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Saturday, October 05, 2002

Fresh funds to fight foreclosures

Loans offer help for homeowners

By **Ken Alltucker** kalltucker@enquirer.com
The Cincinnati Enquirer

A coalition that includes Fannie Mae, neighborhood groups, nonprofits and local lenders on Friday announced the creation of a \$1.5 million loan fund for people on the verge of losing their homes to lenders.

The fund comes as home forfeitures have doubled in Hamilton County since the mid-'90s and increased even more rapidly in Butler, Clermont and Warren counties.

Many community groups blame the mushrooming foreclosure rate on "predatory lending," or targeted high-interest-rate loans with terms that are difficult to repay for many borrowers. Leaders hope a new rescue fund will help curb the trend.

Predatory lenders are people "who are very good at what they do," said Barbara Busch, executive director of Working in Neighborhoods. "And they're very bad for our neighborhoods."

Working in Neighborhoods unveiled the program at its "economic learning campus," the converted St. Pius Catholic church on Llewellyn Avenue in South Cumminsville. Neyer Properties is finishing a \$2.1 million renovation of the church, where residents can get information on the loan fund as well as other homeownership strategies.

Cincinnati is one of just a dozen cities nationwide where Fannie Mae has established a loan fund aimed at assisting victims of predatory loans. Fifth Third Bank and Provident Bank will help administer the loan program.

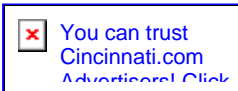
Ms. Busch has pressured Fannie Mae and local lenders to create such a loan fund after noticing a rapid jump in the number of seniors and others seeking help to keep their homes in Cincinnati neighborhoods. Many times, these seniors are unwittingly tricked into high-rate loans and charged excessive fees.

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Monthly house payments suck up most income, and many seniors dip into savings accounts to pay other monthly bills, Ms. Busch said.

Seniors aren't the only ones targeted. First-time homeowners or unsophisticated consumers in certain neighborhoods have struggled to keep their homes, too.

A new report by Ohio Policy Matters, a Cleveland-based think tank, shows that the problem of foreclosures and predatory lending has reached every corner of Ohio.

Among the group's findings:

Statewide, the number of foreclosure cases surged 155 percent from 1994 through 2001.

In 1995, one out of 520 Ohio families lost a home to foreclosure. By 2001, that figure jumped to one out of every 181 households.

Even though the rising foreclosure rate is largely perceived as a problem affecting cities, rural areas are being hit hard, too. In fact, the largest increases of families losing homes from 1994-2001 were in rural counties.

The number of foreclosure filings at least doubled in each of the Southwest Ohio counties - Hamilton, Warren, Butler and Clermont - from 1995 to 2001.

What's more, there's been a large increase in families unable to fend off foreclosure cases.

When a lender initiates a foreclosure case, homeowners typically still have a chance to save their home by catching up on payments or refinancing a loan.

Families lose their home only after a judge agrees that the homeowner has failed to meet obligations and orders a sheriff's sale.

The number of families losing their homes at sheriff's sale has increased at an even more rapid pace. In Hamilton County, sheriff's sales of foreclosed homes jumped 167 percent from the mid-'90s through 2001.

The increases were even greater in Warren (up 327 percent) and Clermont (up 244 percent) counties; no figures were available for Butler County.

There is no set definition of a predatory lender. The Department of Housing and Urban Development tracks lenders that offer "subprime" loans charging higher interest rates to customers with risky credit histories, but lenders say subprime lending is a legitimate strategy to help some people buy homes. Otherwise, those people would be unable to

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obtain conventional loans.


State Sen. Mark Mallory (D-Cincinnati) said the foreclosure phenomenon shows that state lawmakers need to revisit legislation cracking down on unscrupulous lenders.

A year ago, state lawmakers passed a law heavily backed by the lending industry that blocks Ohio cities from passing ordinances regulating subprime lenders.

Those seeking information can call Working in Neighborhoods, 541-4109.

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