

**Testimony of
Ms. Amy Womble, Consumer from Pittsboro, North Carolina**

**Before the U.S. Senate Committee on Banking, Housing and Urban Affairs
“Preserving the American Dream:
Predatory Lending Practices and Home Foreclosures”**

February 7, 2007

My name is Amy Womble and I live in Pittsboro, North Carolina, with my two sons, Josh, who is 18, and Jeremy, 16. My husband died in October 2000. Before he died, we had excellent credit. We built a house on five acres and had a mortgage we could afford. My husband and I worked together in a small construction company we owned, a land clearing and grading business that was organized as a Subchapter S Corporation.

My husband’s death was totally unexpected; he was only 37 years old. After he died, I struggled as the single parent for my two boys, 10 and 12 at the time. Though I had no more income from our business, I was personally liable for a lot of business debt. One final problem came last year, when a bank filed a \$10,000 judgment against me for an old business debt. I was very worried about how I would be able to pay this off.

One evening while I was on my computer, a pop-up advertisement for debt consolidation at low interest rates caught my eye. I contacted the company, which turned out to be a California mortgage broker. The broker arranged to refinance my home loan with a company called Saxon Mortgage. The broker sent me a Good Faith Estimate showing that my new monthly payment would be \$927, my closing costs would be \$8250, and I would receive almost \$26,000 at closing.

All this sounded good to me, but the closing kept getting delayed. The loan officer told me not to make any payments on my current mortgage because the refinance would happen any day. By the time the closing actually took place, I had used my mortgage money to pay medical bills, so I was feeling a great deal of pressure to close on the new loan.

The first time I saw the new Good Faith Estimate was at the closing table last June. The monthly mortgage payment had jumped from \$927 with escrows for taxes and insurance to over \$2100 without escrows. The closing costs had jumped from \$8000 to over \$12,000. I did not want to sign the papers but I felt like I had to. The loan officer told me I would only have to make one payment. He said he had a credit specialist who would remove all the negative things on my credit report. With this higher credit score, he said he would turn right around and refinance me again and that my mortgage payment would be the \$927 that he had originally promised.

Before we closed, the broker was very nice and seemed genuinely concerned about helping me. After the closing he just disappeared. Over the next 5 months, he never once returned my phone calls, and as you can guess, I did not get that credit repair help or the lower monthly payment he promised.

Later, I also found out that he had misrepresented the information that I had given him on our household income. I had provided copies of our social security statements, showing that I had a total monthly income of \$2751 in widows' and survivors' benefits. But the application he prepared shows our household social security income at \$4034, and that was "grossed up" by 125% to \$5042. So the income he stated for us was almost twice what I actually receive. I was truthful in everything I told the loan officer, but on

the day of the closing I had to sign a lot of documents without time to read them all. I didn't know that my income had been misrepresented on the application that he prepared.

I now know that the worst of it all involves the terms of the loan itself. My loan is an adjustable rate mortgage, with a balloon payment, which means that I will have a very large debt left to pay even after paying on the loan for 30 years. My loan currently has an APR of 12.5% (interest rate of 10.4%) and the interest rate can go as high as 16.4%. The lender has estimated that I will make 24 payments of \$2147, then 335 payments of \$2528, and after 30 years, I will owe a final balloon payment of \$176,070. I had no idea this loan even had a balloon payment until last week.

The lender has calculated that for the \$231,650 amount financed that I will pay \$1,074,412 over the life of the loan.

My main goal in getting this loan was to lower my monthly payment, pay off my \$10,000 business debt and clear my judgment, and get some extra money to tide me over. What I got is a loan with \$12,000 closing costs.

I thought I was getting a fixed monthly payment of \$927 including taxes and insurance. What I got is a starting payment of \$2147, which will only go up from there, and that doesn't even include taxes and insurance.

I thought I had a loan I would pay off in 30 years. What I got is a \$176,000 balloon instead.

I thought I was lowering my monthly payment. Instead, I refinanced from my original loan with a fixed rate and a lower monthly payment into a new loan with an adjustable rate, a balloon payment, and a higher monthly payment, even at the starter rate. This new loan takes up 78% of my monthly income. Actually, it takes up even more than

that because the payment does not include taxes and insurance. When you add those in, this loan takes up 86% of my monthly income, leaving me with \$388 a month for my family to live on.

Since I took this loan, I have had to access my equity line, pulling even more equity out of my home to meet this monthly payment. There are times when I can't afford to buy food, so my teenage boys have cereal for dinner. I am lucky it is winter, because otherwise the power company would have already cut us off.

I can afford my home, but not with this home loan. There is no way I can continue to make the payments required by the terms of this loan. Now, I am worried about losing my home, my sons' home, the home my husband and I worked so hard for.

Thank you very much for listening to my story today. It is hard for me to talk about this loan. I thought I was making a smart decision for my family, but it has turned out to be a nightmare.

I hope that my speaking out will help others understand how predatory lending really works and why we need strong laws to prevent it. Thank you for inviting me to speak today. And, again, thank you for listening to my story.