

THE ESCAPE
THE WOODSOne home saved
by a 2nd income

Chris Wood says he nearly lost his home. He could not afford the monthly mortgage payments.

He was saved by a woman with a steady job.

"I met my wife before I got in too much trouble," he said. "If I hadn't met Amy... I would have moved back to an apartment and tried to start over."

Wood was 20 when he paid \$99,000 for a home in Southern Chase in May 2001. He had always lived in apartments.

He worked maintenance in an apartment complex. Beazer marketed its homes to the tenants. It offered bonuses to employees for referring tenants. It took employees including Wood on a tour of a local subdivision.

One week later, he drove out to Southern Chase. "I went in thinking, 'I don't make enough money. I'm making \$9 an hour,'" Wood recalled.

He was startled when a Beazer employee told him he could afford a home. He borrowed \$500 from his grandmother to make the deposit.

As it turned out, he didn't make enough money. Wood's final loan application misstated his income and debts. Without the misstatements, he did not appear to meet FHA's requirements for the loan he needed. (See *The Loans*, below.)

He was suddenly spending 45 percent of his income on debt payments each month. He was in trouble almost instantly.

Enter Amy. The couple met, fell in love and married in 2004. They lived in Southern Chase for a few years, then decided to rent the home and move to a better neighborhood.

The house they bought was built in 1964.

"Everybody besides us has been there a long time," Amy Wood said. "And I don't fear to walk outside." —BINYAMIN APPELBAUM



Chris Wood couldn't afford his house payments. Then he met his wife, Amy. They avoided foreclosure. Later, she said she could see seven foreclosed homes from their front porch.

YALONDA M. JAMES - yjames@charlotteobserver.com

Online
Extras

Chris and Amy Wood talk about how he got the loan for his home. WWW.CHARLOTTE.COM

THE LOANS

Data wrong
on some
applications

BY BINYAMIN APPELBAUM
bappelbaum@charlotteobserver.com

Some residents of Southern Chase declined to share their loan documents with the Observer. Some didn't have records to share. One woman said she burned her papers because she was angry.

But financial documents provided by four families, including Lea and Mark Tingley, show their loans were arranged by Beazer Mortgage based on misstated debts or income. In each case, it appears the applicant actually did not meet the requirements for an FHA loan.

FHA rules required Beazer to document applicants' income and debts.

Knowingly falsifying information on a loan application is a federal crime.

Documents show the final version of Chris Wood's loan application overstated his monthly income by \$150, as if he had received a 7 percent raise, and understated his monthly car payment by \$93. The correct income appears on Wood's W2 tax form, and the correct car payment on his credit report.

The misstatements allowed Wood to barely meet the requirements for the loan he needed.

Wood received the final loan application at the closing table. He says he didn't read it. He says he should have. But he says he gave Beazer the correct information, and had no reason to believe anything had changed.

"I was trying to be honest about it," he said. "If they couldn't approve me, I didn't want it."

The monthly income shown on Lisa Hernandez's final loan application is \$344 more than the income shown on her tax forms. She said she had not noticed the difference before the Observer pointed it out.

Calvin and Margie Cerda omitted debts from their loan application that they listed in a bankruptcy filing two years later. The Cerdas say they agreed to pay the debts before applying for the loan, but they didn't.

Three applications carry the name of Janette Parker, the head of Beazer's Charlotte mortgage office. She referred questions to company headquarters in Atlanta. The company did not respond to questions about particular loans in Southern Chase but said it followed all laws.

Three of the loans were approved and funded by National City. The Cerdas' loan was approved and funded by Homestar Mortgage. All of the loans were insured by the FHA.

National City said in a statement, "We have a strong track record of underwriting loans in accordance with FHA's established guidelines."

Homestar, now Opteum Financial, said in a statement that it stopped accepting loan applications from Beazer in 2005 because of "the long-term performance of (those) loans."

The Department of Housing and Urban Development, which supervises the FHA, declined to comment on specific loans.

WHAT IS A FORECLOSURE?

When a homeowner falls behind on mortgage payments, the lender can ask a court to seize the home and sell it to cover the debt.

Lenders asked courts in North Carolina to foreclose a record 45,500 homes last year, more than double the number in 2000.

Roughly half these filings end with an actual foreclosure. The remaining owners repay the loan by selling or refinancing, or file for bankruptcy, or strike a deal with the lender.

WHAT IT MEANS TO YOU

Foreclosed owners lose their home, their neighborhood, their investment. Borrowing money becomes very hard and very expensive.

Some homes sit empty. Others become rentals. Communities are destabilized. Neighboring homes lose value. Crime sometimes rises.

Local governments lose property tax revenues. They also pay to process the foreclosure, and for public safety issues associated with vacant buildings. Their average cost runs into thousands of dollars, according to a 2005 study by Harvard University researchers.

CONTACT US

Lost your home? Struggling to hold on? Live in a neighborhood plagued by foreclosures? We'd like to hear your story. Contact bappelbaum@charlotteobserver.com or 704-358-5170.

COVER STORY



CHRISTOPHER A. RECORD - OBSERVER PHOTO

At first glance, Southern Chase looks like a typical neighborhood. But up close, the young development "looks like it's already 40 years old," a building inspector said.

A subdivision's fast fall

Foreclosure from 1A

The company said in a written statement that the foreclosures were mostly due to economic difficulties experienced by the buyers.

"Beazer is committed to providing quality homes of superior value," the letter read in part. The company's CEO, Ian McCarthy, declined to speak with the Observer.

The Federal Housing Administration, which insured most of the mortgage loans, failed to address the problems. The government has paid more than \$5 million to cover defaulted loans in Southern Chase. It continues to insure new Beazer loans.

The Department of Housing and Urban Development, which administers the FHA program, told the Observer it was not aware of the problems in Southern Chase and did not plan to investigate the loans it insured for buyers there.

Demand 'hot as a match'

The night before Southern Chase opened in 1997, people camped outside the sales office, waiting to pick the best lots.

Home prices started below \$80,000, roughly half the Charlotte-area average. Demand was "hot as a match," said Barry Helms, the sales agent who greeted them. He remembers selling six or seven homes the first day.

The unusually low prices were a strategic decision for Beazer. Too many companies were building homes in the Charlotte area for traditional first-time owners, the company said in its 1997 annual report. Beazer's answer was to build and sell homes for less.

Beazer also was responding to opportunity. The federal government was pushing to expand home ownership. It was encouraging mortgage lenders to relax standards, to make loans available to many lower-income families for the first time. The FHA offered to insure the loans: If the borrower didn't pay, the government would.

Beazer, which operated in the Carolinas at the time as Squires Homes, chose a site off N.C. 49 in Concord, where land was still relatively cheap. The subdivision is 15 minutes from Lowe's Motor Speedway, so Beazer gave racing names to the streets: Winners Circle, Rockingham Lane. It built vinyl-sided homes on small lots, mostly one story, an average of 1,327 square feet.

Contractors did the building. Beazer focused on marketing. It held pizza parties at nearby apartment complexes. It took tenants to see homes.

"We believe in the dream," read a Beazer flier distributed to apartments in Concord. "We believe that everyone deserves to own their own home."

But as the company pushed to find new buyers, it increas-

ingly crossed the line between selling to people who could barely afford homes, and selling to people who couldn't.

Plunging in

Lea and Mark Tingley were not looking to buy a home in early 2001. They had little savings.

Lea made \$11 an hour weighing trucks at a Martin Marietta rock quarry. Mark made a little less as a forklift operator at a building supply store.

They heard about Southern Chase from Lea's brother, who had just put a deposit on a home there. If he could afford a house, Lea recalls thinking, I can, too. The Tingleys drove out the next day from their Concord apartment.

They say the sales agent told them Beazer would arrange the down payment. The company also would arrange a mortgage. It would even help with the monthly payments for the first two years.

► 14A | Details on how Beazer assisted with the financing for Southern Chase home buyers.

Lea remembers the sales agent saying, *Let's just do this. You're pregnant. You need a home of your own.*

She returned the next day with a \$600 deposit.

The company spent about \$9,000 on financial incentives for the Tingleys, including the

down payment, most of the closing costs and help with the mortgage payments. The company offered similar financial incentives to most buyers from 2001 to the end of sales in 2004.

As Beazer's costs rose, the company raised the price of new homes in Southern Chase by an average of 10 percent per square foot between 2000 and 2002. That was twice the price increase for similar homes elsewhere in Cabarrus County.

The model the Tingleys purchased, the Talladega, had a base price of \$96,490 on a 1999 price sheet. By 2001, Beazer had raised the base price for the same model with the same square footage to \$108,990.

Buyers needed larger loans to pay the higher prices. Beazer arranged the loans through a subsidiary, Beazer Mortgage, which acted as a mortgage broker, matching customers with lenders for a fee of several thousand dollars. From 2001, Beazer Mortgage arranged loans for 84 percent of the buyers in Southern Chase.

Almost all of the loans were insured by the Federal Housing Administration. That meant Beazer and the lender had little to lose if the borrower could not afford the loan.

Beazer assured borrowers it was acting in their interest.

One buyer saved a brochure from Beazer's mortgage business that reads in part, "There are no salespeople in this office. The people you work with are

working for you, to secure the best possible deal on your behalf."

Costly loan maneuvers

The Tingleys moved into their new home in April 2001. Lea cleared out her 401(k) to pay \$2,500 toward closing costs.

The keys came in a manila envelope with instructions on the front:

- 1) Dump on table.
- 2) Place key on ring.
- 3) Do the 'Happy Dance' (Jump up and down shouting wildly.)

The thrill did not last.

Lea had applied for the loan without Mark because he had credit problems.

She omitted from her application a monthly payment of \$350 on a leased Dodge Avenger.

Lea said a Beazer employee told her to do it because the application also didn't include Mark's income.

"At the time it made sense to me and I was just excited about owning the home," Lea said. She says she knows she shouldn't have omitted the payment, but she trusted the employee.

Loan documents show that Beazer Mortgage prepared a final version of Lea's application before the closing. On that final version, Lea's monthly income was overstated by \$187. It had been correct on the original application Lea signed. It is un-

SEE BEAZER | 15A