

Beware of Balloon Mortgages:

Get Help From Your Union



By Lillian Roberts

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THERE IS A FORECLOSURE EPIDEMIC threatening the country because of subprime adjustable rate mortgages (ARMs) that begin with low “teaser” rates, but quickly “balloon” to unaffordable payments.

The figures are alarming. More than 91,000 homeowners in New York State could lose their homes by the end of 2008. Over half of them reside in the New York City metropolitan area. Some are members of DC 37. Homeowners in predominantly minority neighborhoods of Brooklyn and the Bronx are at greatest risk of foreclosure, according to a recent New York University study.

Lenders already foreclosed on 1,200 families in Queens and 1,100 families in Brooklyn between January and March. The citywide total has doubled since 2004, and over 15,000 foreclosures are expected this year.

News coverage of this crisis has focused on the threat to the banking system or the loss of Wall Street investments. But we at District Council 37 are deeply concerned about the real crisis, the suffering of the human victims, the real people who are actually losing their homes, their savings and their piece of the American Dream.

They are victims of predatory lending by unscrupulous brokers and lending institutions who dangle subprime mortgages before people so desperate to buy or keep their own homes that they sign on the line without understanding the fine print. They have been the prime targets of greedy subprime lenders.

These predators often know well that their victims can't really afford the payments, especially when the low introductory teaser rate ends and the payments shoot up by hundreds of dollars a month, usually beyond the borrower's ability to pay. These subprime loans are loaded with hidden fees and exorbitant prepayment penalties or outright prohibitions, which make it difficult or impossible to refinance.

Balloon loans are foisted on African Americans, Latinos, immigrants, and seniors who often can't get equal treatment at major banking institutions. Victims include inexperienced first-time homebuyers, who don't realize they might qualify for more stable prime loans,

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and people who have to refinance to make urgent repairs.

DC 37 is doing everything possible to warn members to stay away from these loans and to combat this practice. Two years ago we launched the most effective union affordable housing program in the city to help our hard-working members have their dreams of home ownership come true. But our members are not immune to these mortgage brokers. Our Municipal Employees Housing Program (MEHP) helps first-time homebuyers buy the smart way. We have foreclosure prevention programs in all five boroughs, and members can call 212-815-1814 if they need help.

Our union's Municipal Employees Legal Services (MELS) attorneys work hard to save the homes of members who are either victims of subprime loans and may now be facing foreclosure or are dangerously behind in their payments.

MEHP and MELS leaders offer the following advice to help members avoid scams that target homebuyers and homeowners:

- Never use a "one-stop shop," where the broker, lawyer, home inspector and home improvement contractor will be working together, but not for you.
- Avoid adjustable rate mortgages (ARMs), with rates that can escalate beyond your ability to pay.
- Use MEHP, which provides training and credit counseling for first-time buyers. Call 212-815-1814 to speak to a counselor.
- Consult a lawyer who will work for you before you sign any real estate contract. At MELS, experienced housing lawyers represent eligible DC 37 members at no cost. Call 212-815-1111 for an appointment.
- If you are behind on your mortgage, seek proper legal and financial advice. And beware of anyone who approaches you offering help. They have gotten your name from a mortgage or tax delinquency database, and they see you as a target.

The predators are out there, trying to get rich by stealing your savings, but DC 37 is here for you. To avoid being victimized, I urge members to take this good advice from your union.



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