

Ms. Delores King  
Chicago, Illinois

**TESTIMONY BEFORE SENATE BANKING COMMITTEE**  
February, 2007

Thank you for the opportunity to testify here today about my mortgage.

My name is Delores King, and I live on the South Side of Chicago in a home I have owned for 36 years - it will be 36 years this August. I am a retired office administrator after 23 years on the job in the offices of the Chicago School of Optometry.

Over the years, I have refinanced several mortgages on my property, in order to make repairs and various improvements. In 2004, my mortgage balance was \$140,000, and I was paying \$798 per month on my mortgage.

In 2004, unfortunately, I was the victim of an identity theft phony check scam that cost me about \$3,000. I decided to refinance my mortgage in order to borrow the money I owed as a result of the scam. What happened next is that I was defrauded into a horrible mortgage that is so

bad I could lose my home.

Around February, 2005, I received a telemarketing call from Chad, a mortgage broker with a company called Advantage Mortgage Consulting. Chad told me that he could get a loan for me approved fast. He said that he would get me a good loan for my situation. So, I applied for a loan with Chad. I told Chad that my monthly income was about \$950 per month from Social Security, plus what I get from my part-time job as a Foster Grandparent at a grade school where I make \$2.65 per hour. My only other income is a one-time-a-year retirement payment from a Teachers pension from the optometry school, in the amount of \$2,657 - once a year. This pension will actually stop in a few more years.

Chad took copies of my Social Security and pension benefits statements, and a few weeks later he told me I was approved. He brought the loan papers to my house and asked me to sign - many, many pages of documents. He rushed me through the signing and did not really explain

anything. He certainly did not say this was an “exotic” loan or unusual in any way. He didn’t even give me copies of the papers I signed – I had to call and get them from the title company much later.

When I agreed to the loan, Chad said it was an adjustable rate, but the starting interest rate was only 1.45%. He said the regular rate would be around 6%, and the payments would be around \$800 per month. I believed that the starting rate would last at least six months or a year before adjusting. I had heard about mortgages that adjust once a year. I knew that the payment could go up little by little, but I had no idea it would explode the way it has in just two years. I also did not know that \$800 per month was less than all of the interest due, and that my balance would go up and up with unpaid interest. So now I have a mortgage that’s thousands of dollars more than I started with, and my payments have nearly doubled in two years. I have refinanced before, but I’ve never seen anything like this.

The payment started out as \$832 a month, including taxes and insurance.

The monthly payment as of now is \$1,488 per month. This is more than my entire monthly income! I have been scraping by with the help of family and friends to get my mortgage paid every month, but I am now at the point where it is just impossible to continue. Last month, I could only send in \$1,200. I will end up out on the street if something doesn't change soon.

I never heard of a "no doc" loan or an "option" loan before all this happened. I never knew you could get a mortgage and pay "interest only" or even less than all the interest owed each month. I surely did not know that a Bank would make a loan to someone without checking to see if the person could afford the loan. This loan is just not right for someone like me. If the bank had looked at my information, my income, they knew I could never afford this loan. The bank knew, but I did not know, that the monthly payment could go higher than my entire monthly income, my fixed income. It should be against the law for a bank to make a loan knowing that it will be impossible for the person to pay it back and they will lose their home.