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Top Stories

Lives unravel with foreclosures

JENNIFER HICKIN And KATIE GALLAGHER , Morning Journal Writers 06/27/2004

The housing market has been a bright spot in the area's economy, but ever increasing foreclosure rates show it has a dark side.

As of Wednesday, there already have been 783 orders for sheriff's sales of foreclosed properties in Lorain County this year, and the numbers of homes that the sheriffs in Erie and Huron counties have been ordered to sell have also consistently increased.

"It's clear that the problem is growing in Lorain County," said Amy Hanauer, executive director of Policy Matters Ohio, a Cleveland nonprofit research institute which, after finding in an earlier study that foreclosure filings in Lorain County had almost tripled between 1995 and 2001, is now working on an updated study on Ohio foreclosures.

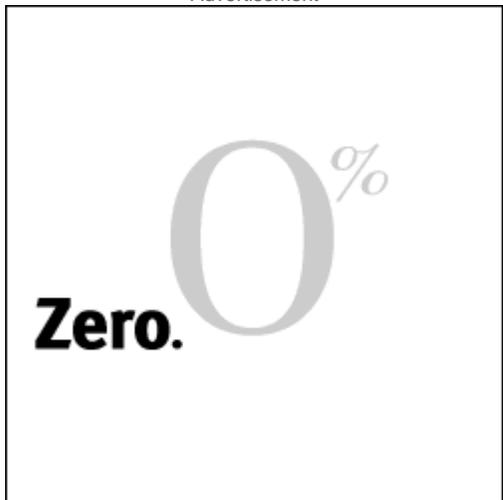
Sheriff's sales in Lorain County are up by an average of 30 a month, now totaling about 136 each month, compared to last year when the monthly average was 103, according to sheriff's Lt. William Davis. And between 2002 and 2003, sheriff's sales almost doubled, with 724 sales in 2002 and 1,221 sales in 2003, Davis said.

There have been 111 foreclosure filings so far this year in Huron County, compared to 196 total for last year, and Erie County has had 99 filings this year, compared to a total of 203 filings last year, according to the sheriff's department.

A foreclosure usually occurs when a borrower is unable to meet mortgage payments and defaults on the loan. A sheriff's sale is the final step, the actual transaction in which a foreclosed home changes hands and the proceeds go to the lender.

"It's been increasing each year," said a clerk at the Huron County Sheriff's

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Department. "That's a lot for just the first five months of the year."

"It's actually been booming over the last five years," said John Morrisson, a Lorain County assistant prosecutor. "Of course, as the economy around here got weaker, more people were unable to pay."

Lending industry officials agree the causes include the weak economy, but they also blame rising consumer debt and increased housing prices, while consumer advocates contend the explosion in foreclosures is also fueled by subprime and predatory loans.

Subprime loans, often made to borrowers who may not otherwise qualify for credit, charge higher interest rates and extra fees to compensate for the extra risk and are usually legal. Predatory lenders go farther, say consumer advocates, using fraudulent and manipulative tactics to extract exorbitant fees and interest.

According to Policy Matters Ohio, both subprime and predatory lending often tie unsecured debt to a borrower's home equity, rather than an ability to make scheduled loan payments, and often result in foreclosure.

* * * * *

Out of dozens of people who recently received foreclosure notices, most wouldn't talk about their situations, but a few were willing if they weren't identified. Only Gene Ward of Lorain was willing to let his name be used.

Ward's situation is similar to many of those who have lost their homes by working themselves into credit-risky positions, then have been pushed over the edge by losing a job, getting injured, getting divorced or a similar life-altering event.

Ward, 46, went on total disability in March 2002 after he fell down his back steps and injured his back, he said, and since December he has been waiting for his Social Security to kick in.

"When you don't have money coming in you don't have choices," Ward said in explaining the foreclosure filing, the third one on his house on Brownell Avenue.

Each time he has filed for Chapter 13, a type of bankruptcy, to hold the sheriff at bay.

Ward bought the house from his sister for \$70,000 in June of 2000 but has been living there since 1992. The house is valued at \$62,500, according to the Lorain County auditor's Web site.

Ward said his story is like many other people facing foreclosure: He's waiting for something to save the situation, in his case Social Security.

Following his injury, the insurance company that he thought would cover 70 percent of his pay until he turned 65 canceled his policy instead.

"I planned for this day. I took out all the insurance," Ward said, but the insurance company that took his money for five years only paid him for 18 months.

Ward's wife, Olga, works part-time at a grocery store and they have two daughters who live in the home.

"It's enough to keep food in the house and the utilities going. Just pay enough to slide to the next month," he said about Olga's income.

"It's a sad situation but you put God first," Ward said. "Faith has kept me in the

house so far."

* * * * *

Judy said she doesn't know how she and her family ended up behind on their mortgage payments.

"We got behind and we could never get caught up," she said.

Judy lives in Amherst with her husband and their 10 children.

"I can't really say for sure what happened," she said. "Little things like bills, we just got ourselves behind and couldn't get caught up."

Judy doesn't work, but her husband is a second shift lead man, which is like a supervisor but without the pay, for a company in Elyria, she said. His income goes toward the necessities, like food for all the kids.

Judy said she recently received a letter in the mail from an attorney who specializes in foreclosures, but that won't help.

"We don't even have money for a lawyer," she explained.

Their home in Amherst, appraised at \$150,000, is scheduled to be sold at a sheriff's sale in July. The home was bought by Judy and her husband for the same price in 1999, according to the auditor's Web site.

"We're just waiting for a miracle from God," Judy said.

* * * * *

Barbara is going to lose her home in Carlisle Township.

"Pretty much the age-old story," Barbara said about her situation.

The 49-year-old divorcee has been unemployed for a year. She was working as a computer programmer for the Mayo Clinic in Minnesota, but when the contract ended, so did the work.

"The improvement of the economy hasn't made it to my corner of the world," Barbara said.

Barbara has been both bankrupt and foreclosed before and she has already filed bankruptcy.

"I'm losing this house. There's no getting around that," Barbara said.

Barbara purchased the home for \$103,000 in 1999, according to the auditor's Web site. Today it is appraised at \$108,000.

Barbara said if she was working she could probably redo her loan and get better payments but that is not the case. She's not sure where she'll go after her house is sold at a sheriff's sale in July.

"I don't know, I'll be hoping to have a job and be able to rent something," she said.

"I'm waiting and trusting that God has something out there for me," she added.

* * * * *

After the death of her husband in 2001, a 74-year-old Oberlin woman began struggling to pay for the home she has lived in for 20 years.

Today the home on Washington Circle has a value of \$88,400, according to the auditor's Web site.

"I don't want to leave but I don't think I'm going to have any other choice," said the woman, who filed for Chapter 13 prior to the scheduled sheriff's sale of her home in May.

With Chapter 13 if she could now keep up with payments the woman would be allowed to stay in her home, but since she can't, filing for bankruptcy has only bought her some time before she will have to move. However, she said it is unclear when that will happen.

"I'm hunting for a place," she said, but with only \$800 a month it isn't clear where she will be able to find something she can afford.

* * * * *

As an attorney for Legal Aid in Elyria, Tory Bartels sees at least one person per week who is going through a foreclosure.

"People losing jobs," is one reason for the high foreclosure rate, according to Bartels.

"Another problem is Social Security is way backed up," she said.

Filing for Chapter 13 is an option for individuals to postpone sheriff's sales if they have enough income, Bartels said. Making mortgage payments ahead of credit card payments could also help people save their homes, she said.

The Chapter 13 plan usually lasts three to five years, Bartels said, and differs from Chapter 7 bankruptcy because in Chapter 7 anything the individual owns can be taken and sold.

Although some individuals end up foreclosing again after filing Chapter 13, others are able to get back on their feet financially.

"You have a fresh start," Bartels said.

Mary Ochenas, office manager for the Lorain County Sheriff's Office Civil Division, agrees that one way to stop a sheriff's sale is to file for bankruptcy. Of nine cancellations at the Lorain County sheriff's sale on June 9, at least four had filed for bankruptcy, she said.

By filing for bankruptcy, any legal action against the debtor is automatically stopped, explained Robert Balantzow, of the law firm McCarthy, Lebit, Crystal & Liffman, which represents clients in Lorain, Cuyahoga, Lake, Geauga and Summit counties. If the borrower makes peace with the mortgage company, the company will normally dismiss the case, he said.

Judy Schwochow said when she began working as a clerk in the civil division in the Erie County Sheriff's Department, foreclosures were cut and dry -- a home would be foreclosed and the sheriff would sell the home.

Today, people are filing for bankruptcy and making arrangements with the bank before the sale, she said.

"The procedure seems to be going in a different direction," she said.

The fact that borrowers become delinquent doesn't necessarily mean that they are going to lose their homes, Balantzow said.

"Your lender is not your enemy," Balantzow said he tells his clients.

Balantzow encourages those with financial troubles to contact their lender and explain the problem instead of engaging in the "ostrich approach" of burying their head in the sand.

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