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Fresh Meadows, New York

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My name is Lisa Smith. I am a single mother of three children and a police officer

with the New York City Police Department. In February 1997, I decided that I wanted to buy a house for my family. At the time, we were living in a two bedroom apartment that was very small, and all of the children had to share one bedroom. I knew they needed their own personal space, and it would be a dream come true if they could each have their own bedroom. I had recently ended a personal relationship that had been hard on the whole family, and I thought it would give me a sense of independence to be a single mother buying my own home. I knew it would not be easy, but I had no idea about the terrible experience I was about to go through.

One day in April 1997, while looking through the newspaper, I saw a real estate ad that caught my eye. The name of the company that had placed the ad was Lenders Realty in Brooklyn, New York. The ad caught my eye because it said that their houses were completely renovated, all of the closing costs were paid, and only a low down payment was required. I thought that was great and called Lenders. Two women from the company came to my apartment. They were very nice and made me feel comfortable. They told me that all of the houses they sold were foreclosures. I didn't understand what that meant and they explained to me that the banks owned the houses. I told them what I was looking for and the price range I could afford. They told me not to worry, and said that they would make sure I got a good house that was in my price range.

They took me to a house in South Ozone Park, and explained that the house was completely renovated. In early May, we went to see the house. They said that, if I liked it, all I had to do was move in. I stood outside and looked at the yellow and brown house. It appeared to be well kept and looked nice. My heart was beating very fast and I had a big smile on my face. I had to get myself together before I went into what would possibly be my home. When I went inside, I was so excited. It seemed like it had been renovated, and it looked new. I was the happiest person in the world that day. They saw the excitement on my face and said the house was mine if I wanted it.

I asked about the roof because it looked like it had fresh black tar on it. They told me that the roof was new, and so were the kitchen, bathrooms, bedrooms, and windows. They also explained that if there were any problems with the house, they would be repaired before I moved in. I told them I wanted the house, but wasn't sure if I would be approved for the mortgage. They explained that I shouldn't worry, and said that they would help me get a loan. They then told me that, if I wanted the house, I had to enter into a contract. I didn't know what that meant either, so they explained to me that the process of buying a house and getting a mortgage began with my

signing a contract to agree to buy the house. They said I had to go right back to Brooklyn with them so the paperwork could be started. They explained that the house would sell fast if I didn't buy it quickly. I couldn't understand why there was a big rush, but I trusted them.

We went back to the Lenders Realty office and a supervisor, a woman, told me I should be so proud to have a home for my family. I explained that I needed to call a lawyer since my job would provide me with free legal services from the Police Benevolent Association. She told me that it wasn't necessary because Lenders would provide a lawyer for me. I called the PBA lawyer anyway and he told me that, after the contract was written, I should fax it over to him and he would review it. I told the Lenders supervisor what he said and she didn't seem very happy. She later told me that she had talked to the PBA lawyer and that I shouldn't use him because he had made me sound stupid and incapable of making any decisions. She also told me that I didn't deserve a lawyer that was going to bad mouth me. She told me that I should use their lawyer; that he was very good and would be acting in my best interest and wouldn't let me sign anything that I did not understand. She also told me that Lenders would arrange for my mortgage; they would take care of everything. I never knew things moved so fast when buying a house and I started to feel pressured. But, I trusted her.

In July 1997, we closed on the house. There was so much paperwork to fill out. I was really nervous because there was so much I didn't understand. I had called the lawyer before the closing and he told me not to worry, and said that everything would be okay. Then, at the closing, the lawyer hardly talked to me. When I tried to read the papers, he told me just to sign the papers. If I asked a question, he barely answered it. Then, after two hours, it was over, the house was mine. I paid \$129,000.

The day I moved in was the best day in the world. My children were so excited, and they ran into the house to look at their bedrooms. But shortly after that, my problems with the house started. In August, water started to leak from the light fixture on the ceiling in my bedroom. I called a friend, who is a licensed electrician, to come look at the ceiling. He went to the roof and noticed that there was tar on the roof and explained that there was a weak spot on the roof that needed more tar. He told me that he didn't know what was under the tar or how bad the situation was. We put more tar on the roof and it seemed to work for a while.

In September 1997, I couldn't understand why the basement floor and stairs were so weak that it felt like you would fall right through the floor. Again, I had my friend come to the house and he pulled up the tile from the floor. I couldn't believe what I saw. There was a huge hole that had never been repaired. It had just been covered over with tile. I couldn't understand how someone put other people at risk of serious injury by simply putting tile over such a big hole. Lenders had told me that they had paid an inspector to look at the house and the inspector found that the house was in good and safe condition. I started to get kind of scared, but I kept remembering that Lenders had promised to take care of everything.

Shortly after I moved in, I begin experiencing plumbing problems. I called the New York City Department of Environment Protection to complain about flooding. I also found out from a neighbor that the house had a long history of water problems and had received numerous citations from the city. Whenever we turned on the water, the pipes sounded like they would explode. On top of that, the house began to shake and I found out that the water from the upstairs

bathroom was leaking down to the dining room. I couldn't afford to make all the repairs on the house, so I had to take out a second mortgage for approximately \$12,000. I was now paying \$1,028 per month on my original mortgage, and \$368 per month on the second. I struggled to make the payments and was never late.

Then, in June 1999, the upstairs bathroom started to have plumbing problems again and water leaked all over my kitchen and dining room. I had a flood in the basement and all my children's summer clothes were ruined. The smell in the basement was terrible because the sewage backed up. As you can see from these photographs of my house, sewage backed up everywhere. I found more holes in the floor and I was really upset. I knew one of my children could be hurt and that it had to be repaired. I couldn't afford to make more repairs, so I had to take out a third mortgage for \$45,000. The third mortgage cost me close to another \$600 per month. But, I continued to make all the payments.

When the weather began to get cold, the house was freezing. I would turn the thermostat up to 80 degrees but it would still read 45-50 degrees. You can see in these photographs the plastic I used to cover the windows. There were nights when it was so cold in my house that I took my children to a motel. Even though I had two comforters on the beds, the children started to get sick. When the flooding began again in the winter, I couldn't take it anymore.

For a long time, I thought about the house, and about my family's safety and health. I realized the house was falling apart and I just couldn't afford to make all the mortgage payments. It was costing me nearly \$2,000 a month and the condition of the house wasn't improving. So, in January 2000, I decided that as much as I didn't want to give up, I had to let go of the house. It saddened me so much because even with all the problems, I loved that house. Over the past few years, I had worked so hard to pay my bills on time, and get good credit. But, I had to declare bankruptcy and eventually lost my house. What makes it worse is that I have since learned that the owner of the house paid only \$50,000 for the house in December 1996, and then resold it to me seven months later for \$129,000.

I hope this never happens to anyone else. Although my credit has been totally destroyed, I feel so much better that I left the house. I would never have forgiven myself if someone had been seriously hurt in the house. I have learned that, in the future, regardless of what anyone tells me, I will read everything and ask more questions. I hope that the people who took advantage of me will learn a lesson, too. I pray that I can overcome the bitterness that this experience has created but I also know this has made me a stronger person.

I would be happy to answer any questions the Subcommittee may have.

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