

Senate Special Committee on Aging

Testimony by Vireta Jackson Arthur

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My name is Vireta Jackson Arthur. My parents are Ormond and Rosie Jackson. My mother passed way in December of 1996 and my father is too ill to come here today to tell you what happened to them beginning in August of 1990. My parents were the victims of a home improvement mortgage foreclosure scam that left them penniless, traumatized and humiliated. Both of my parents were retired at the time, and my father had to start looking for work again. He did odd jobs in the neighborhood like sweeping out the corner bakery. They had to take in boarders, complete strangers, into their home to try and make ends meet.

My father is from Barbados and my mother was from Virginia. They came to New York and were married in the 1950's. They were hard working people and saved their money to buy a house one day. My mother worked as a hairdresser and later for a laundry service. My father worked for a plastics company. They bought their house in the Crown Heights section of Brooklyn, New York in 1970. We were happy in our home in Brooklyn.

But a knock at my parents door on August 27, 1990 changed all of that. A man by the name of Jimmy knocked on my parents door that day. (We later learned that Jimmy worked for GML Construction, a home improvement company in Brooklyn). Both my parents were home at the time. Jimmy told them that he noticed that they needed new windows. My parents told Jimmy that they didn't have the money for new windows because they were both in their late 60's living on a fixed income of social security. Jimmy told them not to worry about that. He said they could pay for the windows at a cost of \$43.00 per month over a 15 year period. Jimmy never told them about a mortgage. My parents were honest, hard working people not very sophisticated in the business world. They thought that Jimmy was a nice young man and they trusted him. They never thought that the day would come where they would be in jeopardy of the only thing that they had left, their home. Before all of this happened my parents had a mortgage of \$10,800 left on their house. Their monthly mortgage payment was only \$235 per month.

A few days later, Jimmy came back to the house. He told my parents for a few extra dollars a month, he would renovate their kitchen and bathroom along with putting in new windows. My parents were excited about fixing up the house and agreed. They shook Jimmy's hand and waited for the next step.

A week later on September 6, 1990 Jimmy took my parents to an office some place in Brooklyn to sign some papers. My father asked if he should have a lawyer, but Jimmy said that he shouldn't bother with that expense and that the papers were just a formality to get the work started. My parents had to sign the papers really fast, and didn't have time to read anything. Since Jimmy said it was just a formality, my parents went along with it. There were several people at that meeting, but my parents didn't know who anyone was. They only knew Jimmy of course, what they had signed was a first mortgage on their home for \$75,038.79 at an interest rate of 17.71% with monthly payments of \$1,156.22 with a hard-money lender named The Associates. The closing costs were high--they paid \$6,500.00 in points and \$3,538 for a credit life insurance policy.

The next month, my parents received mortgage coupon books and were shocked to learn that they owed \$1,156.22 per month to The Associates. Their new mortgage payment with The Associates was practically twice the amount that they received in social security benefits each month. They were stunned. They felt too embarrassed to tell anyone, believing that they had been duped. They started

making the monthly payments. After just a few months, they telephoned The Associates because they were worried that they could not continue making the monthly payments for very long. They were told by The Associates that they could refinance their new mortgage and get more money to help with the monthly mortgage payments.

Feeling desperate about not being able to meet their new mortgage payments, and too embarrassed to tell anyone that they had been tricked by this home improvement scam, they agreed to the refinance and closed on the new mortgage on 4/2/91, just 6 months after they signed the paperwork for the first mortgage. The Associates told my parents that the refinance would help them with their mortgage payments. They were distraught, couldn't afford an attorney, and barely had enough money to eat. They believed they had no other choice.

But, before the refinance with The Associates in April of 1991, my parents did try to refinance their mortgage with a legitimate institutional lender. They learned that, given their income, they did not qualify for a mortgage of this magnitude. I'm still puzzled how The Associates qualified my parents, who live on social security, for a loan of this size when no one else would qualify them. The Associates loan documents show that my parents received rental income from two tenants. They did not. But I found two leases in my parents mortgage papers with The Associates showing that my parents received rents from two different tenants of \$1,575 per month. The house is only a two family, and my parents lived downstairs. There is only one apartment to rent out. My parents had one tenant, and she paid (although not every month) \$300 in cash. There was never a lease. It is my opinion that these were forged leases so that on paper it would look like my parents had sufficient income to qualify for The Associates mortgage. I saw the signature on the lease and showed it to the tenant. She said that the signature on the lease is not hers, it's definitely a forgery.

Having no other choice, on 4/2/91 my parents refinanced with The Associates. The new mortgage amount was \$87,971.99, the interest rate was 15.92% and the monthly mortgage payments were \$1,237.47 (which is \$81.25 more per month than the first mortgage with The Associates). Again the closing costs were high--the points were \$7,500 and the credit life insurance premium was \$5,472.00.

Incredibly, in February of 1994, The Associates again contacted my parents about still another refinance. I have an internal document from The Associates with a written comment dated April 6, 1994, that reads: "Elderly couple, both on social security. Have boarders. Finding it hard to scrape up payments each month. We suggested refinance, but daughter advised family against it. Cooperative people. No equity in property."

My parents paid The Associates from October, 1990 to September of 1995. They paid almost \$68,000 in mortgage payments over this 5 year period. To this day, I don't know how they got the money. My father took odd jobs in the neighborhood to try and scrape up money. He worked sweeping a bakery and did other odd jobs. They borrowed from family and friends. They took in boarders. When they were late in their payments, a man by the name of "Mr. B" would come to their house for the money. If they weren't home, he would wait for them on the stoop. After 5 years, they were completely tapped out and couldn't afford the payments any more.

Then in February of 1996 my parents were served with foreclosure papers. They were distraught about losing their home, the only thing they had left to their names. They were so frightened they refused to open the mail. That's when they called me and told me the whole story.

I contacted literally dozens of legal services organizations to help my parents with the foreclosure. We wrote letters to the banking department and consumer affairs. No one would help. Finally, we found a

lawyer who agreed to represent my parents in the foreclosure action. The case is still pending, but at least the foreclosure action was stopped and my parents haven't lost their home.

This whole ordeal has been a nightmare for my parents. Although my mother was not in perfect health, I'm convinced that this whole ordeal contributed greatly to her death in December of 1996. She started smoking again. They received foreclosure papers in February of 1996 and my mother died later that year in December. My parents were so traumatized that they were afraid to even open the mail. They would hold the mail and call me to open it for them. We can only hope that something can be done to stop these predatory lending practices. Ever since this happened to my parents, I have learned that the same thing has occurred to many elderly people by the same lenders. It's clear to me that they purposefully select the elderly to prey upon.