

SUCCESS STORIES of ARIZONA RESIDENTS

Helping Arizona Borrowers Avoid Foreclosure and Remain in their Homes

The Arizona Attorney General's Office (AGO) has received approximately 1,900 **written complaints from consumers** related to mortgage fraud and loan servicing issues since the mortgage settlements were announced last year. The vast majority of those complaints (about 1,560) were filed against mortgage loan servicers, both those participating in the settlement and others. Although the AGO does not provide legal advice or representation to individual borrowers, the Office does informally mediate consumer complaints by escalating them to the appropriate contacts at the banks. As a result, the Attorney General's Office helped many borrowers avoid foreclosure and remain in their homes. Here are some examples:

a. A senior citizen in extremely poor health and his daughter contacted the Attorney General's Office for help in saving their home. The homeowner, who lives in Tucson, was on a fixed income and his daughter supplemented the monthly expenses. They have been in the foreclosure process for many months and the AG's Office has been able to get the sale dates postponed in order to allow them time for document submission and loan modification review. With the AGO's intervention, the homeowner obtained a mortgage loan modification with an affordable monthly payment. As a result of this advocacy, **the borrower was able to keep the home he raised his family in and obtain peace of mind.**

b. Homeowners in the Phoenix area had been trying to work with their bank to obtain an interest rate reduction since October, 2009. The household income had decreased due to a salary reduction for the husband after his company changed ownership. Eventually all positions in the husband's company were eliminated. During their many contacts with their servicer, the homeowners could not find a representative who would even discuss their situation. They were finally assigned a customer representative contact who, unfortunately, failed to assist them. The homeowners managed to keep their mortgage current, although the bank told them to let the mortgage go late to show their hardship. They did not, and up to this point, have depleted most of their savings in order to keep the payments current. After submitting their complaint to the AG's Office, it was escalated on October 25, 2012 and reviewed. **On April 8, 2013, the homeowners will finally receive the interest rate reduction they have been seeking for three years.**

c. This 72-year old borrower on fixed income fell on hard times with health issues including an emergency bypass. After obtaining an adjustable rate mortgage loan for \$120,000, he missed months of payments and was unable to maintain the insurance and taxes. His bank added a lender-placed insurance policy to his account and his overdue payments continued to increase. The consumer filed a complaint with the AG's office in March, 2012 and was facing a foreclosure sale set for June, 2012. He was declined for loan modification relief. His housing counselor in Tucson contacted the AGO to assist with the escalation. By April, 2012, the original loan of \$120,000 was now \$127, 726. After the AG's Office escalated this matter to the bank for another review, the consumer was approved for a principal reduction and loan modification under the national mortgage settlement. The loan modification was finalized in November, 2012. **The consumer received a principal reduction resulting in a current loan of \$80,000 with an affordable monthly payment of \$626.**

d. This complicated case was referred to the AG's office in September, 2011 by a U.S. Representative's Office due to concerns about questionable lender practices. One of the homeowners lost his job in August 2008, creating a hardship to maintain both a first and second mortgage, and it wasn't until November 2012 that the case ultimately resolved to the borrowers' satisfaction. After considerable delay and contradictory information, the borrowers were approved for a trial loan modification in August, 2009. Over the next two years, the homeowners submitted loan modification requests regarding their first and second liens. The bank denied both pending modification requests and started foreclosure proceedings in September, 2011 with sale date set for December 15, 2011. The bank stopped accepting their payments in September, 2011 once foreclosure process started. As a result of the AGO's escalation, the foreclosure date was postponed and the bank resubmitted a modification request to the first lien investor. Further dilemmas complicated the resolution, but **a loan modification on the first lien was finally achieved in July, 2012. The bank also agreed to submit information to the credit reporting agencies to repair the borrowers' credit. In October, 2012, the bank extinguished the second loan as part of the relief provided under the national mortgage settlement.**

SUCCESS STORIES of ARIZONA RESIDENTS

e. A homeowner applied and was approved for principal reduction assistance through the Hardest Hit Fund, a federally funded program run by the Arizona Department of Housing. The homeowner advised the bank that, with this additional funding, her payment would be affordable. The bank, however, would not accept the payment from the Hardest Hit Fund because the consumer was in bankruptcy. The homeowner explained the bankruptcy had been discharged but could not get anyone at the bank to obtain the proper paperwork to clear the loan and enable funding from the Hardest Hit Fund program to be released. The Attorney General's Office escalated the complaint and finally **the bank looked into the issue and cleared the bankruptcy. The borrower is now eligible to receive Hardest Hit Fund program funding, which will allow her to stay in her home.**

f. An elderly couple from Yavapai County was referred to the AG's Office by the Registrar of Contractors in September 2011 for assistance in remaining in their home. The couple has health issues, a brain injured son requiring care and personal and rental property with flood damage. An unlicensed contractor added to their woes by providing inadequate and improper home repairs. The homeowners used their mortgage money for additional repairs, fell behind and their servicer refused to release their insurance check which exacerbated their problems. The AG's Office eventually persuaded the servicer to release the insurance check, review the consumers' file for a loan modification and suspend the foreclosure. The AG's Office engaged a housing counselor in the Flagstaff area who personally visited the consumers' home and helped prepare their financial package. **In June, 2012, the housing counselor negotiated favorable loan modification terms with the servicer and also helped the consumers receive relief from their property tax bill. The consumers remain in their home.**

Obtaining Refunds for Victims of Foreclosure Rescue Schemes

In the past year, the Attorney General's Office continued to assist borrowers targeted by companies promising mortgage assistance relief, often deceptively. Here are some examples:

a. A homeowner in Chino Valley received a solicitation from a California "legal group" that claimed he was pre-approved for a loan modification with his mortgage loan servicer. He was advised to stop making his payments and pay \$2,400 to this company in July of 2012. After dealing with six different representatives from his servicer, he learned that he was not eligible for a loan modification, and asked for a refund. After receiving the complaint from the Consumer Information and Complaints Unit, **the company agreed to give the homeowner a full refund.**

b. An out-of-state consumer received a telemarketing call from an Arizona company, selling "do it yourself" loan modification kits. The consumer paid \$900 for a loan modification and \$995 for a "forensic loan audit". After receiving a letter from an Assistant Attorney General explaining the new federal rules against charging up-front fees for mortgage assistance relief services, **the consumer received a full refund of \$1,895.**

c. Another consumer received a mailer from an Arizona law firm offering to stop the foreclosure on her home. The firm's salesperson claimed they had the inside track on an "in-house program" at her mortgage servicer, even though the homeowner had already obtained a loan modification herself. The law firm promised they could get a better deal for a \$2,100 retainer payment. The consumer paid this fee, but then found the modification they obtained for her was for higher payments than the one she got on her own. **The firm agreed to refund \$1,800, which the homeowner accepted.**