

Gov will break his silence on loan crisis

By [Scott Van Voorhis](#)

Boston Herald Business Reporter

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With foreclosures skyrocketing across the state, Gov. [Deval Patrick](#) will make a long-awaited speech on the issue tomorrow.

Patrick has accepted an invitation to address an annual State House gathering of the Massachusetts Association of Community Development Corps.

The group has lobbied for legislation that would aid struggling homeowners and tighten regulations on mortgage lenders. It has put the foreclosure issue at the top of its legislative wish list this year - along with winning back \$2.5 million in state funding for small businesses.

Foreclosure auctions across the state hit the 1,111 mark last month, more than double the number in March 2006, the Boston-based Warren Group reported yesterday.

"We think the governor is going to be an influential player in whatever happens," said Joseph Kriesberg, executive director of the nonprofit community activist group.

Patrick's decision to talk about the hot-button issue comes after months of silence, even as administration officials have unveiled proposals aimed at grappling with the rising rate of foreclosures. Attorney General Martha Coakley and Secretary of State [William Galvin](#) have rolled out proposals of their own.

The issue has been an awkward one for Patrick, who until last year sat on the board of a company that oversaw two major subprime lenders, Ameriquest and Argent. The foreclosure issue is linked to the explosion in high-interest-rate subprime mortgage lending, experts say.

PATRICK OUTLINES PLAN TO ADDRESS FORECLOSURES

By Priscilla Yeon
STATE HOUSE NEWS SERVICE

STATE HOUSE, BOSTON, APRIL 25, 2007Isabel Frias of Lawrence had a dream of buying a three-bedroom home so she could comfortably give her three children a decent place to live. She said she was about to take a course for first-time homebuyers to learn how to obtain a mortgage from a bank. But her former boyfriend convinced her not to take the course and to get a loan from his friend who was a broker.

She found a beautiful three-bedroom home in Lawrence for \$347,000. The broker said her mortgage payment was going to be \$2,048 a month but days later he told her she was actually responsible for \$3,026 a month. He also falsified her annual income in the mortgage application, claiming she earned more than \$75,000 a year when she was making \$18,000, so she would be qualified for a mortgage.

"Everything was spoken in English, I didn't know what was going on," Frias said, in Spanish.

In April 2005 she bought the three-bedroom home and by November she was notified she had 72 hours to vacate the house due to late payments.

Now she lives in a three-bedroom apartment in Lawrence, but Frias still wants to buy a house. With the help of the homeowner advisor, she is trying to fix her credit so she can make "my dream" come true of buying a house.

Today, Frias went to the State House to lobby for strict laws stopping predatory lending and better consumer protection regulation.

"Behind those numbers are real families losing real homes," Gov. Deval Patrick said during an announcement of a series of initiatives to fight the surge in home foreclosures and better assist consumers.

Patrick told members of the Massachusetts Association of Community Development Corporation (MACDC) he is proposing legislation that would criminalize mortgage fraud, prohibit abusive foreclosure schemes, mandate pre-foreclosure filing notices and establish a central repository of foreclosure notices at the Division of Banks.

He also announced he is taking "immediate regulatory action" by strengthening the state's consumer assistance and education for homeowners who may be facing foreclosure and instituting regulatory changes that increase licensing and education requirements for mortgage lenders and brokers.

His proposals are based on recommendations of the Mortgage Summit Group report, led by Commissioner of Banks Steven Antonakes. Patrick said the report, which included input from 50 participants from government agencies, non-profit organizations and the mortgage lending industry, was possible due to a broad partnership he hopes to preserve to improve the support for homeowners and monitor the industry.

"I want to say how much I look forward to working with you in the same spirit we have worked together so far," said Patrick.

The governor said he is working with Attorney General Martha Coakley, Boston Mayor Thomas Menino, Sen. Jarrett Barrios (D-Cambridge) and Rep. David Torrisi (D-North Andover) on a "comprehensive foreclosure prevention bill."

In their legislative action day, members of the MACDC lobbied in favor of several pieces of legislation that would increase state investment in the production of affordable housing, preserve affordable homes and home ownership and support local small businesses to create jobs in underserved communities.

According to MACDC President Joseph Kriesberg, passage of bills, filed by Barrios and Torrissi, which would better regulate mortgage companies, reform the foreclosure process, provide loans and grants to people at risk of losing their homes and provide funding for non-profits to counsel homeowners are also crucial.

Ana Luna helps families who are victims of predatory lending in Lawrence. She has heard and witnessed "many sad stories" and today she asked her legislators for more funding to her non-profit organization and better laws protecting consumers. She stressed the need for more homeownership education in languages that the consumers would best feel comfortable with.

"I have people who have fallen out of luck," said Luna, director of the Arlington Community Trabajando.

Patrick's initiatives are an "add-on" to bills proposed by legislators seeking to stem the foreclosure crisis, said Kriesberg. "Ultimately, it's a complicated issue and it requires a comprehensive approach," said Kriesberg.

Antonakes said he is also supportive of Barrios' proposal, which would compliment the governor's initiatives, he said.

In January of 2006, former Attorney General Tom Reilly and Antonakes announced a settlement with subprime lender Ameriquest Mortgage Company due to predatory lending allegations. The company agreed to pay back Massachusetts residents \$12 million to resolve the allegations. Under the agreement, Ameriquest had to implement a series of measures to enhance the company's business practices.

Last month, news broke that Patrick, who served on the board of Ameriquest parent company ACC Capital Holdings, made calls to Citigroup officials on behalf of Ameriquest.

At today's event, Patrick made no mention of his past work for ACC Capital.

"Right now we're facing an escalating and complex crisis of home foreclosure all over the country, it's not unique to Massachusetts, it's happening everywhere," said Patrick, who fought against predatory lending as a civil rights attorney for the Clinton administration.

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Patrick proposes mortgage fraud law He also aims to aid victims of schemes

By Kimberly Blanton, Globe Staff | April 26, 2007

Addressing Massachusetts' rapidly escalating number of home foreclosures for the first time, Governor Deval Patrick yesterday proposed tougher enforcement and penalties in the mortgage markets, including criminal prosecution of lenders and brokers who fraudulently induce borrowers to take out home loans.

The governor also supports giving financial aid to borrowers who are victims of such fraud and are at risk of losing their homes.

Patrick said he would soon file legislation to make mortgage fraud a crime and also threw his support behind other proposals introduced at the State House, including raising fees on mortgage brokers and lenders and using the money to hire more government regulators to scrutinize the industry.

The goal of these various efforts would be to "make sure people don't find themselves at risk of losing their home," he said.

Foreclosure notices filed against Massachusetts borrowers hit a record in 2006 -- 19,487-- and are on track to exceed that number in 2007, based on notices that were filed in the first quarter of this year, according to ForeclosuresMass.com, which tracks filings.

Moreover, Warren Group, a real estate research firm, reported this week that the number of homes in Massachusetts that were auctioned in foreclosure soared nearly 200 percent, to 3,118 in the first quarter, up from 1,069 during the same period a year ago.

"Behind these numbers are real families losing real homes," the governor said.

Federal regulators have identified subprime mortgages as the primary cause of rising foreclosures. These loans charge higher interest rates to customers with poor credit histories in order to compensate lenders for the greater risk of default by these borrowers. These mortgages typically have low, two-year introductory rates that make initial payments more manageable, but which critics contend induce people to buy homes they cannot afford.

When the introductory period ends on those loans, interest rates generally increase by several percentage points, driving up monthly payments by hundreds of dollars. Foreclosure filings follow once these borrowers are unable to make the higher payments.

Regulators, including the US Comptroller of the Currency and Massachusetts Commissioner of Banks Steven V. Antonakes, have said some brokers and lenders may have committed fraud when they sold such loans, either by not clearly explaining to borrowers the true costs of their mortgages or by falsifying income figures to ensure borrowers qualified.

But state law does not explicitly identify mortgage fraud as a crime, which Massachusetts Attorney General Martha Coakley has said makes it difficult to prosecute criminal complaints against unscrupulous lenders. Under current law, mortgage fraud is defined as a civil offense, which carry lesser penalties.

Kevin Cuff, head of the Massachusetts Mortgage Bankers Association, said his organization would support proposals to prevent problems in the subprime industry as long as they do not restrict "legitimate uses of the lending marketplace and the access to credit to deserving homeowners."

The most controversial measure may be financial aid for delinquent borrowers at risk of losing their homes. State Senator Jarrett Barrios, a Cambridge Democrat, and state Representative David Torissi, a Lawrence Democrat, have proposed a \$10 million relief fund that only homeowners who are victims of fraudulent mortgages could tap into to refinance their mortgages at lower rates or other more favorable terms. Patrick indicated through a spokesman yesterday he supports the Barrios-Torissi measure.

Among Patrick's positions in the private sector was a two-year stint as a director of Ameriquest Mortgage Co., one of the nation's largest subprime lenders. Patrick said he was the point person for Ameriquest's board helping the company to reach a \$325 million agreement in January 2005 with 49 states to settle charges that it defrauded low-income borrowers. Patrick was a civil rights lawyer for the Clinton administration in 1996 when the Justice Department sued Ameriquest's previous corporate parent, alleging discrimination.

More recently, Patrick acknowledged in February that he had called a top official of [Citigroup](#) to vouch for the current management of Ameriquest, which was seeking a quick cash infusion from the banking giant.

Yesterday, housing activist Bruce Marks, chief executive of Neighborhood Assistance Corp. of America, said he would bring a group of subprime borrowers today to Patrick's office to ask for assistance.

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Deval decries mortgage fraud

By Scott Van Voorhis

Boston Herald Business Reporter

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Gov. Deval Patrick broke his silence yesterday on the Bay State's mounting mortgage foreclosure crisis, calling for aid to struggling homeowners and a crackdown on predatory lenders.

But hundreds of complaints to the state Attorney General's Office about Ameriquest, a home lender Patrick helped oversee as a director from 2004 until mid-2006, are raising new questions about the governor's past corporate ties.

Meanwhile, Patrick also is facing pressure from national mortgage activist Bruce Marks, who is planning to stage a protest with desperate homeowners today in front of the governor's State House office. Ameriquest is one of the top subprime lenders when it comes to foreclosure filings in Boston.

"The governor needs to step up and use his power to stop the foreclosures and force the lenders to modify loans," Marks said.

In a speech to hundreds of activists from community development groups, Patrick called for making mortgage fraud a criminal offense and for banning abusive foreclosure "rescue" schemes.

"Right now we are facing an escalating and complex crisis of home foreclosures all over the country," Patrick said.

Still, the governor yesterday did his best to avoid questions about his time at Ameriquest, rushing from his State House speech on foreclosures with reporters scrambling in tow.

The governor, in a later press briefing, defended his time on the Ameriquest board, where he earned hundreds of thousands of dollars a year. He also argued the issue of subprime mortgages ending up in foreclosure is an industry-wide phenomenon not limited to Ameriquest.

A spokesman said Patrick helped negotiate a multimillion-dollar settlement between Ameriquest and 49 states over its lending practices.

“Gov. Patrick has been involved in fighting predatory lending and in helping to reform lending practices for two decades,” said Kyle Sullivan, a Patrick spokesman.

Still, the AG’s office has fielded more than 300 written complaints about Ameriquest’s lending practices since 2004, which escalated dramatically last year after a \$325 million settlement was reached with states across the country. That number far outstrips complaints against other major subprime lenders, the AG’s office reports.

Chris Orlando, an Ameriquest spokesman, declined to comment on the AG’s numbers, but said, “We currently have 15 active inquiries from Massachusetts, most of which are not related to our practices, but rather assisting customers who are facing a hardship.”