

## Lawmakers hear testimony about mortgage fraud

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Banks lent New Yorkers more money than they could possibly afford to repay.

Other companies urged state residents to sign papers that effectively trick them into signing over their homes or saddle them with an extra mortgage.

The Senate Banking and Codes committees teamed up last Wednesday in New York City to hear from several victims of predatory lending and application fraud after an FBI report revealed that New York was among the hardest hit by these scams.

Banking Committee Chairman Brian X. Foley, D-Blue Point, and Codes Committee Chairman Eric T. Schneiderman, D-Manhattan, assembled senators for the joint hearing to address predatory lending and other practices that target people who try to retain or refinance their homes.

"They're trying to make sure it doesn't happen again," said Ibrahim Khan, a spokesman for Foley.

James Freedland, the director of communications for Schneiderman, said the senators arranged the hearing "to identify what's going on and what needs to be fixed."

Lawrence Harris appeared at the hearing to let the senators know exactly what's going on and what it is that needs fixing.

The 69-year-old has lived with his wife at their home in Brooklyn since 1977. Around 2002 he fell behind on his mortgage when his payments increased.

So he was relieved to stumble upon an ad about refinancing. He said he responded to the ad and spoke to a woman named Mary, who told him she could help.

Harris said she claimed her company could convert the mortgage into a temporary lease, which would give Harris a chance to improve his credit. Then she said she would help him refinance

into an affordable mortgage, Harris said.

Harris said she told him that his monthly payment would be approximately \$700, which was much lower than his mortgage cost him at the time. Then, in 2004, Harris said he was introduced to a man who told him he would act as his attorney.

That man, said Harris, also told him he would have to make payments for one year and that Mary would help him improve his credit. He also told him, said Harris, that Mary would hold his deed for one year but that no one could take his property unless he failed to make a payment.

Harris said he made all of his payments faithfully but was told at the end of the year that his credit was still not good enough — he would have to continue to make payments until his credit was better.

And then Mary started demanding higher amounts, but Harris said he refused because that wasn't the agreement. Toward the end of October 2006, Harris said he was told by Mary that he was behind on his payments. He was told he would have to make another payment of \$700 on top of his regular monthly payment in order to catch up — he would then be given a payment plan. Afraid of losing his home, he agreed.

That's when everything got much worse.

On Halloween 2006, Harris said that two strangers came to his home and claimed to have purchased it the night before. Harris and his wife responded that they owned the home and had not sold it to anyone. Several days later, one of the men left a message on his son's phone demanding \$25,000 for the right to remain in the house.

In 2007, the man initiated eviction proceedings. Harris reached out for legal assistance, too.

"I did not want to lose my home of 30 years," Harris told the joint committee. "We have our memories there. It was our first home, and we had absolutely no intention of selling it."

Harris said he now understands, after speaking with his lawyers, that on the day he signed Mary's papers, someone took out a mortgage on his home for \$230,000 — \$100,000 more than his previous mortgage. Then the deed to his home was transferred to another person who took out mortgages for \$425,000.

Harris also learned the attorney who supposedly represented him had been disbarred.

Harris said he does not understand why those who stole his home were not arrested. He hopes

future homeowners will be protected.

According to the FBI's 2008 report, which contains the most recent data available, some of the worst cases of fraud occurred in Poughkeepsie, Newburgh and Middletown. Foreclosures in those areas more than quadrupled from 2007 to 2008.

However, Schneiderman said the issue has been steadily moving upstate over the years and has struck western New York particularly hard.

Schneiderman said one of the hardest things about protecting people from these scams is that no one is really sure who has jurisdiction in many cases.

Often, he said, the house in question will be in one county and the scammer in another, leaving authorities baffled as to who should act.

"The bad guys are very creative," Schneiderman said. They are continually coming up with new ways to defraud people."

However, Schneiderman said he plans to take a look at some of these jurisdictional issues. He also said there's a need for a statewide database that would help authorities track deeds and mortgages, which could help expose these problems before it's too late.

"There are some real horror stories," he said. "These scams are too easy to perpetrate."

Among those testifying at the hearing were: Charles Hynes, Brooklyn district attorney; Arthur Schack, state Supreme Court justice; Richard Neiman, superintendent of banks; Ricardo Velez, director of the state Banking Department's Criminal Investigations Bureau; Richard Farrell of the Rackets Division of the Kings County District Attorney's Office; Josh Zinner, of the Neighborhood Economic Development Advocacy Project; and Nicole Gueron of the state Attorney General's Office, who led a lawsuit against Washington Mutual and First American Corp. for false appraisal schemes.

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