



GREATER BOSTON  
LEGAL SERVICES  
*...and justice for all*

To: MCBC's Mortgage Lending Committee  
**Re: Developing New Loan Products that Meet the Credit Needs of our Clients**  
Date: April 24, 2017

As we are sure you are aware, Greater Boston Legal Services works primarily with low income persons and elders and until recently worked primarily with tenants. With the opening of the Consumer Rights Unit and the advent of the foreclosure crisis, we expanded our services and now offer assistance to homeowners seeking to stay in their homes when faced with foreclosures including reverse mortgage foreclosures, tax foreclosures and traditional mortgage foreclosures.

Regardless of whether the foreclosure is because of tax arrears, medical emergencies, loss of a job, need for property repairs the overwhelming majority of homeowners facing foreclosure would be able to completely avoid foreclosure if they could refinance into a more affordable loan payment. But, for more any reasons these options are currently unavailable.

This is especially true for many low income households facing foreclosures because the family experienced a temporary loss in employment, now have steady jobs, but are nevertheless denied loan modifications. Other than filing for bankruptcy which is often not feasible, these "house rich, cash poor" households have no options. A subordinate lien, due upon sale would allow these low-income households with steady income to remain in their homes.

For households with reverse mortgages who are facing foreclosures, the breach is usually because of a lapse in paying local taxes or maintaining insurance. Refinancing into another reverse mortgage used to be an option but this is now almost impossible because the household will not have to establish a reserve or set-aside to pay future taxes and insurance eating into equity that previously would have been available for a refinance. Often the amounts necessary to cure the breach are relatively small \$5,000 to \$20,000 but because these households are often very low income even a payment plan is unrealistic and bankruptcy is usually not an option. A subordinate lien, due upon sale would allow these elders to remain in their homes.

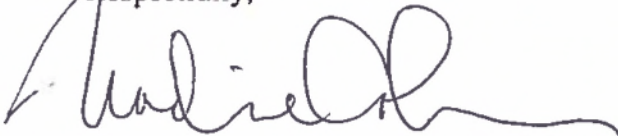
Tax foreclosures are increasing and Homeowners Options for Massachusetts Elders, the only agency that works to stabilize elder homeowners reports to us that reverse mortgage foreclosures have risen over the last three years from 25% to 40% of their caseload. The costs associated with curing tax arrears can quickly escalate if the tax lien is purchased by a private party and that party starts foreclosure proceedings in Land Court. Like the other scenarios noted above, these clients face few options and often must give up their home that is "free and clear" of a mortgage because no financing is available to help them to pay off these arrears even if there is a plan to address tax payments going forward. This is especially difficult when going forward

elders can often access exemptions or sometimes get taxes completely abated but currently these options can't be applied retroactively. Thus, there are a lot of options available to address taxes going forward but the arrears can lead to foreclosures (tax, reverse or conventional) unless the arrears are addressed. Again, a subordinate lien, due upon sale would allow these elders to remain in their homes.

Finally, we work with a number of families that have been foreclosed upon and have adequate income to re-purchase their home. While Boston Community Capital does lend to these households, these loans often do not work. To the extent that local lenders can offer mortgage loans to these households who have adequate income and can show an adverse event that caused the foreclosure and that such an event would be unlikely to recur this would fill a real need and help stabilize many households. We believe the banking community in Massachusetts can develop unique products that can help homeowners stay in their homes and stabilize communities while making business sense. We would welcome the opportunity to work with you.

Please contact us if you have any questions or concerns. We can be reached 617-603-1734 or [NCohen@gbls.org](mailto:NCohen@gbls.org) (Nadine) or 617-603-1647 or [tkaplan@gbls.org](mailto:tkaplan@gbls.org) (Todd).

Respectfully,



Nadine Cohen  
Managing Attorney  
Consumer Rights Unit



Todd S. Kaplan  
Senior Attorney  
Consumer Rights Unit