Testimony of

David Pollock

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Chairman Whitehouse, thank you for inviting me to testify this morning. I am here to present my personal experience attempting to get a loan modification on my home mortgage serviced by Wells Fargo. In 2008, I had a dramatic decline in earned income from real estate commissions as a broker, and the misfortune of owning real estate investments that were underwater. Although I have extensive real estate finance experience, navigating the Wells Fargo process was extremely time-consuming and continuously full of conflicting or incorrect information.

Since 2002, I have been in my own business to purchase, renovate, and sell multi-family real estate in the Providence area and have also worked as a real estate salesperson. In 2005, I purchased two multi-family buildings in Cranston. The mortgages on both buildings are serviced by Wells Fargo and Fannie Mae is the investor. In 2007, I sold my then-residence in Lexington, Massachusetts and moved into a unit in one of the Cranston properties, located on Armington Street.

In December 2008, my Armington Wells Fargo mortgage payment of $3,500 had become un-affordable. With a high 7% interest rate that had been established when the property was non-owner occupied and the property value having declined by 50%, I thought the bank would modify the loan. With excellent credit and current with all debt, I contacted Wells Fargo with the goal of avoiding any bankruptcy. I submitted detailed financial statements with a hardship letter. Wells Fargo arranged a moratorium on the loan with no payments required until May. I had the understanding that at the end of the moratorium my interest rate could be lowered, the loan term could be extended, and possibly be written down to market value.

During those months, I never received a call from Wells Fargo nor had any account executive working with me to determine an acceptable plan. The few times that I did call from February through April, I was told my loan was under review for a modification. Since I did not have any answer at the end of the moratorium, the Loss Mitigation department told me to resubmit all information to start the process again. I called and spoke to Wells Fargo Loss Mitigation representatives who told me that the package had been received and was submitted for review. I was told that I needed to call every week to find out the status.

I called almost twice a week through June and was told EVERY TIME that my application was under review and there was NOTHING more that I could do, but continue to call every week and ask was about the status. It was very frustrating not to know what changes I should make that could change my finances, such as selling a property for a loss or getting a salaried job, and then be able to meet the qualifications for one of the loan modifications.

On June 4, I received a foreclosure letter from Harmon Law offices on my Armington loan. I called both the Harmon office and Wells Fargo. Wells Fargo told me that the foreclosure process will continue while my loan is being reviewed for a modification. I was told that if I paid the outstanding balance owed of over $17,000, they would cancel the foreclosure sale. That was not possible for me since I did not have much cash. I later became aware that all the information I had submitted on May 1 was actually never looked at or entered into the Wells Fargo computer system.

Now, six months after this process began, I had little time to make more dramatic changes to my financial situation. Nobody told me back in January that I needed to meet certain financial criteria for a loan modification.

Since June, I have spent huge amounts of time every couple of days calling Wells Fargo. Every time, I have to speak with a new person and ultimately get different information. I have received conflicting information numerous times. I spoke with people in the Foreclosure, Short-sale, Loss Mitigation, and Customer service departments. In all cases, I could never get one person who was in actually charge of my account. I could only speak with representatives who would make notes and read something from a computer screen.

On July 9, a Supervisor in Loss Mitigation was the first person I ever talked to that seemed helpful. I found out that I had been rejected from the review program a week earlier, even though no one ever called to tell me or to inform me the times I called. I found out that I was rejected because I made too much money; all my rental income was mistakenly counted twice. She once again corrected errors that had been entered into my financial statements and once again requested that I be reviewed for a loan modification. Two hours later, a Negotiator called me for the first time ever. She did not have the information for the loan on my residence, but rather for the loan on my other investment property. She said I didn't qualify for any programs because my income was too high. I once again told her to correct my financial information. They too had counted all my rental income twice. Then she put in a program to pay half of my mortgage payment for 6 months with the goal of a lower interest rate and term extension. I implored her to be in charge of my Armington loan, but the best she could do was to email the Armington negotiator to call me.

Two weeks later, I spoke with another supervisor who needed to correct the income information on my financial statement. I now learned that there were two separate computer systems that did not share information. If you were under review they entered information into one system, and if you were not under current review your information went in another software program.

Three days before the foreclosure scheduled on Friday August 14, the sale was postponed. On Friday morning, Fannie Mae called to tell me that they approved a loan modification based on a 31% debt to income in order to lower my interest rate to 5% with the new payments starting in November. Later when I called Wells Fargo, I was told that a payment agreement was being sent out for me to make my current payment of $3,500/month for three months. After the three months, I would need to submit new financials for a loan modification to be reviewed. The Wells Fargo customer service representative did not know anything about the information that Fannie Mae had told me. Since the Fannie Mae modification was solely based on my income and expenses, I asked Wells Fargo to tell me what was in their system. I could not understand how they had come up with a surplus of almost $650 when a couple weeks before I had a monthly loss of almost $1,000. After I did a detailed review, I discovered that the Wells Fargo numbers did not include any cost for the investment property mortgage payment, which Wells Fargo also services.

At the moment, I do not think the Fannie Mae modification with a decrease in my mortgage payment by $600 is affordable. With an outstanding balance on my Armington loan close to $430,000 and a market value near $200,000, I need to consider all alternatives. If my loan servicer won't agree to write down the loan closer to its market value, I might have to do a short-sale, move out, and the new owner can happily afford to live in my home with only a $200,000 mortgage. Like thousands of homeowners in Rhode Island I continue to be penalized for having bought property at the peak of the housing bubble. Senator, please help us stay in our homes.