

New Beginnings

Salisbury Community Development Corporation



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More than 13% of homeowners are behind on their mortgage payments or are in foreclosure as job losses continue to grow. Salisbury Post, August 21, 2009

Here's what the CDC is doing to reduce that percentage:

Stories and Lessons Learning from the mistakes and successes of others

Lesson #1: Be careful of the advice offered to refinance your mortgage to consolidate debts.

Life was good for Benjamin and Amanda Moore of Cleveland, N.C. They had a big new home with a 5.29% mortgage interest rate, four great kids and their own trucking business. Good, that is, until gasoline hit \$4 a gallon. To conserve cash, Benjamin put all his fill-ups on his credit card. As those and other bills accumulated, the Moores tried borrowing to pay off their debts. When they were threatened with a judgment from their credit card company, they panicked.

"A fast-talking mortgage broker called and told us not to worry," said Amanda. The broker rolled their credit card debt and truck loan into a new mortgage with a payment \$1000 a

month more than they were paying. Their interest rate ballooned to 9.25 percent and a final mortgage payment was in the high six figures. Attempting to make ends meet, Benjamin sold his trucking business and returned to farming.

In March 2009, the new mortgage company began foreclosure proceedings. The North Carolina Banking Commission informed the Moores that foreclosure assistance was available. Amanda was on the CDC's doorstep a few days later.

CDC Counselor Lou Adkins called the new mortgage company and successfully negotiated a payment lower than the Moores were paying originally. She also got their loan extended — missed payments were added on to the end of the loan. "It took a long time to resolve," said Adkins.



Amanda Moore with sons Blayden (on her arm) and Benjamin Jr.

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Lesson #3: Bankruptcy is not always the solution to a mortgage problem. Bankruptcy is expensive and does not always resolve the problem. By contacting the CDC, a counselor can advise you on whether to seek legal advice.

After years of working with a bankruptcy attorney, James Morris of Rockwell has learned a valuable lesson: "Working with (CDC Counselor) Robbie Stevens from the beginning would have helped me. I should have seen Robbie first."

While working at Freightliner, Morris had filed for chapter 13 bankruptcy. That protection required regular payments to his creditors. Then he was laid off. When his unemployment benefits were less than his bankruptcy payments, a bankruptcy court dismissed the chapter 13 protection. That allowed the mortgage company to pursue foreclosure.

Morris's attorney then advised filing under chapter 7. In a conference call with the attorney and Morris, Robbie Stevens said, "I don't need chapter 7 to negotiate with the lender for a loan modification." That approach saved Morris additional attorney fees

Stevens and Morris contacted the mortgage company and together succeeded in getting the interest rate reduced to 2% for the next three years. By then Morris will have graduated with an associates degree in networking technologies, reestablished his credit, found work and rebuilt his life. After three years the percent will increase, but not to his previous 9.5%



James Morris at his home in Rockwell

interest rate. Morris' missed mortgage payments were tacked on to the end of his existing loan.

For Melissa Morrow, a certified nursing assistant, the CDC was like the cavalry coming to her rescue at the last minute.

The very day she was scheduled to pay the initial fee to declare bankruptcy, CDC Counselor Robbie Stevens called with good news. All her mortgage company needed was a utility bill in order to modify her loan. If she had filed bankruptcy the loan modification procedure would have stopped.

Morrow's home was in foreclosure after she allowed friends to stay

there and make her mortgage payments. They fell behind 12 months before Morrow knew what they had done. Bankruptcy would have cost her \$3000. She was about to make an initial \$1500 down payment on the day Stevens called.

Why would Morrow declare bankruptcy when her loan was in the process of being modified? With a foreclosure sale date for her home, Morrow feared losing everything she valued. "I panicked," she said.

With Stevens' help, Morrow's loan with Bank of America was extended nine months and her rate was dropped from 6.5% to 4.875%. That reduced her monthly payment from \$853 to \$637. "We saved her a lot of money," said Stevens. Morrow added, "I am very happy with the work of the CDC. I couldn't be happier."



Melissa Morrow's home was scheduled for a foreclosure sale Sept 8th. She started working with the CDC August 18th and was able to obtain a loan modification by August 29th.

Lesson #4: Your mortgage has priority over all other debts! Want to keep your house? Pay your mortgage first.

A mortgage and car loan are secured debt – the bank can come and take possession of property if a debt is not paid. The most common form of debt is unsecured, like most credit cards. .

Consumer Credit Counseling Services (CCCS) offers assistance in getting credit card and loan companies to reduce interest and sometimes lower payments. This allows clients to reduce their monthly expenses and get debts paid off.

Johnnie Vineyard, a certified consumer credit counselor from CCCS of Greater Greensboro, comes to the Salisbury CDC office each Monday and Tuesday. He’s there to assist with budget counseling and credit counseling.

Vineyard’s work with the Salisbury CDC is funded by the United Way of Rowan County.



Johnnie Vineyard

What’s Affordable?

When mortgage companies work with the CDC to modify an existing mortgage they attempt to make the payment affordable. In financial terms “affordable” means the payment is no more than 31% of a person’s income. For someone making \$40,000, that’s a mortgage payment of \$1033 per month or less.

Lesson #5: Even if you have a foreclosure hearing and sale date, call the CDC. It’s never too late to negotiate.

Lesson #6: Beware of Foreclosure Rescue Scams on TV, the Internet or in the newspaper. Help from the CDC is FREE!

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Since the Moores qualified for the new Home Affordable Modification Program, the mortgage company received a fee for modifying the loan.

The negotiation process has taken over six months. “Our goal is to refinance our home in five years with a local Rowan County bank,” said Amanda.

Before they overused their credit cards, the Moores were not living above their means. Amanda said, “What happened to us could happen to anyone. We are very grateful for the CDC. I thank God for Lou every day.”

Lesson #2: If you get a letter from the North Carolina Banking Commission, open it! It provides information on foreclosure assistance through the CDC.



Mission

Salisbury Community Development Corporation is a catalyst to improve the quality of life in selected neighborhoods within the greater Salisbury area. Through utilization of innovative and creative methods, the CDC seeks to:

- **Develop** attractive, quality, affordable housing,
- **Encourage** partnerships among other organizations with common goals and interests, *and*
- **Empower** individuals and families to become self-sufficient

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Salisbury Community Development Corporation

Making dreams come true.

Call 704-638-5383

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Lesson #7: Don't make the mistake of thinking that the mortgage company is writing off late or missed payments. These are included in the work out plan.

Whether they have missed one or a dozen loan payments, mortgage holders are not expecting – or getting – forgiveness. “They know that missed payments have to be made up sometime,” said Counselor Lou Adkins. “They are expecting that we can get their loan payments lowered, but no one expects a free ride on missed payments.”

Through negotiation with CDC, mortgage companies offer different options based on a client's individual needs. Sometimes they agree to add missed payments to the end of the loan, that is, they extend the terms of the original mortgage. At other times, they temporarily lower interest rates. They have also combined approaches – extending the loan *and* lowering the rate. These agreements become part of a work out plan between the client and mortgage holder.

CDC has other homeowner assistance tools. They include The Home Protection Program administered by North Carolina Housing Finance Agency and a one time payment program funded by the United Way of Rowan County.

Lesson #8: Contacting the right department when calling the mortgage company is critical.

One of the biggest frustrations in obtaining a loan modification is just getting the right person on the phone. It's neither easy nor quick.

Homeowners trying it on their own usually talk to someone in collections. The key department is loss mitigation. But even with the right department, understanding the different options may be confusing.

Working with a CDC counselor gives you an ally, someone who will watch out for your welfare, someone who will help understand as they negotiate on your behalf. To you and your CDC counselor it's personal; to the lender it's business.

