

TESTIMONY OF HELEN FERGUSON
SENATE SPECIAL COMMITTEE ON AGING
MARCH 16, 1996

Good morning Mr. Chairman and thank you for allowing me this opportunity to come before your committee. My name is Helen Ferguson. I am a 76 year-old resident of the District of Columbia. I have lived at my present home at 236 Gallatin Street, NW since 1965, but my ability to remain in my home is in doubt because of the unfair practices of two lenders.

In 1991 my total monthly income from Social Security and SSI was about \$504. With that income and the help of my family I was able to make my \$229 monthly mortgage payment for two loans from Lender A. But on that fixed income I was not able to make much needed repairs around the house. In order to make these repairs I was forced to borrow money. At around that time, I began to see and hear television and radio advertisements for Lender B. The ads said that Lender B could provide me with the money I needed at low interest rates and low closing fees.

Because of these advertisements I went to Lender B to get a loan to pay for home repairs. That is when everything began to go wrong. On July 16, 1991, I signed the papers for a \$25,000 loan with Lender B. This loan was intended to pay off my entire debt to Lender A so that I would have only one mortgage payment. For some reason that was never explained to me, this loan was never funded or recorded. Mixed in with all the other loan papers, Lender B placed a deed granting an interest in my home to my sister, Eloise Johnson. This was done without my knowledge or consent. Because I did not fully understand what I was signing and because the documents were never explained to me, I did not discover the change in the deed until years later.

Two weeks after I signed the papers for the \$25,000 loan, on July 30, 1991, Lender B prepared a second set of documents and had me sign them. I did not know that the documents were for a different loan. I later learned that Lender B only paid off the smaller of my two Lender A loans. Thus, I was now making two mortgage payments. My monthly payment increased to about \$400. I have since discovered that Lender B collected over \$5,000 in fees and settlement charges for a \$15,000 loan. They also charged me interest at 17%.

Over the course of the next few years Lender B repeatedly tried to convince me to take out more loans. They called me at home and called my sister at work. They sent letters and Christmas cards. All of this was aimed to get me further in debt.

In March 1993, I finally gave in because I needed more home repairs. But once again two sets of documents were prepared with different figures. In fact, Lender B changed the loan amount at least three times in March 1993. Eventually, the March 31, 1993, loan documents for \$25,000 were recorded. Those documents included an interest rate of 18% and settlement fees of \$5,900.

By March 1994 my financial condition had gotten worse. I could not keep up with my monthly payments. In an effort to reduce my monthly payments, I obtained a loan from Lender C through a loan broker. However, my monthly payments increased to almost \$600 and later rose to \$723. I was not aware that I had a variable interest rate and the monthly payment would increase. I also did not know that I paid over \$5,000 in fees to the Broker who solicited me on behalf of Lender C and more than 14 percent in total fees and settlement charges. My loan payment to Lender C exceeded my combined Social Security and SSI income by \$200.

Needless to say, my circumstances only worsened over the next ten months. During that time Lender B continued to call me and my sister and send advertisements to our home. In dire financial need, I entered into a fourth loan with Lender B in February 1995 for \$67,000 at 15% interest. My monthly payments were over \$783 and I was charged settlement fees in excess of \$7,000.

Even though I defaulted on the fourth loan, in late November 1995, Lender B called and convinced me to get yet another loan. Their representative came to my home to collect information for a loan application from my sister and me. He told me that Lender B would fix my rates so that I would not have any trouble meeting my monthly payments.

In late December 1995, he returned to my home with a lawyer. I entered into a fifth loan agreement for \$85,000. They charged me \$9,425 in lender fees. They left my house taking all the papers with them.

When my payment notice arrived, I discovered that I was obligated to make monthly payments of more than \$800. They also did not tell me that because of taxes and insurance for the new year my payment would increase to over \$900. From 1991 to 1996, the debt on my home had increased from less than \$20,000 to over \$85,000. My income had increased only slightly. Neither Lender B nor Lender C cared if I was able to make the payments. They just seemed to want to get me further in debt.

If I had been told the true terms of these loans from the beginning, I would not have signed the papers. If I had the means to cancel the loans, I would have done so immediately. But Lender B would not give me the signed papers at the settlements. Instead, they would mail the papers after I had received the check and spent it on necessary repairs. The check and the papers always came after the three day rescission period had passed. If I would have known all the terms of the loan in time, I would have canceled. But because I did not receive either the notice of right to cancel or the copies of the loan terms until after the rescission period, I felt helpless. At the time, I did not know that Lender B had violated the law. It was only after I talked to lawyers at AARP that I was told that I did have some rights to get away from Lender B and save my home.

I have filed a lawsuit against Lender B, Lender C and others with respect to these loans.

Thank you for listening to my story.