

Housing crisis continues to hit home

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MARY SCHWALM/Staff Photo. Juan Encarnacion stands outside his home in Lawrence. Encarnacion is trying to modify his loan to avoid foreclosure. 10/27/10 Staff Photographer

LAWRENCE — Juan Encarnacion bought his home in 2007 for \$226,000 and started out with a monthly mortgage payment of \$1,045.

His interest rate unexpectedly increased, rising to the point where his monthly bill was \$1,610 for interest alone.

"I think I am a victim of mortgage fraud," the 66-year-old said.

Encarnacion made a \$34,000 down payment when he bought the duplex at 481B Hampshire St., and he owed \$192,100. He actually owes more money now; his balance is about \$196,000, and he's trying to avert foreclosure.

Another example of a local person caught up in the national housing mess is Danny Nunez, 31, of 22 Larchwood Road, Methuen. He was foreclosed on despite making payments.

Federal Reserve Chairman Ben Bernanke said last week that banking regulators are examining whether

mortgage companies cut corners on their own procedures when they moved to foreclose on people's homes. Attorney generals in all 50 states plus the District of Columbia are jointly investigating whether paperwork and legal procedures were handled properly.

Dubious mortgage practices and lax lending standards were blamed for contributing to a housing bubble that eventually burst and thrust the economy into the worst recession since the 1930s. Many Americans took out home loans that they didn't understand and bought homes they couldn't afford.

Encarnacion said he doesn't know where his mortgage broker is now. He has stopped paying his mortgage and sent his lender, Wachovia, more than a dozen applications to modify his loan. He wants a fixed-rate loan, which means his monthly payments would not fluctuate with interest rates.

The bank told Encarnacion that it will modify the loan and he will have to make three monthly payments of \$1,263, but he is wary of what will happen after that. Nunez entered into a similar plan, only to be foreclosed upon.

"It's fine if they want to make a temporary modification, but it's not fine if they don't want to make that permanent," said Lisa Vinikoor, lead organizer for Merrimack Valley Project, a group of faith, labor, and community leaders helping foreclosure victims. "If not, they're just setting him up for the same thing."

Nunez's hours were cut at his HVAC job, leading him to take a lower-paying job as a school bus driver and he fell behind on his mortgage. He wants his lender, Wells Fargo, to issue a new 30-year fixed rate loan based on the current value of his home, which is worth \$41,600 less than what he paid for it in 2003. Wells Fargo won't do that, but they're offering to reduce his monthly payments and give him a new 40-year loan and set his interest rate at 2 percent for the first five years. The interest would then rise by one percent per year until it caps off at 4 percent.

Tom Goyda, vice president of communications for Wells Fargo Home Mortgage, said the investor who has power over Nunez's mortgage will not allow the principal loan to be reduced, which is general practice. Nunez said he can afford the monthly payment that the bank wants him to make now, but he doesn't know if he'll be able to when it rises.

"In the long run, I have a house that I'm never going to be able to sell and I'm never going to have equity," he said. "It's like you're paying into a hole."

Material from the Associated Press was used in this report.