

Federal program aimed at financially troubled homeowners is failing, San Jose residents say

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Posted: 06/24/2010 09:55:52 PM PDT
Updated: 06/25/2010 05:59:06 AM PDT

Four years ago, Mercy Martinez plunked \$100,000 down on her dream condo in San Jose. Today, the single mother is on the brink of losing it all.

"I don't want to default but I could see the day coming soon when I won't be able to make the payments," a tearful Martinez testified Thursday at a San Jose hearing, attended by Laurie Maggiano, policy director for the Homeownership Preservation Office at the U.S. Treasury Department.

The hearing is one of 10 being held across the country focusing on the Home Affordable Modification Program, or HAMP. HAMP makes up the federal government's guidelines under which lenders are to help homeowners avoid foreclosure when possible.

With home foreclosures continuing at an alarming pace, Santa Clara County community leaders are urging the Treasury official to hold banks accountable, claiming President Barack Obama's promise to help homeowners is failing.

The hearings are in response to calls for change from faith and community leaders with the PICO National Network, which includes People Acting in Community Together, or PACT, a grass-roots community group in San Jose.

"We are well aware that many more need help," Maggiano said at the Most Holy Trinity Church, which hosted the hearing.

In May, 778 notices of default were filed in Santa Clara County, according to an industry report released last week.

Maggiano pointed out, however, that significant improvements have been made to the program, including streamlining the loan-modification application process. Still, she acknowledged, "We are not where we need to be."

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Martinez, who purchased her home on an adjustable mortgage rate, is still seeking relief 15 months after applying for a loan modification from Bank of America. She's submitted paperwork three times to the bank and has been asked to do so again, she said.

"I can't pay these payments. I'm so much under water but I can't walk away because I put so much money down," Martinez said. "I just wish the banks would do what they were bailed out to do."

With the exception of a few, most spoke about their struggle to keep their homes at the hearing attended by about 400 people, including Assemblyman Joe Coto and San Jose Vice Mayor Judy Chirco.

According to the PICO network, fewer than 10 percent of the 3 million to 4 million homeowners the program promised to help have received permanent loan modifications. As a result, many are still waiting for responses from the banks or have lost their homes.

Some of the changes that community leaders are calling on the Treasury to make include converting HAMP from a voluntary program to requiring banks and mortgage servicers to comply; creating an independent appeals process to investigate denials; and creating a new loan program to help unemployed homeowners using unspent HAMP funds.

Finally, they want the findings from the hearings reported to Obama administration leaders for action.

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