

He burst the bubble! Real estate speculator Lloyd Varma defaulted on 20 loans for 10 Queens homes

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Lloyd Varma is a miracle man for all the wrong reasons. He's accused of convincing 10 banks to fork over about \$6.4 million in home loans to him - without putting any money down.

Three years ago, Varma, a man of no visible wealth, convinced 10 different banks to hand him 20 separate mortgages to buy 10 homes across southern Queens.

Amazingly, he did this in 51 days just before the housing market collapsed - getting loans for \$6.4 million with no money down.

Then, one by one, Varma defaulted on each loan, and by the end of 2007, eight of the homes were in foreclosure - a kiss of death to a neighborhood's property values.

Today, banks own four of the houses, while the others are in the process of being foreclosed.

Varma's trail of wreckage highlights a fatal flaw in the system: Banks blindly handed over money to borrowers like Varma without thoroughly checking them out.

Buyers like Varma who got in way over their heads caused a ripple effect throughout the economy. Saddled with millions of dollars in bad loans, banks stopped lending.

Foreclosures dragged down property values for neighboring homeowners who never got behind in their payments - and tenants in foreclosed homes found themselves out on the street.

"There weren't any checks on whether mortgages were affordable or viable, so subprime lenders were writing these mortgages because they could sell them to Wall Street," said Josh Zinner of the nonprofit Neighborhood Economic Development Advocacy Project.

He called the Varma loan situation "an egregious example of something that was rampant all over the city."

Experts say Varma may have been able to buy the homes in a short time because he went to different lenders for each house.

"All probably weren't aware of the other," said Jonathan Pinard, head of the Empire State Mortgage Bankers Association.

Zinner said Varma's ability to get so many mortgages so quickly raised questions about what Varma disclosed about his liabilities on his mortgage applications.

At one point last year, Varma filed for bankruptcy, listing only three of his properties - not the 10 he owned.

Varma's not talking. Reached by cell phone, he replied, "I am having trouble hearing you" before the line went dead.

His lawyer, Nan Bedesi, also declined comment, saying, "I don't have to answer your questions."

Varma went on his wild home-buying spree between Nov. 30, 2006 and Jan. 19, 2007, just before the crash.

The properties - nine two-family homes and one one-family - are in poor, predominantly minority sections of three Queens neighborhoods with some of the worst foreclosure numbers in the city: Richmond Hill, Jamaica and Ozone Park.

Varma got two loans per property - one for the down payment, one for the rest. The dual-loans ranged from \$570,000 to \$700,000 per house and came from subprime lenders that would go bust when the housing bubble burst.

Pinard said banks can miss the big picture because deeds and mortgages are not recorded immediately. Nor would the loans show up on Varma's credit report in such a short timeframe, he said.

Around Christmas 2006, Varma went into overdrive. Twice, on Dec. 18 and then again on Dec. 26, he bought two homes in one day, records show.

Though the bank collapse may have been a nightmare for Varma, it was worse for some of his tenants. Varma has stopped paying for utilities in some houses, leaving tenants to pay the bills.

Even though he has not paid the mortgage, Varma is trying to evict tenants for not paying rent. Just this month, he served eviction papers on families living in two of his foreclosed homes: 107-22 113th St. and 107-28 113th St.

Dain Chandradat, 16, said her mother stopped paying rent after Varma quit paying gas and electric bills at the 107-28 address.

"It's ridiculous," said Dain, a junior at John Adams High School. "They send notices they're going to shut off the gas and the electricity, so we pay the bills. We have the receipts."

Varma lives in Schenectady in a house he bought with a \$100,000 mortgage in February 2007. In 2008, he deeded the property to a relative.

Varma has been sued over his first purchase, a two-family at 143-01 Lakewood Ave., that he bought Nov. 30, 2006. A contract of sale lists the selling price as \$600,000 but the buyers say they got only \$540,000.

Varma's biggest impact on the blocks where his homes are located has been to lower the property values of nearby houses by as much as \$30,000.

One of his foreclosed homes is a boarded-up eyesore at 95-72 115th St.

Two weeks ago, a city sanitation inspector fined the lender \$300 after finding "scattered and matted bottle, cups and paper bags, pieces of paper, tissues, wrappers, plastic bags and foil in the front yard."

State lawmakers say they are trying to crack down.

- In October, state Banking Superintendent Richard Neiman recommended "timely" recording of mortgages and deeds.
- Under a new state law that takes effect Jan. 1 lenders must pay for the upkeep of foreclosed properties, said State Sen. Jeffrey Klein (D-Bronx).

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