

Non-traditional mortgages leave some buyers vulnerable

Baltimore has always been an FHA kind of town.

Until about five years ago, 40 percent of Baltimore buyers opted for a Federal Housing Administration mortgage, which is a mortgage insured by the federal government, according to Vincent P. Quayle, executive director of St. Ambrose Housing Aid Center.

If the homeowner got behind in loan payments, the FHA had loss mitigation procedures the lender had to go through before they could foreclose on the homeowner.

But in recent years, lured by the promise of adjustable-rate mortgages, interest-only mortgages and 80/20 loans, home buyers spurned traditional FHA mortgages.

"The problem of today is that five years ago FHA had 40 percent, and three years ago FHA sunk below 5 percent," said Mr. Quayle. "Because the market was so hot, sellers were told by real estate agents not to go FHA."

But when those non-FHA loans get in trouble, "it gave us much fewer tools to work with," Mr. Quayle said, noting that when families seek help because they're behind with 80/20 loans and ARMS, it's hard for St. Ambrose to help them.

"Often we can't even get in touch with the lender," he said. "When we do reach them they claim their hands are tied."

St. Ambrose offers a special program to save people from foreclosure, and it generally works with about 750 families a year. But in the last 12 months, 1,470 families have sought help.

Mr. Quayle noted that St. Ambrose has been able to help some homeowners, especially those who are working and trying to make their payments. "But one group shouldn't have bought homes in the first place," he said. "They have horrible credit and it's hard to refinance them out."

Fortunately, he said, FHA loans are making a big comeback. Those loans have requirements in place to make sure buyers are qualified.

In Howard County, one of the state's most affluent areas, People Acting Together in Howard (PATH) has asked County Executive Ken Ulman to convene lenders and mortgage brokers to create a strategy to address the growing numbers of foreclosures.

Hector Rodriguez, lead organizer for PATH, said in three months, there were 168 foreclosures in the county "and it's increasing." The county executive is amenable to the meeting, which is expected to take place early in 2008.

PATH, which includes area churches among its members, also asked the county executive to set up a housing initiative fund to help make housing more affordable; a similar fund has been in place in Montgomery County for several years.

PATH also wants to make sure affordable housing construction practices stick to the spirit of the law. In the past, developers were required to build so many units of affordable housing, but the law allowed them to put the units off site, which meant developers could build wealthy neighborhoods but put the affordable housing somewhere else.

The practice has been stopped, but PATH wants to see it codified into law so that it doesn't happen again. PATH also wants one-to-one replacement for affordable housing units to ensure that if older units are torn down to make way for new development, they will be replaced.

"We want a policy to stop the hemorrhaging," Mr. Rodriguez said.