavin, special assistant to the FHA's assistant secretary for housing in Washington, D.C.

"If the default rate is twice as high for the area, we can take action," he said.

M/I Homes says the two-year figure provides a fuller mortgage picture.

"That's what we look at, and that's what HUD looks at," said M/I Financial president Paul S. Rosen, who has worked with FHA loans for 30 years.

### **Mortgaged to the hilt**

The Alonsos visited the Galloway Ridge model homes in 2000 on the advice of a friend. They didn't know how much they could afford. Nor did they have a finance plan.

They fell in love with one model's vaulted ceilings, open floor plan and loft.

But they didn't want to act impulsively. They needed to sleep on the decision and talk to their parents. So they returned the following day, ready to buy.

The Dominion salesman ran the Alonsos' credit. They said he told them they could afford \$191,000, tops.

After settling on upgraded flooring, electrical outlets and ceiling fans, the couple borrowed \$187,500 with Dominion's special financing package: an interest-rate subsidy called a 2-1 buy-down.

Buy-down loans are 30-year, fixed-rate mortgages in which the seller pays 2 percentage points of the interest rate the first year and 1 point the next. The buyer pays full interest beginning in the third year. With lower first-year payments, buyers can more easily qualify for a mortgage that otherwise would be out of reach.

"The guy selling the house broke down the payments," Mr. Alonso said.

He showed them that their monthly payment, including mortgage insurance and property taxes, would be \$1,113 the first year, \$1,230 the second and \$1,353 the third, according to their sales documents.

Buy-downs encourage borrowers to stretch financially and bank on annual pay raises.

Most buyers don't understand, however, that the builder isn't discounting anything, said Cynthia A. Flaherty, director of the Central and Southern Ohio Partnership Office of Fannie Mae.

"The builder has built it into the cost of the loan," she said.

Dominion adds the costs of buy-downs into every house it builds, whether or not buyers use the incentive.

"Anything you buy on credit in this country, you're paying for the financing of it," Hart said. "That's called American financing. It's the same way cars are financed, and refrigerators."

Buy-downs are included in about 95 percent of Dominion's FHA loans.

"Upfront, they've got a payment they can handle," said Christopher J. Spiroff, a bankruptcy attorney who has represented several Dominion homeowners.

By the third year, when the buy-down expires, homeowners typically also are hit with a significant increase in property taxes.

"Our policy has always been to accurately reflect property taxes," said Doran, who joined Dominion in March.

All buyers signed disclaimers that said their property taxes could be higher than estimated.

Property taxes and the end of the buy-down squeezed the Alonsos' budget so hard that they refinanced. Their mortgage payment jumped \$400, to almost \$1,800.

"I about croaked," Mrs. Alonso said.

Increasing property taxes delivered the final blow to former Galloway Ridge homeowners Mary and Shawn Kendig. Mr. Kendig worked as a telephone installation technician and held a part-time job at a restaurant.

The couple, working without a real-estate agent, bought a Dominion house in 2001.

They decided on their own that they would not spend more than \$140,000 but ended up with a house for \$181,900, borrowing almost four times the family's annual income.

"The person we worked with was so bubbly and nice," Mrs. Kendig recalled. "I kept thinking, 'Obviously, they wouldn't give us money for something we couldn't afford.' "

Mrs. Kendig said the saleswoman, paid by commission, told the couple that their monthly payment never would exceed \$1,200. The Kendigs said they didn't understand how property taxes could push their payments higher, even though they signed the form disclosing that their taxes could increase.

On the Kendigs' Good Faith Estimate and the Real Estate Tax Disclosure forms, Dominion estimated taxes would cost the couple \$120 a month. The Kendigs signed off on using that estimate to qualify the couple for a loan.

Taxes ultimately cost about twice that.

A HUD study released in March concluded, in part, that underestimating property taxes adds to the risks of default.

By the end of the Kendigs' second year in their house on Weston Woods Road, the full property taxes had kicked in and the couple's monthly mortgage payments had reached \$1,545. They tried to stay afloat with loans from check-cashing stores.

"The foreclosure almost became a relief," said Mrs. Kendig, 34. "I had been so stressed out for six months."

The couple and their sons, ages 5 and 7, moved to a rented house on the North Side. Their landlord wouldn't accept personal checks from them.

### **On the brink**

The Alonsos had lived in Galloway Ridge six months when the first house in their subdivision sold at a sheriff's sale. Three months later, a second house went to auction.

They thought those were isolated cases.

Then the orange labels turned up on their street, marking their former neighbors' houses as "Property of the U.S. Government."

Half of the houses on the Alonsos' street have since slipped into foreclosure. Another eight neighbors who live behind them and seven who live around the corner either filed for bankruptcy or went into foreclosure.

Exactly how many Dominion homeowners in Franklin County have faced financial distress is hard to document. There are ways other than foreclosure or bankruptcy to lose a house, such as having the lender buy it back at a lower price. No agency tracks those losses.

As of Aug. 31, 61 of 641 Galloway Ridge homeowners had faced foreclosure.

Half of the Galloway Ridge residents who fell into foreclosure also filed for bankruptcy, typically a lastditch effort to delay the inevitable loss of a house by as much as a year.

Records of sheriff's sales and bankruptcy filings show that nearly one in six Galloway Ridge homeowners has faced foreclosure, bankruptcy or both.

"Galloway Ridge is a good case study. That is a phenomenon of the macro-economy," said Hart, the Dominion vice president. "It's divorce. It's job loss. It's taking out second mortgages. Some people buy a boat."

Of the 96 Galloway Ridge homeowners in bankruptcy, foreclosure or both, seven divorced, 34 had second mortgages and one woman owned a boat: a 6-foot canoe.

"This is a neighborhood filled with distress," Franklin County Treasurer Richard Cordray said. "The consequences are bad. Wow."

Many homeowners across Franklin County are struggling to keep their homes.

"There's a lot more people near foreclosure than in foreclosure," said Samuel Gresham Jr., outgoing president of the Columbus Urban League, which this summer organized a group of government and banking officials to examine the growing problem.

Financially distressed homeowners face years of turmoil when buying car insurance, renting an apartment and finding a job, Cordray said.

Schools, fire and police departments, and cities lose because of unpaid property taxes and depressed house values. They also lose when residents vote against issues that would raise taxes and push them closer to disaster, he said.

Lawyers, government officials and financial experts predict a surge of bankruptcy filings and foreclosures before new federal regulations take effect next month. Under the new law, most people won't be able to just walk away — debts will remain with them.

"It's their last chance," Treasurer Cordray said.

Those left behind — those who are financially secure — are stuck.

"Every community we do, we hope is a longtime success, but that is not a guarantee," Dominion's Hart said.

The Alonsos, who expected to lose their fourth neighbor through a sheriff's sale on Friday, have accepted their circumstances, for now.

"What else can we do?" Mrs. Alonso said. "I guess just pray the neighborhood turns around."

The couple learned just how stuck they are when they put their home up for sale last year. They first listed the immaculate 1,800-square-foot house for \$217,900. Then \$210,000. Then \$199,900. Now, they'll take \$189,900 — exactly what they paid in 2001. But if they're serious about selling, their real-estate agent told them, they should shave off another \$30,000. News researcher Emily Glenn contributed to this story. [jriepenhoff@dispatch.com](mailto:jriepenhoff@dispatch.com) [fsquillante@dispatch.com](mailto:fsquillante@dispatch.com)



Monday, September 19, 2005

## Missed mortgage payments

Loans guaranteed by the Federal Housing Administration are riskier because they are geared to help those with little or shaky credit. In Franklin County, 11.5 percent of Dominion-arranged mortgages fell more than three months behind in payments between Aug. 1, 2003, and July 31, 2005. The rate is double the state average.

	FHA LOANS	DEFAULT RATE
United States	1,480,667	4.7%
Ohio	62,062	5.7%
Franklin County	13,333	5.8%

### Builders with FHA financing divisions

Dominion Homes Financial Services	1,159	11.5%
M/I Financial	688	4.4%

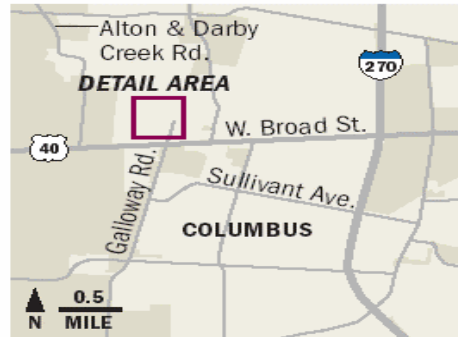
Source: U.S. Department of Housing and Urban Development

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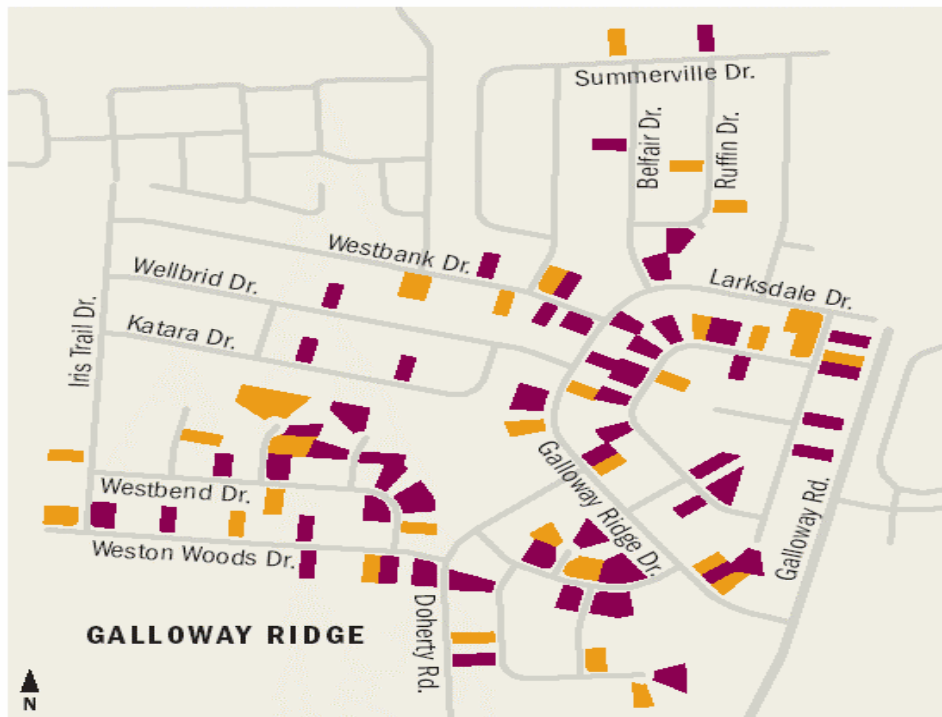
Monday, September 19, 2005

## Distress on the Far West Side

Though still under construction, the Galloway Ridge subdivision in western Franklin County has been plagued with home foreclosures and bankruptcies. The developer, Dominion Homes, leads Ohio in the number of homeowners who are delinquent in paying on their government-backed mortgages. In Franklin County, more Dominion houses have been sent to sheriff's auctions for unpaid mortgages than any other builder's. Despite the large number of foreclosures in Galloway Ridge, Dominion has about 100 lots for sale on the subdivision's northern edge.



- Houses listed for sheriff's sales
- Bankruptcies



Sources: *Dispatch* analysis of data from the Franklin County sheriff, *The Daily Reporter*  
 THE COLUMBUS DISPATCH

Terms of the trade

Monday, September 19, 2005

•

**Conventional mortgage :**

A mortgage that is not insured or guaranteed by the federal government.

•

**Down payment :**

The part of the purchase price of a property that the buyer pays at closing, usually in cash.

•

**Down - payment assistance providers :**

Tax-exempt organizations that lend their charity status to home sellers willing to make a buyer's down payment.

•

**Equity :**

The difference between the value of a property and the amount owed on it.

•

**Fannie Mae :**

Nickname for the Federal National Mortgage Association, a public corporation established by the federal government that buys mortgage loans from lenders.

•

**Federal Housing Authority :**

A federal agency, established by Congress in 1934, to make mortgages more affordable for consumers. The loans are guaranteed by a government-backed insurance fund paid by every FHA borrower.

•

**Foreclosure :**

Legal procedure in which property is sold to pay the defaulting borrower's debt.

•

**Freddie Mac :**

Nickname for the Federal Home Loan Mortgage Corp., a stockholder-owned corporation chartered by Congress in 1970 to purchase mortgages from lenders and package them into securities that are sold to investors.

- 

**Mortgage broker :**

Someone who, for a fee, brings together a borrower and a lender.

- 

**Temporary buy - down :**

A lump-sum payment made by any party to reduce a borrower's monthly payments during the first two years of a mortgage.

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# The Columbus Dispatch

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Loophole fuels zero-down mortgages

Monday, September 19, 2005

No money for a down payment?

No problem.

You can still buy a new house.

Homebuilders across the country, including Dominion Homes, have found a way around a federal law barring sellers from giving money directly to buyers for a down payment.

They route the money through charities such as the Nehemiah Corp. of America, a faith-based group in California.

Nationally, Nehemiah has helped 200,000 people become homeowners.

But the group also has raised concerns in Congress and at the U.S. Department of Housing and Urban Development. While it is legal for charities to provide down payments, the authorities question Nehemiah's role in real-estate deals and high default rates in some cities.

Nehemiah provides down payments for both existing and new homes, and its relationship with

Dominion is the largest of its kind in central Ohio between a builder and charity:

- Since 2002, Dominion has sold nearly 5,000 houses with Nehemiah's down-payment gifts. About 80 percent of the homebuilder's government-backed deals involve Nehemiah.
- Nehemiah, the oldest and largest such charity, has made millions in fees from sellers using its nonprofit status.
- Thousands of cash-strapped customers who otherwise wouldn't have qualified for a government-backed loan bought new Dominion houses in suburban Franklin County.

Nehemiah uses a loophole in federal regulations that allows charities to provide the 3 percent down payment required to qualify for Federal Housing Administration mortgages. An uncounted number of copycats have followed, leading to an explosion of "zero-down" loans. Federal authorities do not regulate or track such organizations.

"It's a shell game," said Mildred Wilkins, president of Home Ownership Matters, a consumer education and advocacy group in Indianapolis. "It is never a gift or a grant."

HUD at first resisted Nehemiah's proposal because the down payments come from the seller.

Nehemiah sued. HUD relented. By 1998, Nehemiah was marketing its assistance across the nation.

"When we first started out, HUD was not alone in its skepticism," said Nehemiah's president, Scott Syphax. "But we have, by and large, converted the real-estate marketplace."

Though 2,300 miles from Nehemiah's headquarters in Sacramento, the Columbus metro area has become one of the group's hottest markets, thanks to Dominion Homes.

According to Dominion's Web site: "Here is how it works: FHA loan programs require a buyer to contribute at least 3 percent of the purchase price as a down payment on the transaction. The Nehemiah program is structured to give up to a maximum of 3 percent as a donation or gift to the buyer, so in effect there is no down payment required by the buyer!"

Here's how it really works: Dominion requests money from Nehemiah equal to a buyer's 3 percent down payment. Nehemiah routes the funds into an escrow account on the day the loan closes. Within days, Dominion reimburses Nehemiah the exact amount and pays a service fee.

Dominion officials acknowledge that they recoup the cost of the down-payment grants. They build it into the cost of their houses just as they do for shingles, vinyl siding and kitchen faucets.

"As a public policy matter, HUD and Congress has decided the down-payment assistance works well to get people into homes," Dominion vice president Thomas L. Hart said. "We do our business within those guidelines. Owning a home is a great thing."

Since 1998, Nehemiah has helped nearly 9,000 people buy houses in central Ohio — 52 percent of them were Dominion customers. Nehemiah split the rest among several dozen builders and sellers.

Supporters defend organizations such as Nehemiah, AmeriDream, Partners in Charity, Futures and others because they help people with adequate credit — but no savings — buy homes.

Congress could end programs such as Nehemiah's with approval of a new FHA program that would allow zerodown-payment mortgages. U.S. Rep. Patrick Tiberi, a Columbus Republican, is sponsoring the proposed law.

Tiberi, a former real-estate agent, is pushing for regulations that would allow buyers to finance 100 percent of the mortgage and eliminate the need for down-payment assistance.

"HUD should have more control of this program," he said. "We need to take aim at the nonprofits that don't have a good track record."

### **Default risk**

While Nehemiah has helped thousands of buyers get into homes nationally, critics worry about how long those buyers will stay in them.

In 2002, HUD updated an earlier study of 2,261 Nehemiah-assisted mortgages in Indianapolis, Las Vegas, and Sacramento and Stockton, Calif. Researchers documented a 19.4 percent default rate among those loans.

Customers who bought a house without Nehemiah's help had a default rate of half that level. The study also found that FHA had paid out more than \$9.7 million in claims on foreclosed loans that involved Nehemiah.

The findings "strongly suggest that loans with seller-derived down-payment assistance are poor performers in comparison to loans without this type of assistance," the report said. "Allowing the continuation of the seller-derived down payments puts the FHA insurance fund at greater risk."

Nehemiah criticizes the study because of the small number of loans reviewed compared to the millions in the FHA portfolio. No conclusions can be drawn from such a small sample, said Nehemiah spokesman Loren Riegelhaupt.

Nearly 12 percent of Dominion's homebuyers in Franklin County using FHA-backed financing fell more than three months behind on their payments within the first two years between August 2003 and July 2005, according to HUD data.

Syphax focuses on the 88 percent of Dominion FHA buyers who are succeeding.

"A default rate communicates something," the Nehemiah leader said. "It may communicate that the person didn't have the proper underwriting on their loan. Or it could communicate that they were put into a home without the proper reserves. It doesn't communicate homeownership failure."

Some in the real estate and mortgage industry disagree.

"You push every Sally and Joe into a house, and some people can't sustain it," said Sharon Seiling, associate professor of family resource and money management at Ohio State University.

It happened in metropolitan Indianapolis. Population boomed. Subdivisions sprang out of cornfields. Nehemiah and other down-payment providers arrived.

"It's almost a guarantee of foreclosure," said Wilkins, the Indianapolis real-estate agent who now teaches homebuyer education classes and works as a consumer advocate.

She watched as builders in the Indianapolis area courted customers with down-payment help, then grimaced as new subdivisions succumbed to foreclosure.

Until last year, Indiana had the highest foreclosure rate in the nation. Now Ohio does.

### **Slow appreciation**

In March, HUD shook another critical finger at Nehemiah and other nonprofits that use donations from home sellers to make "gifts" to homebuyers.

HUD's 10-month study concluded, in part, that such operations bleed equity from houses because the cost of the down payment is passed on to buyers.

"The seller is reimbursing the seller-funded down-payment assistance provider, and the buyer is reimbursing the seller. This circular process increases the sales price of the property and wipes away any borrower equity in the property," the report said.

Syphax said he is comfortable with Dominion's practice of spreading the cost of down payments across every house it builds.

"The fact that the needy are subsidized by the wealthy, I have no problem with that," Syphax said. "The more fortunate should subsidize the less fortunate."

Syphax said he expects his grant recipients to have 3 percent equity the day they close the loan. In some neighborhoods, however, residents owe more than the resale value of their houses.

"That is the nature of investment," Syphax said. "Homeownership carries risk, and risk means a possibility of losing principal. By and large, home values have continued to increase."

Some pockets of Franklin County have seen little appreciation. Property values have increased 6.7 percent during the past three years in Dominion's Galloway Ridge subdivision on the Far West Side, where most residents received down-payment help.

Countywide, values rose by three times as much during the same period, Franklin County auditor data shows.

Homeowners who owe more than their houses are worth can be in deep trouble here.

"In a market like Ohio, where homes aren't appreciating, you're screwed," Tiberi said. "You're absolutely screwed."

### **Financial rewards**

During the past seven years, Nehemiah has prospered with fees collected from home sellers who use the group's services.

Internal Revenue Service tax returns filed between 1998 and 2004 illustrate the organization's power and wealth.

In the beginning, the organization had 10 employees and two officers — part-time president and founder Don F. Harris, who earned \$60,000 a year, and a full-time board secretary paid \$92,250.

By June 2001, Nehemiah's revenues had more than doubled to \$144.3 million. Harris cut his hours to 15 a week, increased his annual salary to \$185,000 and hired his own marketing firm to promote the down-payment assistance program.

Now, Nehemiah has a board of directors and 61 employees, including nine top-level managers paid six-figure salaries. Syphax's \$574,535 earnings are at the top.

"My salary is in line with others who run national nonprofits," he said.

During the fiscal year that ended June 30, 2004, the group spent \$685,000 on travel and nearly \$300,000 for a New York public relations firm to promote it. It paid nearly \$180,000 to host events and \$82,000 on hospitality.

The organization reported to the IRS that it gave away \$7.7 million between July 2000 and June 2004. Nearly 90 percent of that money went to Nehemiah's seven charitable offshoots and its three for-profit ventures.

Since 2000, the group has spent nearly \$1 million lobbying federal lawmakers and on funding events involving the Washington Ballet, the John F. Kennedy Center for the Performing Arts, the National Association of Black Journalists and the U.S. Conference of Mayors.

"It's much easier to get an appointment with a CEO if you can run into them at a social event and chat them up," Syphax said. "We have had to try and find ways to build relationships."

He makes no apologies. "We have helped 200,000 families who are doing well. I'll stand my record against anyone else's."

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Monday, September 19, 2005

## Tracking the gifts

A Sacramento faith-based charity has become a major player in the push for homeownership. Since 1997, the Nehemiah Corp. of America has distributed \$757 million in down-payment assistance across the nation. After deals close, sellers or builders give Nehemiah a donation in the same amount plus a service fee, up to 1 percent of the sales price. Sellers and builders offer the gifts to attract buyers who otherwise would not qualify for a mortgage. Central Ohio is one of Nehemiah's top markets. Unlike in other metropolitan areas, most of the gifts here go toward newly built houses.

METRO AREA	NEHEMIAH GRANTS	GRANTS FOR NEW HOUSES	TOTAL DISTRIBUTIONS	AVERAGE HOUSE PRICE	AVERAGE HOUSEHOLD INCOME
Atlanta	26,111	52%	\$102 million	\$131,000	\$56,000
Baltimore	1,575	54%	\$6 million	\$125,000	\$48,000
Columbus	8,976	91%	\$42 million	\$157,000	\$54,000
Philadelphia	795	10%	\$2 million	\$72,000	\$34,000
Sacramento	3,323	6%	\$16 million	\$111,000	\$44,000
St. Louis	1,094	10%	\$3 million	\$89,000	\$40,000

Source: Nehemiah Corp. of America; figures are cumulative since the organization's founding in 1997 through May 2005

## Building a bigger Nehemiah

The Nehemiah Corp. of America has grown from a small Baptist church in Sacramento, Calif., into a multimillion-dollar organization with several tax-exempt divisions and for-profit enterprises. A look at how the organization has expanded in recent years:

	REVENUES	EMPLOYEES	PRESIDENT'S SALARY	TRAVEL EXPENSES	RELATED ORGANIZATIONS
1998	\$67.2 million	10	\$60,000	0	1
2004	\$143.8 million	61	\$574,535	\$685,000	10

Source: U.S. Internal Revenue Service tax returns

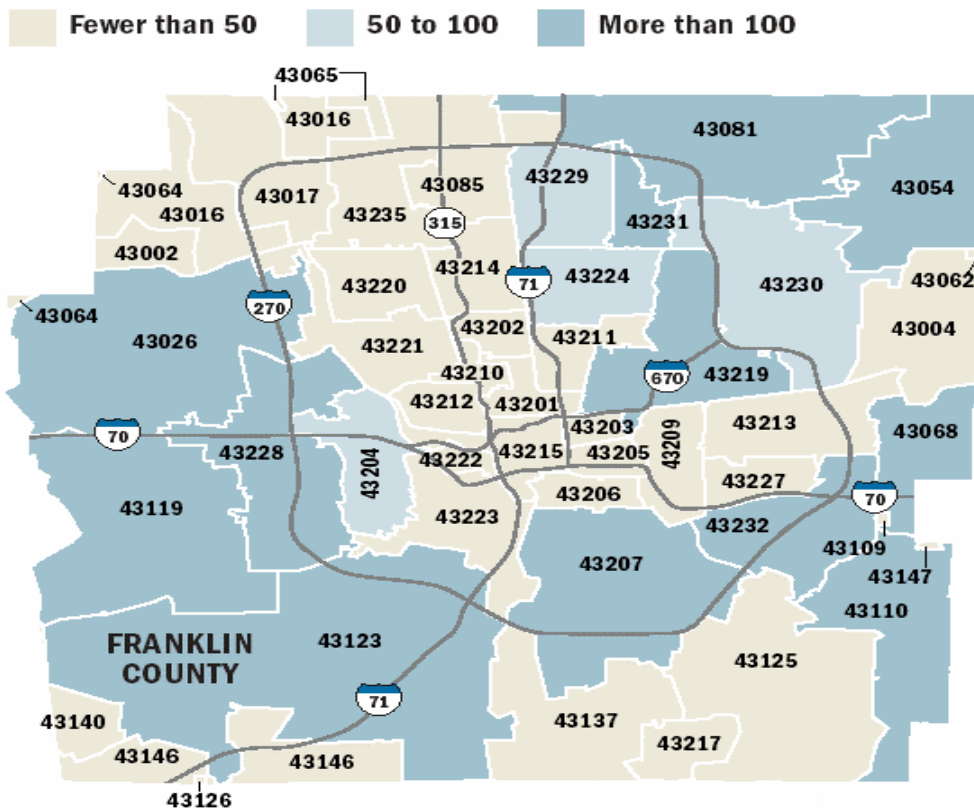
THE COLUMBUS DISPATCH

Monday, September 19, 2005

## Distributing the gifts

Since 1998, a California-based nonprofit group has provided down-payment assistance to nearly 9,000 homebuyers in central Ohio, one of its largest markets. More than 90 percent of the \$42 million routed by the Nehemiah Corp. of America to the Columbus metro area has gone toward newly built houses, mainly in suburban neighborhoods. Homebuilders actually provide the money for the down-payment grants, a move that's legal only if the money is channeled through a nonprofit such as Nehemiah.

### Nehemiah grants by ZIP code



Source: Nehemiah Corp. of America

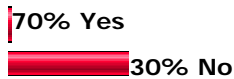
THE COLUMBUS DISPATCH

The Hot Issue

The Columbus Dispatch

Monday, September 19, 2005 7:03 AM

Should people with no money for a down payment be able to buy a house?



Oct 7, 2005 12:02 pm Yes

Whether or not to sell homes to those for no money down should not be the issue, but the persons ability to make the payments, taxes and upkeep after the fact. The real problem is ppl overextending themselves, ie interest only loans, getting homes for the maximum amount they are financed for, not having representation throughout the buying process, two car payments, financing furniture, electronics and appliances they can't afford. we purchased a home for no money down, we both have nice incomes & credit, & no car payments. We had savings just not 20% for a downpayment. I'm thankful for the opportunity to own while fixed interest rates were favorable. Borrowers just need to be careful.

Sep 22, 2005 09:03 am Yes

Certainly, but with some guidance. The buyer should be apprised of the pitfalls before they buy but owning a home shouldn't be for the rich only. Coming up with a huge down-payment can be a terrible obstacle that keeps people poor while making their landlord rich. Give folks a chance but do what needs to be done to make them succeed.

Sep 22, 2005 08:14 am Yes

Every adult in America should be able to buy a home and at a reasonable price.

Sep 21, 2005 05:49 pm Yes

Here the part that always seems to happen. Pro business government allows big business free rein to pretty much do whatever they want to. Got to fund those political campaigns, right? Then big business can't or won't fix the problems, the government MUST step in and rein them in. Yes, individuals bear responsibility and they should. However, if we allow shady business dealings/practices, we are just much responsible as the crooks.

Sep 21, 2005 02:40 pm Yes

I was one of the "unfortunate" homeowners who bought a house in Galloway Ridge only to have the Sheriff take it almost 5 years later. I do not believe the "problem" rests entirely with the developer. In our case, if our income had stayed the same as when the house was purchased, there would have been no problem however with the decrease in income, we wound up losing the house we worked for. I would buy again...although not a new home...

Sep 20, 2005 04:25 pm Yes

Zero Down is a great program given to the right borrowers. For many years builders have been getting away with telling half the story to unrepresented first time buyers who are naive regarding building and financing FOR ANY

HOME BUYER...BUYER BEWARE...GET OUTSIDE HELP, ASK QUESTIONS, EXPLORE THE INTERNET, DON'T ALWAYS BELIEVE THE PERSON WHO IS TRYING TO SELL SOMETHING TO YOU, HAVE YOUR BEST INTERESTS AT HEART. Get representation...a recommended Realtor, Lender, Financial Planner, and Attorney. After 22 years in the mortgage business, I am glad to see this abuse brought out in the open. Now I hope to see the housing industry do what is right, pose fines, and help those who need it.

Sep 20, 2005 03:46 pm

No

OF COURSE Not. In what twisted reality have folks been sold the fantasy that they should own a home when they cannot save even a 3% down-payment? If the lessons of the Dominion Homes / MI neighborhoods have taught us anything, it is that folks that cannot scrape together a minimal down-payment cannot reasonably be expected to make the payments AND maintain a house. It is sickening to realize that our political masters have chosen to take money out of the pockets of the folks who are saving for a down-payment so they can give it to people who are not so-inclined. Talk about your dis-incentives!

Sep 20, 2005 12:58 pm

Yes

i think the brokers should be trained to be the buyers shopper - not the used car salesman so many have been trained to be- there are classes out there to teach you the good & bad of lending practices and also home ownership-

Sep 20, 2005 11:28 am

Yes

Yes, people with no down payment should be to buy a house. If you require a large down payment you will only be allowing "rich" people to become home owners. Homeownership is the best way to build generational wealth, which is the best way to increase your family's socio-economic standing in the long run. Countless studies have shown that children from a family of homeowners are more likely to graduate high school and go to college, less likely to have teen pregnancy issues, more likely to score higher on math and science, etc., etc. Homeownership is a tremendous thing that should not be reserved only for the rich.

Sep 20, 2005 02:38 am

No

Legitimate lenders offer loans products with down payments as low as 3%. If people cannot afford to do that how are there going to deal with other issues such as maintenance emergencies. But this is not the key issue that this series is pointing out. The key problem is that legislators in Ohio have failed to pass basic consumer protections against out of control financial services companies and mortgage brokers.

Sep 20, 2005 01:02 am

Yes

No money down is NOT the issue. The real issue is being responsible for your own actions and decisions. An adult should NEVER allow another person, company or entity, to decide how much they can afford. Not being involved in the loan process and not understanding the loan process, leads to not understanding what you are getting into. Another way of looking at it is, putting every last penny you saved down for the house kills off the nest egg you would have had to get through troubled times. No money down IF handled properly should help save a mortgage. BUT ONLY if managing money is a priority.

Sep 19, 2005 09:48 pm

Yes

If a young man, fresh out of college, got a job paying \$70,000 /yr, should a bank loan him the money 100 to buy a house? Banks require 20 down for security. But what good is it to recover 80 if the buyer turned out to be a bad case? By the same token, not all 100 loans are a bad loan. They may be risky, but not always bad. Why should a bank close that possibility? Low risk brings low return on investment.

Sep 19, 2005 09:44 pm

Yes

None of the articles mentioned the sales practices of the builders. I am a licensed Realtor. In order to obtain my license I was required to get education, pass a test and to get continuing education in order to keep my license. I am obligated to abide by strict state laws or lose my license, be fined, even jailed if I don't. Builder Sales Reps answer only to their employers. They can say whatever it takes to convince buyers to purchase their homes. I believe the builders should be held to the same standards and laws.

Sep 19, 2005 09:27 pm

No

They should have money into the property. If they do not put money down, it is too easy to walk away. EDUCATE THE BUYERS AND TAKE THE POWER AWAY FROM THE BUILDER BY NOT ALLOWING SO MANY COMPANIES TO BE INVOLVED IN THE PROCESS OWNED BY THE BUILDER. If Dominion & M/I want to help those who typically could not afford a home. Educate them (make the classes mandatory to get the loan), and put them in a home they can actually afford. If they can't afford it with the increased payments three years down the road, they should not be buying a home. Renting is better than buying a home you really can't afford and having your home foreclosed on and having that on your credit report for years to come.

Sep 19, 2005 09:27 pm

Yes

It's not just Galloway Ridge! It's Southfield Village, Forest Creek, Alkire Lakes, Alkire Village, Fairchild Estates, Galloway Crossing, Westchester, and many more. I'm a Southfield Village survivor...it's an amazing scam. When the foreclosures start, the neighborhood is pretty much built out, and Dominion has moved down to the next former cornfield. I lost 5 years of equity building because I got sucked into paying premium for an overvalued house, with my incentives baked right into the price. I don't know how Doug Borrer or any of his employees sleep at night with as many American Dreams as they've destroyed.

Sep 19, 2005 08:05 pm

Yes

Absolutely - people should be able to decide how they spend their money and how much they spend. They should also be accountable for their own actions. Anyone who lets a builder, realtor, lender or anyone else tell them how much they can afford is irresponsible. Be accountable for your own actions people - ignorance is not an excuse. If someone spends more than they make - they are to blame not anyone else. Don't punish people who buy a house with no money down and are responsible enough to manage their finances.

Sep 19, 2005 07:41 pm

Yes

The down payment is the entry barrier and only assists the lender in recovering losses for default. What needs to be the primary concern is the ability to afford the payments and they MUST qualify at the final payment amount (including the increased rates and taxes that will grow within the first 2 years). Doug Borrer and the Schott's don't care about foreclosure rates, so I'd leave them alone. They are here to make money, and they are doing quite well. They don't build homes, they destroy communities, or something like that.

Sep 19, 2005 07:08 pm

Yes

This housing market reminds me of the stock market crash. Joseph Kennedy (KFK's pop) got out when the shoeshine boy asked him what stocks to buy. The moral: when the lenders are going to the people who have the worst credit and are least able to pay a mortgage steadily there is no-one else to go to and sell their product! We will either see a desperation skew of products or those crazy products will completely dry up.

Sep 19, 2005 06:01 pm

Yes

Yes, it's not the zero down payment that causes the trouble, it's the artificially low mortgage payments during the first couple of years resulting from 2/1 buydowns short term ARM loan rates short term interest-only payment programs and land-value only tax rates. Once the incentives end and property values are adjusted and fully taxed, the monthly payments jump several hundred dollars and are no longer affordable to families who only qualified for their mortgage based on the original terms. Mortgages should only be approved if the client can prove they can afford the full monthly payment that will be due 2-3 years after the home is purchased and the incentives expire.

Sep 19, 2005 04:57 pm

Yes

People should be able to buy a house without a down payment. The individuals who responded with a No are very hypocritical in their responses. I'm sure they have never used a credit card, a store card or any other purchasing gimmick to get you to buy items. This is the same thing on a larger scale. I couldn't afford a down payment, but can handle a mortgage. In thinking, they must have had used these financing tools, because it's how you get the "good" credit scores.

Sep 19, 2005 04:42 pm

Yes

I say yes, but with caution. While it is sometimes true that buyers without any real investment are more likely to default, and that many people who don't have a downpayment probably shouldn't be buying there are also many people who do have great

income and great credit, just no money for a downpayment. IN ANY CASE, neither the builder's sales rep, or the seller's agent, or the lender are working on behalf of or in the best interest of the buyer. BUYER'S NEED TO GET THEIR OWN AGENT-AN EXCLUSIVE BUYER'S AGENT-AND THINGS LIKE THIS WON'T HAPPEN! Hire an agent who's sole job is to protect the buyer, not the builder or seller.

Sep 19, 2005 04:27 pm

No

If you buy a home without a downpayment, how are you going to furnish it (i.e. appliances, furniture, etc.)? You are going to get it all financed somehow. So now you have a new mortgage and a new home and everything in there is financed one way or another. This is how people end up over extended. People don't look at the overall picture when buying a home. As a professional in the industry, if it looks too good to be true, it usually is.

Sep 19, 2005 04:25 pm

Yes

This option should absolutely be afforded to home buyers. Especially first time home buyers. With the quickly rising cost of real estate in many areas of the country, it is nearly impossible for people to save 20 (or even 10) for a down payment. The real problem is dishonest lenders. Like the article said, people assume that nobody would give them more money than they could afford to pay back. The new array of loan options also add to the confusion. The dishonest lender is going to rip off the uneducated buyer every time. Check out this article for my story and how a no-down-payment, interest-only loan changed my life: <http://listserv.lib.uci.edu/pipermail/lauci/2005-March/000259.html>

Sep 19, 2005 04:22 pm

Yes

YES, BUT ONLY FULLY DISCLOSED. THEY SHOULD BE WITH A REALTOR, LAWYER, AND INSPECTOR!! They are all overpaying 6-7 DB-WORTHINGTON

Sep 19, 2005 04:07 pm

Yes

In response to "gimme gimme gimme", what hogwash! Just because YOUR LENDER put you through hoops doesn't mean that everyone else should have the same experience. I don't think the problem is letting people buy without a down payment, it is letting those people buy a house that is OUT OF THEIR BUDGET. For many people, saving 10 of the value of a house they would like to buy while making current rent payments is not feasible, now if that same person can buy a house that is well within their budget that is going to carry payments close to what they are paying in rent, why shouldn't they be able to make the purchase?

Sep 19, 2005 03:57 pm

Yes

There are more factors here than you see. One factor that should also be evaluated is the divorce rate involved. Most of the foreclosures I know of related to a split in the family. There should also be more regulation to how credit offers flow in after home ownership. The 3 season rooms put some people under and they are sales quickly follows the close. Education and counseling prior and after loans is a better solution to this issue.

Sep 19, 2005 03:55 pm

Yes

I do not believe there should be government regulation regarding whether a down payment is required on a residential single family home loan. If there is, are we claiming that people should be protected from themselves? American's should have to the right to decide how to spend their money

Sep 19, 2005 03:28 pm

Yes

Thanks to Dominion and their aggressive lending practices, I won't be able to sell my Galloway Ridge Home and walk away with a DOWN PAYMENT for my next home. So I will need to buy my next home without a downpayment. Check Out [GALLOWAYRIDGE.ORG](http://GALLOWAYRIDGE.ORG) for our community website.

Sep 19, 2005 03:26 pm

Yes

I recently purchased a Dominion home with a 30-year FHA loan like the one described in this article. This loan program was wonderful for individuals like my fiance and I, a recent graduate and a Pharm-D student. Many people go into the home buying experience to buy the biggest home possible when they may not be able to afford the payments in addition the other luxuries

and necessities they have become. Don't blame Dominion Homes for their buyer's poor financial planning. I agree with the statement "buyer beware," when buying property one can never predict how the property taxes will change or how the business and industry in the area will change, as all affect the value of a home.

Sep 19, 2005 03:19 pm

Yes

Why not? This is America. The US government is going to spend a half trillion dollars it doesn't have this year!

Sep 19, 2005 02:29 pm

Yes

Yes, but let the buyer and the lender beware!

Sep 19, 2005 02:16 pm

No

If you can't afford the down payment then you should not be even considered for purchasing a home. When we built our home we had to jump through hoops with the mortgage company to prove we were worthy of making the payments and not a risk. And we have excellent credit. Too many people have the "rent to own" mentality I'll get it for free as long as I can then I'll let them take it back. If you want to own a house be responsible and don't sit out there with your hand out saying "gimme gimme gimme my name is Jimmy"

Sep 19, 2005 01:16 pm

No

The people that are in these types of mortgages are not actually buying anything .. they are only paying interest in a ballooning loan ... every cent out of their pocket is paying for the interest ... they are gambling that the house they're paying for will be worth more 4 years down the road and can then hopefully reap the reward of some profit when they try and sell... pretty risky ... so they aren't building any equity at all ... it is very easy to be seduced by a builder but everybody needs to be careful, it's a shame what is happening to the people in your story ... I hope they make it OK ...

Sep 19, 2005 01:11 pm

Yes

It is unfortunate that there are many people who do not know how to manage their money or plan for future expenses. It happens all the time in the US. That fact should not punish those people who can afford the monthly payment of a home, and have budgeted accordingly, but can not afford to make the down payment. If it was required to make a 10% down payment then there would hardly be anyone who could afford to purchase a home. Not all have a huge savings set aside early in life to afford 15K, or 16K, or even 18K.

Sep 19, 2005 01:02 pm

No

In my opinion the question is- SHOULD buyers with no money be able to buy a home. The answer is no. Unfortunately, these folks do not have the means or desire to seek the help of a qualified (impartial) professional accountant whether they should buy a home. That decision is left up to the skill of the sales person they are buying from.

Sep 19, 2005 12:51 pm

Yes

I'm currently in contract on a Dominion home, and we are doing 80/20 financing. In essence we are borrowing the 20 down, which gets us a very low 1st mortgage rate, which Dominion is paying points (built into the price of course). The 20 down is a home equity loan. We could have put down the 20 of our own money, but we can earn a higher rate of return with the 20 invested elsewhere. So yes, no money down is good for other reasons besides lack of down payment capital. We do run the risk of deflated home values if our Dominion neighborhood tanks like Galloway, but thanks to the Dispatch for running this piece, Dominion will be more conservative in its lending practices.

Sep 19, 2005 12:31 pm

No

To own a home is a financial obligation. A person should prove to be ready for such an obligation with at least a 10 down payment. He/she should also show income that will support a monthly payment not just today but 5 years in the future. Repairs, property taxes, utility bills are all going to go up in the years to come and the question should be not whether they can afford such a house today but also can they expect to be able to afford it in the future.

Sep 19, 2005 12:29 pm

No

Absolutely not! That is one of the primary reasons that Ohio has one of the highest foreclosure rates in the country. Giving people something for nothing gives them no appreciation for sacrificing and saving. What ever happened to working hard and saving? We have such an instant gratification society that no one is willing to wait until they can afford to buy-they want it now! Lenders, developers and realtors should be discouraged from promoting and creating these "creative" financing options, but then that would require putting greed aside!

Sep 19, 2005 12:22 pm

No

The problem is the house value is inflated by the amount of the gift down payment. Or if there is no down payment the sale price is too high and the individual ends up owing more to start with than the house is worth. If they live in the house and make payments until the house inflates enough they come out okay, but if they decide to sell in the first few years, the house may be worth the asking price, but the realty fee and selling cost kills them. Now in the last few years, refinancing at an increased loan value or second mortgages have created a real problem. Most of this borders on fraud and the lenders are getting what they deserve but we end up paying for this fraud in the end.

Sep 19, 2005 11:55 am

Yes

The market should decide who is able to buy a home. It is the risk lenders are willing to take and the responsibility of the buyers that determines whether someone can buy a home without a down payment. No one can or should be involved. Robert Butler Executive Director Libertarian Party of Ohio [www.lpo.org](http://www.lpo.org)

Sep 19, 2005 11:44 am

Yes

It comes down to what people can actually afford. These lenders coax people into thinking they can afford the max. they qualify for. When in reality they surely can't. It is up to the consumer to do research and to know their spending habits so they KNOW what they can afford prior to 'jumping head first' into buying a home. If the consumer can not take the lead in protecting their own butt then they should be partly to blame - ignorance is not an excuse. There are plenty of homes around for less than 100k - its a first home - get a grip people. 10-20% down is simply not doable for a lot of folks - that doesn't mean they can't afford a mortgage on a 80K home.

Sep 19, 2005 11:40 am

Yes

Absolutely YES! This is a free market society. People need to be accountable and responsible for their own actions. The root cause are the loan underwriters if there are suspicious credit or work history and the loan is ultimately approved. However, from my experience it is after the fact that the individuals get into trouble, either by not planning for unforeseen circumstances, over extending themselves by refinancing for a short term gain, not a home equity loan, and then paying in the end because they cannot sell their house for the inflated appraisal.

Sep 19, 2005 11:38 am

Yes

I believe the saying is "Caveat Emptor" or "Let the Buyer Beware." People have to take responsibility for their actions instead of calling themselves victims and blaming others. At the same time, I think there should be some responsibility and liability on the part of lenders who will loan money to anyone with a pulse. Dealing with Dominion Homes is like dealing with a used car salesman, keep your hand on your wallet at all times.

Sep 19, 2005 11:21 am

Yes

Being young, 1st-time homeowners ourselves we built a Dominion home & took advantage of the -tage buydown. Our int. rate structure was 5, 6 and 7 at the time. Having great credit but not a nest egg for a down payment, there was no other way we could've gotten a new home in a desirable neighborhood. We took advantage of great int. rates in the 2nd year and refinanced to 5 flat for 30 yrs. Our Dominion rep was completely upfront in saying that no one could truly anticipate tax increases, so we left some financial cushion in our projected personal budgeting for both taxes, furniture, and potential home improvements.

Sep 19, 2005 11:12 am

Yes

People who do not have a down payment should be able to buy a house. However, buyers should not depend on their homebuilder or mortgage company to determine what is an affordable house payment. Buyers need to seriously sit down with

their financial papers and figure out a budget to see what amount of payment they can afford, including taxes and insurance, plus see if they can afford any future tax increases. When a company determines how much you can afford, it doesn't necessarily take into account that you still need to pay utilities and food expenses. The buyer needs to be more proactive and never buy a home on impulse.

Sep 19, 2005 11:10 am

No

No money down = no money for emergencies either. It also (frankly) means you are buying something you can't afford. It leads to the "leasing" mentality (oh well, if I fall behind, they'll just take it back).

Sep 19, 2005 11:07 am

Yes

Yes and I am one of those fortunate people. The rent I was paying was higher than my mortgage (including taxes and ins). Let's face it, the days of having large amounts of cash in savings and your parents co-signing for loans are gone. The problem is not owning a home (since we all pay for a roof over our heads) the problem is people over extending themselves on outrageous car loans and credit cards (which I never did). Thanks to a great realtor, my children and I have enjoyed our own home for almost three years now!

Sep 19, 2005 11:00 am

No

The bigger point is that M/I and Dominion don't take on any risk from these shady loans. Every single loan is resold to a government agency like Fannie Mae. In name of being "business friendly" they have allowed the irresponsible lending. The taxpayers are the big losers again as the assets will sold off at lower than appraised values, the tenants are poor and need public assistance and the local schools suffer as the tax base is eroded. The only winners are the owners and executives of M/I and Dominion and the affiliated lenders.

Sep 19, 2005 10:57 am

No

The Special Report concerning Broken Dreams is an excellent way to make more people alert. It's like anything else in life-low personal investment-high cost for the investor. Currently, we run a loss mitigation business practice & arbitration firm here in Columbus, Ohio. So we see first hand what zero down payments do to people. No family should pay more than 30% (of their net monthly income). Owning a home is not a right its a privilege as well as an opportunity. Thank you in advance for your time and your great report that you are putting out. Global Services Of Ohio Corporation Mario W. Watkins, President & Founder

Sep 19, 2005 10:54 am

No

There is no incentive to hold if the market goes bad, and the government is left holding the bag. No one should be allowed to purchase a home without at least a 20 downstroke

Sep 19, 2005 10:42 am

No

The fact that Dominion has been aware of the exceedingly high numbers of foreclosures for 5 years makes them irresponsible to their customers. With such a high percentage of their buyers having the potential to go to foreclosure, the buyers who can afford their homes are harmed. When neighborhood prices start to fall as a result of Dominion's shady loan practices every Dominion customer loses.

Sep 19, 2005 10:07 am

No

Owning a home is a large responsibility for which many are not prepared. The costs are much higher than just the mortgage - taxes, insurance, maintenance, etc. In addition, a down payment gives the homebuyer a stake in the property, and shows a commitment to property ownership. Owning a house is not a right but a privilege.

Sep 19, 2005 10:07 am

No

There is a reason why reputable lenders used to require, and now strongly urge a 10-20% downpayment on a house. By having equity in the house from day one, you have an affordable payment #1, and #2 you have a vested interest in not losing the house. It used to be, prior to the great depression, that if you made a financial mistake, you were a slave to your debts. However, bankruptcy laws and the easy credit of today make it so that people don't have to be responsible for their debts at all. Just

because we are in America doesn't mean we have the RIGHT to own anything... we have the RIGHT to have the opportunity to own things... two distinct things.

Sep 19, 2005 10:06 am

Yes

If the buyer has a history of STABLE employment and no negative credit card history. I believe many people could afford a house payment, with no down payment, if they are responsible with their credit card use, and are not burdened with large car payments.

Sep 19, 2005 09:55 am

Yes

My response is Yes, under certain conditions. The underlying issue is that "zero down" goes along with adjustable rates and/or payments that quickly make the house unaffordable. From these stories, those factors are not made clear to the buyers. I was very fortunate to have an ethical lender and realtor who was patient with me, and urged me to stay within limits. I think this is an excellent special report by the Dispatch reporters.

Sep 19, 2005 09:53 am

Yes

They should only be able to buy a house without a downpayment if the money comes from someone OTHER THAN THE SELLER. Nice try Dominion Homes.

Sep 19, 2005 09:50 am

Yes

Interesting. All of this talk about the mortgage as the problem, and not the 2 cars in the driveway with combined payments that are as much as or more than the mortgage. What about 0 interest and 0 payments for 12, 24, or 36 months for large purchases ranging from home improvements to furniture to an entertainment system with a sucker punch of interest after the no payment period. Choice and consequence go hand in hand. Every individual has the right to an informed decision, but lets look at the REAL problem, not a symptom of the problem. Now that is a story worth reading, but who has the courage to write it?!

Sep 19, 2005 09:27 am

Yes

WHY NOT??? Several people can pay their monthly bills, but the do not have a large cash infusion needed for the down payment. Housing is a basic human right. To that end, it is not charity or "liberalism" to increase the opportunities people have to own a home. If people can find a lender willing to provide a mortgage for no money down, GO FOR IT? Why shouldn't people who might have limited incomes not get the chance to own a home.

Sep 19, 2005 09:21 am

Yes

As long as people are employed, their credit is good and they can afford the monthly payments, insurance and repairs. Sure there are risks.....Not one person, from any economic rank, who buys a home can guarantee they will live for 30 years, be employed 30 years and have good health for 30 years to pay off their mortgage. So, if they are financially able NOW, let them try. This is America.

Sep 19, 2005 09:10 am

No

To own a home is a privilege, not a right. If you work hard and earn extra cash for a down payment, then you deserve a chance to succeed in a new home. If not...keep working!

Sep 19, 2005 09:10 am

Yes

Of course people with no downpayment should be allowed to buy a home, just as a lender should be free to lend with no downpayment. It's a free country, it's a free market system and everyone is free to make their own decisions regarding what they do with their money. Home ownership isn't a "right", its a priveledge, one that is fraught with possibilities: some of them good, some of them bad. If a lender is silly enough to lend to a family that can't afford to pay or a family is silly enough to want more than they can afford, who are we to step in and prevent the folly? Just don't ask the rest of the city/state/country to bail them out. THAT only breeds more silly decisions.

Sep 19, 2005 08:49 am

Yes. The problem I'm seeing is not that the first time buyers are buying with no money down but that they are buying houses beyond their means. The new houses marketed to the first time buyer now are mansions compared to the tiny post-war house my bought in the 60's. People have also developed greater expectations over the years over what is essential in terms of other possessions. Living frugally while they are getting themselves established financially is more difficult. I don't mean to sound self-righteous about this, since I am in the same boat myself.

Sep 19, 2005 08:27 am

I think people with no DP money should be able to buy a house. My husband and I bought a house with just 1% down through some grant programs, and when we set our house budget, it was based on what we wanted to pay per month, not the total amount. We did not have a DP, b/c we hadn't planned on buying yet, but our rental house went up for sale and we decided to go ahead. We were approved for nearly double the amount we wanted to pay. We could have afforded it, but it would have been the only thing we could afford! Instead we opted for a less expensive house and an unstrained budget. This is allowing us to save money to upgrade in a reasonable amount of time.

Sep 19, 2005 08:09 am

All of a sudden people with no down payments can't buy homes? The builder/mortgage company didn't do it's research so now if you don't want a down payment you can't buy a home? Yea, makes sense to me. Didn't realize the "American dream" was only for those with hefty down payments. The state of Ohio is so lax in it's regulation of mortgage companies that this problem is one of their making. If the mortgage company doesn't do it's homework then they should be the one penalized. Don't penalize the young aspiring homeowner by restricting them. What is the percentage of \$0 down buyers who foreclose? Probably not very high at all. Sounds like a tempest in a teapot to me.

Sep 19, 2005 08:07 am

The question should not be about down payments but the monthly payments. People tell say that they can afford the payments but they don't figure on repairs. New home owners often don't realize how expensive those can be.

Sep 19, 2005 08:04 am

Yes, you should be able to have no downpayment and get fuded. For a variety of reasons one might have no assets for a down payment, but still deserve to own a home. It should be considered discriminatory if lenders do not fund these people. Take the following persons as examples who deserve this consideration: a recent divorce, recent unemployment, being unemployed and finally getting a job where they can afford a payment, couples who put their children through college, and this list could go on forever. Just because you do not have a downpayment does not mean you do not deserve better housing that you own.

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# The Columbus Dispatch

*Ohio's Greatest Online Newspaper*

## FLIPPING FRENZY

Wealthy investors profit from run-down houses

Tuesday, September 20, 2005

Geoff Dutton

### THE COLUMBUS DISPATCH

Trash and thigh-high weeds surrounded the two-story blue house on E. Sycamore Street. Boards covered the first-floor windows, and those above were smashed out.

More than a South Side eyesore, the house was the first of hundreds like it in Columbus to end up in a speculative New York investment portfolio for the wealthy.

Savvy entrepreneurs locally and nationally squeeze big profits from Ohio's most rundown houses in a variety of ways, sometimes leaving them abandoned.

The New York fund, launched last year seeking minimum investments of \$500,000, is an example of how these complicated transactions are growing more widespread and sophisticated in Ohio. They exploit weak state regulations and fuel the number of empty inner-city homes, an investigation by The Dispatch found.

Stillwater Capital Partners created the fund and manages it from the firm's Madison Avenue offices. Such investments, called hedge funds, are secretive and loosely regulated investment pools for wealthy investors trying to "hedge" against stock market swings.

Sorting out the details of the convoluted transactions isn't possible because most of the records aren't publicly available.

This much is clear: The Stillwater Asset Backed Fund since February 2004 has loaned more than \$30 million, financing the buying and reselling of more than 500 vacant houses in Ohio, 390 of them in Columbus, county auditor and recorder records show.

Sellers significantly marked up the price for their properties. Stillwater representatives recruited buyers, at least some of whom say they never saw the houses, and paid them \$300 to \$1,000 to sign for the Stillwater loans on assurances that the houses would be fixed up and resold before any payments came due.

But these "straw buyers," many of them young apartment dwellers with low or moderate incomes, have been saddled with houses, unpaid tax bills and city citations for unsafe conditions at houses for which they don't even have keys.

The houses remained empty.

And the hedge fund and mortgage brokers collected fees on each transaction.

Stillwater officials, including the firm's managing partners, Richard Rudy and Jack Doueck, did not return numerous telephone messages and e-mails seeking comment.

The property at 1047 E. Sycamore St. is typical.

"I've become numb to it after all these years," said neighbor Ritchy Smith, an accountant who in 1992 bought and fixed up his brick house with a porch swing, expecting a neighborhood revival. Instead, it's gone downhill, scarred by ever more empty and dilapidated houses. "Isn't it sad?"

On the Near East Side, Freda Wyche lives two doors down from a Lilley Avenue house with a rotting second story that sags over the front porch. She raised three daughters on this once-pleasant street.

Now young men skulk in and out of the abandoned duplex at odd hours.

"It's horrible," she said. "I think they use it as a drug house."

It also was financed by Stillwater.

### **' Ground zero '**

Ohio leads the nation in foreclosures. The state began surging ahead in the late 1990s as more people lost their jobs and homes, and riskier loans gained popularity.

As in many other cities and states, investors have seized on a paradox in the marketplace.

Record numbers of houses are being foreclosed upon at the same time an otherwise healthy market makes it easier than ever to borrow money. It has created an opening for investors who buy distressed houses and quickly resell them at a profit, a strategy known as "flipping."

While not necessarily illegal, flipping can take perverse turns, with investors reselling properties at huge markups days or even hours after purchasing them, making few if any improvements.

Flipping can blur the lines between clever capitalism and fraud with inflated appraisals, predatory loans, and aggressive brokers and investors who profit when a sale closes, regardless of whether the loans ultimately go bad.

Nationally, the FBI reported a 147 percent increase last year in cases of suspected mortgage fraud. Mortgage-lending experts who met in Washington, D.C., singled out Ohio as a trouble spot, with foreclosures and flipping feeding a cycle of urban blight.

Mortgage fraud has flourished, particularly in Columbus, which ranked seventh nationally in a Mortgage Bankers of America study last month. For sub-prime loans — high-cost, nontraditional loans such as Stillwater's — Columbus ranked third for fraud.

Flipping is difficult to quantify but "definitely more common" than it was even a couple of years ago, said Laurie Ludlum, deputy Franklin County auditor. It has caused such disarray in setting legitimate home values for tax purposes that Auditor Joseph Testa is considering hiring a full-time employee to monitor flipping.

"It's just become more egregious," Ludlum said.

Federal officials launched an investigation last year of a Bexley real-estate agent who bought and sold more than 170 houses during nine years at a combined markup of 85 percent. Half of them went into foreclosure.

As investigators zeroed in on the Bexley agent — no charges have been filed — flipping by others continued unabated.

The Stillwater hedge fund has financed flipping in Columbus, and across the state, on a scale that has dwarfed the Bexley agent's efforts, according to property and mortgage records.

It's a new twist in an accelerating market for flipping, which typically begins with an appraisal that inflates the value of a home, opening the door for a bigger loan.

"Appraisal inflation and property flipping (are) rampant in Ohio. It's ground zero," said Uriah King of the Center for Responsible Lending, a national consumer watchdog group in Durham, N.C. "There isn't a major city in Ohio without a significant property-flipping problem."

### **Abandoned houses**

Stillwater adds a level of sophistication to flipping, with out-of-state hedge-fund managers pooling millions of dollars from wealthy investors whose identities are shielded.

That money is used to finance loans and seek profit from the flips on a grander scale by enlisting a stable of local brokers, appraisers and middlemen who find straw buyers to front for loans.

The Dispatch spoke with a dozen straw buyers. Most said they had been offered cash and told the houses would be fixed up and resold before any payments came due. Instead, the houses languished, and city code violations and unpaid tax and utility bills piled up — though buyers said they never were asked to repay the loans.

Stillwater quickly took root and spread in Columbus.

A week after the first purchase — the vacant house at 1047 E. Sycamore St. on Feb. 20, 2004 — Stillwater financed the sale of 17 more in one day.

They were scattered throughout poor Columbus neighborhoods, and all were owned by investor Donald F. Green. He bought one house for \$26,000 and sold it for \$55,700 eight days later. He sold several others for double or triple what he had paid a few weeks earlier.

Parkview Investors Banc arranged the deals. The Columbus firm, incorporated a month before the New York hedge fund began writing loans in Columbus, was set up by Jeffrey M. Lieberman, 54, an appraiser who lives in Bexley, and Aryeh M. Schottenstein, a 31-year-old real-estate agent also from Bexley, according to state records.

Sylla Demba, a Columbus resident from Mali in West Africa, bought two houses that day.

"We never seen no penny from nobody," Demba complained. "After the selling, we were supposed to get a commission."

The properties didn't sell and were plastered with notices of city code violations. "It's not been a good experience. Somebody didn't take care of business."

Schottenstein and Green didn't respond to repeated requests for comment. "We're all disappointed in what happened," Lieberman said. "It's not what we set out to do." He said he left Parkview partly because of his concerns about the loans, but he is optimistic that the problems will be straightened out.

Demba, for example, pleaded guilty to code violations, paid fines and was put on probation in July, but he said work has finally begun on houses he bought more than a year ago.

"I think a lot of people are going to get taken care of, it's just going to take awhile," Lieberman said. He characterized Parkview and Stillwater as victims, too, of middlemen who recruited some of the straw buyers to sign loans.

Stillwater's Web site, which recently was blocked to people without a password, reported in April that the hedge fund paid its investors 14.56 percent in the first 14 months ending in March. As much as 80 percent of the investment income can be tax-deferred, according to Stillwater, which sometimes uses Cayman Islands accounts as tax shelters.

Investors poured another \$9 million into the fund in April, according to the Stillwater site, and there was a waiting list of others wanting to invest at least a half-million dollars.

Stillwater reported in June that it had financed 562 "highly diversified" home loans in 24 cities. The Dispatch documented 390 in Columbus, 123 in Akron, five in Cleveland and two in Dayton. That leaves 42 others.

When money changes hands, not everybody comes out a winner.

Tracie Simmons of Columbus had just lost her job when a friend of a friend approached her last year about a short-term deal that seemingly couldn't lose.

A group of investors was buying houses, fixing them up and reselling them within three months. The 30-year-old single mother of two young daughters could get instant cash by "lending her credit" to the investors, she was told.

If Simmons would sign 90-day loans, the investors would take care of everything else. She'd never have to make a payment. The houses would be sold within three months.

And she would be paid \$1,000 upfront for each loan.

Over a couple of weeks, Simm

The houses, for which she didn't have documentation or even keys, remained empty more than a year after she signed for the loans.

She has received past-due bills for taxes, water and insurance, along with threats of a jail sentence for city code violations. The local brokers who arranged the deals have ignored her phone calls, she said, including Parkview and Eryck M. Griffin, who, with his brother Shawn Anthony Griffin, set up companies that partnered in some Stillwater deals.

The Griffins couldn't be reached for comment.

Other buyers recalled similar investment pitches and ended up in the same bind. Many of them, records show, were in their 20s. College students. Immigrants. Renters.

Most said they were paid a "signing bonus" or "commission" — between \$300 and \$1,000 per property — but didn't receive copies of loan documents they signed, as some were promised. A handful already have been foreclosed upon.

"We're the ones getting in trouble for it, not them," Simmons said. Clutching a stack of notices to appear in court for code violations, she added, "What's going to happen if I have to go to jail?" The lender in all of the cases: Stillwater, the hedge fund.

Some buyers agreed to be interviewed, wanting to expose what they consider a scam. Dozens of others didn't respond to messages or refused to be quoted out of fear or shame, some saying in hindsight that they had been foolish and gullible.

Amber Dickerson hired a lawyer.

She was a 26-year-old college student and part-time receptionist at a car dealership when she received \$500 to sign for a house last year, following the lead of her then boyfriend. The inducement isn't noted in the loan papers.

She paid \$40,000 for the house with a 90-day loan of \$56,000.

The extra \$16,000 was earmarked for fixing the property for resale. But it all went to the people who arranged the transaction, according to closing documents obtained by her lawyer. Another document shows that she signed a quit-claim deed that authorizes the Stillwater hedge fund to take ownership of the property at any time, while leaving her saddled with the loan.

Stillwater cited the quit-claim strategy on its Web site to reassure hedge-fund investors that their money would be secure.

"It's fraud," argues Sherrille Akin, a Westerville lawyer representing Dickerson, saying the terms of the deal were misrepresented every step of the way. "No lender in their right mind would write this loan."

Others aren't so sure, given loose regulations, particularly in Ohio. It is one of only two states that exempt mortgage lending from their consumer-protection law. The other is Virginia. That means the state attorney general isn't even authorized to investigate complaints.

"Intellectually, do I think it's fraud? Yes," said Anthony B. Sanders, an Ohio State University finance professor, predatory-lending expert and former head of mortgage securities for a Wall Street bank. "Legally, do I think it's fraud? No."

But he described the hedge fund, as advertised on Stillwater's Web site, as resembling a "Ponzi scheme." It appears to be sustained by local brokers continually buying and selling properties, he said, making money upfront with steep fees and prepaid interest that are rolled into the closing costs of the loans.

"They're going to churn these things until the cows come home," Sanders predicted.

### **Neighborhood nuisances**

Stillwater offers one of many variations on flipping property.

For every flip that doesn't involve fixing up the house, equity and value are sucked out of Columbus neighborhoods, redistributed as fees for dealmakers and sent "off to New York and whoever," said Hazel A. Morrow-Jones, associate director of Ohio State University's Center for Urban and Regional Analysis, which studies homeownership and neighborhoods.

Then the house typically falls into legal limbo and eventually foreclosure, becoming a shell — literally and financially. The unrealistic purchase price, and the underlying loan that far exceeds the value of the home, become barriers to reselling and reviving the property.

The legacy of flipping can be seen throughout Columbus. A city "blight abatement" crew boarded up 656 abandoned houses last year to keep away drug addicts and squatters, and it spent more than \$400,000 to mow overgrown lawns.

For example, Swayne's Corner, the neighborhood southeast of Livingston and Parsons avenues, is pockmarked by 100-year-old houses that remain abandoned despite a flurry of deeds and money changing hands.

Michael Elicson gave up on his own rehab plans and sold the house at 604 E. Beck St., next door to where he lived, for \$38,800. The buyer, he was shocked to later learn, resold it the same day for \$265,000.

The house sold again two months later for \$250,000.

That was a year ago. The dingy, 1,200-square-foot, wood-framed house near Parsons Avenue, valued by the county auditor at \$15,000, still sits empty and boarded over, a blot on the neighborhood.

"It's almost like a nail in the coffin," said Elicson, who was neighborhood association president before moving away in June. "You get enough of them concentrated, and it really adds up to a negative effect on the neighborhood."

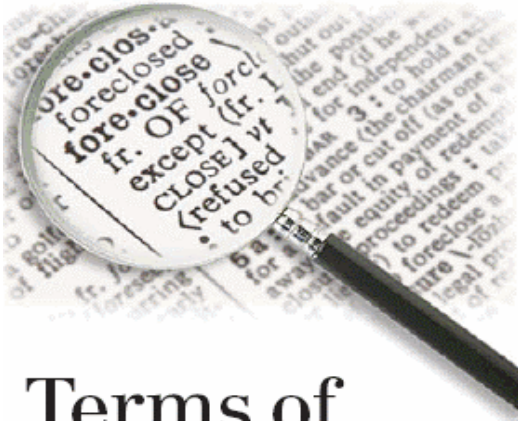
**gdutton@dispatch.com**

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Ohio's Greatest Online Newspaper

Tuesday, September 20, 2005



## Terms of the trade

► **Flipping:** Buying and quickly reselling property. Becomes controversial and sometimes fraudulent when few if any improvements are made, and inflated appraisals justify bigger loans.

► **Hedge funds:** Secretive and loosely regulated investment pools for investors trying to “hedge” against stock market swings. Typically require a minimum investment of \$500,000 and can take countless forms.

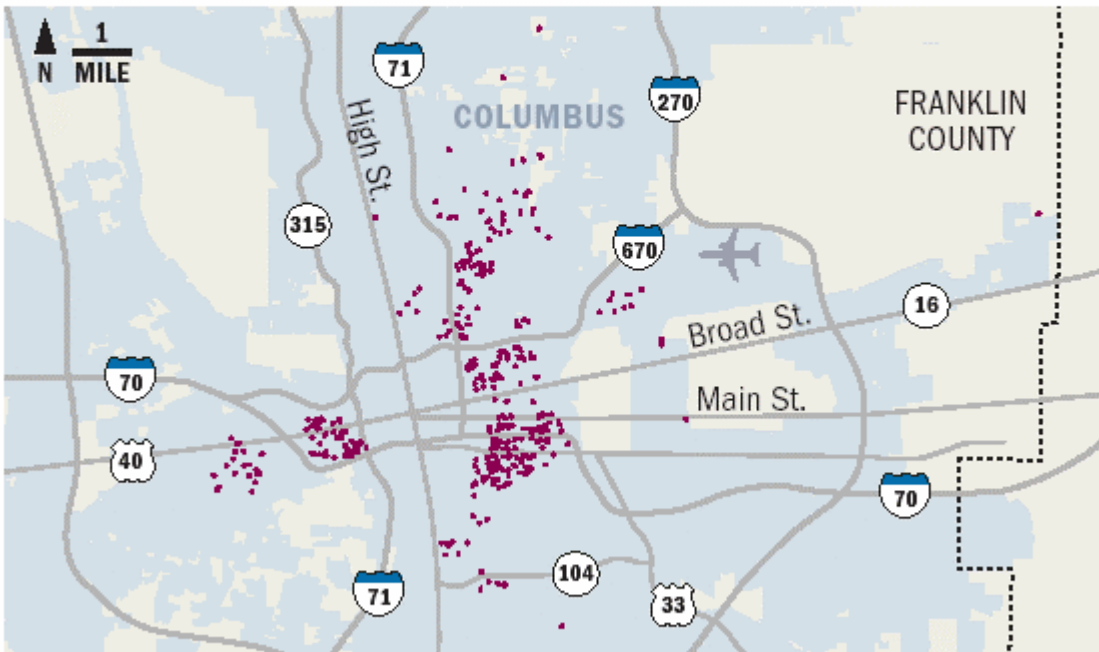
► **Quit-claim deed:** A legal document for transferring ownership of property. A homeowner behind on mortgage payments can use a quit-claim deed to sign over property as part of a settlement with the lender to avoid foreclosure.

► **Straw buyer:** A person who agrees to stand in as a home buyer. The straw buyer knows little or nothing about the transaction but signs off on the mortgage in exchange for cash.

Tuesday, September 20, 2005

## Investment properties

The Stillwater Asset Backed Fund, a New York City investment pool for the wealthy, financed at least 390 short-term loans totaling nearly \$30 million for the purchase and rehabilitation of Columbus houses. Many remain vacant neighborhood eyesores.



Source: *Dispatch* research of records at the Franklin County auditor's and recorder's offices  
THE COLUMBUS DISPATCH

# The Columbus Dispatch

*Ohio's Greatest Online Newspaper*

Columbus broker flips houses for big profits

Tuesday, September 20, 2005

Geoff Dutton

THE COLUMBUS DISPATCH

To start an investment fund for the wealthy, Stillwater Capital Partners of New York needed cheap property.

Lots of it.

Columbus property investor Donald F. Green delivered.

Since February 2004, Stillwater has financed more than 500 investment properties in Ohio, 390 of them vacant Columbus houses. Dozens of people sold houses but none more than Green, who specializes in foreclosed homes.

He sold 90 houses for \$3.2 million, about \$1 million more than he had paid for them, Franklin County auditor's records show. That's more than triple the volume and profit of any other seller in the Stillwater-financed deals.

Many of the houses he had owned for weeks or days. Some he sold the same day he bought them, for more than double what he had paid.

Green's transactions are peculiar and frequent enough that the county auditor has put his name on a watch list.

The auditor analyzes neighborhood sales to set a home's taxable value. But the auditor disregards transactions that defy logic, Deputy Auditor Laurie D. Ludlum said.

Green reigns supreme in the obscure but fast-growing business of buying and selling foreclosed houses in Franklin County. When people can't pay their mortgages, lenders rely on real-estate agents and investors such as Green to help them unload the properties they've seized.

A decade ago, perhaps eight local real-estate agents specialized in helping lenders sell them. Now, there are twice that many, said David Weller of Realty Executives, one of the Columbus agents.

"There's just so much volume," Weller said. Asked about Green, he quickly recited Green's phone number from memory but declined to comment further.

Green, 45, who lives on the Northwest Side and in St. Petersburg, Fla., purchased his 3,200-square-foot house on the Scioto River from a lender that had repossessed it.

Contacted several times by phone, Green would not answer questions about Stillwater or anything else. "I don't know who they are. I'm not commenting," he said before hanging up.

Green was one of the county's largest Section 8 landlords until two years ago, when he was barred from accepting more tenants in the federally subsidized rent program for the poor, said Thomas Dobies, Section 8 programs director for the Columbus Metropolitan Housing Authority.

Green has a dwindling number of Section 8 tenants but can't accept new ones because he did not adequately maintain the properties, Dobies said. Green has been paid \$5.8 million through the program since 1990.

"Don Green tried to get around our ban by putting property in his wife's name, his dog's name, whatever. We said no," Dobies said.

"Back when he first started, he had a lot of good units and we did a lot of business with him. We've told him, 'Don, we'd love to have you, but you have to toe the line like everybody else.' "

After he lost his contract as a Section 8 landlord, Green switched his focus to being a property investor, buying foreclosed properties from banks.

Auditor's records show that, last year, Green bought and sold more properties than any other individual in Franklin County, surpassed only by some banks and other large institutions.

He sold at least 164 properties for \$8.7 million more than he paid for them.

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# The Columbus Dispatch

*Ohio's Greatest Online Newspaper*

## BROKERED DREAMS

Foreclosure boom pushes Statehouse to fight mortgage fraud

Tuesday, September 20, 2005

Jill Riepenhoff and Geoff Dutton

## THE COLUMBUS DISPATCH

Ohio's foreclosure explosion prompted bipartisan calls yesterday to crack down on mortgage-lending abuses.

Two lawmakers — one Democrat, one Republican — said they plan to sponsor bills that would cover mortgage lending under an existing law banning deceptive sales practices.

"There's just an absolute need in Ohio for tougher laws to protect consumers," said Sen. Joy Padgett, a Coshocton Republican. "All you have to do is look at the foreclosure rate."

Sen. Marc Dann, a Youngstown Democrat, said Ohio's foreclosure problems can be traced in part to mortgage brokers who "prey on the poorest, weakest, the most unsophisticated."

In reaction to a four-part Dispatch series, "Brokered Dreams," which continues today, Dann announced that he would sponsor a bill to make public the complaints about mortgage brokers and to include mortgages in the state's Consumer Sales Practices Act. Ohio and Virginia are the only states that exempt mortgages.

Two years ago, lawmakers decided against significantly strengthening Ohio's laws beyond federal standards, saying state law first should be given a chance to work.

Dann said the problem cannot be dismissed solely because of the state's weak economy. "People who are subjected to fraudulent mortgage practices have very few tools available to them," he said.

He is asking Attorney General Jim Petro, a Republican, to support a proposal to include the mortgage industry in the state's consumer-protection law.

Two years ago, Petro recommended the change. Last week, he said that he is helping Padgett write her bill.

Sen. Tom Roberts, a Dayton Democrat, introduced a similar bill in July, his second attempt in two years, but hadn't gained much support. Republicans outnumber Democrats 22-11 in the Senate and 60-39 in the House.

Bill M. Harris, Senate president, said the climate is right to debate the issues again but stopped short of embracing the proposals.

"It's a major issue," the Ashland Republican said. "I hope we don't jump to conclusions."

Harris and House Speaker Jon A. Husted, of Kettering, support a Republican-sponsored bill to expand licensing and background checks for appraisers and mortgage brokers, changes endorsed two years ago by consumer groups and the lending industry. But they remain noncommittal about expanding the consumer-protection law.

"It's certainly something we need to look into," said Husted's spokeswoman Karen Tabor.

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# The Columbus Dispatch

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The Hot Issue

The Columbus Dispatch

Tuesday, September 20, 2005 7:02 AM

What, if anything, should be done to reduce the number of vacant houses scattered across Columbus and Franklin County?

Oct 9, 2005 12:31 pm

If the owner of record doesn't want to do anything about maintaining the property then the city could use another park. Green space is nice.

Sep 20, 2005 09:32 pm

The property investors referenced in today's story should be investigated, fined and criminally charged if they are found guilty of engaging in fraudulent and deceptive business practices. It would also be interesting to see where they live. I'm sure it's not in the blighted neighborhoods in which they prey upon the unsuspecting.

Sep 20, 2005 08:51 pm

First I would like to say I'm glad that real estate flipping is being exposed. But it is unfair that the little people(straw buyer's) have to pay the price instead of the Multi-Million Companies (Still Water)are some how untouchable. What is really going on with our government. In the case with Dominion Homes, I was shocked to read Doug Borrer's comment "We are a pioneer, leader and developing affordable homes for people in areas of town that have socioeconomic challenges these are the minorities. These are the people working at Walmart". What is that supposed to mean Mr. Borrer?

Sep 20, 2005 07:24 pm

Cities should use their conscience and stop approving new home build permits to stop this ridiculous urban sprawl problem just to increase their income from taxes. Incentive programs should be offered to help influence buyers to purchase existing homes instead of new builds. Builders should not have title companies and financing companies related to themselves to approve homebuyers who are not qualified leaving empty foreclosed-on homes behind.

Sep 20, 2005 05:43 pm

How can a company like Dominion Homes be held responsible for homeowners not be able to balance a checkbook.If I buy a car and don't make any payments, can the dealership be liable.No, it is my fault for not managing my money.In the case of homeowners going bankrupt, how about blaming the banks?They have the final approval on whether a loan is approved or not.Dominion Homes, as a broker, basically gets the paperwork in order for the banks to process.Again, the banks approve or disapprove the loan, not the builder.The entire article was as one side as it can get.That goes to show that the Columbus Dispatch is not a fair unbiased media outlet.Just a democratic propaganda machine. GS

Sep 20, 2005 05:34 pm

We just had thousands upon thousands of people lose everything-why not come up with some sort of incentive/program to get these people homes-not to mention the homeless/poor in our own city who could use the same care & concern we show to people hundreds of miles away. Give them a roof over their heads w/no rent or even rent cheap-\$100-\$250/mo, with the incentive that if they fix it up within a year or two (or other designated time frame) that they can purchase it at todays market value with the rent \$\$ & \$\$ used to fix it up going towards their down payment. Maybe then people would take pride in their homes & neighborhood & who knows maybe each other-does a world like that exist anymore?

Sep 20, 2005 04:52 pm

The city does whatever they please, let them handle it.

Sep 20, 2005 04:12 pm

Professor Fred's 4-step cure: 1) Close the Federal Department of Housing & Urban Development. Only a child or a fool could believe bureaucrats in Washington DC have any business mucking about in the market 2) Close the Ohio Housing Finance Agency. Private concerns will do a much better job at less than 1/3 the cost 3) Pillory the next politician who wants to issue bonds to provide "down-payment assistance". That nonsense is not even close to the government's job and 4) Contract with some private companies to maintain the lawns of the vacant investor-held or abandoned properties, with invoices (liens) of \$100 per mowing. How's that? Simple, Quick and it SAVES money.

Sep 20, 2005 02:30 pm

After 90 days the local government should take possession of the properties, raze the structures and create more green spaces and parks. Supply versus demand, perhaps, by reducing the supply of the houses in the area the property values would increase, therefore ceating a viable market in the neighborhoods.

Sep 20, 2005 01:36 pm

I happen to own two properties adjacent to these "flipped" properties. One was just purchased by Don Green. Until the city really gets serious about a development plan for the inner city, we will have this problem. This issue is far more complex than the 700 characters allowed. In addition, anyone who has ever owned an old house, knows the true expense of renovation and maintenance. It is far greater than a Dominion home, etc. It is not surprising that many people just get overwhelmed and give up, walking away from the property. Banks don't always allow a short sale. However, things are getting better in the inner city in some parts.

Sep 20, 2005 01:19 pm

Okay, lets be fair about this. Homeowners need to take some of the blame. Rather you purchase a new or existing home, you should know how much you can afford. You know every month you will have utility bills, grocery bills, car payment, etc. And, every year your property taxes will increase. Do your homework! SLG

Sep 20, 2005 01:19 pm

It's not always a matter of holding the homeowner responsible for the vacant house. The ultimate responsibility goes back to the company (not to mention names...Dominion Homes) who sold the house in the first place. With the false realities and sneaky sales tactics used to get these "lower income families" into the homes, the company has magically made the house "affordable" for the families. What they don't do is make it affordable for more than 2 years. Once the third year hits, mortgages are outrageous and the values of the homes have depreciated. How do you sell a home that has a mortgage loan for \$117,000 but only appraises for \$84,000? I'd like to know....

Sep 20, 2005 01:05 pm

I believe that if you invest in real estate then you should be responsible in taking care of it until it sells. Most of the vacant areas in Columbus are mainly due to homeowners falling for fraudulent plans which includes buying, selling, rent to purchase, estate contracts and even bank-ruptcies. Homeowners need to realize

Sep 20, 2005 11:55 am

I have a vacant home that I am trying to sell and I maintain that home inside and out! I am glad that I read this article on flipping because I had no idea that this was going on and I am trying to find an investor for my property I would not be able to take a hit like that! Laws do need to be established and stiff penalties enforced!

Sep 20, 2005 11:41 am

The City should force the owners to maintain the property as per code within 60-90 days after vacancy and then take action in

the means of financial punishment....and if need...take the property by Imminant Domain and sell at auction.

Sep 20, 2005 11:27 am

Get rid of Bob Taft and Jim Petro...who would want to move to Ohio with those chumps in charge? We need real jobs, not morons running our governments and higher taxes for foolish projects.

Sep 20, 2005 11:10 am

Hold those responsible accountable! I know most do not want more intervention from govt. but we are seeing the result of no regulations, no price to pay for the fraud occurring. I was recently in these areas stricken by fraud and was approached by two men in a work truck asking me if I was buying. When I looked at them strangely, they said "real estate". I said no and drove away. It just goes to show you that they are marketing it in these pocket areas even on the street. Our politicians, auditor and even law enforcement must group together. The price paid to develop a task force would far less than what we are paying as more and more fraudulent scams take place and ruin our neighborhoods.

Sep 20, 2005 11:02 am

I believe the homeowners should start considering their options when investing. Quit looking for a quick buck by putting in renters. Think about long-term contracts with small and local colleges, maybe tearing down and consider for future use for parking, try thinking ahead of the game. Can you make the house into (two) one bedroom apartments. Can you do owner financing for 5-10 years then sell the note. If the property hasn't moved in 6mo. Then yes...I believe the city should step in and help the home owners by generating a business network with local housing authorities to oversee placement of the homeless, STARTING WITH KATRINA VICTIMS...HMMM???? :)

Sep 20, 2005 10:51 am

The victims of the predatory schemers should be absolved of any debts and fines, and the people who preyed upon them should be made to pay the fines and code violations. Finally, Ohio law should require that only people who intend to live in the homes are eligible to purchase them. Special consideration should be made for landlords and such, but there are too many vacant houses, absentee slumlords, and homeless people for this situation to make any sense.

Sep 20, 2005 09:45 am

These properties should be razed.

Sep 20, 2005 09:45 am

Dominion MI should be forced to dissolve their credit and financing operation. They are perhaps one of the most predatory lenders in Central Ohio. They have been investigated by HUD for fraudulent production of loan forms (ie. overstatement of income. Furthermore, their developments are an eyesore and only contribute to the disgraceful sprawl of Franklin county and contribute to the pollution of our environment(ie. Big Darby creek).

Sep 20, 2005 09:42 am

The owner of record should be billed for mowing and cleaning (using City resources). If fines are not paid, the owner should be given a choice of paying for cleanup or selling the property to the City. If a mortgage is on the house, that institution should be apprised and advised to foreclose.

Sep 20, 2005 09:26 am

There has to be some kind of penalty on the property owner. If it is vacant, it must be maintain. It is not as much being vacant but being an eyesore which contributes to forcing the good owners out.

Sep 20, 2005 09:06 am

The lenders carry a lot of blame. More empty houses to come as credit companies are about to increase the minimum monthly payments on credit cards from 1 to 5 of the balance after having first increased interest rates to 21 - 25 on the unpaid balances. These companies should do one or the other, not both. Those maxed out on income cannot generate more money. This breaks backs of poor and middle income families.

Sep 20, 2005 09:01 am

The main thing is that property owners need to be held accountable, although I know investors have attempted to purchase homes in low income neighborhoods only to deal with destructive and disrespectful renters. Give neighboring home owners incentives to purchase these properties for rehab or rebuilding (since they already have a stake in the communities). Most of the older homes are much better built than the new ones going up and are worth fixing up.

Sep 20, 2005 08:56 am

The real issue is the overall economic situation. Citizens struggle to make mortgage payments mainly due to the fact that our stagnant economy. We really need pro-business leaders in this state - the ones who work to draw new businesses and lower taxes to attract and retain businesses.

Sep 20, 2005 08:45 am

First, I know that if the owners keep the place boarded and pay their taxes. There isn't much the city can do. We need to make it more appealing to the owner to sell instead of letting the neighborhood become an eyesore. I believe if a house sits more than 6 months unoccupied it should be considered fair game for the city. Unless it is being renovated, limited time should be allowed.

Sep 20, 2005 08:28 am

The reality is if no vehicle exists to punish the fraudulent parties in these deals, we shouldn't expect it to stop. Legislation will help, but enforcement and follow through with very stiff penalties are the only things that will deter people from keeping this cycle going. As a legitimate property investor it scares me to see this activity going on and only makes it harder on me and the people looking to legitimately buy property.

Sep 20, 2005 08:18 am

Yes, I like the comment of the very first response posted for this question. It's worth going back to look at. But I would also add to it, that the very worst of these vacant homes should be torn down. Make some green space, mini parks for the neighborhoods that would emerge.

Sep 20, 2005 08:17 am

This does bring another issue to light. Not just houses are vacant in this city, many businesses abandon buildings to move a mile away and we are left with many, many empty buildings creating nothing but eyesores. Before building here, businesses should be required to consider using existing space (if not the building at least the land) and not allowed to take over our few open grassy spaces to only become rundown eyesores later when the businesses either move or fall through due to negligent financial practices.

Sep 20, 2005 08:01 am

The root of the problem needs to be solved with legislation at both the local and state levels. The loose regulation of the mortgage market must be tightened and loopholes must be closed. This is simply a shining example of what happens when markets are left unregulated. Common citizens become victims of predatory investors with no legal relief. Hopefully, this Dispatch coverage will prompt action on the part of our local and state governments.

Sep 20, 2005 08:00 am

Designate a small task force to try and contact original owners. If unable to get a hold of owners the state can take it with a court action and sell it below market rate at a low percentage to the under privileged folks of our beloved city.

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# The Columbus Dispatch

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## BROKERED DREAMS

Home security

Activists say climate is right for mortgage-lending reform

Wednesday, September 21, 2005

Geoff Dutton

## THE COLUMBUS DISPATCH

Complaints about questionable mortgage lending have spread to suburbs and rural areas, even Amish country, spurring some Ohio politicians to demand stricter oversight of brokers, lenders and appraisers.

The political climate has changed since Ohio tried to rein in mortgage lending three years ago with industry-friendly solutions.

Ohio's foreclosure rate has risen to the worst in the nation as more people have lost their homes. The problem, once viewed as a scourge of the inner city, has widened.

This fall, the Ohio Supreme Court will hear arguments in a case that could erode the state's authority over home lending.

If the decision goes their way, Cleveland, Dayton and Toledo are poised to do what the state has resisted — seriously tighten regulation of a lending industry that many local officials view as predatory.

Consumer advocates are hopeful but not confident that stronger safeguards now may be unavoidable, given the circumstances. Several Democrats and Republicans, responding to The Dispatch's "Brokered Dreams" series, called for legislative reforms this week. But the Republican leadership remained noncommittal.

An industry armed with lobbyists and hundreds of thousands of dollars in campaign contributions trounced consumer advocates in their last political battle.

"In Ohio, the finance industry is pretty much given a free ride," said Steve Olden, a Cincinnati legal-aid lawyer who specializes in predatory-lending cases. Like other would-be reformers, he is "pushing against large forces."

Industry officials say they have more than money and clout; they have the better argument.

With home ownership at a historic high, they say, the state has no business meddling in mortgages just because some people get in over their heads with risky loans.

"Do we clamp down on these programs because 10 percent of the people who are beneficiaries of these special programs have experienced problems, when the flip side is (that) 90 percent succeeded?" asked John Van Doorn, a state lobbyist for the British lending giant HSBC Holdings. "I think any reasonable person would conclude, 'No.'"

## Pushing for change

In suburban Cleveland, mayors met this summer and railed against state officials for not holding lenders accountable for the creeping blight of foreclosures, widely regarded until recently as a big-city problem.

In Columbus, city officials plan to host a statewide meeting of municipal leaders next month to gather ideas and rally for legislative reforms.

"We need tighter state law," said Columbus Development Director Mark Barbash.

Chip Bromley, a Cleveland consultant who also favors tighter regulations, said the meeting in Cleveland differed noticeably from public hearings that state lawmakers hosted several years ago. "It wasn't just black, inner-city council members anymore," Bromley said. "All of a sudden, suburban mayors were showing up. All of a sudden, the ranch-style homes had 4-foot grass, and there's no end in sight."

Statewide, foreclosure filings rose faster in suburban and rural counties than in urban ones the past six years, state Supreme Court data show. In Franklin County, foreclosures spiked 71 percent compared with 158 percent in adjacent counties.

Along a rural stretch of Rt. 87 in northeastern Ohio, new billboards warn the Amish rolling by in their horse-drawn buggies to "be skeptical of door-to-door mortgage salesmen."

Geauga County officials were stunned by calls from Amish farmers who said they had been gouged in refinancing their homes and farms.

"They never ask for help for anything. So we thought, 'We've got to do something,' " said Anita Stocker of the county Community and Economic Development Department.

The county put lengthy warnings about brokers on three billboards, signs that can be read at a horse's pace. The yellow-and-red billboards remind people, "You can be robbed when you are away from home, or you can be robbed over pie and coffee."

### **Challenging the state**

The tension between local and state officials about whether to crack down on lenders will play out in the state Supreme Court.

The justices face a fundamental legal question: Can cities adopt their own lending regulations? As foreclosures soared, leaving neighborhoods strewn with vacant houses, some cities adopted local laws. Dayton, Cleveland and Toledo passed ordinances in 2001 and 2002, imposing restrictions on lenders and requiring better disclosure of loan costs.

City officials said they had grown frustrated with state inaction. State lawmakers responded by passing a law prohibiting local regulations.

The American Financial Services Association, a lending industry group based in Washington, D.C., sued the cities. Local and appeals courts have made conflicting rulings. The Supreme Court has agreed to hear the Cleveland case.

Neighborhood groups and the Ohio Municipal League have filed briefs in support of Cleveland. Industry groups and Attorney General Jim Petro have urged the court to uphold the existing ban on local regulations.

Many city officials are fed up, said Cleveland Heights Vice Mayor Ken Montlack, chairman of the First Suburbs Consortium, a statewide group of older suburbs that hosted the recent roundtable.

"Essentially, we are asking the state government, to put it bluntly, either to put some teeth into the predatory lending law or get out of the road and allow the regions and municipalities to pursue that vexing challenge," he said.

The lending industry expects a flood of local laws if the court allows them, and warns that companies serving people with marginal credit scores will flee the state if that happens.

When cities began enacting ordinances, "We immediately became fear-filled," said Dayna Baird, a state lobbyist for the national group that sued Cleveland.

"Without regard to whether these are reasonable ordinances," Van Doorn said, "the complexity of complying with multiple ordinances would be prohibitive." If just 25 of Ohio's cities enacted laws, "we'd be in deep trouble."

### **Failing to act**

With lenders in a panic, the state law prohibiting local regulations was introduced in the House and passed 16 days later, in October 2001.

"It was unbelievable," Bromley said. "They didn't want any public input." The Senate passed the bill 3½ months later, voting 21-12.

The swift approval contrasts with the fate of recommendations by the predatory-lending study committee, a group formed under the new law to appease critics. Consumer and industry advocates, despite much disagreement, eventually agreed on a handful of modest reforms two years ago.

"Not a single recommendation in there has been adopted, and there's a half-dozen in there that everybody agreed to, including the lenders," said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio.

Everybody agreed on upgrading state criminal background checks of appraisers and brokers to national checks, and requiring appraisers to be licensed.

"I've never worked so hard for so long on a piece of legislation that was really about doing the right thing, and got nothing for it," Faith said. "All that time for nothing."

Consumer advocates see an impenetrable wall of industry influence blocking the way.

Lenders, homebuilders and real estate agents give tens of thousands of dollars in campaign contributions each year to state candidates and employ full-time lobbyists.

Rep. Chuck Blasdel, who sponsored the bill prohibiting local laws and led the predatory-lending study committee, collected more than \$112,000 during the past five years from groups and individuals identifying themselves as being in the real estate, homebuilding or lending industry.

Blasdel said reforms should focus on consumer education, not wrapping the lending industry in more red tape. But the East Liverpool Republican hopes to push through the predatory-lending committee's unanimous recommendations, which died in committee last session.

"We just ran out of time," he said. "I don't see any reason why it will not become law this session." It's unfair, Blasdel added, for advocates to say they've been shut out by the industry's political clout.

"They've always been at the table with any of the discussions we've had."

### **Paying a price**

Some members of the Republican majority favor clamping down on the industry, but they said they took a political beating the last time they spoke out.

Jim McGregor was a first-term House member when the predatory lending debate was heating up. As a former mayor of Gahanna, he had seen too many people caught up in unfavorable loans they couldn't afford.

He invoked the 1946 Jimmy Stewart movie, *It's a Wonderful Life*, as he tried to persuade his House colleagues to protect people from heartless lenders such as the banker in the movie. He suggested a middle ground, tightening the law but not as much as advocates had urged.

"The folks were pretty unhappy with me," McGregor said, chuckling. "I'm not sure if I've ever gotten a contribution from that industry since."

He said he still would like the law to go further to help people avoid the "slippery traps" of aggressive lending.

Sen. Robert F. Spada spoke on the Senate floor about biblical shepherds and chided his fellow lawmakers for allowing people "to be fleeced." For every day that passes without reform, he added, "Somebody's mother or child . . . is taken advantage of by somebody they really trusted."

Later, the North Royalton Republican lost his seat on the influential Finance Committee, which he viewed as punishment for his remarks.

Doug White, the Ohio Senate president pro tem at the time, is now chief regulator as state Commerce Department director. During the Senate debate, he warned that cracking down on high-cost lenders could force borrowers with bad credit to turn to loan sharks.

"When they foreclose," Sen. Bill M. Harris added, "it's a different way than when other people would foreclose."

Critics noted that Harris earlier had been named legislator of the year by the Mortgage Brokers Association. "I was very proud to be chosen by that organization," he replied before casting his vote.

Faith, the consumer advocate, said the relationship between the industry and lawmakers is shamefully cozy. "It's pay-to-play gone berserk."

Nonsense, said White. "I've heard that so many times. There's nobody that has more influence than (consumer) advocates. I guarantee they had every ear and every door open to them that lobbyists did."

### **Girding for battle**

For now, a patchwork of federal laws and agencies regulates mortgage lending.

Ohio imposed a predatory-lending law in 2002 that mimics federal law, allowing the state to enforce rules for the riskiest loans. But lawmakers have resisted expanding oversight, as has been done in states such as North Carolina and New Mexico.

Even HSBC lobbyist Van Doorn, who fought stricter state oversight three years ago, said, "There's no question that the regulations could use some tightening."

He said Ohio's predatory-lending law was an important step, but, "We're light years ahead of where we were" when it passed in 2002. Shortly after, HSBC's Household International settled federal deceptive-lending charges for \$484 million and agreed to a series of reforms.

White also characterized the state's efforts as a first step and suggested conditional support for stronger laws. "If the foreclosure rate keeps going up, we will tighten down. We cannot sustain a high foreclosure rate without it being a drag on the economy."

Two years ago, the attorney general proposed giving his office authority to investigate mortgage-lending complaints. Currently, mortgage lending is exempted from the state's consumer-protection law.

"I think there's some interest in reexamining this, finally," Petro said. He expects legislation soon. "Obviously predatory lending has not gone away, and we need to do something else."

For too long, advocates say, the state has waited while appraisers, brokers and lenders have taken advantage of weak oversight — as well as a mortgage-lending process that is inherently complex and ripe for manipulation.

Dan McCarthy, a corporate lobbyist, teamed up with consumer groups during the predatory-lending debate and said he will again.

McCarthy narrowly avoided being overcharged by a broker in a refinancing deal. Then a friend fell behind on mortgage payments a few years ago, not long before lawmakers took up the predatory-lending issue.

"They just got into a loan that kept escalating, and they couldn't pay," McCarthy said. "They ended up losing their house."

Between working for his paying corporate clients, McCarthy and his co-workers mobilized to help consumer groups. "I'm confident the political system will recognize the problem and a solution will happen. It's just a matter of time."

**gdutton@dispatch.com**

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Delving deeper

Wednesday, September 21, 2005

The following Web sites have extensive information about mortgage fraud and foreclosures:

- Franklin County Treasurer Richard Cordray offers tips on avoiding foreclosure and managing debt: [www.franklincountyohio.gov/treasurer/content/tips.shtml](http://www.franklincountyohio.gov/treasurer/content/tips.shtml)
- Journalist Patrick Crowley monitors mortgage fraud lawsuits and issues across the country: [www.fraudblogger.com](http://www.fraudblogger.com)
- The Center for Responsible Lending provides tips on avoiding predatory loans and lists local, state and national contacts: [www.responsiblelending.org](http://www.responsiblelending.org)
- The Ohio Department of Commerce offers guidance on borrowing, licenses of mortgage brokers and links to file complaints against real-estate agents, appraisers and brokers: [www.com.state.oh.us/real](http://www.com.state.oh.us/real)

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# The Columbus Dispatch

Ohio's Greatest Online Newspaper

Wednesday, September 21, 2005

## Behind the series



**Geoff Dutton** has been a *Dispatch* staff reporter since 2002. His recent investigative stories uncovered sexual assaults and other problems inside the state youth prison in Circleville, dissected spending by Columbus's hospital systems and exposed lax day-care regulations. Contact him at [gdupton@dispatch.com](mailto:gdupton@dispatch.com) or 614-559-1750.



**Jill Riepenhoff** joined *The Dispatch*. Her investigative reporting has exposed questionable activities involving Ohio State athletes and boosters, the OSU-campus area fire that killed students and dangerous Columbus streets where children are more likely to be hit by motorists. Contact her at [jriepen@dispatch.com](mailto:jriepen@dispatch.com) or 614-461-52

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The Hot Issue

The Columbus Dispatch

Wednesday, September 21, 2005 6:52 AM

What, if anything, should be done to protect consumers when they buy a house?

Oct 13, 2005 02:35 pm

I think lenders and builders need to better explain that by building a new home and doing a 3-1 buydown your payment will increase greatly over the next few years. 1st due to your property being taxed just on land the mortgage payment the 1st year is low, but once it is taxed on the land and dwelling your payment is going to go up several hundred dollars just for this. This isn't even accounting for the buydown going up in the 2nd and 3rd year. Lenders and builders should have to explain this to the buyer better. I think if you look at the Dominion situation it probably is mostly the 3-1 buydowns that are getting foreclosed on.

Oct 10, 2005 03:40 pm

Put personal finance 101 into our schools and teach students (and homebuyers) how credit works and how to use it responsibly.

Oct 7, 2005 03:08 pm

The "American Dream" of homeownership has become the "Predatory Lenders' Dream." Homebuyers who qualify are caught off guard by lenders such as Dominion who entice buyers with their "balloon payments." Unforeseen hardships such as job loss, inflated gas, food and utility costs have all contributed to Ohio's increased foreclosure statistics. Laws are designed to protect the lenders from loss but do not protect the borrower. It's neither "stupidity" nor "risky credit." Predatory lending is simply theft by deception sanctioned by government guaranteed loans. Everyone deserves a decent, affordable home as well as the opportunity to keep it.

Sep 22, 2005 08:11 am

I think that many of these builders are actually ruining the make-up of this metropolitan area. The roads do not meet the demands of the traffic and the cities and counties and residents ought to take a stand against much of it. Look at how it has affected the retail locations, some that were "happening" are now looking like Ghost towns. It's really sad. One builder didn't disclose two very important things to us, so we walked away a few years back. Glad that we did, or perhaps we'd be in foreclosure, too like the folks out in Galloway. I think all in all materialism and consumerism is what is hurting society so much. Focus on growing in virtue, not in growing rich.

Sep 22, 2005 05:17 am

Let's place responsibility where it belongs. I am sick of this culture of pointing at everyone except ADULTS who do not read 18 pgs of FEDERAL and STATE disclosures required by LAW, and don't make their PAYMENTS!! What, can't read now? or no, too STUPID!? Or is it the EVIL lenders MUST lend \$ they EARNED to anyone (who would not qualify elsewhere) and not make any \$ doing it? That's it. Home ownership is higher than ever, no thanks to "Lending Laws", that just DEVALUE. Current laws in Cleveland & Toledo result in NO sales & NO appreciation. Nice huh? If legislation stops incentive to lend \$ for the American dream, it will remain a dream. I am sure the activists will feel better though.

Sep 21, 2005 05:54 pm

First, when buying a home one should remember that if you are one of the first homes in a neighborhood be in it for the long haul. You will see the most growth on your investment. Second, if you will outgrow it go to an almost completed neighborhood. Third, where is personal responsibility in all of this. I bet all of the people in foreclosure had cable, new cars, and other items they shouldn't have had. Just because someone will give me a home equity line of credit for 60,000 doesn't mean I am going to take it. The Dispatch who painted Dominion as the bad guy is really helping those misguided home owner's situation by telling the whole city that the neighborhood is distressed and wont sell.

Sep 21, 2005 04:47 pm

I purchased a home in New Albany through a local builder and their mortgage company partner. The construction company's customer service is atrocious and they partner with a most scurrilous mortgage lender. The mortgage lender failed to lock my loan at a low interest rate when I requested them to. The builder looked the other way. The Ohio Builders Association looked the other way, local and state offices looked the other way, the better business bureau looked the other way, all while the Mortgage company and the Builder continued to lie and mistreat other homebuyers in the same deceitful manner.

Sep 21, 2005 04:42 pm

I find it funny that a small minority of people commenting on here are against helping people. How ignorant! It's called "predatory" lending for a reason. We have a responsibility for making sure that shady individuals do not profit off of others, irregardless of their credit. Predatory lenders go after anyone. It's just those who have bad credit, regardless of the reason for the bad credit, that seem to fall into the trap because they want the same as everyone else.

Sep 21, 2005 03:13 pm

Laws and regulations designed to protect people from their own stupidity are harmful. There is a wide range of people from very stupid to very smart. These kinds of laws do nothing more than move everyone toward the average. While they help the stupid people they harm the smart people. They also usually succeed in lowering the average a little. They just slow down the evolutionary process and reduce the overall standard of living.

Sep 21, 2005 03:06 pm

Anyone thinking of buying a home should take a HOME BUYERS SEMINAR CLASS, even if you plan on using an Agent. If one does not exist locally ask around to find one. A few hours will save you lots of money, explain your 'rights-and-responcibilities' and what to look for when dealing with an Agent or even with someone who uses the FOR SALE BY OWNER tactic. "Let The Buyer Beware" and "there is a sucker born every minute!!" are good quotes to remember. The Seller is out to use anyway possible to get more money for the house and the Buyer Agent will use any means possible to get you to lower you price to get a sale 'closed'. A little training is the best way to keep protected.

Sep 21, 2005 02:00 pm

It is not completely the fault of lenders for the rate of foreclosures. As a loan closer, I personally have tried to explain documents to buyers at the table. Most refuse to listen, they just want to sign, leave and get to their new home. Your home is your biggest investment and it is the buyers responsibility to read what is put in front of them-that's why they are called "DISCLOSURES". Don't blame the loan officers, blame it on the ignorance of the buyer! If you're not sure of what you're getting into, hire an attorney to review what you're signing(that's also disclosed at the closing). It is only a small minority of "shady" brokers/lenders. Don't put the blame on them.

Sep 21, 2005 01:35 pm

I am amazed at how little the government is held responsible for this. For years I have listened to politicians promote plans to increase the percentage of homeownership in this country. Well how in the world do voters think homeownership percentage will increase unless more "high risk" mortgage applicants get approved? When the government just subsidizes the risk that banks take so that "high risk" applicants can get approved, of course the default rate is going to go up. Today the government does nothing to reduce the risk. They just assume the risk so the bank doesn't have to. Having the government guarantee a high risk loan doesn't protect consumers, it just protects the bank.

Sep 21, 2005 12:17 pm

I hope that anyone reading this article and addressing this problem is not surprised. America has long been becoming a nation

where the rich get richer and the poor get poorer and greater in number. Recently we have seen this reality on the fast track, being propelled by government at many levels. If you follow the money, someone is getting rich from these foreclosures. If you stop the profit taking in a foreclosure, you will stop the irresponsible lending and reduce the problem. I am sorry to say, following the money and stopping the profit is probably the answer to many national problems.

Sep 21, 2005 11:35 am

Dominion builds SO MANY homes, it takes them years finish a neighborhood. Meanwhile, people outgrow their starter homes, get divorced, get transferred, etc. and can't offload their home because Dominion has clean, brand new homes for no money down. I own a Dominion Home and am stuck with it for at least two years until the builder gets out. Then I'll only be competing with my neighbors.

Sep 21, 2005 11:33 am

Yes definitely some should be done. At this point, I would hate to tell anybody I am from Ohio after this story is spread all over the nation. We need to be proud of our State, the politicians (our governor) to name a few, is just an example. Our laws need to be amended and enforced, who do me count on to protect the consumers, when we do not have a law on the books for the new homeowner. You are protected when you buy a car or small purchase but not a HOUSE. Sad. Definitely to count on a salesman or a realtor, sorry to say they look after their pocket books only. Their out of it, after the consumer signs on the dotted line.

Sep 21, 2005 11:26 am

Vacant houses negatively effect all neighborhoods. There should be more (or at least equal) incentives to reclaim a vacant house as new home builders receive to create new housing. Why should any developer receive a tax credit or subsidy of any kind for building a new home on a block where there are vacant houses?

Sep 21, 2005 11:05 am

Good question? Who is looking out for the buyers who end up with houses worth a lot less than they paid? With the new laws dealing with bankruptcy what happens to us? Oh, but it is really about the buyers or it it about the people at the top making millions while thousands of people watch their own dreams of home ownership go up in smoke? A concerned reader

Sep 21, 2005 10:55 am

My three are so many that are being rather "high and mighty" stating that no one with poor credit should be able to buy a house. Maybe it is time for people with an attitude such as that to get over themselves, are they part of the problem or part of the solution. There are too many "get rich quick" artists that have flipped homes, with serious defects, that should not be housing families. There needs to be clear protections against that. Some of the games such as "buy down" on taxes need to be brought under control. The way to control such issues is when "creative" mortgages are used the seller cannot walk away clean until the "buy down" portion has ended.

Sep 21, 2005 10:10 am

**HOLD PREDATORY LENDERS REPSONSIBLE!** We also need to have an area where individuals can make informal complaints where they can be tracked to see who is having issues. Debt to income ratios need to be tighter. Let's help those who want to own a home realize that dream. But the checks and balances need to be there. If it is a first time home buyer or someone who just wants to know the process, they take a 1X class on owning a home and the process of buying a home so they are not taken advantage of. (It should be mandatory for first timers). Had they been enlightened, would they have signed the papers?

Sep 21, 2005 10:06 am

"IF" we could get rid of 'Fannie Mae', Freddie Mac', FHA, FmHA, and the whole host of Federal and State lending programs, most of the problems would automatically be corrected by The Lenders themselves, by returning to "PRUDENT" lending practices.. As it is the lenders are almost fully protected.. With the loans virtually 100 insured, it's the old "Let George Do It" syndrome that removes caution on the part of the lenders..

Sep 21, 2005 10:03 am

Consumers need to take responsibility to protect themselves. STOP putting that responsibility on others! We so blindly follow anybody and anything and no longer know how to think for ourselves in any area of life it seems. I also want to point out that the last few "hot issues" have been so similar that people's responses sometimes didn't even apply to the question. Pay attention people, this is YOUR life, guard it! Good hot issues by the way dispatch!

Sep 21, 2005 09:54 am

Bad leadership leads to high unemployment rates, which in turns lead to high foreclosure rates. Lack of leadership is also what enables the crooked lenders to continue to prey on the citizens of Ohio while our leaders spend time on the golf course with who knows who!

Sep 21, 2005 09:42 am

I am currently trying to sell a home in a newer neighborhood. I experienced many sales people who only wanted to show me the bottom line of what my monthly house payment would be. Fortunately, I was educated enough to do my own homework and ask all of the important questions to determine realistically what my monthly payments would be. I believe that we as consumers fail to always view a realtor as a salesperson who is only looking for their next commission, just like the rest of us. We need to view them as any other salesperson and do our homework prior to being taken advantage of. The old adage applies, "if it sounds too good to be true then it probably is!"

Sep 21, 2005 09:32 am

No one and I repeat no one should be able to secure a home loan with questionable credit. While I agree that lenders such as Dominion should shoulder some of the responsibility, what about the responsibilities of the potential buyers. If this is your first home, educate yourself, do your research, pay your bills on time & most importantly accept responsibility for your actions as a consumer. I live in one of the neighborhoods mentioned. I am appalled at the lack of care and responsibility to properties around me. If you have no \$ saved and have trouble paying your bills on time - DON'T EVEN THINK OF BUYING A HOME AND BRINGING THE REST OF US DOWN...

Sep 21, 2005 09:19 am

Amazing. Someone with less than perfect credit shouldn't have the opportunity to buy a home? Ok. I think the bigger problem has to do with the fools that have pretty good credit, have expensive homes yet have second and third mortgages to finance their boats, SUV's and their wives cosmetic surgeries. Quit dumping on the guy trying to provide a home for his family. If they can't afford it, they will lose the home. Don't take away the opportunity from those that can make it happen. The vast majority have no problem with their mortgage payment. This story is making the problem bigger than it really is. I guess the Dispatch needs to blow stories out of proportion in order to sell papers.

Sep 21, 2005 08:52 am

After reading the articles, one thing comes to mind: Ohio is a very, very crooked state! To allow predatory lenders continue their business along with their shady brokers is an abomination! Why must our state always be first or near the top in many "shady" deals i.e. first in foreclosures. Why are no laws enacted to adequately protect the consumers? And why should someone buy a house with no money down and questionable credit in the first place? If these people who are approved can't save for a minimal down payment, what makes anyone think they will make timely house payments as the years roll by? They have little to lose as they didn't put anything into the house in the first place!

Sep 21, 2005 08:47 am

This is not just a problem for the individuals who are foreclosed on but for all of us. It affects our neighborhoods and our schools. When individuals purchase homes they can barely afford because of these "magic" mortgages, they won't vote for a school levy, or they lose the home and it sits empty which makes the neighborhood look terrible. There are so many homes, that we can't sell our homes when we want to, or we lose money because we have to lower the price drastically.

Sep 21, 2005 08:25 am

Firstly they should be protected in front - from themselves! No one with bad credit or even poor credit should receive a home

mortgage loan. They should be told to go back to the drawing board and learn how to make money, and save some of it. Some people do not need to be allowed to move into a house, in a neighborhood where they do not belong financially - this situation only gives them false hope, and destroys communities by creating the foreclosure nightmare. Lenders and developers who promote this hideous disease should be heavily fined and monitored.

Sep 21, 2005 08:17 am

I'm the only person that finds it ironic that the government makes banks lend to certain groups and prohibits lenders from "discriminating" against people because of the neighborhood they want to buy in etc. and then turns around and complains when these people that should have never received a loan in the first place default? We really try to protect people from their own stupidity too much. People are getting screwed because we try to take care of them too much so they have no ability to analyze situations for themselves. Too much consumer protection has contributed to this problem as it has taught people that they don't need to think for themselves.

Sep 21, 2005 08:15 am

I am a single mother of two. I purchased my home in Westerville in 2000. This was a private mortgage company which had no restrictions like a bank would with doing appraisals. My realtor hired the home inspector who found nothing he should have. My rotted roof, unsafe balcony that fell once the tree in the back was removed. This also took off part of my roof. Carpet was laid on top of carpet, bricks cemented to the carpet. An unsafe, and improperly installed wood burner. My siding fell off last year and when trying to repair we noticed there is nothing to nail it to. No permits were available.

Sep 21, 2005 08:08 am

It's a shame that Ohio is one of only two states that allow those aggressive lending. It's a joke to say that regulations will force lenders to leave Ohio. Where do they go?

Sep 21, 2005 07:32 am

Many who would not have gotten houses did get houses and are paying for them. The issue for a lot of them is they have a small payment for a year and then it jumps after that. After a year they can't afford the house. I don't think a builder can presuppose ignorance if a person qualifies for a loan. The borrower has the responsibility to pay for the house. I guess there is a reason they have a poor credit rating.

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