

Faceless owners complicate efforts to reclaim properties

By Bill Kirk

bkirk@eagletribune.com

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LAWRENCE — When Lawrence CommunityWorks found out in April that the multifamily brick building at 121 Garden St. had been foreclosed on, the nonprofit group sought to buy it for affordable housing

Phone calls to Deutsche Bank, listed as the owner, led nowhere, as did calls to the company that handles foreclosures for the bank.

"Nothing happened for months," said Tamar Kotelchuck, a CommunityWorks project director.

What stymied CommunityWorks was the complex web of ownership that entangles 121 Garden St. and many other foreclosed properties.

Mortgage lending has changed dramatically in the last two decades. That has complicated the process of getting foreclosed properties back into productive use before they blight an entire neighborhood or city.

It has also made it almost impossible to say how many properties in the city are facing foreclosure, according to Kotelchuck.

"There's no central data bank of information," Kotelchuck said. "People ask me all the time, 'how many foreclosures are there in Lawrence?' Nobody knows. Who's doing the foreclosing? It's all very hard to say."

Once, local banks issued and retained mortgages and became the owner in foreclosure. Those banks had a stake in the communities they served. When local officials called, they responded.

Today, the bank or mortgage company that writes the mortgage may sell it to investment houses like Lehman Brothers or Morgan Stanley or to a government-sponsored enterprise like Fannie Mae.

Then these companies bundle hundreds of millions of dollars worth of mortgages and sell shares called mortgage-backed securities to investors.

In the case of 121 Garden St., the mortgage became part of a bundle that backed securities issued as Morgan Stanley ABS 2007-NC4.

Other players are trustees — companies designated to ensure that investors receive timely payments — and servicers — companies hired to collect payments from the homeowners.

Michael Harkins, an Andover real estate agent and auctioneer, has also run into walls when dealing with foreclosed properties.

Once it was easy. You'd call the president of the local bank that held the mortgage and make an offer.

Now, "you're dealing with Bank of New York as trustee for Series 2007-1, a bundle of mortgage-backed securities owned by Lehman Brothers or Morgan Stanley," he said. "The mortgage is now serviced by Option One but owned by Bank of New York as trustee for this entity you can't find. Who are these people?"

Meanwhile, tenants and owners of foreclosed properties are being evicted at a record pace by faceless owners.

At the Lawrence Housing Court, Thursdays are known as "eviction day," said Neighborhood Legal Services attorney Rob Perkins.

That's when attorneys for the banks meet with attorneys representing the homeowners and tenants they want to get out of foreclosed properties.

"None of these companies are from around here," Perkins said. "In all my foreclosure cases, I'm dealing with Texas or Delaware corporations."

He said Deutsche Bank, a German bank with U.S. offices in New York, is the biggest owner of record of foreclosed properties in Lawrence, with about 100 properties on its books. But Perkins doesn't deal directly with Deutsche Bank. Rather, he deals with the attorneys representing the bank or its servicing companies.

John Gallagher, vice president in the media relations office of Deutsche Bank in New York, said the bank is actually a trustee acting on behalf of the real owners: the investors who hold mortgage-backed securities.

"That's the tricky part," he said. "Deutsche Bank is listed as the owner of record, but we just act as a stand-in for the investors."

He said it's the servicing companies that are responsible for overseeing the foreclosure process.

The servicer in the case of 121 Garden St. was Saxon Mortgage Security Corp. of Fort Worth, Texas, which is owned by the New York investment company Morgan Stanley.

But ultimately, it was a call to Deutsche Bank's public affairs office by state Rep. Barry Finegold that resulted in the sale of 121 Garden St. to Lawrence CommunityWorks.

"I said, 'We're trying to solve a problem,'" Finegold, D-Andover, recalled telling the bank representatives. "We had someone willing to pay a fair price for the property, and they needed to get it off their foreclosure rolls."

In the end, "they did the right thing and sold."

The house at 121 Garden St. had sold in 1997 for just \$40,000. Ten years later, after a series of sales and mortgage deals, it carried a mortgage of more than \$300,000.

Deutsche Bank, acting as trustee, bought it at a foreclosure auction last May for just over \$293,000.

The bank sold it to CommunityWorks in September for \$54,000.

CommunityWorks plans to renovate the property, said Kotelchuck, walking through the second floor of the malodorous, graffiti-covered property one day last month.

"Our role is to turn these into places that families will live in."

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