

Swift Steps Help Avert Foreclosures in Baltimore

By JOHN LELAND
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BALTIMORE — When Wilbert and Patricia Savage missed two mortgage payments on their tidy row house here last fall, Mr. Savage, 75, despaired that they could ever catch up.

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Brendan Smialowski for The New York Times
Jennifer James of the Belair-Edison Neighborhood Initiative.

But he remembered Roy Miller, a nonprofit housing counselor with a nearby storefront office who had helped other neighbors in trouble. The Savages visited Mr. Miller, and he called their lender and was able to work out a repayment plan for the missed payments, something Mr. Savage said he could never have managed on his own.

“Without Roy, we’d probably be out of the house or close to it,” he said.

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Patrick Andrade for The New York Times
Wilbert Savage outside his home in East Baltimore. He and his wife, Patricia, recently sought help when their loan payments rose.

As home foreclosure rates rise around the country, they appear to have stabilized or dropped in one neighborhood here, Belair-Edison, providing a model that local housing officials say can be copied in other areas.

For much of the decade, Belair-Edison, a lower- and middle-income neighborhood on the edge of East Baltimore, has had one of the city’s highest foreclosure rates. From 1993 to 2003, one in three homeowners in the neighborhood lost their homes.

But since those peak years, foreclosures have fallen by more than a third, a development that Thomas E. Perez, Maryland’s secretary of labor, licensing and regulation, says can be largely credited to Mr. Miller’s group, the Belair-Edison Neighborhood Initiative, which uses public records and street level marketing to reach high-risk borrowers before they fall too far behind.

“People all too frequently hide, or get embarrassed, or put their heads in the sand, but delay is disastrous,” Mr. Perez said.

The Savages bought their three-bedroom house in 1988 for \$55,000, with a low-interest loan from the Veterans Administration. But by 2006, they had bills to pay and needed to do some home repairs. At the same time, with home prices rising, they began to receive offers to refinance. Through a radio advertisement, they found they could get a \$117,000 loan, with mortgage payments they thought would be \$800 a month. Last fall, however, the payments were adjusted to \$1,181, and they fell behind.

Mr. Miller is now helping the couple refinance to a low-cost loan through the city. He also put them on a budget for the first time, cutting out lottery tickets, restaurants and some clothing purchases. “We used to eat out every Friday,” Mr. Savage said. “I miss it.”

Housing counseling has long been a part of community development, and in December, the federal government approved \$180 million for counseling programs to stem the foreclosure crisis.

But in a survey that month by the California Reinvestment Coalition, most housing counselors said lenders were either largely unwilling to modify loans or they proposed terms the borrower could not afford. Mr. Miller said he had had success persuading some lenders to modify terms and had been able to help some homeowners refinance using public sources of money. But sometimes, he fails.

Statistics on foreclosure are snapshots of a moving phenomenon, and data from the state labor department show 174 foreclosures in Belair-Edison last year, while the Community Law Center, a nonprofit public service group, counted 181; both figures are well below the more than 275 foreclosures in 2001 and in 2002. Because of a difference in counting the 2006 figures, the state number represents an increase in 2007, but a decline over several years. Both agencies attribute the discrepancy to the inexact nature of counting foreclosures.

In the foreclosure crisis, lenders and borrowers both say the other has missed opportunities to save troubled loans. Lenders, who say they lose tens of thousands of dollars on every foreclosure, estimate that half of borrowers facing foreclosure never contact their lender, and many avoid the lender's calls or letters. In turn, housing advocates say lenders are reluctant or unable to modify loans. A survey by Moody's Investors Service found that 16 large servicers of subprime mortgages modified only 1 percent of loans that adjusted during three months studied last year.

"People are calling and they can't get through to anyone at the servicer, and time is running out," Mr. Perez said.

Both sides are hurt by this impasse.

In Belair-Edison, the campaign to break through began in 2003 and 2004. Belair-Edison is a transitional neighborhood flanked by boarded-up stretches on one side and a popular park and middle-income neighborhood on the other. At the time, it was starting to attract teachers and hospital workers, and housing prices, which had been depressed since the 1970s and 1980s, were on the rise. But houses were falling into foreclosure, in part because of mortgage fraud schemes.

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Brendan Smialowski for The New York Times
Aspiring first-time home buyers at a home-owning workshop in an area of Baltimore hit hard by the subprime mortgage crisis.

In response, the Belair-Edison Neighborhood Initiative began to change the way it worked with residents and other housing groups. The agency has eight full-time employees and an annual budget of \$450,000, from public and foundation sources. "Their reaction to foreclosure was to strengthen outreach," said Sally Scott, co-chairwoman of the Baltimore Homeownership Preservation Coalition. "That's very different. A standard housing counseling agency runs ads with their phone number, saying, 'Call us if you're thinking of buying a house.' They reach out and say, come in."

The Neighborhood Initiative increased its visibility through a local newsletter and a banner over the main drag: "We Don't Buy Houses. We Help You Save Yours." Working with other housing organizations and using public records, the agency began to identify and contact residents with high-interest or adjustable-rate mortgages, offering free counseling and access to low-cost alternatives.

"We preach that if you even dream you're going to be late on your mortgage, call me," Mr. Miller said. "The key is to contact us in time to do something about it. Don't call two days before foreclosure."

The foreclosure crisis has been hard on counselors, and some veterans are burning out, said Lisa R. Evans, deputy director of St. Ambrose Housing Aid Center Inc., Baltimore's oldest nonprofit housing group.

"Volume has doubled or tripled," she said. "Families in the past were losing their homes because they lost a job or had a medical expense. You could fix that with a couple thousand dollars. But now we have families coming in where the loan is two times the value of the property, and there was never any income, and there's just nothing you can do for that person. One counselor said, 'I'm exhausted.' And the phone keeps ringing."

In January, Belair-Edison hired a second housing counselor, and Mr. Miller said the volume of calls keeps rising. But he said he had not grown disheartened.

On a recent Saturday morning, he led 11 aspiring first-time home buyers in a five-hour homeowner ship workshop. If they also attend his one-on-one counseling, they can qualify for up to \$10,000 in public and private aid for down payments and closing costs.

In private, Mr. Miller talks forcefully about the predatory loans he has seen in this neighborhood. But to the class, he took a different tack.

"When people say it's the banks, or it's the lenders, or it's the real estate agents-it's not their fault.

You're the one who said, 'I want it.'"

Many subprime mortgages taken out in 2006 will adjust this year, and Belair-Edison remains a neighborhood at risk. But Eric Johnson, who was listening to Mr. Miller, was confident.

"From what I understand, with all that done, this is a good time to buy a home," he said.

"This class is a good preparation