COUNCIL OF THE CITY OF PHILADELPHIA
JOINT COMMITTEES ON PUBLIC SAFETY AND
HOUSING, NEIGHBORHOOD DEVELOPMENT AND
THE HOMELESS

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, October 6, 2015
1:20 p.m.

PRESENT:
COUNCILMAN CURTIS JONES, JR., CO-CHAIR
COUNCILWOMAN JANNIE BLACKWELL, CO-CHAIR
COUNCILWOMAN CINDY BASS
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA

RESOLUTION 150361 - Resolution authorizing joint hearings by the Committees on Public Safety and Housing, Neighborhood Development and Homelessness to conduct hearings on mortgage foreclosure notice procedures and requirements under Pennsylvania law that must be provided to residential homeowners, property occupants and all other parties of interest.

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COUNCILMAN JONES: Good afternoon, everyone. We are going to convene the hearing. This is a joint committee on the Committee on Public Safety and Housing, Development and Homelessness chaired by myself, Councilman Curtis Jones, and Councilwoman Jannie Blackwell. Also joining us to my left is Councilman O'Brien. To my right, Councilwoman Bass and Councilman Greenlee.

And with that, will the Clerk please read the title of the resolution.

THE CLERK: Resolution 150361, authorizing joint hearings by the Committees on Public Safety and Housing, Neighborhood Development and Homelessness to conduct hearings on mortgage foreclosure notice procedures and requirements under Pennsylvania law that must be provided to residential homeowners, property occupants and all other parties of interest.

COUNCILMAN JONES: Thank you.

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I want to thank, first of all, my Committee members for being a part of this. I don't think there is a place in the City, a district in the City of Philadelphia that has not at some point in time been heavily impacted by foreclosures.

And I want to say good afternoon to everyone, but I also want to take us back in time for a minute. It was 2007 that we started getting wind of the fact that there was a crisis, not just in the City of Philadelphia or the Commonwealth of Pennsylvania but throughout the nation dealing with mortgage foreclosures.

A gentleman by the name of John Dodds had done a workshop, and all of us have been a part of the Tom Massaro workshops. And he had come in. Councilwoman was with us in that particular workshop when John Dodds presented, Councilwoman Sanchez, and he mentioned briefly that we might want to look at the stats on Sheriff Sales in the City of Philadelphia, at which time I said, Well, maybe let's take a look at it, and I called then Sheriff Green and said, Sheriff, could you give us a comparison from two years ago to today, 2008, what we look like by way of a possible spike in Sheriff Sales. There was a pause, then there was a gasp, and then the information came through.

We found out that the number of Sheriff Sales had hit an all-time City high and that there were more Sheriff Sales than we knew how to process.

Also joining me is Councilman Henon.

So there's not a part of the districts that we represent that was not impacted heavily by this.

At that time, we got together as a body. Councilwoman Tasco had long been an advocate for looking at the Sheriff Sale process, foreclosure process as it related to everything from payday

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lending to some of the insidious clauses that accelerated Sheriff Sales in some of the lending processes.

We as a body took a stance and not once, not twice, but three times called on a moratorium on Sheriff Sales to take a hard look at the process, and in doing so, people stepped up. The Mayor, the advocates, CLS, PHDC, housing counselors all got together and said, Let's take a look at trying to rectify the situation. The banks said, It is better to get some than none. It is better to try to work it out than have a stranded asset in a neighborhood that you can't get a redeemable value for, so let's try to keep as many people in our homes.

Councilwoman Blackwell had dealt with the homelessness question, and foreclosures were making people in fact homeless.

So as a body, we have had a tradition of working with this process,

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and to the credit of the Mortgage Diversion Program, over 9,000 homes, 9,000 families have been saved.

Now, I say that in light of the fact of what we're going to be talking about today. There is nothing that God made, other than himself, that was perfect, that shouldn't be from time to time looked at, that shouldn't be from time to time tweaked, because good can become better, better can become the best. And that's what this process is about.

We want to take a look at those people who have been unfortunate enough not to be able to survive the diversion process and have lost their homes, and we're going to look at the process for three basic things. We want to look at service to see what constitutes timely service. We're going to take a look at what constitutes the process, how long does it take, how many people does it involve, and do we have enough resources

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to do it. And, thirdly, timing. Timing is everything. Are there gaps in the process that allow for a failure to protect the consumer and the opportunity for those who take advantage of that timing to take people's property.

One thing for sure and two for certain, we will hear from people who have been victimized by the process. We'll hear from advocates who have fought and done good deeds with the process, and what this body will do is take the good and not throw the baby out with the bath water, but to make it better to save and service more of Philadelphians in the future.

So with that, I'm going to ask my --

COUNCILWOMAN BLACKWELL: I'm here. I'm good.

COUNCILMAN JONES: I was looking for Jannie Blackwell.

Would any of my colleagues -- for the record, Councilman O'Neill is

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here. So that represents the whole strength of Philadelphia pretty much.

So does anyone else have any opening statements they might want to add to that? If not, can we call the first panel to testify.

THE CLERK: Deborah McColloch, OHCD; Irwin Trauss, PLA; and Michael Froelich, Community Legal Services.

(Witnesses approached witness table.)

COUNCILMAN JONES: Thank you, guys. Please come to the table. Have a seat.

Now, I'm going to say this. I said this in private. I'll say it for the record now. Feel free to abbreviate your testimony. We will not be offended. Make sure that the key points are covered, but we have an ambitious schedule of maybe 20 people with eight panels and we want to get to everybody.

So with that, please state your name for the record and begin your testimony.

I got that from Councilman Greenlee.

MR. FROELICH: Thank you very much. Good afternoon, members of the Committee and Councilman Jones and especially my Councilwoman, Jannie Blackwell. Thank you so much for convening this panel today. I'm the Managing Attorney of Community Legal Services. My name is Michael Froelich and I am the Managing Attorney of Community Legal Services Homeownership and Consumer Rights Unit, and I welcome the opportunity to speak on this resolution. My full testimony was submitted early yesterday and should be available. So pursuant to the Chairman's direction, I will abbreviate my comments.

First, I'm sure many folks are familiar with Community Legal Services, but for those that aren't, we were established by the Philadelphia Bar Association in 1966, and since then, we

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have provided free legal services to more than one million low-income Philadelphia residents, representing both individual cases and in class action lawsuits and advocating on their behalf for improved regulations and laws that affect their lives.

As the City's largest provider of free legal services, CLS assists more than 11,600 Philadelphians with their legal problems each year, and the Homeownership and Consumer Rights Unit represents approximately 600 homeowners per year who are dealing with the potential loss of their home.

The Homeownership and Consumer Rights Unit, when we accept a client for representation, we will litigate their case in the Court of Common Pleas all the way through trial, if necessary, in order to defend their legal rights under the law. Sometimes we can negotiate a modification of the mortgage loan to allow them to stay in their home, and

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other times if a homeowner has been able to get back on her feet and can resume making payments, we will consider representing the homeowner in Bankruptcy Court to give the homeowner a fresh start.

Our mission when we represent homeowners at all times is simple: We enforce the clients' legal rights in an effort to allow them to keep their homes and avoid homelessness.

The original subject of this hearing was on the Act 6 and Act 91 notices, so I do want to mention that briefly. Many homeowners received this pre-foreclosure notice that they are in default of their mortgage under Act 6 and Act 91 and that they're at risk of having a mortgage foreclosure action filed against them. The purpose of this notice is to provide them with clear information as to how they can cure the arrears and avoid a foreclosure. Because as we all know, once a foreclosure complaint is

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filed against the homeowner, then it often becomes much more difficult to save the home, mostly because of the cost. Additional fees and costs and other things will be added to the homeowner's account.

The Act 91 notice is also required to provide information to homeowners on the availability of HEMAP, the Homeowners Emergency Mortgage Assistance Program, and tells folks about free housing counselors who can meet with them and discuss their options to save their homes. HEMAP, I know as this panel recognizes and has been involved in preserving and expanding, is an indispensable program to help people get back on their feet after they've fallen behind in their mortgage through no fault of their own.

Unfortunately, CLS does see numerous errors on these Act 6 and Act 91 notices. The main problem is, it seems that these notices are oftentimes

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computer generated and without any human oversight. They're often unclear and have odd language or mathematical errors. So, for example, lenders sometimes demand the entire balance of the loan instead of just the arrears in order to avoid the foreclosure.

Second, lenders frequently require that a homeowner pay fees and costs that they are prohibited from charging under law in order to avoid the foreclosure.

And, third, the lenders may not fully explain the meaning of the arrears or what is owed. They may demand payments for unidentifiable line items that frequently we see requests for, quote, "corporate advances," and a homeowner may be wary of paying for it because she doesn't recognize that she owes this or may not owe this.

We have also seen notices that are printed in inscrutable nine point type that a homeowner -- just is

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impossible to read.

Finally, some Act 91 notices are mailed to homeowners without the complete list of housing counseling agencies that are available to assist homeowners. As a result of these errors on the Act notices, homeowners are not able to pay the additional amounts demanded to avoid the foreclosure or they may hesitate to pay the amounts because the notices do not clearly explain why the lender believes the homeowners owe this or they may not be told of the housing counseling agencies that are available to help them and miss out on the opportunity to apply for HEMAP.

Pennsylvania requires these notices to help homeowners avoid foreclosure. After a foreclosure action has been filed, however, a homeowner in Philadelphia may still have an opportunity to save their home through the Residential Mortgage Foreclosure Diversion Program that Councilman Jones

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noted at the top of the hearing.

As was discussed earlier, in early 2008, facing a rising tide of residential mortgage foreclosure, the Philadelphia City Council passed a resolution urging Sheriff John Green and the First Judicial District President C. Darnell Jones to impose a moratorium on residential mortgage foreclosure Sheriff Sales, and as a result of this resolution, the Philadelphia Court of Common Pleas created the Diversion Program. Today, the Diversion Program has been recognized as a national model for how a city can come together and work together to save homes from foreclosure. And as Chairman Jones said a moment ago, as a result of the participation in the Diversion Program, as of June of this year, 9,713 Pennsylvania families have saved their homes from foreclosure. This is a remarkable, remarkable achievement and a real example of what works in the City.

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My prepared remarks that are available go through and tell a story or two about homeowners that Community Legal Services has worked with directly to save their homes, including one of a woman living up in Logan who was a victim of domestic violence and only through the Diversion Program was able to save her home.

I'll skip over that, because of course any program can always be improved, and the Diversion Program is no exception. I'll give three small examples I think of how the Diversion Program should be improved but, again, stressing the fact that the Diversion Program is really an extraordinary effort that saves homes.

First, some homeowners who receive mortgage foreclosure complaints fail to appear for their scheduled conference at Diversion. While a case is in the Diversion Program -- and this is important. When a case is in the

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Diversion Program, all the litigation is stayed. It's all put on hold. However, once a case leaves the Diversion Program or if a homeowner does not appear for her conference, the plaintiff; that is, the mortgage lender or the servicer, may move forward to take a judgment against the homeowner. The City and in conjunction with the Court and advocates for homeowners should continue to seek ways to encourage homeowners to participate in the program.

Second, when it appears that no resolution is possible in Diversion, the Court issues an order allowing the mortgage lender or servicer to proceed to take a default judgment against the homeowner after a certain period of time, and some homeowners do not understand the significance of this and do not realize that if they don't act after the case leaves Diversion, if they don't file an answer or somehow respond to the foreclosure complaint, a judgment may be

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entered against them. And as proposed above, the City and in conjunction with the Court and advocates for homeowners should also continue to seek out ways to educate homeowners about the significance of a case leaving the Diversion Program.

Finally, while legal aid organizations such as Community Legal Services and our sister organization, Philadelphia Legal Assistance, provide free representation to low-income Philadelphian families facing foreclosure, there's simply not enough resources for us to represent everybody who has a meritorious defense. CLS is forced to turn down about half of the homeowners who seek full legal representation due to our lack of resources. This is in part due to reductions in the federal Community Development Block Grant, or the CDBG Block Grant, which this year has resulted in a loss of funding from OHCD of approximately $50,000.

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We know that providing legal representation for homeowners dramatically increases the likelihood that they will be able to work to save their homes. Yet only 10 percent of homeowners facing mortgage foreclosure are represented by an attorney. Additional funding from the City for legal services and housing counselors could start to address this.

Again, thank you for inviting Community Legal Services to testify at today's hearing, and CLS looks forward to continue to work with City Council, the Court, OHCD, and homeowners on these very important issues.

Thank you very much.

COUNCILMAN JONES: Thank you.

We will hear from the second panelist before we entertain questions.

MR. TRAUSS: Thank you very much.

COUNCILMAN JONES: Pull the mic to you, sir.

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MR. TRAUSS: Thank you very much. Chairman Jones, I'd like to thank you for your invitation for me to testify today. I'd also like to thank Councilwoman Cindy Bass, who is my Councilperson, for also inviting me to participate in this hearing. I am an attorney. My name is Irwin Trauss. I'm an attorney with Philadelphia Legal Assistance. I did submit written testimony, which I commend to your attention. I will try to be brief and not to repeat too much of what I said there, but to cover things that address the testimony that I've read of homeowners who have raised issues perhaps this Council can address or they could be addressed in other forums.

I just would want to preface my remarks with some comments about the Diversion Program, which will echo what Mike said, and also I want to sort of put things in perspective. I also want to point out that I am an attorney who has

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had 39 years of experience in representing homeowners in foreclosures. For the last 19 years, I've been the Supervising Attorney of Philadelphia Legal Assistance. Included in the unit that I supervise is the Save Your Home Philly Hotline, which in the seven years of its existence and its present incarnation has handled an average of about 14,000 calls regarding foreclosures and has helped about 3,200 people a year on average address foreclosure problems. My involvement with the hotline, my representation of individual clients has given me an intimate knowledge and insight into foreclosures in Philadelphia.

I'm also involved in the Mortgage Foreclosure Steering Committee. I'm currently the Co-Chair of the Mortgage Foreclosure Steering Committee, which was intimately involved in the creation of the Diversion Program, and have been an active participant in the

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Save Your Homes Coalition, which has throughout the years been a forceful advocate for homeowners in preventing foreclosure.

The Diversion Program, just to put this in perspective, prior to the creation of the Diversion Program, approximately 90 percent of foreclosures resulted in default judgments. That means one out of -- only one out of ten people even filed a response to the complaint, participated at all in the foreclosures. Approximately nine out of ten default judgements were entered, which meant that the next step was a Sheriff Sale.

Now, some of these people in Save Your Homes were filing bankruptcies and some got lawyers and were able to undue the judgements, but by and large, foreclosures were a matter of complaints being filed and defaults being taken and there was no conversation with the homeowners.

Since the creation of the Diversion Program, close to 40 percent of the people who have foreclosure complaints filed against them are reaching agreements in the Diversion Program that helped them save their homes. This is a remarkable accomplishment, and it's remarkable both in the context of what happened previously in Philadelphia and what's happened around the country. I mean, these are extraordinary numbers. Not just the absolute numbers, but also the percentage of people who are reaching resolutions in Diversion often without attorneys, without having to hire an attorney, pay an attorney, they're getting resolutions.

Now, the Diversion Program is limited in what it can do. The Diversion Program is designed to require lenders to sit down with the homeowners face to face and try to work out amicable resolution to enable people to stay in their homes,

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and it is this face-to-face connection, even if the face-to-face is with the attorney for the mortgage company, that often produces surprising results. It's harder to throw somebody out of their home when they're sitting across the table from you and you have to confront what this means to them than it is when you're just signing papers and filing them.

But the program can't force lenders to enter into an agreement. There is a point at which cases come out of the program. Typically they'll come out of the program for a number of reasons. One is if the homeowner hasn't participated. The other is that there is either a legal dispute, a dispute about the matter of law, or a dispute about a matter of fact that needs to be resolved by a court. The Diversion Program can't resolve those disputes. The point of the Diversion Program is to divert cases from the litigation process. The litigation

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process is the process for resolving disputes. The Diversion Program diverts those cases into this conciliation process, but the conciliation process can't resolve disputes if each party insists that they have a right that's not being enforced.

If a homeowner claims their mortgage is invalid or they don't owe money on the mortgage or that the mortgage is already paid off and the lender does not agree with that, the only way that dispute can be resolved is by the matter going back to court and being resolved in court.

The other reason the cases come out of the Diversion Program is if the lenders are refusing to use the programs that they're required to use in the proper way. If a lender insists that it's doing what it's supposed to be doing and the homeowner insists that they're not, the Diversion Program can't adjudicate that dispute, and that also

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needs to go to court.

Now, I should mention that at the top, echoing what Mike said, that one of the problems is that once the cases come out of Diversion, people need lawyers. It is very difficult for somebody to represent themselves in a foreclosure case and prevail, even if they have the best defense in the world, even if they have affirmative claims. It's very hard for people to pro se represent themselves. And this is one of the problems. The Diversion Program addressed those cases that could be amicably resolved, but there is really not sufficient resources to address the cases of people whose cases can't be amicably resolved. Many of them exceed the limitations for legal services. They are not eligible for free legal services. And even those who are eligible for free legal services can't find the legal services simply because there's not enough resources. We are able to take

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perhaps one out of ten of the eligible clients who come to us for representation.

Now, I've had an opportunity to look at much of the testimony about -- the testimony of about 12 people who are going to be on subsequent panels and have seen a number of problems that have been raised, many of which are problems that are not connected with the Diversion Program. And I don't know if any of them are amenable to solutions by City Council, but I'm going to go through a few of them and talk about them.

COUNCILMAN JONES: Please.

MR. TRAUSS: And also before I do any of that, I want to hold myself out to Council to be available on a continuing basis to try to address resolutions, to formulate resolutions, and also with respect to individual clients, the extent that those clients are amenable to resolution by the provision of legal services that we are

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in a position to provide, to entertain getting involved in those cases if they are appropriate for our representation.

COUNCILMAN JONES: We appreciate that offer, and it is on the record.

MR. TRAUSS: I understand. I see this mic in front of me.

So one of the problems that has been raised -- so a number of the problems that I saw were repeated in a number of the case histories that were submitted in the testimony. One of them is the mortgage companies' refusal to send notices to more than one place and arbitrarily deciding who to send those to.

Now, specifically, one of the people who is testifying about how her papers were being sent to -- in fact, it was our office. Her paper was being sent to our office, and these were the monthly statements, when we had not been involved in her case for perhaps three years and when she was not eligible for our representation.

In that case, the mortgage company apparently decided sua sponte, because it had some communication with us, to start sending her statements to us. And this is a problem not just in her case, but in many cases. The mortgage companies, one, refuse for some reason, even though they are multi-million dollar companies with huge computer systems, they claim often that they're not able to send a statement to more than one person. So if an attorney is involved in the case, they do have some obligation to copy the attorney on any statements that are sent to the homeowner, and they often decide they're going to fulfill that obligation by simply sending the statements to the attorney and not sending the statements to the homeowner, without notifying either that they're intending to do that. And getting them to stop doing that is in

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itself a chore. They have their computer systems set up, and once those computer systems are set up, it is difficult, almost impossible, to get them to change that. This is a real problem. It's a problem that occurs in many cases. And even if it's a problem that exists only for a short time because you're able to get them to do what the right thing is, during that short time there can be notices that are not received by the homeowner.

In the testimony that's been submitted, the case is particularly egregious because not only did they send statements to the homeowner -- not send statements to the homeowner, but when they filed their complaint in foreclosure, they used the address of the attorney, which is completely improper, and they also used the address of the attorney that was an old address, that was no longer a current address.

Now, is this amenable to a

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solution by City Council? I don't believe it is, although I guess I'd be willing to entertain to discuss this with people. But there is an existence, the Consumer Financial Protection Bureau, and I think it is within the federal Consumer Protection Financial Bureau, I think it is within their bailiwick to address that, and I think it is something that we are seeing enough of that it's something we can try to address at a level where it can be changed. And one of the nice things about the Consumer Financial Protection Bureau is, the banks listen to that bureau, because they are now in many cases the regulator of the banks.

There's a related problem that comes up in a number of these cases with respect to service of the complaints. Lenders -- the Rules of Civil Procedure were changed a number of years ago. It used to be if you're going to make service on a person in any way other than personal service, which is the expected

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intended mode of service of getting jurisdiction over a defendant in a foreclosure, it was very difficult to do that. In order to get alternative service, there had to be some evidence that the person was avoiding service or that for some reason it was impossible to serve them.

The rules were changed, and those requirements were greatly relaxed. And now the court procedure for alternative service is one that is troublesome, and it may be amenable by a change in the rules. I don't know if the City Council can change the court rules, but the Pennsylvania Supreme Court can.

The rules now permit alternative service with no showing of any attempt to avoid service and with very little evidence of an attempt to service. Often there'll be several attempts to serve someone during working hours, while they're at work, when people aren't home because they're working, and

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then an affidavit is filed saying we tried to serve them and everything we have says they live there, but we can't find them. And then they file a motion for alternative service, and the problem is, the way the court is set up now -- and I don't know exactly what the basis for this is, but the court treats these motions without any opportunity for the homeowners to respond. So motions are filed, and after a day or two, orders are entered permitting alternative service. The alternative service varies depending on what the movement requests. Often it's posting. Often it's a combination of posting and mailing, but it is done in a way that does not ensure that people are actually informed about the litigation.

Now, there may be cases in which people are informed about litigation and forgotten that they're informed about the litigation, but there are also cases in which despite the

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attempts to service by mail and by posting, service is never made. And this is a systemic problem which I think needs to be addressed, and I think the area for addressing it would be with the Rules Committee of the Pennsylvania Supreme Court.

One of the things that was raised by one or two of the people who testified goes to a procedure that has since been recognized as problematic in the Diversion Program and has been changed. There was -- in the Diversion Program, there was an order, there was a form order that is issued depending what happens in the case. One of the boxes to be checked -- and is still there to this day -- is an order that provides for an agreement that does not permanently solve the problem. It's a forbearance agreement, a repayment agreement that allows the homeowner to make a certain number of payments to catch up. There was a time when that order provided that

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in the event of a default in that agreement, the lender could simply take a default judgment, and that resulted in a number of problems.

The problem that it resulted in is that it was not unusual for homeowners, according to their records, to have been paying as required, but for the lender, according to its records, to say, no, there was a payment late or a payment missed and to take a default without notice to the homeowner. That was changed probably two years ago when this was brought to the attention of the Steering Committee that this was happening. There was a committee created, and they came up with an alternative to the order.

The current order requires that whenever a case comes out of Diversion because there's an agreement, which does not permanently solve the problem but requires the homeowner to make payments, that a default judgment cannot be taken

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without a new ten-day notice being sent. That's a notice required by the Court before a default can be taken, telling the homeowner that there was a default, that they have ten days to respond to the complaint. If they don't respond in ten days, that a judgement will be taken. And that notice has to be sent to the housing counselor, to any attorney that's entered an appearance for the homeowner in that case in the Diversion process, and to VIP if a VIP attorney has been involved in the case. And since that change was made, the problems we've seen in this area have drastically been reduced, because people have notice. And usually when people get a clear notice that says notice of intention to take a default, you've failed to act, you need to act, most people if they get that notice will take some action, and if they can get their way to an attorney or housing counselor, then steps can be taken to resolve the problem.

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A number of homeowners in their testimony have pointed to the fact that the lenders do not properly advise homeowners of their options. In addition to that, we have seen and the homeowners have testified in their written testimony that they also don't follow the requirements of the programs for loan modifications. We see this all the time. In fact, cases which we get involved, often our defense in the case is that the lender prior to filing the foreclosure case did not do what they were supposed to do, that a homeowner -- it is not unusual in FHA mortgage cases, which have special provisions for people who are unemployed, homeowners will contact the lender and say, I'm --

COUNCILMAN JONES: Excuse me. Because you put a lot of good information on the record, but you're talking about in the case before a foreclosure action, that there was a covenant in the mortgage that said in case of economic impact by

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layoff, there is a maybe diversion built in, stay of two years for payment?

MR. TRAUSS: Well, it's not two years, but there are -- so for a number of mortgages -- and I don't want to belabor this presently, so I'll try to be brief. In a number of mortgages, particularly FHA mortgages, mortgages which are guaranteed by the Federal Housing Administration, there is a requirement that if someone is in default because they lost their job, because they're unemployed or receiving unemployment, that they have a right to something called a special forbearance agreement. A special forbearance agreement can run for up to a year where a person makes reduced payments or even no payments. And if a homeowner calls a lender and says, I'm unemployed, help me, what the lender is supposed to say is, Oh, you're eligible for special forbearance agreement, let's see if you're eligible, submit the necessary papers.

We have seen over the years many people -- and this is just one example -- who are told by the lenders, We can't do anything for you if you don't have income. Call us back when you have income. This is precisely wrong. And this is just an example of ways in which lenders are telling people the wrong thing. And people are told the wrong thing even in the Diversion Program, and this is a subject of litigation. I mean, there are rights. There's rules. There's regulations. There's these mortgagee servicing letters that FHA, HUD issues. They're not being properly followed. The problem is, when this happens, this is not something that could be resolved in Diversion. This is something that someone needs to present to the Court and say, Court, they didn't do what they were supposed to do before they foreclosed.

When these cases are properly

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presented in front of a judge or a jury and the finder of fact finds the facts as presented and finds the law to be as presented, homeowners are able to prevail. But if a homeowner is unable to mount that defense, it is not unusual for what happened happened to be what's happened to some of the people who will be testifying today.

Now, there again, the resolution -- I think the resolution unfortunately lies in litigation. The rules are already there. The lenders -- it's already laid out what the lenders are supposed to do, and what is needed is some mechanism for enforcing those rules, and the mechanism we currently have is litigation.

Now, sometimes the government will step in, as the Attorneys General did, or the CFPB can file a lawsuit if they see problems raised to a certain level. But these are matters that need to be raised by litigation, and facts

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need to be found.

Fees in the conciliation conference are a problem. Every time there's a conciliation conference and both parties appear, the lawyer for the attorney -- I'm sorry; the attorney for the lender bills their client, and then the client adds that to the debt that is owed. This is a matter that's currently under discussion, has been under discussion at the last couple of meetings of the Steering Committee to address, to try to reign in those fees and try to get some agreement as to the circumstances in which it is inappropriate to charge fees for conciliation conferences and also try to get some limit on what those fees are. This is also something that can be resolved in litigation.

There was a case recently decided by the Superior Court, the Biddle case, in which the Superior Court remanded the case to the Court of Common Pleas, and one of the issues was whether

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the attorneys properly proved their fees and their right to them.

One of the issues that has been problematic is people knowing where they stand after the Diversion Program has ended. As we pointed out, Diversion is diversion. You were diverting from the regular litigation. When in litigation, there are timelines. There are requirements to file responses. If those timelines aren't met, the lender has the right to take action, and that action usually is a default and then a judgment.

Homeowners often don't understand when they're out of Diversion, and this in part is a result of -- and part of success of the Diversion Program. There are sometimes people in Diversion for two years while there's attempts to resolve matters. The complaint might have been filed and served at the beginning of the Diversion process, and there have been many attempts to get a loan mod and many requests for

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information which the homeowners have diligently responded to and many requests for more information and sometimes a denial of an application for a loan modification, which is then appealed either in the Diversion Program or outside the Diversion Program, but results in the lender reconsidering its decision. A lender could reconsider its decision two or three times, and the borrower is asked to provide information, and it's fairly onerous information - their income expenses -- their income, their expenses, their bank statements, award letters, statements from DPW and Social Security. It's a whole package of information they have to do, and they're doing it over and over and over and over again.

At some point, the lender says, We have made our final decision. We have determined this person is not eligible for any of the programs we have to offer. We want to be able to go and litigate the

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case. And sometimes this is something that's fought about in front of a judge pro tem or in front of the judge or the judge's clerk and now Judge Robinson, who is presiding over the program, and the judge will say, Yes, it's been however long it's been. It's been 11 conferences. We are not going to be able to reach an amicable resolution in this case. It's going to go to litigation, and an order is entered. The problem is that until now, the order that's been entered has been similar in form to all the other orders that are entered continuing the cases, but it says something different. The other orders, there's a box checked that said case continued and rescheduled for a conference. The order removing the case from Diversion will usually say that the case is removed from Diversion and the defendant has a certain amount of time in which to file a response. These orders don't have the necessary boldness to get

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the attention of the homeowner.

And there's another problem that even after the case comes out of Diversion, lenders will sometimes still try to work with the homeowner. If there's been a change in circumstances, they will accept another loan modification program, and sometimes they will informally instruct their attorneys to put the case on hold while they try one more time to review the papers and see if they're willing to enter into an agreement.

But then without notice, the lenders might decide we're finished, will instruct the attorney to take the hold off the case, default judgment is entered, the homeowners have no idea what's going on and find themselves with a default judgment.

One of the solutions that we've recently come up with, there's a subcommittee appointed to address this, in concert with Judge Robinson and Judge

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Fox, who is in charge of the foreclosure program in the Court of Common Pleas, and we are working on a draft order that's going to be a standalone order, separate from the Diversion orders.

So now there's going to be two orders when a case comes out of Diversion. There's going to be an order of the Diversion Court saying the case is out of Diversion and setting forth a date when the response has been filed, and then there will be an additional order that's going to come from the foreclosure process saying this case is out of Diversion, making clear what the homeowner has to do and also requiring that before a default can be taken, a new ten-day notice will have to be sent by the lender, giving the homeowner an additional ten days to take whatever action is required and also giving the homeowner an additional time to try to get an attorney.

A similar order is going to be

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under consideration for those cases in which homeowners are put out of the program because they've failed to appear. It's often the case that people have legitimate reasons for failing to appear. They may not have gotten proper notice. They may have had to go to the hospital. Emergencies happen. People can't appear. Right now there's an order entered telling the homeowner that they're out of the program and that the lender can take a default judgment. What I am going to submit to the Steering Committee is a proposal for an order providing that when a case comes out of the program for failure to appear, that two things happen, that there be an order making clear, a separate order, not one of the orders with a check box, but a separate standalone order saying you're out of the process, and also try to include in that order procedures that the homeowner can use to try to get back in the process, because there is a procedure for

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requesting reentry into the process. Judge Robinson will consider such requests, but it's not clear to the homeowner that that's available, so they don't necessarily know what to do.

So we're going to be proposing an order that will enable people if they're told they're out of the program, that they'll also be told how they can -- for failing to appear, that they'll be told how they can get back in.

My last point that I'd like to make is to reiterate that once the person is out of the program, unless they're very sophisticated, they're in litigation, and homeowners are not likely to prevail in litigation if they don't have lawyers. One way to address this problem is with the notion of civil Gideon, which some of you may have heard about.

Civil Gideon is a movement. It's nationwide. It's been adopted by the Philadelphia Bar Association of

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guaranteeing people in civil cases the right to an attorney involving basic -- when at issue is the right to basic human needs, including child custody, income, and homeownership and ejectment defense or eviction defense. It takes its name out of a criminal case, a Supreme Court case, Gideon versus Wainwright, that decided that in criminal cases, defendants have a right to counsel.

I would commend to Council consideration of an implementation of the notion of civil Gideon, which would guarantee people representation if they're going to lose their homes. And I submit that as a possible resolution.

Again, I want to thank you for the opportunity to testify and I want to once again on the record hold myself out to provide any assistance that you might feel I can provide in addressing problems and solutions.

Thank you.

COUNCILMAN JONES: Thank you

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both for your testimony, and thank you, colleagues, for hanging in there, because this is not a simple process to follow, which is a part of the problem in the sense that if I get a legal document in the mail and I am not -- I may be a baker, butcher, candlestick maker. I may not understand all of these points, because there are a couple of turns and twists that you took that I had to really focus and use whatever logic I have to figure out where they were in the process.

So to the best that I can, I want to try to -- and thank you, because it really helped. That's why I didn't stop you earlier, but it was really informative.

So, number one, I'm thinking that this is a very stressful time for people who are in jeopardy of losing the one asset that usually means the most, which is their house. So you're reluctant from the door to open that

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piece of mail, to understand that document. You almost have an ostrich-in-the-sand complex to try to hope it goes away, but it doesn't. It keeps moving on.

So you have, as I heard you, two tracks that are happening. There is a court-related track that a property owner exhibiting his right of ownership to take a property from a person, and then we've created the second track, which is the Diversion Program that intersects that point. So Act 91, if I have it, governs how these processes should happen for the court side?

MR. TRAUSS: No.

COUNCILMAN JONES: Okay.

MR. TRAUSS: If I might, let me just answer, and then Mike might have something to say.

So Act 91 is a state-required notice. There's two acts - Act 6 of 1974 and Act 91 of 1983, I believe. Those are two notices that are required by the

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lender prior to the institution of an action of foreclosure. They're required by state law. The lender has to file them. Before the lender sends those notices, they don't have a cause of action of foreclosure. They don't have a right to foreclose. And those notices -- the Act 91 notice in particular relates to a state program, the HEMAP program, the Homeowner Emergency Mortgage Assistance Program, which is designed to provide people with loans that can help them avoid foreclosure. So these notices come first.

MR. FROELICH: Before the foreclosure is even filed.

COUNCILMAN JONES: So this is pre-foreclosure. Got it.

MR. TRAUSS: This is pre-foreclosure.

COUNCILMAN JONES: So those are the things that are available to the consumer to take advantage of imposed by the state?

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MR. TRAUSS: Yes.

COUNCILMAN JONES: Then we go into the Sheriff's process, which we have the Sheriffs -- well, the foreclosure process. It's not the Sheriff's Office, but the foreclosure process that goes into that. My point is notice.

Let me ask a couple of questions. One, what is the difference between a Sheriff serving notice and the private sector that serves notice?

MR. TRAUSS: The rules permit service to be made in two ways, either by an adult individual who is effectively deputized. In the City of Philadelphia, there's a rule pertaining to the City of Philadelphia which permits service by entities other than the Sheriff. This is not a statewide rule. There may be other places where this is permitted.

The reason that this rule was enacted was that originally the rules required that service be done by the Sheriff. The backlog of service was so

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tremendous when the service was only done by the Sheriff that this rule was pressed for and it was enacted, and it's a rule that permits private -- service to be done by private companies that do service. And the service they're required to do is the same. The rules for service are the same for the Sheriff as they are for these private individuals. And the rules are in the 400 series of the Rules of Civil Procedure, and generally they require service, personal service, if the person lives in the City of Philadelphia.

Now, there is one difference that is somewhat important. If there's any dispute about service, if the service is done by someone other than the Sheriff, there's nothing in their affidavit that has to be accepted at face value. And if there's a dispute about whether service was made in court, testimony can be taken and the finder of fact can find to disbelieve the person

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making the service and believe the person who says they made service.

When service is made by the Sheriff, any information of which the Sheriff or his deputy has personal knowledge is presumptively true. Information the Sheriff does not have personal knowledge of is not presumptively true. So there is a higher reliance given to service that is made by the Sheriff in the courts than is made by private individuals.

COUNCILMAN JONES: How many, if you know this -- no. I'll reserve that for the Sheriff's Office.

So in your general opinion, are more acts of service done by the private sector or by the Sheriff's Office?

MR. TRAUSS: Far more are done privately. In foreclosure cases in Philadelphia, far more are done by private.

COUNCILMAN JONES: To your best knowledge, what is that universe of

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services annually?
MR. TRAUSS: How many? I could not give you a number.
COUNCILMAN JONES: Is there --
MR. FROELICH: If I may, we know that there's approximately 350 residential mortgage foreclosure complaints filed every month, between 350 and 550 per month. So presumably every complaint needs to be served.
MR. TRAUSS: I could tell you this anecdotally. Of the 2,000-and-some cases or 3,000 cases that we at PLA have some exposure to in the course of a year, I think I have seen one in recent years that has been served by the Sheriff.
COUNCILMAN JONES: Why would one choose to do it through the Sheriff's Office versus the private sector in a case like that? Why would I want to go to the Sheriff's Office versus this private entity? Is there a reason?
MR. TRAUSS: The case that I've seen in which the Sheriff was used was a

a case by someone -- it was an individual that doesn't file a lot of foreclosures and just used them.

COUNCILMAN JONES: But the industry would rather go to --

MR. TRAUSS: The industry would rather do it. And also this is not the subject of this hearing, but there is evidence that the industry, the big foreclosure firms, own the companies that do the service.

COUNCILMAN JONES: So let me get this right. The people who are entrusted to do proper service have a vested interest at the end of the day by owning the mortgages that they're --

MR. TRAUSS: They don't own the mortgages. It's not the mortgage companies who own the servicers. It's the attorneys.

COUNCILMAN JONES: It's the law firm?

MR. TRAUSS: It's the law firms, yes. It is not unusual for these

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entities that do service to have a financial connection with the law firm that does the service.

COUNCILMAN JONES: Are these industries regulated by anyone?

MR. TRAUSS: Well, the law firms are regulated by the Code of Professional Responsibility and by the Supreme Court.

COUNCILMAN JONES: Got that. The service companies.

MR. TRAUSS: The service companies are not -- to my knowledge, they're not separately regulated by anybody. I imagine City Council could possibly --

COUNCILMAN JONES: Oh, yeah. I got lawmakers here. They know what to do. But I just want to get that on the record so that we get a better understanding -- and we are joined by Councilman Squilla -- to be able to understand that.

So there is a legal standard of

what service should be. That standard is self-monitored by the companies that own the service companies in a great many cases?

MR. TRAUSS: I would say that the companies that have a financial interest. I don't know the exact relationship. I can't -- so I'm not going to speak to that, but I do know that there's a connection. I do know that there have been lawsuits filed about that connection. There's been lawsuits filed about the monetary advantage that is enjoyed by the law firm when they make these referrals and when they charge their charges.

COUNCILMAN JONES: Okay. I'm going to put a pin in that questioning and I'm going to recognize Councilwoman Bass.

COUNCILWOMAN BASS: Thank you. Thank you, Mr. Chairman.

I just have a couple of questions. Some of the information --

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you both gave a lot of really good information, and so I want to thank you for being here. I hate to start off with a criticism, but I do want to say to the Chairman that I am extremely disappointed that we don't have someone here from OHCD, which is right around the corner, which runs the City's housing counseling program, which addresses foreclosure, which is funded with CDBG dollars and really, really, really should be here today. And so maybe they're on their way, you know, somebody, anybody. But to me it's completely unacceptable to be a no-show for something as important as this conversation.

But nonetheless, I do have a couple of questions for both of you, and I guess the first question is if you could go a little bit into detail. You mention that about 10 percent of those who have foreclosure notices are represented by an attorney and the other 90 percent roughly -- and I want to make

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sure I have these facts right -- haven't responded and often is the case is that there will be just a judgment against them because they haven't responded. There's probably so much happening in someone's life by the time they are going through a foreclosure. Often there's a loss of a job or maybe a breakup of a marriage or so many other things that are happening, and so I can certainly understand how this can get by and there be no response. But if you could just briefly touch on that and any thoughts you may have in terms of how our programs could operate a little bit better to make sure that that doesn't happen.

MR. TRAUSS: Well, if I could about the -- so what I said was that prior to the Diversion Program, about 90 percent of the cases resulted in defaults and about 10 percent were not defaults. I don't know that you could extrapolate from that that 10 percent had attorneys.

COUNCILWOMAN BASS: Okay. This

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is completely separate.

MR. FROELICH: But separately, I think, if I may, Councilwoman, I think I'm the one that mentioned the 10 percent are represented by attorneys. Separate from this statistic, I've looked into the number of homeowners who are represented by attorneys in the Court of Common Pleas, and it's about 10 percent as we're speaking. Well, I think last week when I did the numbers. Approximately 10 percent had retained lawyers, yes.

COUNCILWOMAN BASS: Okay.

MR. FROELICH: But do you want to answer the petition to open?

MR. TRAUSS: So you're asking about can we -- what can we do about the 90 percent who are -- let me step back and say with the Diversion Program, there's greater participation even though only 10 percent are still able to get lawyers, but what could we do about people who are not filing responses. And I guess there's two sides to that. One

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goes to the question of notice. Is there any other notice that could be given to people to highlight the fact that they're in foreclosure and they need to do something. The other is what can they do.

Most people -- there are homeowners who will file pro se responses. Most people don't feel like they are able to do that, or if they do, they don't raise the issues in the way that's going to help them.

I think some of the people who testified might have testified that they filed responses, and motions for summary judgments were filed against them and then they didn't file a response to the motion for summary judgment, so a judgment was entered against them.

Motion for summary judgment is a motion that's filed with the Court saying there's no disputed issues of fact and as a matter of law the party filing the motion should win. So often these

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answers don't raise or don't properly raise legal issues or factual issues. So that even if a homeowner files a response, they still end up losing.

I don't know what can be done about that, other than to find a way to make lawyers affordable to homeowners to defend these foreclosures. As we see nationwide, a lot of people have good defenses to the foreclosures, but they need lawyers to raise them and --

COUNCILWOMAN BASS: Well, and that's something that, again, as lawmakers, what we want to do is get to some of the remedies that we can -- the things that we can do to make it a little bit easier to be able to hold onto your property or whatever it is that folks need to do who don't have appropriate counsel. So if there's something that we can do, it might not be a question for right this moment, but if there is an aha moment later that something that is thought of that could be particularly helpful, I would suggest -- maybe if there's some way to communicate that back to us, we'd be most interested in finding that information out.

MR. TRAUSS: Without belaboring too much and we can talk about this later, but one thing that might be possible and we've seen in other jurisdictions the numbers of foreclosures going down when there has been a requirement -- and this is particularly in New York, I believe. There's a requirement of certain certifications before the complaint can be filed about the bona fides of the person filing it, that they really do own the mortgage, they really have standing to file it.

It is possible that it would not run afoul of the separation of the courts and the legislative bodies that the Council in Philadelphia could require that certain things be done before a complaint could be filed or that certain papers accompany a complaint in a way

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that's similar to what is now required in landlord-tenant actions. So currently in a landlord-tenant action, without proof of a license to rent a property, the Municipal Court will not accept an eviction complaint or even a complaint for damages.

So I think that may be something that if we can hone in on certain things that are common problems, that are common abusive practices, something that required some showing that that abusive practice was not in place as a pre-condition to a complaint being filed might be possible.

Now, that doesn't solve the problem completely, but it at least addresses a problem that a homeowner would otherwise have to raise themselves, which would be harder for them to do, and this would put the burden on the lender to come forward with things ahead of time.

COUNCILWOMAN BASS: Okay.

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Thank you for that information. I'm going to come back in a few minutes, but I am very much a supporter of finding out what other jurisdictions have done and how they've been affected. And so you said New York is such a case, so I think if there's a way to also find out what other cities are doing, similar cities to Philadelphia, what steps are they taking and how can we duplicate what others are doing. But I'm going to come back around.
MR. TRAUSS: In New York, I don't know if that was judicially imposed or statewide. I'm not sure by what authority that was imposed.
COUNCILWOMAN BASS: We can find out.
MR. TRAUSS: But there is one other thing, if I might. Now, I know money is tight all around, but there was for a time a program that the state had run or there was -- it was -- the program was up and running for a time. There was

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money that was available for people to use to avoid foreclosures in certain circumstances. There was a fund to essentially buy people out of predatory loans, and it was designed as a revolving fund, and some of the seed money came from places other than the City. It may be -- even though in many people's minds the foreclosure crisis is over, it is not over by any means. It's not over in Philadelphia. And the re-creation even at a local level of some funds that could be directed toward buying people out of predatory loans or creating a fund for money that would have to be paid back, a revolving fund, that could help people with foreclosure problems could, I think, go a long way to resolving some cases, which often snowball from an original small default, as Mike said, into this huge problem because of the addition of fees and litigation costs. And if there's some place to access money early on in the process, that I think could

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eliminate a lot of foreclosures.
MR. FROELICH: Councilwoman, if I could just respond. You had mentioned you're a big fan, as are we, of looking at what other jurisdictions are doing. I did want to also circle back to the idea that our Diversion Program is something that not just other states come to look at as an example of something that we do great and I know that it originated in large part from the push from you guys, but that internationally people have come to look at it, to meet, to figure out how we're doing it so well and what they can learn from us as well.
COUNCILWOMAN BASS: I'm sorry. Shoshana Bricklin from my office, formerly of Councilman Jones' office, worked on that.
MR. TRAUSS: Yes. Shoshana was actively involved. I mention in my testimony about the Save Your Homes Philly Coalition, and Shoshana, on behalf of Councilman Jones at the time, was very

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active in that Coalition and was also
active in, I think, the efforts of the
Council to bring the issue to a head.
COUNCILWOMAN BASS: Okay. Very
good. Well, I take credit for it before
Councilman Jones.
COUNCILMAN JONES: As you
should. You recommended her. It was a
good recommendation. Then you came and
took her back. It was good stuff. Thank
you, Councilwoman.
COUNCILWOMAN BASS: Thank you.
COUNCILMAN JONES: Just real
quick rapid fire, because we have a lot
of people behind you. Doesn't HUD have a
fee schedule for allowable expenses for
attorneys that --
MR. TRAUSS: Yes.
COUNCILMAN JONES: So is there
any way -- I guess we will find that and
try to apply that to whatever would be
appropriate for foreclosure prevention.
And then the other thing is, do
you find a pattern where there is

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marketability for resale of properties, more activity in Sheriff Sales? So if you're in a hot real estate market, you're going to see people unwilling to kind of come to compromise on that and they want to push things to Sheriff Sale so that they can get -- is there a private-sector market pressure for that kind of activity?

MR. TRAUSS: Well, I don't know if -- I think the answer is yes, though it may not work in that direct a way. The lenders, in evaluating whether to enter into a loan modification with a homeowner, often evaluate what they think would happen if they're able to take the property to foreclosure and sell it at Sheriff Sale. And if you have a property with a relatively low balance compared to the value, regardless of the neighborhood really, it's really a question of a balance sheet. If you owe $20,000 and they think they could sell the property for 100 or 120 or 200 or 300, they're

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going to be less inclined to work with that homeowner, because the pot of gold is not so far away. If they can get to the Sheriff Sale, they can sell it and get their money back.

COUNCILMAN JONES: So I'm going to look to believe that mankind is good by nature, but let me just say that then you are more likely to get a foreclosure notice at the end of amortization of a 30-year loan than at the beginning, that they'll come after you -- you become more appealing.

MR. TRAUSS: No. The time -- so there are a number of things with respect to when the homeowners have to foreclose. Also on the point about the value, the relative value of the property to the debt, that evaluation is also built into some of these federal programs. Like the HAMP program itself has a requirement with respect to the net present value of the mortgage in default, and that net present value calculation is

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used to determine whether a lender has to work with a homeowner or not. And in the case where there's a high present value of the property and a relatively low debt, that cuts in favor of the lender being allowed to go ahead with the foreclosure. So they're not required by the federal HAMP program to deal with a homeowner.

I don't believe there is -- that lenders are waiting for their loan to foreclose and to jump on it at the end of the case, because there's -- they really -- servicers really can't do that. There are HUD regulations about when an FHA-insured mortgage can be foreclosed, and they require foreclosures to happen within a certain amount of time of a default. So the lenders risk losing their HUD insurance if they delay.

COUNCILMAN JONES: So if I could, I got it. My final question then on that is that when a mortgage is sold to another entity that might be an

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investor and that kind of equity-to-debt ratio is appealing, they are prohibited from -- so one of the complaints I'm hearing is that, I didn't even know the third person that bought this mortgage came and sought relief through Sheriff Sale. So that has nothing to do with equity? That --

MR. TRAUSS: Yes.

COUNCILMAN JONES: -- has nothing to do with market value?

MR. TRAUSS: This does, yes. There are a class of mortgages where this is relevant, where the market value is particularly relevant, and I want -- I'd like to -- indulge me to make two points.

COUNCILMAN JONES: See all those people.

MR. TRAUSS: One is that the way the loans are sold, homeowners get no notice if the owner of the mortgage changes. Homeowners are required to get notice by the Consumer Financial Protection Bureau and by the regulations when there's a change in servicing. So now there's a difference between the people who own the mortgage and the people who service the mortgage. The people who service the mortgage are the companies that have a face-to-face interaction or letter-to-letter interaction with the homeowners. They're the ones that collect the money.

The owner of the mortgage will appear on the assignment records in the Department of Records, but there's no requirement that the homeowner get a notice every time the owner changes. So homeowners often are confronted with complaints with names on them that they've never heard of, because they might know who the servicer is as the servicer changes -- and those servicing changes happen often and people are confused by that -- but they don't get any notices when the owner changes, and the ownership can change three, four, five, six, ten times in the life of a

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loan without the homeowner ever knowing it, and then they have a complaint from somebody they don't know who that person is.

Now, there's another piece of this, which is there are loans, which if a loan is non-performing for a certain amount of time, those loans get sold to what we call bottom feeders, people who are interested in buying non-performing loans because they think they can make money out of them. And sometimes they service them themselves. Sometimes they have servicers. And these so-called private investors, which are standalone companies whose business model is to try to buy cheap and get a house that's worth a lot money, their behavior is different than the behavior of other servicers often. And they often -- if they service them themselves, they often are not required to participate in the HAMP program. They often are not FHA mortgages, and their motivations are

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different, and it is much more likely that the valuation of the property and their desire to get to that valuation -- that property as quickly as possible will result in foreclosures that would not happen with other lenders.

COUNCILMAN JONES: What percentage of the marketplace do they, quote, "bottom feeders" --

MR. TRAUSS: I do not know. I cannot really give you an intelligent estimate of that.

COUNCILMAN JONES: Are there any other questions of the panel?

(No response.)

COUNCILMAN JONES: Having none, thank you for your testimony. We appreciate the information, and it is very helpful.

MR. TRAUSS: Thank you very much.

(Applause.)

COUNCILMAN JONES: Can you read the next panel to testify.

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THE CLERK: Kevin Lamb, Chief Deputy Sheriff; Captain Al Innaurato, Sheriff's Office; Mark Harvey, Water Revenue Board.

COUNCILMAN JONES: Thank you, guys, and thank you for your patience in this process. As you can see, it's a lot at stake. No one has to tell you. You're the department that deals with a lot of this stuff process-wise. So we appreciate you testifying. If you notice, I have my Sheriff's pin on today. I was trying to represent.

So whatever order you want, please state your name for the record and begin your testimony.

DEPUTY SHERIFF LAMB: Good afternoon, Councilman Jones, Councilman Henon, and Councilwoman Bass. My name is Kevin D. Lamb, Chief Deputy Sheriff for the Philadelphia Sheriff's Office. To my right I have Captain Al Innaurato, who is our Captain and commanding officer for our Civil Affairs Division, and to my

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left I have retired Captain John Keaveney, who is very familiar with this process and kind of what occurred in past years.

Attorney Trauss referred to a number of things that we were going to discuss this afternoon, so I will be brief. And basically he was referring to 1990 when Chancellor Arthur G. Raynes of the Philadelphia Bar Association wrote a letter to Pennsylvania Justices of the Supreme Court regarding a rule change in the delivery service of original process. This request was offered by resolution sponsored by the Bar Association's Cabinet and State Civil Judicial Procedures Rules Committee.

At that time, Common Pleas Administrative Judge Edward J. Blake, with Administrative Judge Alan K. Silberstein of the Philadelphia Municipal Court and Judge Albert W. Sheppard, ordered the Sheriff to assign two deputies to each criminal courtroom.

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Former Sheriff John Green complied with Judge Blake's order, which ceased service of original process due to the demand of criminal courtroom coverage and a result in the lack of staffing.

At that time, we were very well staffed in our Civil Affairs Division, some 70 Deputy Sheriffs that were doing that service. So it wasn't because we were backlogged in terms of service. We became backlogged when we were moved into the courtrooms at two per courtroom.

Immediately following, a request was made to the Pennsylvania Justices to temporarily suspend Civil Rule 400 for Philadelphia only to allow service of original process by certified mail or by any deputized adult person. The temporary measure and rule change was approved by the Court.

At present, the Office of the Sheriff delivers service of original process in very few civil cases. The Sheriff Office's involvement is upon Writ

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of Execution, which is toward the end of the mortgage foreclosure process initiated by a lender.

Our Civil Affairs Division physically posts a handbill generated from the Writ for the public and for the sale of the property, and we do have an example of that bulletin for you.

Under Sheriff Jewell Williams' administration, we have since doubled the size of the Civil Affairs Division, which is staffed by Deputy Sheriffs, our Detective Division. The unit is still in need of additional Deputy Sheriffs and not at the adequate staffing levels. However, we are prepared to execute the wishes of the Court if given the responsibility of the service of original process that is currently handled by external writ services and agencies. This expanded utilization of the Sheriff's Office will ensure the integrity and assurance of proper service.

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That's what we do, and we do it extremely well.

At this time, I will defer to Captain Al Innaurato, who can give you some further information on such service.

COUNCILMAN JONES: Thank you.

CAPTAIN INNAURATO: Since that temporary order --

COUNCILMAN JONES: Say your --

CAPTAIN INNAURATO: My name is Captain Al Innaurato, Philadelphia Sheriff's Office, Civil Division. I've been in the Civil Division about 12 years. I was a Deputy, but I had other duties at the time when they changed the order.

Right now we get very few civil complaints. We get a lot of them from out of county that are deputized, because they have to go through our Sheriff's Office to get them served. But there's a lot of outside agencies that popped up since this order, and they have all kind of people doing them. Some attorneys, I

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believe, have messengers in their office making services. Some use regular filing services. In fact, sometimes we get calls about complaints the way they tried to serve people or left things on their doorstep, and I tell them there's no way to track it. There's so many agencies out there and companies. As long as I can check our records and we have no record of it, there's no way in the world that I know who did it or who dropped stuff on your door.

We get a lot of complaints about different types of services, the way they do them or their lack of doing them.

COUNCILMAN JONES: Are you done? Thank you.

CAPTAIN KEAVENEY: Good afternoon.

COUNCILMAN JONES: Good afternoon.

CAPTAIN KEAVENEY: My name is John Keaveney. I'm a retired Captain from the Sheriff's Office. I'm presently working as a consultant with the Sheriff. I actually was the Captain in charge of the Northwest Division of the City back in 1990, '91, '92 when this rule change came into play.

What had happened, the courts -- historically we were usually behind in staffing the criminal courts, whether it be in City Hall or the Criminal Justice Center. The civil work was being served, and as the Chief indicated, we had -- exact numbers I'm not remembering now -- in the neighborhood of 60 deputies, plain clothes deputies who would serve process on a daily basis. It was very little backlog in the beginning. Once -- apparently some powers-to-be got together and tried to figure a way out of it, solved the criminal court's problem with getting deputies to a courtroom and some private concerns that wanted to do this type of work. We were ordered to produce

Deputy Sheriffs and I believe it was 8:30 every morning upstairs on the 7th floor of this building to report for courtroom duty.

With that being said, that legal process of service was not being done during the daytime hours. It's important to note, this type of paperwork, especially mortgage foreclosure, Writs of Execution, the Deputies would serve that early in the morning prior to people leaving their homes for work or they catch them in the late afternoon when coming home from work and on Saturdays. But they were tied up in the courtrooms beginning at 8:30 in the morning, which turned out to be kind of not in the best interest, because a number of the courtrooms didn't start until 10 o'clock in the morning. Typically these deputies would have been out in the street 7:00, 7:30, 8 o'clock in the morning serving the paperwork and then they would report into the offices

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here in City Hall in the late morning to return their services, do their paperwork, and pick up the next day's work, and then they'd head out back again in the afternoon and try to catch some people coming home from work. And then in the afternoons, they would do their businesses and places that were relatively easy to serve.

But I'll say over the years that we were doing that, very rarely did we get a complaint from someone that they were never notified, never received original process, notice of suit. And I can tell you for the two or so years that I was in there after the rule change, it was constant, every day people calling, I got -- they got a posting that their house was being sold and there was no record that we served the papers, and it was being done outside of the Sheriff's Office by private writ servers, employees of large law firms that are involved in this business.

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COUNCILMAN JONES: Is that it?

DEPUTY SHERIFF LAMB: Yes, sir.

COUNCILMAN JONES: Thank you.

So if I understood it correctly, there was a ruling that required you guys to assume the responsibility in the courtroom, which required a shift of personnel --

CAPTAIN KEAVENEY: Yes.

COUNCILMAN JONES: -- that created a void, that created a cottage industry called service?

CAPTAIN KEAVENEY: Yes.

COUNCILMAN JONES: And the standard by which your judge is a little different -- and I'm not impugning the integrity of anyone, but I am saying it is different when you get a notice that is official from the Sheriff's Department versus some of the complaints that we've gotten that these were kind of forged documents, for lack of a better word.

CAPTAIN KEAVENEY: Yes. I did this work myself. I supervised about 14

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people in the Northwest at the time. Our deputies had no vested interest. They worked for their salary. They would do two or three attempts at personal service before they would send it back to the attorney as what was called a "not found," and then the attorney might get additional information, maybe the owner didn't actually live there, it was a renter, and they'd come back and get it reinstituted.

But we explained it. When we delivered it to the person, we would tell them, Hey, this is important, they're trying to take your house, or there was other things, taking your car. I mean, there was a number of things. But the mortgage foreclosures, we would explain it to the people to the best of our knowledge, the best of our ability, and we had very few -- I don't know of any complaints where people said, I never received service, I didn't know this was happening. And next thing you know,

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they're in the middle of a Sheriff Sale. A Writ of Execution has been --

COUNCILMAN JONES: Do you have any idea what the universe of services are annually? We heard a number of 350. And for the record, these are not municipal Sheriff Sales. We're not suing people for water and sewer where we are -- do you do our municipal services or does a private company do it? So if you owe an extreme water bill or haven't paid your real estate city taxes, do you do the service for the City?

CAPTAIN INNAURATO: We get a large amount from the City on Writ of Executions trying to collect for different reasons, judgements against individual companies and things.

COUNCILMAN JONES: So the City still --

CAPTAIN INNAURATO: Plus we also post petition of rules, which the City uses before they go to the tax sales on people's homes.

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COUNCILMAN JONES: So you still service --

CAPTAIN INNAURATO: Not everything. Maybe not on the smaller level water bills and stuff, but we still do a lot of City work.

COUNCILMAN JONES: Well, when it gets serious, when we get the critical --

CAPTAIN INNAURATO: We go out there, yeah.

COUNCILMAN JONES: It is you that goes out and puts these notices on --

CAPTAIN INNAURATO: Yeah. And you got to remember, when we were doing all those civil complaints, all that money went into the City budget, which no longer goes in there because you have individuals serving them. I don't know what kind of benefit the individual gets, but whatever was filed in our office, there was a fee. Everything that's done in Civil Division is not generated by the

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Sheriff. It's an individual that wants something done, ordered by the Court. We just enforce the Court order, and there's a fee for everything we do. We don't do anything for nothing.

COUNCILMAN JONES: Do you have any idea what a service costs the Sheriff on average? Because if you had to go out multiple times, I get it.

CAPTAIN INNAURATO: There's different fees for Municipal Court and Common Pleas. It may be either $84, I believe, or 116 per service.

COUNCILMAN JONES: So $84 or?

CAPTAIN INNAURATO: 84 up to 116 for service.

COUNCILMAN JONES: Is that every attempt?

CAPTAIN INNAURATO: No. That's one fee and that's -- we make at least three attempts on it.

COUNCILMAN JONES: Okay.

Any questions?

COUNCILWOMAN BASS: I have a

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question.

COUNCILMAN JONES: The Chair recognizes Councilwoman Bass.

COUNCILWOMAN BASS: Thank you, Mr. Chairman.

I have a question on something very specific that we've been working on in our office for some time now, and it was a Sheriff Sale. So I'm going to use this opportunity to address a whole other issue. But a Sheriff Sale that occurred that never should have occurred. And so I have a homeowner now who is really fighting to hold onto his property and to not be homeless essentially. And so this is someone who was served, who came downtown, was told, I guess, whatever amount he needed to have to stop the sale. He came down. It was within the timeframe that was required. He made a payment, but he made the payment at the wrong window. And after he made the payment at the wrong window, the Sheriff Sale proceeded about a week later, five

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days later or so, and his property was sold. And as we tried to untangle this situation, everyone seems to have a hands-off approach about it. And so whether it's the Department of Revenue who accepted the payment or the Sheriff's Office, we just really haven't been able to address this issue and make sure that, again, this person doesn't end up homeless.

They did everything they were supposed to do. They just didn't show up at the right window. But they should be able to show up at any window in the City of Philadelphia, make a payment and it go through to who it's supposed to go through and stop the Sheriff Sale. It should be our problem. We should be untangling this situation and not saying, Well, you showed up at the wrong window, it's kind of his fault that this happened. I'm not saying you're saying that, but that's kind of the response that we've gotten from different City

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agencies all along the way.

(Witness approached witness table.)

MR. STREET: Good evening. Sharif Street, outside counsel to the Sheriff's Office.

Councilwoman, to answer your question, you're right. It should not have a legal effect which window you pay at. It sounds like this was a tax sale or some kind of municipal lien sale if you're making a payment to the City. Otherwise you wouldn't be making a payment to the City.

There is a consolidated -- generally speaking, you're told to go -- I think it's up to Zawalick's office where they accept the payments. It's a separate place from where you traditionally pay your -- whether it was a tax or water where you pay. And the reason for that is merely administrative expedience, that they can then keep track of what's going on to sort of stop the

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sale.

However, if there was a valid agreement entered into with the City's Revenue Department vis-a-vis the Law Department and the payment was made in a manner consistent with that agreement, regardless of whether it was made downstairs or upstairs, that should have been enough to stop the sale. Unfortunately, if it doesn't stop the sale and the sale goes forward, then that takes an action of the Court to reverse it.

So what should happen is that the City as the plaintiff, the City is the plaintiff, the City Law Department as the plaintiff should because the person acted in a manner consistent with the agreement with the City, the City as the plaintiff should then get an order from the Court allowing the sale to be reversed.

COUNCILWOMAN BASS: So we were advised from the Revenue Department that

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this gentleman now needs to get his own legal counsel. So now clearly he was about to lose his house, scraped up enough money to keep it from Sheriff Sale, and now we're telling him he needs to go pay an attorney to unravel the situation. But you're saying that that's not accurate, that he does -- are you saying that he does not need to get counsel?

MR. STREET: No, I'm not saying he shouldn't seek counsel, but what I'm saying is if you have a valid agreement entered into by the City of Philadelphia -- clearly, if this was a private mortgage company and if this was a private-sector plaintiff that had gotten -- I would tell the person you need to go get counsel. But I would imagine that if you have a valid agreement with the City of Philadelphia and the Law Department should not -- and the Law Department is representing the Revenue Department, the City should be a

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little bit more considerate than a private -- although it does not have a legal obligation to be, my experience is the Law Department should be a little more accommodating, because public employees serve the public, that if in fact you can demonstrate an error was made on behalf of the City, which effectively it was, then the Law Department would have the ability to go into court and reverse that sale.

COUNCILWOMAN BASS: Okay. Well, we're going to follow up, and we certainly hope that we can work with you all through the Sheriff's Department to remedy this situation. One of the complaints we got was from the City, which I just find incredulous, is that, well, he waited too long. He waited too long to get to us. This happened back in January or February. Why did he just show up in August?

And so this gentleman is saying that he's been trying to reach Revenue,

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reach the Sheriff's Office, reach different offices, to no avail. And I don't know about any of you, but it's not necessarily shocking that someone has tried to reach a City agency and didn't, just because of the volume, weren't able to reach anyone, but at the same time, he showed up on my front doorstep. I'm glad he showed up on my front doorstep so that we could make sure that he's not homeless, that he doesn't lose his property. So I am glad that he showed up, but we need to figure out collectively a way to make this situation right. So I look forward to working with you on that.

DEPUTY SHERIFF LAMB:

Absolutely. We have worked with many of the Councilpersons. We deal with such calls on a daily basis. It's our intent even at the very last hour to assist homeowners in holding onto their homes. We do mortgage foreclosure prevention workshops, Save Your Home workshops.

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When they do call, we give them the information that they need to try to hold onto their home as much as possible. It's not a fun job to do, but we really try to keep people in their homes as best as possible. And we would encourage people to call their Councilpersons and surely call the office of Sheriff Jewell Williams if they encounter any kind of issues like that.

COUNCILWOMAN BASS: Thank you.

COUNCILMAN JONES: Thank you, Councilwoman.

Real quick, because we have an aggressive testimony agenda. To what degree do you train Sheriffs on service? Is there a course? Is it a part of their training? How do you prepare someone on what proper service is?

CAPTAIN INNAURATO: Captain Innaurato again.

Until recently, most of our guys were 30-year veterans. That's how long it's been since any promotions or

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anyone has been added to the Civil Division. Recently with us doubling in size, we train them in the office for a couple weeks over services. We let them go with other deputies to make services. We teach them the computer system. We have a whole printout of procedures and rules to follow. And that's before they go on the street. Then they go on the street with a deputy and then they go in their areas and they make attempts with seasoned deputies, and it shows them the proper way to talk to people and explain things to people, and then we eventually cut them on their own after we feel as though they know what they're doing. We give them a little work at a time and ease them into it. We give them a geographical area that they're responsible for, you know.

COUNCILMAN JONES: So the Sheriff's Department is monitored by whom officially? I know the answer, but put it on the record.

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MR. STREET: Sharif Street again.

So the Sheriff's deputies are officers of the court under the Judicial Code. They are officers of the court, therefore bound both by the Judicial Code, the Rules of Civil Procedure, and all ethical procedures put forth.

Additionally, there are rules -- there are statutory rules that the General Assembly promulgates. And, finally, all Sheriff Deputies have to receive civil training from Harrisburg prior to becoming deputized.

COUNCILMAN JONES: Happens at Penn State, correct?

DEPUTY SHERIFF LAMB: Nineteen weeks of training. There's an exclusive two weeks on Rules of Civil Procedure.

COUNCILMAN JONES: That's what I was getting to, Counsel. You go through a process that is certified by the Commonwealth of Pennsylvania so that your acts are lawful in the execution of

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your responsibility.

MR. STREET: That is correct. And additionally, unlike a private writ server, if the government either through the courts or through the General Assembly and in some limited cases through counsel were to enact additional provisions governing the conduct of the Sheriff Deputies as officers of the court and in limited cases officers of the City, then those deputies will be bound by those procedures in a way that private writ servers are not. So Sheriff Deputies are highly regulated.

COUNCILMAN JONES: Are there any other questions for this panel?

(No response.)

COUNCILMAN JONES: Seeing none, thank you for your testimony, gentlemen.

Will the Clerk please read the next set of witnesses and panels.

THE CLERK: Attorney Robert Cocco, consumer protections attorney; Shawn McGeth, certified housing

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supervisor; Mary Campbell, housing supervisor; and Nanzetta Bostic.

(Witnesses approached witness table.)

COUNCILMAN JONES: Thank you, guys, and thank you for your patience. Again, I will mention that if you want to abbreviate, it's all right with the members here, but to get your salient points on the record.

Thank you and good afternoon. Have a seat. Please state your name for the record and begin your testimony.

MR. COCCO: Robert Cocco.

COUNCILMAN JONES: Pull that a little closer.

MR. COCCO: I'm sorry. Robert Cocco.

MS. McGETH: Shawn McGeth.

MS. CAMPBELL: Good afternoon. Mary Campbell.

COUNCILMAN JONES: Good afternoon.

No particular order. Whoever

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wants to go first.

MR. COCCO: I got rather late notice. I think I'm filling in for another private counsel who couldn't make it today.

As far as I understand the proceedings here today, it's to make sure that whatever foreclosure prevention mechanisms that are in place can be improved upon or critiqued in some way. Having litigated predatory lending cases back to the early 2000's, I've had a lot of experience with these issues. I think that the Diversion Program has been a very good step in the right direction. I do think it can be improved upon. It's got a pretty high participation rate, and Community Legal Services, who is one of our country's best as far as legal services providers are concerned, has done a great job with it, modifying people's loans and keeping them in their homes.

I think that one way in which

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it could be improved upon, I heard Irwin Trauss earlier talk about the mortgage servicers. The mortgage servicers actually do not, for the most part, interface directly with their own counsel, unlike the normal attorney-client relationship that you're used to. Judge Sigmund of the Bankruptcy Court before she retired several years ago wrote a 50- or 60-page opinion discussing this and voicing her alarm at the inefficiencies that this places in the system, that there's this -- the principal company, LPS, is essentially a vendor of foreclosure defense services for the large mortgage servicers, and the foreclosure counsel are required, for the most part, to interface with LPS, who then communicates with the servicer, and to get anything done quickly, they have to escalate. But any time someone is about to lose their house, that should be an escalation at the outset. It shouldn't require a two-stage process.

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So this is just one of the many ways in which -- and people say, Oh, we should run the government like a corporation. No. That's a bad idea. There's more bureaucracy in corporations than there is in government very often.

And I think that if we can -- I think the banks have to have more skin in the game in the diversion process. They should have some kind of dedicated personnel who are involved in this. Because when I've been involved in the program, I've had to come back two, three, four, five, six times, because we bring a proposal, we bring a completed loan application, and it takes forever for it to work its way through the system. And I think that that has to be addressed on the lender side, because it's been a common refrain that, Oh, we don't have this document, we don't have that document. They lose them a lot, and if we're going to have a court-government process, they shouldn't get that many

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bites at the apple to reckon with what's been put before them. And if there's something missing, fine. Let's know what it is after the first --

COUNCILMAN JONES: And the meter is still running while this is happening, right?

MR. COCCO: Yeah. And I understand it makes it difficult to secure the modifications, because the lawyers are -- they have to be paid for their time like any other lawyer, and the servicers aren't eating those costs. They're advancing those costs.

One of the problems that came out of the whole securitization scenario with loans is that the -- by dividing ownership and servicing of the loan, the servicer has to advance a lot of the costs that are involved in foreclosure. If someone is not paying taxes, insurance, they have to pay those things. And so their incentive is to foreclose and take the house, because that's when

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they get paid back, at Sheriff's Sale. So people are always wondering, why doesn't the bank -- don't they want my money on a monthly basis and pay the interest? Well, the servicer actually doesn't a lot of times. They're getting one basis point or something like that to service the loan on the amount of the loan. They're making their money back. They want -- they're not incentivized to do it. And so if we have a process like this, we have to incentivize them to be efficient and to process things in a way that they don't do outside the context of litigation. That's when in the litigation context they start paying attention, but this is what we're trying to avoid, is flooding the courts with litigation through the Diversion Program. So I think that's something that has to be addressed.

Number two, I think that although I understand the housing counselors when they've exhausted their

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ability -- and there's a lot of great housing counselors who get the job done, get modifications done, but at some point their role is over, and if there's a legal defense that the borrower has, they need to get with a lawyer. I see too many times that the housing counselor has exhausted their ability to do anything and then after the next conciliation conference, a default judgment is entered.

So what I'm trying to say is that the borrower gets lulled into a false sense of security by the housing counselor as if they were a lawyer, as if they can prevent a default judgment. They can't. So there has to be a better interface, and there already is. Community Legal Services is supposed to be the point of contact for the, as I understand it at least, for the housing counselors. So when things come to a juncture where a lawyer has to get involved, they let them know. If

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Community Legal Services can represent the person based on their income, they do so, but if not, they need to be funneled to the private bar. Not just me. I know that sounds self-serving. I'm not the only lawyer out there who can handle a foreclosure defense, but it would be great if we had a little bit more orientation of the housing counselors as to how crucial it is to get a legal defense when it's available. They shouldn't be expected to know whether there's a legal defense or not.

Lastly, I think another way in which the Diversion Program can be improved is, FHA and VA loans are government-sponsored loans that have their own loss mitigation guidelines. You don't have to go under HAMP or some of the other later programs that were instituted to address the crisis. They have very powerful remedies. If you're 12 or less months behind on the mortgage, you almost -- and you have a current

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income where you can pay the monthly
payment right now, that loan can be
modified. The defaulted sum could be put
on the end of the loan or there can be a
forbearance. So essentially you have
three tools that could pretty much save
just about anybody who has gotten back on
their feet at the time that they're in
the diversion process.
But, once again, servicers
don't treat FHA loans in the special
manner that they should be treated, and
they should be isolated up front, because
the mortgages usually will say this is an
FHA loan.
So those really are the three
items that I wanted to voice to the
Councilperson today.
COUNCILMAN JONES: Thank you
very much.
Are there others on the panel?
MS. CAMPBELL: Yes. Mary
Campbell from Intercultural --
COUNCILMAN JONES: You got to

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pull that closer to you.

MS. CAMPBELL: Is that better?

COUNCILMAN JONES: Yes.

MS. CAMPBELL: Mary Campbell from Intercultural Family Services. I'm a certified housing counselor as well as the Housing Department supervisor.

I have been involved in the conciliation process now for about seven years, since the time that it started when it was a pilot till it's not a pilot anymore.

COUNCILMAN JONES: It's a national model.

MS. CAMPBELL: It's a national program, and we should be very proud of that.

When newspapers came, reporters came, individuals from different parts of the states came to see your housing counselors perform in the courtroom. And as a housing counselor, we had to go up against attorneys from the lenders that didn't respect us on the level as a

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profession, which we are. I would say in the ranking of housing counselors in this United States, Philadelphia's are the best. I'm not just saying it because I'm one. Because I know. We've had the best teacher that they are -- two of them just walked out the door, along with Bob Lukens.

Going up against the banks has not been a pretty thing. We are the liaison in the court between the bank and the homeowner. The homeowner -- you can feel the tension in the courtroom when you go in the courtroom, because they feel that the foreclosure is going to take place right now, especially if it's their first time and they've never met with a housing counselor.

We put together financial packages for the banks. Now, when I was going to school, they told me that's plagiarizing, because then we have to turn around and give it to the bank, give it to the attorneys. They give it to the

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bank. They get the credit. And surely on that application it has our name, it has our agency's name on there, and to have the connection with the banks that we should have, we really don't have. We can call the banks -- what I'm saying is, calling the banks, if they feel that there's an attorney involved, they don't want to speak to us. And we can have the client right in front of us talking and they tell us, Well, we can't talk to you because there's an attorney involved. So they like to menaggle (ph) things or create things that don't exist.

Like he was saying too in reference to FHA loans, there are different types of loans for -- I should say different types of tools for different types of loans. They shouldn't be offering the partial claim, which you can only get one time in the term of the 30 years when there may be repayment plans or forbearance plans that the person could actually get on to. A lot

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of their people really don't know what they're talking about, and I know they could flip them -- well, they had the robo sign, so we can't see the person. We don't know who they are, where they're from, but just in communicating with them, the relationship for the homeowner is not always there.

As housing counselors, we have to fight for them, and we do fight for them. I know when a client comes through my door, I act like it's my house. So I'm fighting for that house, believe me in that, and any way that I can actually help them, I'm there for them.

We do have assistants, and I thank them too for that - Community Legal Services, PLA, VIP. When a person can't afford an attorney -- there's just not enough of them, which I understand that the budget is kind of low for them to actually be there, but they also assist us in the court.

We have our face-to-face

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meetings, and it could be face-to-face, over the telephone. We go to the owner's homes in order to try to help them. So if you can, we need to have more funding, if that's possible. I know budgets is really tight, but in order to make things work, we got to have money to be able to do that as well.

The homeowners need to have more -- be more educated in the system. I know I see the little sticker things that can be on the buses, because I ride public transportation. How come they can't have a signage on SEPTA to say, Well, if you're in this situation, just give a situation and then refer them to a housing counselor to say something like that. Let them know too that the services are free.

We know that when the lis pendens is filed, which attorneys will go and they will start sending letters like they can guarantee that they can help the person. I mean, I've had clients come to

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me with handfuls of letters. The lis pendens is when they put the notice of default that's out there. Everybody knows because it's public information. So they get swamped with this information. They go to attorneys, pay them fees, and there's no service. Okay? You pay them $5,000 when you could have come to us for nothing and got the same service or maybe better.

So to educate the consumers that way would be a just thing to do. Put it in the water bills. I know when the LIHEAP thing comes, it's in the water bill. So why we can't stick something in there for the foreclosure prevention in order to assist them that way.

The other thing is, we can't save everybody's house even though we try. There's certain circumstances that we just can't help them. So a graceful exit has to be the end all. But in that aspect too, the City gets paid for these payments under the foreclosure whether it

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be for real estate or for mortgage. There's a surplus list that is not available to the public. I know because I went to the Sheriff Department to try to get it. Their houses were sold. We don't know what the amount of the houses were sold for. That should be accessible to housing counselors. And if there is a surplus, give that back to the homeowner. It rightfully belongs to them.

That's all I have to say. Thank you.

COUNCILMAN JONES: Thank you.

MS. McGETH: Hello. My name is Shawn McGeth and I am a certified housing counselor.

Just to also chime in on what Mary is saying, I had -- this folder right here is just one of many clients I've had. This client was from May of -- I'm sorry; April of 2012, and I finally got a resolution in June of this year, and this is after working at repeatedly lenders saying, We haven't received the

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documents, send us another form, sign this, do this. And it's just a never-ending, vicious circle, which pushed the client further and further back when it's time for them to be able to move forward. Then the lender says, Okay, well, you don't fit into any plan because the MPV is not consistent. Now you're upside down. The house is -- you owe much, much more than what the house is worth.

With this client, she was able to save like 2,100 -- well, a little more than that, but they actually came back and asked her for a down payment, which she had, and that was due to my diligence just telling her to continue to save, save as much as you can, do not spend the money, and she had the money to put down as a down payment. But just imagine without the tools that the counselors -- this young lady coming and sitting before a counseling agency to get the understanding about the budget, about

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money management, about -- because most of them don't wake up in the morning and say, I don't want to pay a mortgage. It's because of some extenuating circumstances.

So when they come to us, that is what we do, is to teach them and help educate them about the points of being a good homeowner, saving your money and budget, where I think a lot of times where the lender is just not willing to try to help a little more, then wait until 90 days when they're delinquent, then send them out a notice. Send a notice out 30 days and say, Hey, look, go to this counseling agency, or give them a list or even put in a program that will help somebody understand financial when they're going through a crisis. Because saving money is one thing, but when you're going through a major crisis like this, there's other things that's happening. Am I feeding my baby? Am I keeping my lights on? You know, can I

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get to work? So there's like a domino effect. So there are other challenges, and I just think that with the help of a lot with the housing counselors, that the homeowners should definitely come out and see.

That's all I got to say.

COUNCILMAN JONES: Thank you for your testimony. Thank you.

MS. McGETH: Councilman, I'm sorry. One more person.

COUNCILMAN JONES: Oh, I'm sorry. I didn't see you behind there. Come on up.

(Witness approached witness table.)

COUNCILMAN JONES: State your name for the record.

MS. BOSTIC: Good afternoon. My name is Nanzetta Bostic.

I'm coming just to bring a little bit of awareness. I'm the initial contact of the people who come to us for service who have received notices of

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foreclosure. And I think the main thing is, people are under stress and they are not aware of how important the notices are, the Act 91's are, to get to us in a timely manner. I feel that the lending agencies' language does not make it plain to them that this is urgent, meaning immediately, meaning right now that you need to address this situation. So when they get to us and I speak with them firsthand before they meet with the counselor, they're confused about how this happened or what happened or what steps they need to take to resolve the situation.

So I would like for something to be put in place where the language is easier for them to understand, where it's written for them. Like Ms. McGeth said, in 30 days, you've been 30 days late, and this is Step A, you need to do this. Step B, this is what's going to happen. Make it plain so that the borrowers can see that now I'm in a crucial situation

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and I need to address my problem head on.

Oftentimes what has happened is that the homeowner's loan has been sold, as someone else had mentioned, to a servicer. Now, they may have been in the process of preparing their paperwork for a loan modification with the original lender. So they have gone through that process. They sent all their paperwork in, only to find out that now their loan has been pushed off to another servicer and they have to start the process all over again.

So I would like to see some legislation or some type of process put into place where that doesn't happen to people and they don't fall into the middle of the crack just behind not getting their paperwork to the right person. It's a process situation, and I think the process of how this is done could be improved.

COUNCILMAN JONES: Thank you so much.

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MS. BOSTIC: Thank you.

COUNCILMAN JONES: You can pull a chair up because you're probably going to need to do that. A couple of questions.

Is there anyone else on your panel?

MS. McGETH: No.

COUNCILMAN JONES: So a couple of things. Do you now consider being a housing counselor a profession?

MS. CAMPBELL: I always have, but a lot of people do not. In fact, if you ask --

COUNCILMAN JONES: In reference to banks?

MS. CAMPBELL: Banks, yes. What does a housing counselor do? I mean, actually that's what they ask, what do you do. There's several things that we do. When we put these financial packages together, we're doing the budgeting, we're sitting there listening to their stories. They may have medical

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problems. They may need food or clothing. Now we have to have resources or find resources for that, going out to their homes and just be dealing with the situations there. It may be family abuse. We're dealing with seniors. We're trying to find -- it's a multitude of things, a multitude of things, but it's recognized financially-wise, payment-wise. I'm saying for us. We put these financial packages together, like I said.

On the applications -- and I don't care whose it is -- that was a problem too. Same application. The banks had a problem because it didn't have their name on it. Now we got to do that package all over again.

COUNCILMAN JONES: So --

MS. CAMPBELL: I'm talking about the document that's called the RMA. The 4506-T is the bank one, but the RMA. We had to change it or get the banks' particular financial package, because

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they didn't want to be lumped up to say -- it's the same information.

COUNCILMAN JONES: Question on that, because I've heard it in several testimonies. What benefits the bank to constantly send this back out and say bring me the broom of the wicked witch of the west? You didn't put this in there, you didn't dot this I, you didn't cross this T. Why would they want to --

MS. CAMPBELL: It may not be so much the bank. It may be the employees that they have there. They're just not considerate. Just listen to some of the conversations when you have homeowners that -- they don't want to talk to the bank. They want you to talk to them because of the way that they're being spoken to, disrespectfully, because it's a bad time for them. They're hard on their luck and they missed some payments or something like that, not taking into consideration why they missed the payments. For them it's a commission, if they can get payments in, that sort of thing, and that's not the way that it should be held. It should be more personal. They didn't say that when they was getting the money. When they was taking that application, all real friendly. Now that they have the loan in place and it's bad money on the books, they have people that are just not conscious, and it should be turned around. So they may need -- what's that thing we call -- cultural training, diversity training or something.

COUNCILMAN JONES: So how many housing counselors are there?

MS. McGETH: How many -- agencies is 33.

COUNCILMAN JONES: If you were to guess, how many -- so I know what the demand is, 350 a month go to foreclosure. So how many housing counselors do you know of?

MS. McGETH: I'm going to say maybe three to each agency.

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COUNCILMAN JONES: And you said how many agencies?

MS. McGETH: Minimum.

MS. CAMPBELL: If that, because sometimes it's just one and they do everything.

COUNCILMAN JONES: So how are you able to keep up with volume?

MS. CAMPBELL: The best we can.

MS. McGETH: God's grace and mercy. And I'm being serious, because one client -- one counselor could spend at minimum two hours with one client, and that means that that client may have to come back again repeated times.

COUNCILMAN JONES: So is it safe to say that the demand is exceeding the available counselors?

MS. CAMPBELL: Yes.

MS. McGETH: Yes.

COUNCILMAN JONES: So how is a counselor trained, prepared to take on this burden? Do you guys get trained in Act 91?

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MS. CAMPBELL: Well, Bob Lukens is the attorney who we would have trainings at OHCD in-house. It would be certain things that will come up, programs for taxes to avoid foreclosure, the LOOP, and then we would have CLS that would also train us on different things that we should do in order to prevent foreclosure. And then NeighborWorks. NeighborWorks is our national certifying body.

COUNCILMAN JONES: Say that again for the record.

MS. McGETH: NeighborWorks. That's an entity that do training, as well as NREI, and that's an acronym for National Real Estate Institute. And then you also have the PHFA.

COUNCILMAN JONES: So they offer these trainings and that agency certifies you guys?

MS. McGETH: Absolutely.

COUNCILMAN JONES: Okay. So what kind of training do you get in

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validating debt, evidence that this person does have a claim that is legal to --
MS. McGETH: The complaint?
COUNCILMAN JONES: Yes. Do you look at those things?
MS. CAMPBELL: We get the complaint, yes.
COUNCILMAN JONES: Have you had occasions where you said, You don't have standing or we challenge that standing?
MS. CAMPBELL: Well, we can, especially if it was assigned -- we find that it can be challenged if the mortgage has been assigned to someone else and they don't actually own the mortgage that they're coming after the person to foreclose on, yes.
COUNCILMAN JONES: So have you been able to thwart foreclosures that way?
MS. McGETH: Yes.
MS. CAMPBELL: To prevent the foreclosure, yes.

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COUNCILMAN JONES: Do you keep records on how many of those?

MS. CAMPBELL: It's not as many as the valid ones that come through the door, but there are sometimes that the person doesn't have the grounds to stand on to be able to do that. And we consult with different entities like Community Legal Services, VIP.

COUNCILMAN JONES: Do you find a trend of people that may have been investors that are coming in and calling on execution of the mortgage to foreclose?

MS. CAMPBELL: That number is very low compared to the ones that are coming in like we say from Bank of America, Wells Fargo, Chase.

COUNCILMAN JONES: So the big boys.

MS. CAMPBELL: The big ones, yeah.

COUNCILMAN JONES: Okay. So have you ever gotten complaints against

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law firms that are coming after consumers? Do they complain to you about these kinds of law firms, that they're coming after them, that the service wasn't correct? What are the complaints you receive from consumers about the process?

MS. CAMPBELL: I have one that actually changed -- they changed the type of mortgage that the client had, meaning that the note that I saw had clearly defined that it was an FHA mortgage. FHA mortgages will start off either 441 or 442 dash whatever, and then once it goes to the next mortgage company, the original -- I should say the one that was sold or bought, it will change to a regular number. But when you're going to go to a complaint about an FHA mortgage, you have to give that number, the original number, which is the 442. It started off with the five big ones. This man's service has changed at least five times. I have not been able to track where the transparency happened because it was so long ago. When I'm talking long ago, we're talking about when Washington Mutual and EMU was the catalyst and then Countrywide, when it started getting like that. So in different counties, they don't have what we have. Like we have PhilaDox. All of our stuff is recorded, except for the note.

Now, that's one thing you can get -- if you can get that recorded, because there is no recordation of the note. The mortgage is there. The deed is there, but not the note. That needs to happen.

COUNCILMAN JONES: So that's a technicality that could save --

MS. CAMPBELL: Could improve things, yes. When there's questions in reference to the type of mortgage, yes.

COUNCILMAN JONES: And who funds your housing counseling agencies?

MS. McGETH: Right now OHCD and

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then we also do fee for service with PHFA, Pennsylvania Housing Finance Agency.

COUNCILMAN JONES: You don't receive any monies from banks, law firms?

MS. CAMPBELL: And HUD.

MS. McGETH: Well, that's part of PHFA.

No; no banks.

COUNCILMAN JONES: It's HUD, it's PHFA at the state, and it's OHCD here?

MS. CAMPBELL: Yes.

COUNCILMAN JONES: Those are your --

MS. CAMPBELL: Funding sources.

COUNCILMAN JONES: Councilwoman, do you have any questions for this panel?

COUNCILWOMAN BLACKWELL: We certainly want to thank them. I was caught in a meeting with PHA, but I came back for my people. We appreciate all that they do, and we want to thank you

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for your commitment, because that's what it's all about in the final analysis. And we support you, and we want to do all we can to make sure that you survive, because it's all a challenge right now.
Mr. Chairman, it's a challenge to keep people and doing the job funding.
Thank you. Thank you all again.
COUNCILMAN JONES: So I heard note filing, more information, educated consumer, more advertisement like on SEPTA and water bills. Those are the things -- and the note filing is what you said --
MS. McGETH: Yes.
COUNCILMAN JONES: -- we could do. And you don't feel that there is -- is there a problem with these law firms that are doing the serving of the notice, in your opinion?
MS. CAMPBELL: Well, yes.
COUNCILMAN JONES: You got to move that mic.

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MS. CAMPBELL: We have found that at times when they come out of conciliation -- or should I say, they're supposed to stay in conciliation until a default judgment is filed. We have found, though, in certain cases a default judgement has been filed and they're sent to case management while they're still in conciliation. That's not supposed to happen.

COUNCILMAN JONES: So there's a loophole?

MS. CAMPBELL: There's a loophole there somewhere along the line, yes.

COUNCILMAN JONES: How do you suggest we close that?

MS. CAMPBELL: I would say more monitoring of the servicing attorneys. If they're the ones -- they have the contracts with the banks. We don't really know as housing counselors what their agreement is or the procedures of what they're doing. We only know it when

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it comes to us and the client will tell us, Well, I have a hearing, case management.

I'm like, Case management? How do you have a hearing at case management? We're still in conciliation. And times it will be -- which I heard that Shawn said it too. We can work with a client for two years.

It's getting better. It's getting better, but just the time of turnaround and we could have been working with the client prior to getting into conciliation. But we know at least once we get in conciliation, it's going to be a final come-about or outcome for the client positively. That's what we're looking for. But it happens when it gets into conciliation, because we've been working on the case hopefully that we didn't have to go to conciliation, but the banks be so slow in turning -- making decisions. And it's just like this too. We're required to turn in a package 14

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days prior to we come into court, but yet still when we get to court, we have to wait for the attorneys to make the phone calls to the banks. Why can't they have their homework done prior to we getting into the court instead of waiting? Because at times, we may have -- well, counselors could have, I would say, 20. That's a long number, but it is times that they do have 20 -- agencies have 20 people in the court. That's a lot. I've had 18 myself that I've had to handle myself. It's been -- I have help now, but I know that I have done this.

So if you have to go and see all of these people, then you got to go see the attorney and they got to go make the phone call to give you an order, because we can't leave out without the order of an outcome. Then we have another hearing, do they have all the documents. They should have all of their homework done too. They're getting paid. They are the ones who are getting paid.

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We're doing the work and they're getting paid. Change that too, if you can.
MS. McGETH: That's what I was going to say, because who is incurring the cost is not -- it's the homeowner that's constantly incurring --
COUNCILMAN JONES: So the meter is constantly running.
MS. McGETH: Absolutely. As many times as they come to court, that homeowner is getting charged for that. I think if you say, Okay, after two hearings, but the attorney still have to come, they don't get no more money, I think that will be a change.
COUNCILMAN JONES: Well, thank you for your testimony, and we are taking note of this. I want to sit down with my Co-Chair and figure out recommendations, because I've heard several, and to see if they can't kind of -- you take something that is good, you make it better so that you can make it the best.
I remember when Casey and

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Specter had hearings in this building about this program and making it a national model. Do I think it's perfect? No. Do people still get their houses sold? Yes. And anything we can do to tighten that up, we're going to do.

All right. Thank you for your testimony.

MS. CAMPBELL: One more thing, Councilman. For all the housing counselors that's coming up with the HUD certification, that's another thing that's on our plate. We all have to be certified now under HUD. If we get HUD funding, we have to be certified. So that's another layer of expertise that's on us for us not to be recognized as a profession, a legal profession. That's what we do.

Thank you.

COUNCILMAN JONES: It's a process. Thank you so much for your testimony.

(Applause.)

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COUNCILMAN JONES: Will the Clerk please read the next panel to testify.

THE CLERK: Cassandra Hayes, Deneice Young, Lazara Gisone.

Councilman, Pam Mason submitted written testimony.

COUNCILMAN JONES: Thank you.

(Witnesses approached witness table.)

COUNCILMAN JONES: Thank you for your patience. This is all about you. So state your name and begin your testimony. You got to pull that mic a little closer. I got bad ears.

MS. HAYES: My name is Cassandra. Ladies and gentlemen of City Council, thank you for holding this important hearing today. Again, my name is Cassandra. I used to reside at 1436 South 16th Street in Philadelphia, and then on Saturday, June the 27th, 2015, six to seven men and one woman knocked on my door and then started to break through

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the door. By the time I responded to the open door, a U-Haul truck was parked out in front of the house. The woman who was among the men in the group had on a blue official-looking windbreaker. The woman may have been Hispanic. Carl Grico, who gave me his business card and phone number, was with Inner City Rehab LLC. He told me that he goes and cleans out houses after foreclosure. A tall Caucasian man in the group refused to give me his name. He said, What difference does it make? We're here to do our job. He was the only Caucasian in the group. The rest of the men were Hispanic or Latino.

The people told me that my house was sold at Sheriff Sale and I had to get out of the house right now. I said, But it's Saturday and the Sheriff's Office doesn't do this kind of work on Saturdays. The woman said that she was from the Sheriff's Office. The workers pushed past me and went into my house and

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immediately began taking the contents of my house and putting it in boxes and loading it into a U-Haul truck.

After they had loaded all my stuff in boxes and placed them in a U-Haul, they took it to the U-Haul storage company at 12th and Washington Avenue and paid the first month rent by check in the amount of $360.79 for two storage units where they took my belongings.

My family at the present time has no place to go. We had made no arrangements and we have no money for a motel. None of our family members could take all of us, and so we were split up. My husband, who is sick, has not been able to work, and that's how we fell behind on the mortgage. He stayed with one of his brothers. I went to live with my sister. My grandson, who was living with me at the time, had to go back to his mother.

On the following Monday, I took

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it upon myself and called the Sheriff Office and spoke with a woman, who told me that there was nothing in the system regarding the sale of my house at the Sheriff Sale and that the office does not conduct evictions on Saturdays.

How did this happen to me? All I knew at the time that I was put out is my husband had fallen ill and wasn't able to continue working and we fell behind on our bills in 2013. I began to get threats of foreclosure action from Freedom Mortgage Company. I contacted a good friend who is also an attorney. He told me, I'm sorry, Cassandra. I don't do that kind of work, but I know somebody who does and I'll call him for you. At that time, he made the call. That's how I met Jermaine Harris. My friend called me back and told me he had talked to Jermaine and he would help me, but wasn't going to be free. However, he told Jermaine that I was a close friend, so I received a much lower rate than he would

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ordinarily charge.

As you can see from the Civil Records Docket, Exhibit-1, McCabe, Weisberg and Conway filed a complaint for mortgage foreclosure against me, and a default judgement was entered again on August the 5th, 2013. I never received any notice from court or anything. This is one of the law firms that I have been sued for illegal activities regarding mortgage foreclosures.

Jermaine Harris filed --

COUNCILMAN JONES: Can you say the name of that law firm again.

MS. HAYES: Oh, the law firm? McCabe, Weisberg and Conway.

COUNCILMAN JONES: Thank you.

MS. HAYES: Jermaine Harris filed a Petition to Open Judgment and a motion to Stay Writ of Execution. Judge Leon Tucker granted the petition and eventually vacated the default judgment on October the 28th, 2013. Then shortly before Christmas, Attorney Jermaine

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Harris called and asked me if I had gotten any correspondence from Freedom Mortgage Company. I told him that I had not. He told me then he had gotten something, but he didn't say what it was. I asked him was it a letter or something, and he said, yes, it was a letter saying that they wanted me to vacate the property in 20 days. I said to him, Well, how can I do that, Attorney Harris?

Well, we're going to give you $5,000.

And where I'm going to go for 5,000? I told him I don't want to vacate my home. Attorney Harris said, Well, I wish you the best of luck. I told you that I could keep you in there for up to six months. I told him that my cousin would buy the property, and he said, Well, the mortgage company don't want to do any deals with you at all.

After Christmas, Attorney Harris called me, asked me to come into his office, and I went in January into the new year, and he himself, Attorney Harris, gave me a check written off his account from Citizens Bank for 4,500. I asked him, Why isn't this 5,000 like you said on the phone?

And he told me that the 500 was fee for paperwork. I was totally upset and disappointed. He said to me, I wish you the best of luck and I hope everything works out. I did the best that I can do.

Two months later, I had a fraudulent Sheriff Sale notice posted on my door as I was coming out of my house. See Exhibit-2. A second one was taped to my door in April, and it is attached to my testimony as Exhibit-3. Then a couple of days later, I got this letter from Freedom Mortgage telling me that they were going to buy hazard insurance for my property because my insurance had expired. I needed to have coverage. See Exhibit-4. This letter made me think that I still own the house and everything

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was okay for that time being.

Then that awful Saturday on June 27th happened, displacing my family and possessions. My belongings were haphazardly thrown into boxes. I can't find half of the things I need.

On August 25th, 2015, I met with Stacey Graham and told her my story. She got a copy of my Civil Docket Report and noticed on Page 8 there was an entry of judgement entered by McCabe lawyers for an agreement. She read it to me. I told her that I hadn't made or signed any agreement with McCabe or Freedom Mortgage Company. Stacey then went back to the Prothonotary Office and requested a copy of the agreement. That's when I learned that my paid attorney, Jermaine Harris, had double-crossed me and fraudulently and covertly entered into an agreement on December the 1st, 2014 to put me out of my own home without recourse on January the 16th, 2015. See settlement agreement included in Exhibit-5 attached to my

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testimony.

Without ever sending me a copy of the agreement or gaining my approval or consent, this attorney signed away my home in a cash-for-keys agreement. I don't know whether Attorney Jermaine Harris double-crossed me for $500, the difference between the 5,000 specific in the agreement and the 4,500 he actually gave me in January, or whether he got a separate check from McCabe payable direct to him for double-crossing me and signing the agreement. What was the $500 paperwork charge for anyway since McCabe lawyer wrote the agreement and then filed it with the court after Harris signed it? I really hope he got more than a lousy 500 to screw me and my family out of our home, because that seems like pennies for the gravity of the loss he has to know that we experienced.

Finally, it is important to note that public documents that Stacey requested from the Deed Recorder's Office

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tell an entirely different story from the Civil Docket Report on my property. Exhibit-6 shows that my husband and I originally purchased our home on September the 10th, 2006 from Shirley McCall. Exhibit-7, Pages 7 and 8 of 14 show that a mortgage entered into MERS by me and my husband and it was recorded in the Deed Office in 2009. MERS is the same company that is successfully sued by Montgomery County's Recorder on behalf of all Pennsylvania citizens adversely impacted by MERS' illegal and unethical assignment of mortgages.

Finally, there was a recording with the Deed Office for the Sheriff Sale to Freedom Mortgage on April the 30th, 2013 as a result of a Writ of Execution supposedly issued on October the 4th, 2013 in the suit between Freedom Mortgage Company and Yamin Sabree and Cassandra Hayes, my husband and me. See Exhibit-7, Page 3 of 14. This alleged Writ of Execution and Sheriff Sale never actually

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happened. So according to the documents filed with the Philadelphia Recorder's Office, the double-crossing agreement by Attorney Jermaine Harris on December the 1st, 2014 was additional coverage that was necessary to conceal fraudulent public signings and fake Sheriff Sales and purchases that were never adjudicated, ordered or even took place. And this was all orchestrated by McCabe law firm and Freedom Mortgage Company with the help of somebody on the inside at the Sheriff's Department and an easily bribed attorney named Jermaine Harris.

In closing, after the meeting with Stacey and getting a clear understanding of what happened to me, I decided to move back into my house. I changed the locks. I replaced the screen door to keep people out. I have family members that check on my safety every day. My house has been completely gutted out on the inside and truly not fit to live in. The walls and ceilings have

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been torn in two and the insides are completely exposed. I just hope there is no asbestos in this house. As for my belongings in storage, I have not been successful retaining any of the belongings. I have a couple of job interviews that I need to show proof of my academic credentials that I earned myself. So when I went to the U-Haul storage and asked the gentleman there could I enter the unit and get my two Master's degrees and my Bachelor's degree out because I needed them for my job application process, he stated to me that Carl Grico did not pay any more of the storage bill. I contacted Carl Grico on the phone and he never returned my call.

COUNCILMAN JONES: Wow.

I want to hear everyone's testimony, but I think we should -- I need to ask a couple of questions, if you'll indulge me.

Number one, if I understood your testimony correctly -- and Stacey

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Graham is my attorney who worked with you -- that you went and received notice from the law firm about a foreclosure. You then hired an attorney --
MS. HAYES: Yes.
COUNCILMAN JONES: -- to represent your interest.
MS. HAYES: Correct.
COUNCILMAN JONES: You came to find out that an agreement was -- well, an offer was made that you rejected, correct?
MS. HAYES: Correct.
COUNCILMAN JONES: And then the attorney went back and threw his hands up and then accepted money --
MS. HAYES: Yes.
COUNCILMAN JONES: -- on your behalf, allegedly?
MS. HAYES: Yes.
COUNCILMAN JONES: Which resulted in a false eviction?
MS. HAYES: Yes.
COUNCILMAN JONES: Which

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resulted in your storage situation, which resulted in you being out the house and then you moved back?

MS. HAYES: Yes.

COUNCILMAN JONES: That's the short version of this story.

Two questions. Is this a part of a criminal complaint at this point?

MS. HAYES: Yes.

COUNCILMAN JONES: Anybody been arrested? Anybody been charged?

MS. HAYES: No.

COUNCILMAN JONES: Who is your attorney?

MS. HAYES: Attorney I had at that time?

COUNCILMAN JONES: No; now.

MS. HAYES: I don't have no attorney at this time.

COUNCILMAN JONES: But you've brought this to the attention of the District Attorney?

MS. HAYES: I brought this to the attention as I seen Ms. Stacey.

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That's when I brought it to her attention.

MS. GRAHAM: I brought it to their attention.

COUNCILMAN JONES: So there happens to be a representative of the District Attorney's Office. My suggestion, not as a lawyer, just as a concerned person, is to -- this sounds criminal on its face. I'm not an attorney. I'm not a prosecutor, but to me it's fraud.

MS. HAYES: Correct.

COUNCILMAN JONES: It's theft by deception. It's a whole number of charges that I could think of, and my recommendation is to see the gentleman over there after your testimony.

The other question I have for you is, when they came with the Sheriff wagon to move you out, why didn't you call the police to make sure that this was a valid act? I'm not saying I would have under duress, under the stress of,

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but did you ever think to say, Wait a minute, this jacket he's wearing, as I heard you say, doesn't seem familiar and, to your knowledge, the Sheriff Department doesn't conduct its business on a Saturday. Why didn't you call the police?

MS. HAYES: At that time, I was like totally upset, because from what I understand as I've seen with other people, that a police usually come escort the Sheriff Department in to evict someone. And no police car did not come. No police car did not come.

COUNCILMAN JONES: Correct. So my instincts would have been, Let's hold that thought, let me call the police to make sure -- so you've now moved back in, and has there been any outreach from any of the creditors?

MS. HAYES: No.

COUNCILMAN JONES: And they just have let it be?

MS. HAYES: Yes. No outreach

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from no one.

COUNCILMAN JONES: Interesting.

Vernon, if you would when she's done, if you could take a look into this.

Only the DA has the ability to charge some people, but just on its face, without hearing from anyone else, it warrants at least an investigation.

Thank you for your testimony, and thank you for your bravery.

MS. HAYES: Thank you.

COUNCILMAN JONES: Thank you for your bravery.

MS. YOUNG: Good afternoon, Councilman Jones and Councilwoman Blackwell. My name is Deneice. I've settled on my real estate on April 12th, 2002 with Cendant Mortgage Corporation doing business as Century 21 Mortgage. Attached you'll see a copy of my promissory note as Exhibit-1. Page 2 of 2 reads, Paid to the order of both Cendant and Bishop Gates Residential Mortgage Company. They have been paid.

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I sent a notarized, certified, qualified written request to Midland Mortgage, which is a division of MidFirst Bank, requesting validation and verification of their interest in my note. On December 6th, I received a response letter by mail from Midland Mortgage stating the note owner and investor is GNMA, Government National Mortgage Association, the office of mortgage-backed securities located in Washington, DC, attached as Exhibit-4. Then I received a second letter contradicting that letter, stating that MidFirst -- claiming MidFirst Bank is the owner/investor of the note. So now I'm confused, and I send out another request asking which one is it. Is it MidFirst or is it Government National Mortgage Association? In return, the very next month they sent a letter saying that MidFirst is now the new owner as of March 1st. All right. And it would be publicly recorded in Philadelphia's

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Recorder of Deeds Office. I checked and it wasn't there.

The letter does not even mention how the action transpired nor is it signed by anyone. I have never received any validation or verification beyond a letter from them on their own letterhead telling me to send payments to them just because they said so, without producing any evidence and in complete contradiction of their earlier correspondence. It is impossible to determine from the record when or even if MidFirst Bank acquired an interest in the underlying note.

Now, on May 28th, I received a letter of notification from Midland Mortgage, a division of MidFirst Bank, that my real estate has been referred to KML Law Group to begin foreclosure action.

COUNCILMAN JONES: This is the third entity?

MS. YOUNG: Yes.

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Upon my research of KML Law Group, it reveals that this is one of the same lawyers from Goldbeck, McCafferty and McKeever law firm that was sued for fraudulently and illegally filing foreclosures against Allegheny County in Pennsylvania in which they were stealing real estate from owners. Interestingly, the firm pleaded guilty to the charges and then changed the name of the firm to KML Law Group. And ironically -- listen to this -- Michael McKeever, one of the firm's partners at Goldbeck, became the Managing Partner at KML and, shockingly, he is also the Co-Chair of the Philadelphia Mortgage Foreclosure Diversion Steering Committee.

COUNCILMAN JONES: Say that again.

MS. YOUNG: Ironically, Michael McKeever, one of the firm's partners at Goldbeck, became the Managing Partner at KML and, shockingly, he is also the Co-Chair of the Philadelphia Mortgage

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Foreclosure Diversion Program's Steering Committee. See the copies of just a few of the numerous articles online about KML Law Group, which ironically does approximately 75 percent of all Philadelphia foreclosures. That's attached as Exhibit-8.

Now, why would we let a named partner of a law firm that was guilty of fraudulent foreclosures in Pittsburgh determine how the foreclosure process should go here for real estate owners in Philadelphia? That's like letting a fox into the henhouse.

MidFirst Bank tried to pull a fast one here, so listen. Just 14 days after that May 28th notification, MidFirst then or their accomplices -- I'm not sure who, because this was electronically done -- KML or MidFirst recorded a fraudulent Assignment of Mortgage that named MERS as a nominee for Cendant Mortgage Company, with the execution date of May 29th. Again, I can

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go back for you. May 28th they said they would start the foreclosure proceeding. The execution date on the Assignment of Mortgage is May 29th. That was electronically filed June the 11th. Eight days after that they filed a foreclosure procedure.

MERS -- well, she may have mentioned this, but Nancy Becker in her official capacity as Recorder of Deeds in Montgomery County sued MERS and won the litigation on behalf of all Pennsylvanians adversely impacted by MERS' illegal deed transfer action. That's attached for an Exhibit-10.

The memorandum and the order regarding the litigation applies to all persons and deeds of records that have become clouded and encumbered by MERS' nationwide scam of fraudulent transfers of mortgage-backed securities.

What appears to be happening in Philadelphia is that real estate flippers or investors from predatory lenders or

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mortgage servicing companies targeting real estate that has potential profit, then they mail a letter to the real estate owner falsely and fraudulently asserting that they own the note and demanding that the real estate owner send payments to them, without ever validating or verifying to anybody, not even our courts here in Philadelphia. If this scheme works, they get free money every month. If it doesn't work, they hire Phelan Hallinan or KML to get a free house. It's a win-win for them; homelessness for the poor and struggling Philadelphians.

My real estate was stolen via Sheriff Sale October 7th by KML Law Group and then deeded back to MidFirst, who told us they have never verified their claim to my real estate. What I want is the FBI, the Attorney General, and the DA's Office is to tell me rather MidFirst Bank is a subsidiary or a shareholder with KML Law Group. I want to know whether KML is getting paid real money by MidFirst Bank, U.S. Bank and other couple of common servicers/mortgagers' names listed as plaintiffs that fraudulently takes people real estate or whether KML is really an entity behind a fictitious business name of the plaintiffs and, therefore, KML is getting paid real property, because they are the ones really taking the actual real estate in the scam.

Corinthians 1 4:20, for the kingdom of God is not in power -- is not in word, but in power.

Council, the families of Philadelphia have voted all of you into a position of power.

Respectfully, thank you for your time.

(Applause.)

COUNCILMAN JONES: Again, wow. This is not a court of law, but this is a public hearing.

MS. YOUNG: I understand.

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COUNCILMAN JONES: And fortunately Mr. Price from the District Attorney's Office has been sitting patiently here. I would hope that we can arrange a formal meeting. If these allegations are true, it's very disturbing, because it means compliance on a number of levels. It means cooperation on a number of levels. And worst of all, that we have to protect people who may not have law degrees but are running into legalese. And so, again, the concept of the right to be represented raises its head in my mind. But you guys are going in there armed with common sense, but not necessarily the banking experience, not necessarily the legal experience to be able to refute what people are alleging. That's deeply concerning.

MS. YOUNG: Correct.

COUNCILMAN JONES: Councilwoman, do you have any comments?

COUNCILWOMAN BLACKWELL: Well,

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I think it's very, very sad that we have to hear these complaints, because as many people know, on the other end of it, once you're on the outside, then I see you.

We have so many people who are committed, the panel before you and those who are sitting there whom I know personally on that side of the room, and we have people like you who are not supposed to be -- it reminds me of many, many years ago when they first started taking properties. So many people had family property in Jersey and other places, and they found a way to take it, and it's 2015 style of doing the same.

But I make my commitment to you and by our Majority Leader that we're committed to looking into this, to doing what we can about this such that -- because we can't responsibly hear these kinds of accounts and not do anything. We know Vernon Price will do his part, and we commit to you that we'll do our part to improve the quality of life and

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to alleviate some of the suffering you've had to endure. I'm sorry. God bless you.

MS. YOUNG: Thank you.

COUNCILMAN JONES: Thank you.

MS. GISONE: Can you hear me?

COUNCILMAN JONES: Yes.

MS. GISONE: Thank you, Councilman Jones, Councilwoman Blackwell, and all the members of City Council for holding this very important hearing on fraudulent foreclosures in Philadelphia that are occurring as a direct result of failure to serve notice to property owners as required by law. My name is Lazara. For many years I have been a successful business owner of multiple businesses and I own multiple residential properties. My goal was to transfer a home and a successful business to each of my children. The path that I was on to accomplish this goal shifted during 9/11 and basically after 9/11, because I had a travel business and it went very, very

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low.

Although I experienced fraudulent mortgage foreclosure and unjustified taking and demolition of another one of my homes in Philadelphia, I'm not here today about that one. I'm here today to talk about my main residence at 9951 Verree Road. I purchased my family home on September 19th, 1996.

Can you understand me?

COUNCILMAN JONES: Yes. You're doing fine.

MS. GISONE: Little nervous. I'm sorry.

COUNCILMAN JONES: Take your time.

MS. GISONE: By executing a mortgage and promissory note with Columbia National. See Attachment No. 1, which is a copy of the original mortgage recorded by Philadelphia County Recorder of Deeds. American Home Mortgage Servicing Inc. became the

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successor-in-interest to Columbia National on August 31st, 2006. I received a letter from the law firm of Goldbeck, McCafferty and McKeever appended as Attachment No. 2. Notably, this law firm changed its name to KML after the firm had pled guilty to fraudulent foreclosure activity in Allegheny County.

Sometime thereafter I began to receive correspondence from Midland Mortgage. Due to the -- should I continue?

COUNCILWOMAN BLACKWELL: Keep going.

MS. GISONE: Due to the fraudulent and false claims of debt and foreclosure action that some companies are making, I decided recently to contact my title insurer for a report of the deed recordings. I then learned that an Assignment of Mortgage from American Home was made to MidFirst Bank, attached as Attachment No. 3. This assignment was

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handled by the MERS Company, which also has been sued on behalf of all the Pennsylvanians for its unlawful process that encumbered and clouded titles.

When I experienced a decrease of income from my businesses, I fell behind on my payments. I contacted Midland Mortgage and attempted to reduce my interest rate and/or monthly payments. At that time, MidFirst Bank held my mortgage at a 30-year fixed rate of 8 percent and my monthly payments were $1,262. I was informed by Midland Bank that the only option for my home was a title in lieu, which required me to sign over the title to them and walk away from my home or I can seek loan modification to avoid foreclosure.

When I didn't want to sign over my title to them, then they sought payment of my arrears with HUD. I never met with HUD personally. I was told by Midland that I qualified for a grant of free federal money from my hardship to

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pay off the missed payments, which were approximately six months delinquent. With that news, I began to pray in thankfulness and gratitude, because this grant was just the thing I needed to get me back on my feet.

The closing for the loan modification happened entirely through the mail. I quickly signed the documents and returned them, rushing to get them back to Midland Bank before the so-called free grant money for residential homeowners ran out. It wasn't until I got my mortgage payment book immediately after the loan modification that I realized that something was terribly wrong. My monthly payment increased from 1,200-and-some to 1,786. And then the late fee was now $71.41 each month. You can see the annual escrow account. That's on Attachment 4. If I couldn't pay 1,262, how could I possibly afford this? I struggled and I did make a couple of payments, but just couldn't do

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it.

In January 2013, Midland Bank, through the attorney at KML, filed a foreclosure complaint against me. I received notice of the complaint from KML Law Group. It's on Attachment No. 5. But I never personally received -- things were attached to my door. Those are my notices. They're the affidavits of service for January 6th and January 29th.

I want to call your attention to the dates of these affidavits because they are the only notice that I ever received until after ordering -- after an order granting summary judgment two years later was entered.

When I was blind-sided by a judge against me and researched what happened, I noticed that these same two affidavits were the same ones, where the dates had been changed, that were attached by KML law firm as evidence of proper service of process that was acquired in 2014 and 2015.

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In short, here's what KML seems to have done and Midland Bank did to steal my property out from under me: When I got the complaint of foreclosure action, I immediately hired an attorney, Joshua Thomas, and he timely submitted enters of appearance and an answer to the complaint. Judge Rizzo ordered a conciliation conference and stayed the foreclosure action. I paid for my attorney to attend the conciliation conference with me, but every time we went, we would sit down and wait for the -- conciliation conference would be postponed and rescheduled time and time again, and then all these attorney fees were added to my mortgage. We went a total of seven times. KML and the lender rescheduled. The Civil Docket Report included as Attachment No. 6 shows that Judge Rizzo delayed judgement on the complaint five times until there was a successful conciliatory conference. I was paying legal fees to my attorney that

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seemed unnecessary. After all, I could go sit there myself without a lawyer and reschedule the meeting. What I did not know is that exhausting property owners with legal fees through delay and postponement was a part of the KML strategy. All of those times we went to conciliation conference, the KML attorneys were there too. We just didn't know who they were because they didn't wear nametags. KML got the Diversion Court workers to tell us that the bank wasn't there, even though the workers and KML know full well that the bank is never going to be there. They supposedly represent the bank.

Finally, I initiated and agreed to my attorney's motion to withdraw. As soon as he sent KML notice of the order for withdrawal of appearance on February 14th, 2014, the conciliation conference is falsely entered as concluded into the docket on Page 10. I didn't go. I didn't concile anything, and I didn't

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tell them to conclude anything. They just took it upon themselves, I guess. Then without an order granting alternate service of notice, KML independently changed notice requirements from in-person service of process postings and certified mail to first-class regular mail, which is in clear violation of the law, because this method provides no way to prove or disprove that I got the notice. You see this on Page 9.

KML then filed three separate affidavits of service with the court, claiming that they mailed notice. But I believe they never actually sent the notice, because their mode of operation is to conceal the legal action that they're taking against you so that you can't fight it. So when we're doing one thing here, they're doing this over here. So the house is being sold here because KML has already put in something to sell the house.

I'm sorry.

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So KML has already been granted judgment to go ahead.

Let me continue, because I'm getting off the script.

Then without an order granting alternate service, KML -- I told you that already. Hold on.

They actually sent the notice, because their mode of operation is to conceal legal action they're taking against you so that you can't fight it. I found out that my house was being foreclosed the day before because there was a sticker on my door. I mean, you know, sold at Sheriff Sale, not foreclosed. So it's like taking people's property. They're making it as easy as stealing candy from a baby.

I never got notice that further action had been taken in the foreclosure action, and to my understanding, it was stayed by Judge Rizzo's order until I had the conciliation conference, which never happened. Most people get a default

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judgment, but since I had an attorney at one time who raised the improper and insufficient notice issue as a new matter, the Court granted a summary judgment on January 16th, and that's included in Attachment No. 7. I didn't get the order until after it was decided and I never had an accurate conciliation conference or my day in court.

When I reviewed the actual copies of the affidavits from the court Record Department, I saw that KML attached those two service of process affidavits from January of 2013 under a new cover page to make it look like I had been served with notice when I truly was not. You can see that the affidavits on Page 5, 6, 7, 8, and 9 are the same as Attachment 5. It's like an apparent cut and paste.

After the foreclosure judgement was entered against me, I began receiving notices taped to my door by the Sheriff regarding Sheriff Sale. My property was

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sold at Sheriff Sale on May 5th. I actually attended the Sheriff Sale and I was sent home by the guard that was over there. He told me that I couldn't do anything to stop this sale.

I also never received notice regarding the actions to amend the amount allegedly owed to Midland Bank, yet Victoria Chen from KML Law Group entered an order that judgment on this issue was entered by agreement of the amount of $202,000 -- 202,024.59, when the Docket Report clearly indicates that Judge Nina Wright Padilla independent of me ordered the Sheriff and the Prothonotary to change the amount in every entry above Victoria Chen's action on Page 9 of Attachment 6.

Also note even the chronological entries on Page 9. You can see that on November 17th, KML attorney David Fein entered a motion for summary judgment in the court. There should be an entry for affidavit of service filed

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immediately after that entry, but there's not, because KML doesn't want property owners to know they're taking their homes until, like I was telling you before -- I'm sorry. I got ahead of myself before -- until it's too late to stop it. See attachment, an article explaining that KML changed the name of the firm to rebrand itself after it was sued and pled guilty to foreclosure abuse in Allegheny County. That's included in Attachment 8.

Thank you so much, and thank you whoever else is here. I can't see.

COUNCILMAN JONES: Thank you for your testimony.

MS. GISONE: Thank the media and everybody else.

COUNCILMAN JONES: A couple quick questions.

MS. GISONE: Yes.

COUNCILMAN JONES: The amount of debt versus the amount of sale, was there a difference? So if it was worth $100,000 and they sold it for 78, what

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was --

MS. GISONE: I later -- when I looked at the records, it says that they sold it at Sheriff Sale for $150,000.

COUNCILMAN JONES: What's it worth?

MS. GISONE: Those are the fees that the attorneys added on.

COUNCILMAN JONES: So what was the amount of debt originally?

MS. GISONE: I bought my property -- well, $128,000. So it should have been much less than that.

COUNCILMAN JONES: And so at the end of the day --

MS. GISONE: They made money.

COUNCILMAN JONES: -- the amount that they sold it for Sheriff Sale exceeded the debt, and that was attributable to conferences and fees?

MS. GISONE: Yes. They added all this stuff. I bought it in 1996, '97. So I didn't really fall behind for many years, until 9/11 came around.

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COUNCILMAN JONES: All right. Did you have an FHA mortgage?

MS. GISONE: I did. I had an FHA. What happened --

COUNCILMAN JONES: Did you apply for that covenant that gives you relief?

MS. GISONE: They told me, KML told me -- not KML. I'm sorry. The MidFirst Bank told me that I was eligible for all this free money, and in essence what they did was, they took the HUD money, 46,000-and-some dollars that the HUD supposedly gave me as free money, and made a second mortgage. I pulled that out because I got scared, but they basically took out a second mortgage on my loan, then they got the money, and now they're charging me the money that HUD gave me. I don't understand. Like I'm not understanding.

COUNCILMAN JONES: You're not alone.

MS. GISONE: Yeah, KML. I

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don't know.

COUNCILMAN JONES: Are there any questions?

(No response.)

COUNCILMAN JONES: Thank you for your testimony, and thank you for your patience and bravery.

MS. GISONE: Thank you.

MS. YOUNG: Thank you all.

COUNCILMAN JONES: Will the Clerk please read the --

THE CLERK: Raheemah Beyah, Wanda Davis, Arnet Woodall, Jorge Robles.

(Witnesses approached witness table.)

COUNCILMAN JONES: Good afternoon.

(Good afternoon.)

COUNCILMAN JONES: You can pull the mics a little closer.

Thank you all for your patience. Please state your name for the record and begin your testimony.

MS. DAVIS: My name is Wanda

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Davis.

Good afternoon.

COUNCILMAN JONES: Good afternoon.

MS. DAVIS: And before I officially get started, I want to first thank you, Councilman Curtis Jones and Councilwoman Jannie Blackwell, for taking up this important and controversial issue on behalf of the families of Philadelphia, and I also want to give special thanks to your chief counsel, Stacey Graham, who has been tremendous and has really been a trooper in getting the facts together, trying to keep us organized and giving the facts and doing much research, and she's had sleepless nights. So I want to go on the record as saying thank you on behalf of myself and the families of Philadelphia.

COUNCILMAN JONES: Thank you.

MS. DAVIS: I have personally brought this issue to the attention of several high-ranking government

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officials. Until we met your staff, Councilman Jones, the issue appeared to be falling on deaf ears. However, I only wish we could have moved on this a lot sooner because it could have saved our homes.

I first visited City Hall with this burden approximately a year and a half ago. We were getting closer to something being done last April, but it was delayed after the budget hearings. We understand that. And then it was delayed until after the primary elections. We all remember that. And then there was the summer break, and we appreciate and understand that we wanted to have a full body to hear it.

Unfortunately, the delay of this hearing date resulted in many of the families of Philadelphia, myself included, losing our homes to fraudulent foreclosures and Sheriff Sales. Unbeknownst to me, my own house was lost on May 6th, 2014. Just this past Friday,

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two families of Crystal Stephens and Raheemah Beyah were back in court defending their homes from Sheriff Sale. I don't know if you saw me walk in, but I just arrived from Bankruptcy Court, where my Chapter 13 was, as I anticipated, dismissed, which means now I'm back to the drawing board with another foreclosure when I shouldn't be here to begin with.

Every day families are at risk of losing their homes due to fraud. On January the 1st, 2005, which means I've been in my home ten years, I purchased my home from Jefferson Square CDC, who no longer exists, and entered into a mortgage agreement and promissory note with Northeast Financial, which is also attached to my testimony. Immediately Northeast Financial transferred the loan over to PHFA, Pennsylvania Housing Finance Agency. I'm sure we're all familiar with that as well. It's a state agency. The Assignment of Mortgage is attached as Exhibit-2.

In April of 2011, I was laid off from my job at the Sheriff's Office, at no fault of my own, but we won't go into that, and I fell behind on my mortgage. I received an EHLP loan, which is an Emergency Homeowners Loan Program at the time, and about a year passed and then I qualified for HEMAP, which is Homeowners Emergency Mortgage Assistance Program. And after an initial denial, I entered into an open-end mortgage on September 2011. That's attached as Exhibit-3.

Then on May 22nd, PHFA transferred my mortgage to U.S. Bank on May 22nd, 2013, and that's attached as an exhibit. In February of 2014, I was advised by my housing counselor of Northwest Counseling Services to apply in early of March 2014 for another HEMAP loan, because my funds had not been exhausted. As a result, I did so, and my Sheriff Sale was cancelled on March 13th,

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2014, according to my paperwork, by order of KML Law Group.

On May 21st, I happened to be sitting in the office where I was volunteering and opened up a folder of mine and reviewed what had been sent to me as a notice from a law firm advertised as Scott Bender. This is public notice, and so that's where that came from. And it said that my home was going up for Sheriff Sale on June 4th. This was my first time that I had noticed that. And so I called the Sheriff's Office to see if my house was actually going up for June 4th, according to the ad. You can look at Exhibit-5. This was my only notice of the Sheriff Sale of my home at that point. Normally you have to give notice 30 or 60 days.

I called the Sheriff's Office and spoke with a Tamiko to verify the information, which had to have been public at one time in order for me to receive such a solicitation, to see if it was in fact true. Instead she confirmed that my home had already been sold on May 6th, 2014. She went on to confirm that May 7th of 2014, talking to herself, a deposit was made on the property, and then she said at the time that it had been uncancelled. See Exhibit-6. She herself said, talking to herself, Uncancelled? What does that mean?

I didn't know what uncancelled meant, and I'm pretty articulate, astute. And so I looked it up in Webster's Dictionary, and the word didn't exist. I said, let me try my other one. I looked it up and nor did I find it in Black's Law Dictionary.

After fighting for my home, on November 4th KML Law Group agreed to set aside the sale on the condition that the default judgment that was entered on January 31st, that I had no notice of, remain attached. That's Exhibit-7. And so that would allow them to put it back up for Sheriff Sale. So I guess they

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figured we gave it to her legally. She's going to -- we took it from her illegally. She's going to fight. Let's give it back to her and take it from her the right way.

Since the default judgment remained, KML Law Group once again added absorbent fees, put my home back up for sale on the very next list that was available. The fees are enormous and nowhere near the industry standard established by HUD for standard attorney fees for mortgage foreclosures. That's Exhibit-8. Look at those. That's attached. My bankruptcy trustee even questioned the fees as excessive. They hardly ever question their colleagues and the attorneys about fees, but told my attorney to question it.

To further confuse me, on September 16th, 2014, I received a letter from Novad Management Consulting LLC/Sutherland Mortgage Services stating that it was the servicer for my HUD loan

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on my mortgage attached on Exhibit-9.

How many people going to own my home? How many times am I going to pay for it?

Without receiving any notice of the commencement of foreclosure action, KML Law Group filed a complaint on behalf of U.S. Bank June 23rd, who claimed to be the trustee of PHFA, and banks not supposed to own houses, as far as I know. The Civil Docket Report is void of an entry related to notice of service from KML of the complaint until September 11th, 2013. See Exhibit-10, Page 4 for that. At that time, they claimed that service was executed on July 1st, 2013 in person to me at my address. However, normally in service you describe who it is, what they look like, who they say they were. But the information that was supposed to be provided, absolutely none of the minimum identifying information required on the form was there, not even the time of day.

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Next, according to the Civil Docket Report, I was sent notice under Rule 236 of a conciliation conference, but there is no evidence that they all were sent. Upon inquiry of proof that the notice was actually sent, the Prothonotary's Office told me that this particular notice is sent by the courtroom through an automated computer system that generates notice and the process bypasses City workers and eliminates human error. I never received the notice for conciliation hearing that supposedly led to my default judgement in which they entered a Praecipe for Default Judgement on January 31st, 2014, which requires KML to provide service of notice to me so that I can respond in 20 days to avoid the default judgement. However, KML entered an affidavit of service 90 days later, on April 24th, 2014, attached as Exhibit-11. Ninety days is way beyond the time period for response. And upon further review of the affidavit, it

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falsely states that service was provided on February 17th, 2014 in person. On May 30th, 2014, without ever having a day in court, Judge Ellen Ceisler entered the default judgment and ordered the Sheriff Sale of my home. See Exhibit-10, Page 6 for that.

What's more shocking than that is, she did so just one day after she denied KML's request to amend that judgment because they lacked documentation showing the complete chain of assignment for the at-issue mortgage on May 29th, 2014. See Exhibit-12.

They don't get to prove -- they don't have to prove verification.

I was then bombarded with solicitations from bankruptcy attorneys and others about impending Sheriff Sales and I got an attorney to submit a motion to set aside the sale. Just last month I went to the Records Office to request my alleged notice of service, because I never got to fairly argue my judgment. I

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was denied these documents, although I possess an In Form Pauperis. And you all know what that is. It was also known as an IFP for indigent litigants. And so if you don't have the money, you're supposed to get these documents and file this paperwork gratis, for free.

I was told that -- I was denied the IFP and I was told it was because people were taking advantage of the system. How does a single department, Councilman, Councilwoman, decide who gets access to justice and who doesn't?

There was never a requirement for U.S. Bank to prove ownership of the debt. The notice that I received from Novad warrants the inquiry of validation of the debt, and Judge Ceisler knows it based on the order dated May 29th, 2014, but still I'm denied justice and I go back again.

Thank you.

COUNCILMAN JONES: Thank you.

(Applause.)

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COUNCILMAN JONES: Thank you.

State your name for the record, please begin your testimony.

MR. DAVIS: Thank you, Councilman Jones. I'm in your district in Haddington. My name is Glenn Davis. I reside at 5724 Vine Street. In '09 I lost my job. I was a Regional Maintenance Tech for Brightside Academy, making approximately $12 an hour, and during this time, I went behind on my mortgage. There was a process in which during this time I'm communicating with the bank and telling them that I'm in the process of trying to work out an agreement with them. They kept coming up with saying that my property is not owner-occupied. They sent paperwork certified mail and asked me to send proof to them once I received it. I did this, and long story short, I did this multiple times, and eventually coming home one day looking on my doors, there was a paper that said that my home has already been sold at Sheriff Sale already. And I didn't get any notice that it was going in or whatever. And what I found out the process of how they was able to do that is because they kept coming up saying that the property was non-owner-occupied, which means that they can just snatch it and that they don't have to go through this process with the Act 91 and tell you how to go about it.

I was directed to Community Legal Services, in which I went, and they immediately sent me to Philadelphia Unemployment Project to get help with counseling, and which I did. During this process, the Diversion Program, which I'm advocating for, which I'm glad that you are actually looking at to improve, forced the bank to sit down with me, and we were allowed to present the paperwork and get the deed eventually switched back into my name.

I would like to -- so what I'm actually here for is to say that the

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process that the Philadelphia Diversion Court Program actually is providing is actually helping to save a lot of homes. And I think one of the things that we need to focus on a little bit that's a little bit different than what we talked about here is the fact that the economy, in which put me into foreclosure, the lack of jobs, the lack of finding, and at the time that I did save my home, I was working at McDonald's. It helped me save my home. Once I saved my home, I wasn't able to keep up my payments, in which the Diversion Court Program helped me with. They helped me lower my bills and everything, but I could not survive off of a 7.25 minimum wage, getting 18 hours a week. So some of the things that we're talking about that's affecting us is the same economic state that we were in in '09. We are coming out of it, but it's not able to effect some of the homeowners that actually go through the program. I'm actually getting ready to go back

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into default even though this program helped me, and it's not because of the program itself. It's because of lack of funding and lack of work. And that's all I would like to say. I love the fact that this program has saved so many different people from their houses. I heard earlier that 9,700 people actually saved their homes, and that number does not reflect families. That reflects the actual person like myself, which is a homeowner, but it did affect my three children in which I actually have joint custody and my children come over and visit me every other weekend. It saved my home so that my children can still come in and visit me for the month of the summer vacation. This is something that kept me from being homeless, and I appreciate the work and the ongoing endeavors in which are being provided today.

COUNCILMAN JONES: Wow. I keep saying wow, not because I don't have a

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better vocabulary, but just the nature of this, even in the success stories, there's more work to be done. Now I know why you were smiling Saturday.

MR. WOODALL: Good day, both of you. I appreciate all the help that you both have given me out in the community, doing the community activism that we do. My name is Arnet Woodall, and what I did was, I live on 53rd and Walnut Street. I've owned my home. I've had the home since 1986. But what we did is we took, to work with the City and to help the City, I took and put a mortgage on that home and bought a lot that was a drug lot on 62nd and Market Street. And with the help of Councilwoman Blackwell, we began to build on that lot to knock the drugs out of that area.

Once we built -- once I put that mortgage on my home and took that seed money, built the West Philadelphia Produce in the community and built it from the ground up, then the City didn't

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give me the tax abatement. I fought for it, asked for it. Councilwoman Blackwell office even helped me go after that tax abatement once we didn't get it.

Now, this store has been open for six years now from the ground up. When you build in the City of Philadelphia, you should get a tax abatement for ten years tax free. That building was just Sheriff sold two weeks ago, even after Councilwoman Blackwell's office helped me file paperwork to make sure and prevent this from happening. We didn't get a letter. We didn't get any notice. Somebody that just happened to know me that was at the Sheriff Sales hearing texts me on my phone and said, Arnet, your building just sold for $35,000 here. I just spent $400,000 building it.

So on top of that happening, we still fighting with the mortgage company for the little mortgage that we took out on our home to seed this process. When I

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took out that loan on my home at 53rd and Walnut Street, I only took out a $60,000 mortgage. By the time we fall into foreclosure and start dealing with the foreclosure process or even once we start dealing with the banking process, the same banks that was just mentioned by people that just sat up here at this table are the same lawyers that I'm dealing with.

So if I go for a modification, I'm going for a modification so that my mortgage can be lowered. The mortgage can't be lowered and our mortgages can't be lowered because the amount that the lawyers are charging us takes a $60,000 mortgage and raises it to $90,000. And then once you raise that mortgage to $90,000 and you take that extra 30,000 and attach it to the mortgage, you can't get a low mortgage. The mortgage doesn't come in lower because of these lawyer fees.

These fees for people living in

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poverty -- and actually Philadelphia being the number one city in poverty -- those lawyers fees should be capped. That's what I came here to say. Because I know from working with people in the community and pointing them to some of these agencies that's in this room -- because once you take and become a stakeholder in West Philadelphia, everybody comes to you thinking that you got the answers. It's almost like they treat me like I'm one of you, a politician or something. And they come to you for help, and you point them in the right direction, but you know that they're going to be facing these odds, because once they start this process, their mortgages are not going to become lower. It's a hard fight because of those legal fees that are attached, and something has to be done just about that legal fee that's being attached to some of these mortgages, because just like the lady just said over here, she said she

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had a $1,200 mortgage. By the time the lawyers added their money into it, now her mortgage is up to $1,700 a month, and that's where the disconnect comes from and people thinking that -- if my mortgage is going to come in the same or my mortgage is going to come in lower when I'm going through this process, I can handle that, but when the paperwork come in the mail and you see that you're not getting a lower rate, your rate is higher, it's hurting people and it's killing people out there, and what needs to be looked into is for some kind of cap or something, especially when you're number one in poverty in the United States of America. Something got to be done for the people in the community.

That's all I wanted to say. Thank you for your time.

COUNCILMAN JONES: Thank you.

(Applause.)

COUNCILMAN JONES: Don't go anywhere.

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MR. ROBLES: Greetings, Councilman.

COUNCILMAN JONES: Can you pull that a little closer.

MR. ROBLES: Greetings. My name is Jorge and I made settlement on my property, on my real estate, September 30th, 2002 with SIB Mortgage Corporation. In turn, they transferred the mortgage to many other servicers without my knowledge. The last company allegedly claimed is Deutsche Bank. However, Deutsche never validated or verified the debt itself. Francis S. Hallinan, who is the Managing Partner of Phelan Hallinan law firm, started the foreclosure procedures. After receiving several intimidating letters demanding me to vacate the real estate, my real estate, I left. I wanted to try my luck and return to my real estate. However, the key no longer worked, and I walked away feeling that my civil rights had been completely violated.

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I hope it's clear that my reason for leaving was of fear.

After meeting with Stacey Graham and other families of Philadelphia, I retrieved my civil dockets and learned that I was not properly served. I really need your help in this matter.

I just want to let you know something. The Bible -- there is a passage in the Bible that I would like to add to this. It's Psalms 27:13, which it says, I would have lost heart unless I have believed that I would see the goodness of the Lord in the land of the living.

We're here. We need your help.

(Applause.)

MR. ROBLES: In addition, the docket that I got, I have a docket here that says that my house was sold on Sheriff Sale September 4th, 2007, five years after I had bought it, and it was sold for $10,600, a property that's worth

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close to $400,000.

Thank you very much and continue your good work.

COUNCILMAN JONES: Thank you.

Please come up to the table and state your name. Again, thank you for the -- so after you testify, we're going to take -- how many more people are here to testify?

We're going to take a break for the stenographer, some mercy for her, and then we'll come back, five minutes.

(Witness approached witness table.)

MS. BEYAH: Hi. Good afternoon.

COUNCILMAN JONES: Good afternoon.

MS. BEYAH: Thank you, Council. Thank you, Stacey, for putting all this together. My name is Raheemah. Thank you for hosting the public hearing to give victims of fraudulent foreclosure a platform for our voices to be heard. We

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have been denied due process, justice, and prevented from having our day in court. We have also lost our biggest and most sentimental assets - our estates, our homes. They have been stolen right from underneath us.

My home was bequeathed to me by my father. Owning his own home was a tremendous source of pride and joy to my father, and he would turn over in his grave if he knew that it was covertly taken by unscrupulous City workers and scandalous, scheming lawyers.

While I was grieving the loss of my beloved father, I was targeted by the Register of Wills Office. It was suggested to me -- excuse me. I was targeted at the Register of Wills. I went there to get my will probated, and I was informed that I needed to pay additional fees and have the real estate deed transferred into my name. Everything cost money. I had just paid thousands of dollars for the burial of my

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father.

While I was overcome with emotion, Louis DiRenzo, the supervisor, told me that they work deals with people in my situation like me, people who owned or inherited property. Mr. DiRenzo next told me that he could get me a loan to pay for these fees, and after that when he told me -- when I told him I wasn't interested, he then offered to buy my property. No, thank you. Absolutely not.

As I sat there trying to compose myself from grief, I was approached by another worker in the Register of Wills Office. An African American female walked over to me and told me that I needed an attorney to help me transfer the deed. She said that she had a friend that would help me out, and then she slid the contact information and told me to give them a call and let them know that she referred me, as if she was getting a kickback.

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Soon after my experience in the Register of Wills, I got a notice that I was scheduled for a conciliation conference on October the 16th, 2014. I attended and signed the register that everybody has to sign there. I spoke with a supervisor who advised me that they did not have my paperwork and Chase Bank was not there. She then told me that the conference would not happen today and I would get a notice rescheduling the conciliation conference with Chase Bank.

About a month ago I learned that there was a default judgment from my homeowners insurance company. There was a robbery at the house, and the insurance adjuster came out at the time. He informed me that there was a default judgment entered against me on my house. I didn't quite exactly know what that meant until I spoke with Stacey Graham in preparation for this hearing. Stacey told me that my testimony didn't sound

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quite right about the supervisor at the Diversion Court. She told me that Chase Bank is never there personally, but they have attorneys from Phelan and Hallinan at the court all day and they have full authority to negotiate on behalf of Chase Bank.

Clearly, obviously I was lied to and misled by the supervisor of the Diversion Court. At the time, it just didn't make sense to me then. But deception does explain why I never got a rescheduled date. I never received anything rescheduling the conference, and I thought that the foreclosure action was ceased until I had a face-to-face meeting with Chase Bank. I was shocked when the next thing I got -- the next thing I found out, that my house was up for Sheriff Sale.

Again, I got no notice of anything, no court dates, no conferences, no housing counselors, nothing. As a matter of fact, I've been working with

Chase Bank jumping through hoops to submit documentation for a mortgage modification. I have piles of paperwork corresponding back and forth with Chase up until the end of August of 2015. I still even get mortgage bills.

On September the 22nd, I met with Stacey Graham, and she took me to the Prothonotary's Office in this building and we got a copy of the Docket Report for my property attached with my written testimony as Exhibit-1. The report says that I received notice by posting it on my home on October the 2nd, 2014 at 2:30 p.m. with first-class mail. See attached the affidavit of service as Exhibit-2.

First of all, the order for alternate services also requires certified mail. There's no evidence that that was done. Therefore, the service was insufficient, improper, and non-compliant with the Court order dated September the 22nd of 2014, attached as

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Exhibit-3.

There is also another fraudulent document filed with the court by Attorney Paul Cressman with Phalen Hallinan that says that he mailed the notice to me by certified mail with a return receipt request. See Exhibit-4. I never got any certified mail about a foreclosure action. I know he doesn't have the green card to prove the certified mail because I didn't get any certified mail. This is another example of the false information being filed with the courts to deny due process to homeowners.

According to the Docket Report, a default judgment was entered against me in favor of Chase Bank on January 30th, 2014. See Page 5 of Exhibit-1. Also see ongoing correspondence from Chase Bank attached as Exhibit-5 regarding my pending applications for loan modification for the same property that they already took a judgment against two

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to three months prior to their letter requesting more information and supportive documents from me. It makes me wonder, who is the ring leader for theft of our homes? The bank or Phalen Hallinan, the attorneys?

It also occurred to me that all of this trouble with this house might have been started by the supervisor at the Register of Wills who offered to buy my house. I decided to go back there the other day to talk to him and to get his name, because I didn't have his card anymore. And he gave me step-by-step details of what I needed to do to have the house where I could sell the property. He also said give him a call for any assistance that is needed. That is also in the exhibit as Exhibit-6.

The Sheriff Sale of my house was scheduled for today. I was able to complete a petition to postpone the Sheriff Sale last week to delay it. I am asking for City Council's help to vacate the default judgement and to validate the debt.

I know everyone in here is not Muslim, but I have something I would like to say from the Quran. It's called the Spoils of War. It's Surah No. 10, Verse 83. And Allah will establish the truth by his words even if the criminals dislike it.

I'd like to thank you again for your time. I really appreciate this, and I really hope something can be done.

COUNCILMAN JONES: Thank you so much for your testimony.

(Applause.)

COUNCILMAN JONES: Is that the last of this panel? We're going to take a five-minute break and then we're going to --

COUNCILWOMAN BLACKWELL: Mr. Chair, may I say that the gentleman in the middle, I've seen him with his children, and it's obvious how much you love them. We've seen him in the 6th

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Ward over there.

And let me say to Arnet Woodall, Arnet Woodall even now -- and, Mr. Chairman, he talked to me about a bus that hit 62nd and Market, how they hit the new El platform, and many times he called to get us to help fix that. Even now he gives out fruit. He's given me fruit. He gives out food. He gives out fruit to people. He does everything he can to not only provide food, but to help keep the community clean and have programs so that the young people and others have something to do so that they're not frustrated. And it's so unfair. It's so wrong that we've been hearing all this testimony about people who have been wronged by the system. And I just thank God that they have not let it embitter them and that their focus is straight, Wanda, their focus is honest, and they know that we have to fight together. And it puts pressure on you and I to find some way.

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I heard, Arnet, what you said, that they need to lower these fees. They know people don't have them. And we commit to you that we're going to try to come up with an active solution to make life better for you and that we want to personally work with you as well.

MR. WOODALL: Thank you very much, both of you. Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN JONES: Understand -- and I agree with the Councilwoman 100 percent. Programs like this were designed to be a life raft. They were designed to be the doughnut tire to get you down the road to the place where you need to be to get real long-term help. A lot of things happened along the way, whether it's the economy and we can't seem to get a living wage so that we can afford the lifestyle we had, but some of this isn't that. Some of this sounds like out-and-out deception,

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and I'm not -- you know, I'm not a prosecutor but, again, one of the things -- and I thank him. Vernon Price was sitting here listening to this stuff and actually has now all of the exhibits that were given, and he's taken it back to his office to take a look at it. And as the Councilwoman said, it's on the record. We're going to do our best to come up with resolution.

And let me say this: I don't believe that everybody -- and I said this in the beginning -- has a sinister heart, but if you are of good intent with a bad result because we're not fixing the loopholes, then it doesn't feel any different to you when the Sheriff or those people evicting you come to the door.

So we want to get it right. We're committed to working with this process to get it right, and one of the things that the advocacy agencies, quite frankly, said -- and I heard them with my good ear -- was that they don't have enough money to provide all of the counselors to provide you with adequate representation all the time.

So we got some things to fix on our end. We have some things that need fixing on the DA's end, and together it is my intention to make it better.

We're going to take a five-minute break. Anybody who is going to testify, you can come right in on the row now. I think we're down to about four, three. So you can go ahead.

(Short recess.)

(Witnesses approached witness table.)

COUNCILMAN JONES: We are reconvening the joint Committee on Public Safety and Housing and Homelessness, and we have a new panel.

Will the Clerk please read the names.

THE CLERK: Crystal Stephens, Sheila Lloyd, Johnny Young. Is Glenn

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Davis here?

Oh, he was on the previous panel.

COUNCILMAN JONES: Thank you for your patience, and you're the last panel, so let's start.

MS. STEPHENS: Good afternoon, Council. My name is Crystal Stephens.

I entered an adjustable rate mortgage on January the 26th, 2007 with Citizens Trust Financial. My new payment was lowered by $200, as anticipated. I was told that in two years when the mortgage began adjusting, I could go back to a fixed rate.

In March of that same year, my loan was sold or transferred to Homecoming Financial, Exhibit-1. My loan was substantially sold numerous times, according to the property securitization analysis audit that I had prepared by Certified Forensic Loan Auditors to determine who legally owns the rights to my debt and property, Exhibit-2.

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In June of 2009 when the mortgage began adjusting, I fell behind on payments. Four months later in 2009 of September, I received a Notice of Complaint of Mortgage Foreclosure by Aurora Loan Services, LLC. They were represented by the law firm of Zucker, Goldberg, and Ackerman, Exhibit-3. I had already been making payments to Aurora when the very next month I received a letter from MERS informing me that they were assigning the mortgage to Aurora Loan, Exhibit-4.

Now, hold that thought. In the City of Philadelphia, if a homeowner falls behind on their mortgage payments, they can seek the assistance of a housing counseling agency. I was referred to ACORN. I was then introduced to the Mortgage Foreclosure Diversion Program. Through this program, assisted by ACORN, on November the 24th of 2009, I was granted a special forbearance agreement, Attachment 5. As a result of the mutual

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agreement dated December the 10th, 2009, Judge Rizzo entered an order staying the foreclosure, which could only be relieved if I defaulted on the agreement, Exhibit-6. I did well enough to merit a second agreement the following year, on May the 28th, 2010, Exhibit-7. Now, exactly four days later, June 10th, Zucker, Goldberg, and Ackerman submitted a Praecipe for Default Judgment on the Complaint for Mortgage Foreclosure, Exhibit-8. I continued the payments as agreed, Exhibit-9.

How did the attorneys ignore the judge's order that was clearly signed by the Court? Now, that's Exhibit-10.

Now, I tried to sell my house to avoid foreclosure and attempted to list it with Coldwell Bankers. They told me outright they could not sell my house because the title was clouded. My property situation is the exact scenario that MERS has been sued all over the country for clouding people's titles.

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This is the same issue that Nancy Becker from Montgomery County Recorder of Deeds successfully sued MERS over. The decision is entered by District Court, Exhibit-11.

I now realize that under the law, there cannot be a Sheriff Sale without a judge or order on the Complaint for Mortgage Foreclosure. Therefore, 7 out of 11 times I was granted a postponement. I believe three of the denials resulted because of the confusion about the entry of the Praecipe for Default Judgment.

Now, if you look at Exhibit-10, Page 12, Judge Fox described my petition as moot, which means the debate is already resolved. On Page 20 of that Exhibit-10, there's an entry that the case is closed due to default judgment on 6/11/10, which was not an order but a praecipe.

As a result of my title search, this situation became more confusing.

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When I received this report, it was full of dead people. There was company after company claiming to hold the Assignment of Mortgage. They are all out of business, including, but not limited to, Citizens Trust Financial, Homecomings Financial, Aurora, and Zucker, Goldberg, and Ackerman. This firm filed a Chapter 11 in August of this year.

My home is scheduled for Sheriff Sale today. I had my 11th hearing to postpone Sheriff Sale last Thursday before Judge Nina Wright Padilla. Although I told her several reasons and presented her with evidence that I've proven or provided to you today, she denied the motion. Her words and actions indicated that she didn't care what the facts of the case are. She was upset that I was in court 11 times for the same issues and she simply wanted me to stop wasting the resources of the court, refusing to accept the faults in this case.

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It is unfair and unjust that I cannot sell my home, but it can be auctioned at a Sheriff Sale? Where is justice?

Thank you.

COUNCILMAN JONES: Thank you for your testimony.

MS. STEPHENS: You're welcome.

MS. LLOYD: Thank you, Councilmembers, for being here today on the behalf of the Philadelphia families that has been denied justice and swindled by the same representatives whose job is to uphold justice. We desperately need you to do something about the corruption of a few government workers that are denying us our property rights and constitutional rights.

I inherited my real estate from my father in 1990 when he added me on to the deed. I first entered into an agreement with Old Stone Credit. In 2007, I borrowed $400,000 using my real estate as collateral with Delta Funding,

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Exhibit-1. The purpose was to convert my real estate into a group home for girls and to pay off the existing note. Unfortunately, I never could get zoning approval for the group home.

In 2010, I went to make a payment and I was told that Delta was no longer in business and I was to pay Citi Mortgage. I required Citi Mortgage to validate and verify the note. In good faith, I continued making installments with the hope that Citi Mortgage would provide validation of the note. Citi Mortgage recorded an Assignment of Mortgage with the Philadelphia Records Office, Exhibit-2.

I sought help from PUP, NACCA, and my ward leader's attorney tried to help me. Then Citi Mortgage called me and asked me if I knew anything about loan modification. I gave them all of my financial information and I was told that I would go into a trial modification at a 3 percent interest and payments at 311 a

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month for one year based on my income. When I go to make my final payment in August of 2011, they told me that Citi Mortgage no longer owned my note. It was sold to PennyMac. When I contacted PennyMac and I asked about reduced payments, they said they had no knowledge about it and would not honor it. I continued to request validation for each transfer and it was never given. I asked why wasn't I notified about the note being transferred and I asked why MERS was appearing on my title and not them. I was waiting on validation from PennyMac in response to my inquiries, when Tomasina Wright calls me and tells me that my property is on the Sheriff Sale for November the 1st of 2012. Tomasina Wright said she saw it in the paper. I got no notice from anybody about mortgage foreclosure or Sheriff Sale, no housing counselors, no HEMAP, no Save Your Philly Home. Nothing.

At that point, I went to

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Bankruptcy Court and I filled out the paperwork enough to stop the Sheriff Sale myself. I had sent proof of payment of my promissory note to Phelan and Hallinan, and they would not honor it. I continued to request proof of the claim from PennyMac, from KML law firm, and then Phelan and Hallinan law firms. This was especially important because my title said MERS was the lender. I never got a response to my calls or letters.

The next thing I get is a letter from REO Company in Bristol, PA offering me 5K to move out. A month later REO Company sent me another offer for 10K to move out. I didn't respond. Right about this time, the City was without a Sheriff and there was a moratorium on Sheriff Sales, so any scheduled sales were postponed. You'll see that my Civil Docket Report, Exhibit-3, reflects several postponed Sheriff Sales, but I didn't know this at the time because I never got any notice

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about Sheriff Sales. I was still in possession of my real estate.

On December the 3rd of 2012, I came to my home from the store and a black Subaru with New York plates was parked in front of my property and the driver was walking around my house peeping in the windows, looking all around and observing the exterior of my property. He told me that he was an investor from New York and the real estate was up for Sheriff Sale on December the 4th of 2012. I told him he was dead wrong, and he left.

Later that same day, a truck pulled up to my house and four men got out with power washing machines. I ran out and I asked them what the -- and I ain't going to say that, but what the bleep were they doing, and they said they had had a work order from REO to power wash the bricks. I ran them off.

The next morning I went to 3801 Market Street for the Sheriff Sale and I

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recognized the same four men and the New York investor at the Sheriff Sale. I sat in the audience and I watched Phelan and Hallinan bid against the New York investors, the four men and other investors/potential buyers. The real estate sold for 250,000. About two days later I went to the Sheriff's Office and I asked for the fee sheet for the real estate of 913 South 13th Street. I was given the attached document stating that my real estate sold for 19,500. You can see Exhibit-4.

I continued to have possession of my property for two years. Occasionally people would simply walk into my house and say they were the bank. Then out of nowhere, I received mail from Phelan and Hallinan law firm on a motion of ejectment. Please note, please note that I received nothing prior to that. I tried to answer -- boy, oh, boy. I tried to answer it in 20 days, in the 20-day deadline period. Each time I went to the

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Prothonotary's Office, Joseph Evers would not allow me to file it. On the last day of the filing period, I contacted Rodney Little via telephone. He suggested that I contact Councilman David Oh's office and ask for help getting the answer filed after being denied the same day. I spoke with Kimberly in Councilman David Oh's office and she made a call to the Prothonotary's Office and I was immediately permitted to file the answer to the ejectment.

Following that ordeal, following that ordeal, I get an unsolicited call Sunday evening from a Hiram Carmona or Hiram Rivera. He gives both names. He said he was with OHCD. He asked me to come and meet with him and CLS Attorney Robert Lukens about my real estate. I did not know how he obtained my personal cell phone number.

I met with Hiram Carmona and Attorney Robert Lukens on November the 16th, 2013 at 1234 Chestnut Street. At

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that meeting, Hiram Carmona and Attorney Robert Lukens asked me to allow them to enter a motion to amend my answer and allow Robert Lukens, Attorney Robert Lukens, to rewrite it. I agreed.

Four days later, Attorney Robert Lukens telephoned me and said that the motion was denied. I never received any documents from the Court saying that the motion was denied or that the ejectment was moving forward. For that matter, I never received a copy of the amendment that Attorney Robert Lukens allegedly entered. Attorney Robert Lukens told me there was nothing he could do. Attorney Robert Lukens then put me in touch with Bianca Barnes at Liberty Resources, and this is what made me think that he had been paid off by the Phelan and Hallinan law firm. Out of Attorney Robert Lukens' own personal checking account with PFCU, Attorney Robert Lukens paid for movers to relocate me out of my property to Anthony Wayne Senior Housing,

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and Attorney Robert Lukens paid for the deposit and first month's rent. See Exhibit-5.

When I took Attorney Robert Lukens' check to deposit it, the manager at the bank said he had never heard of an attorney writing a personal check to a client before. Because of that, he immediately researched Attorney Robert Lukens online. He suddenly blurted out, Wow, this is really weird. Attorney Robert Lukens' own house is up for sale. So why on earth would he be paying your moving costs?

I don't know if Attorney Robert Lukens got a check from Phelan and Hallinan law firm to amend my motion to guarantee that it would be denied or if he accepted a cash-for-keys payoff to lock me out of my property in a deal like the ones that I got from REO Company and used the money to pay my moving expenses or if he cut a deal to get me out of my home to save his. I don't know. Phelan

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and Hallinan law firm is one out of the two law firms that do 75 percent of the mortgage foreclosures against Philadelphians. So chances are high that if Attorney Robert Lukens was under water with his mortgage, it was the same law firm after him. What I do know is that I asked Stacey Graham to get him here today, to get him here today to answer me and explain his relationship with OHCD and the Philly foreclosure firms.

Not long after Attorney Robert Lukens conspired to put me out of my home, I was sent a court notice that read rent/lease/ejectment and the hearing date was July the 10th of 2014, Exhibit-6. It was mailed to my home even though Attorney Robert Lukens knew that I was at the Anthony Wayne housing, because he paid my rent to be there. I know Attorney Robert Lukens didn't expect me to get the notice and he was shocked when I walked into the courtroom. When Judge Nina Wright Padilla called my -- when she

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called my case, I told the judge that Attorney Robert Lukens had paid to put me out of my home. Judge Nina Wright Padilla said to Attorney Robert Lukens, Is that right? Why am I hearing a petition for an ejectment if she's already out of her property? And then Attorney Robert Lukens said he was seeking a motion to withdraw representation. Judge Nina Wright Padilla was then confused and asked me had I gone to CLS or the Philadelphia Bar Association.

I said, Why would I go to CLS? That's where he works.

Judge Nina Wright Padilla then advised me to go to the Bar Association, and I had to tell the judge that unfortunately I had depleted all of my funds trying to save my real estate and I had been swindled out of large sums of money.

When I heard about Council holding this hearing and I came into

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Councilman Jones' office and they pulled my Civil Docket Report, strangely enough it tells a very different story. It states an order for alternate service was granted in February of 2009, allowing Phelan and Hallinan law firm to send notice via certified mail and other methods. I know that Phelan and Hallinan law firm and associates -- I know that Phelan and Hallinan law firm cannot show certified mail slips because I never got any notice. Michael McKeever, the same guy that co-chairs the Governing Committee for the Mortgage Foreclosure Diversion Court, filed some fraudulent affidavits of service. Had it not been for Tomasina Wright, I never would have known nothing about my real estate going to Sheriff Sale.

Then on May 8th, 2009, Michael McKeever from KML Law Group filed a Praecipe for Entry of Default Judgment against me for failure to answer within the required time without me ever

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receiving prior notices.

Michael McKeever from KML Law Group then filed a motion to reassess charges and added another $54,785.64 for reasonable attorney fees, and he got it all. On the Docket Report, it shows a default judgement --

COUNCILMAN JONES: I'm sorry. Hold up. Repeat the amount, legal fees.

MS. LLOYD: $54,785.64 for reasonable attorney fees, and he got it all. On the Docket Report, it shows that a default judgment was entered against me and in favor of Citi Mortgage October the 13th of 2010 for over a half a million dollars. And if you don't find that unbelievable, then consider this: Citi Mortgage don't even own my note. The Court didn't require Phelan and Hallinan nor KML Law Group to validate the debt. Six months later, a praecipe to substitute party was granted to PennyMac, no questions asked by our fine Philadelphia courts, who has also failed

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to validate or verify the debt.

In closing, Councilman and Councilwoman Blackwell, our late beloved President John F. Kennedy stated in his inaugural address in 1961, In a sense we have come to our nation's capital to cash a check. When the architects of our republic wrote the magnificent words of the Constitution and the Declaration of Independence, they were signing a promissory note to which every American was to fall heir. This note was a promise that all men, yes, black men as well as white men, would be guaranteed the unalienable rights of life, liberty, and the pursuit of happiness. It is obvious today that America has defaulted on this promissory note insofar as her citizens of color are connected. Instead of honoring this sacred obligation, America has given the Negro people a bad check, a check which has came back marked "insufficient funds."

Dr. Martin Luther, Jr. stated

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in his "I Have a Dream" speech in 1963, But we refuse to believe that the bank of justice is bankrupt. We refuse to believe that there are insufficient funds in the great vaults of opportunity of this nation. And so we have come to cash this check, a check that will give us upon demand the riches of freedom and the security of justice.

Phelan attorneys are felons, spelled F-E-L-O-N-S, and the Diversion Court judges and the Prothonotary Office are its accomplices.

I want to thank you for your patience and for your time in this matter.

(Applause.)

COUNCILMAN JONES: Thank you. I'm not going to use wow again, but it was articulate and pointed. I mean, I listen to a lot of testimony and sometimes you have to really struggle to follow where the twists and turns are, but I didn't have to do that.

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Do you have any questions, Councilwoman?

COUNCILWOMAN BLACKWELL: No.

COUNCILMAN JONES: So we have one more person?

THE CLERK: Yes.

COUNCILMAN JONES: Thank you for your testimony.

MR. YOUNG: Thank you. Greeting, Council. My name is Johnny Young. As a former Senior Executive Recruiter for the Vanguard Group, I learned a great deal from hedge fund brokers and others just how mortgage-backed securities transactions occur and how the SEC functions in general. This served me in understanding the root cause of fraudulent foreclosures that are presently occurring to real estate owners here in Philadelphia.

For example, under Pennsylvania law, the Court has ruled that in order for a mortgage debt to be valid, any subsequent purchaser of that must possess

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a copy of the mortgage agreement which establishes the term, but also the purchaser must possess the original promissory note which it signed securing the note. Finally, as to put the public on notice as to any encumbrances to the real estate owned, anyone who has a financial interest in the real estate is required under Pennsylvania law to record such encumbrances with the County Deed Recorder's Office.

By contract, my wife and I originally settled on our real estate in 2006 by endorsing a mortgage agreement and promissory note that we issued to Countrywide, attached as Exhibit-1. A few years later, in July 2007, Countrywide bifurcated and securitized the agreement and de-registered and de-listed all their assets and they went bankrupt, which simply means that the note is void.

Later in 2012, Bank of America claimed to have owned the note. I

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responded to this claim by issuing them a QWR, which is a Qualified Written Request, requesting an original copy of the promissory note from the CFO of Bank of America. It was later sent by Federal Express mail to me with the "paid to the order" note stamped on it by Countrywide's Managing Director, with no other endorsements.

In March 2013, Nationstar filed a Complaint for Mortgage Foreclosure using a debt collector named Jonathan Etkowicz from PHS, which we know is Phelan Hallinan, and falsely stating to this Court that I defaulted on payments. However, I never received any notice of transfer or assignment of my agreement or the note from Bank of America. I requested that Nationstar validate and verify by producing the original promissory note, as it is required by law, to establish their claim. See Paragraph 2 of Act 91. Notice is attached as Exhibit-3, which states you

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must dispute the validity of the debt or any portion thereof within 30 days after the receipt of this notice. This is required by law.

Nationstar never produced a copy of the original promissory note and cannot produce a documentation or agreement that validates its alleged ownership of my note.

Nevertheless, the Diversion Court ordered a conciliation conference on June 13th, 2013 and then, on the very same day, an order granting Nationstar the right to enter a default judgment. I need to read that once more. Nevertheless, the Mortgage Foreclosure Diversion Program Court ordered a conciliation conference to be scheduled on June 13th, 2013, and then, the very next day, an order granting Nationstar the right to enter a default judgment against me for an unsubstantiated claim that was granted, so they say, by my failure to attend the first conciliation conference. "Wow" was the only word I could get out of my mouth at the time. See Page 4 of Exhibit-4.

I was successful filing the motion to strike. Then the case was listed for pretrial conference -- see Page 6 of Exhibit-4 -- on July 1st, 2014. Judge Idee Fox ordered a mandatory pretrial conference to be scheduled any time after February the 2nd, 2015. See 7 of Exhibit-4. Then just three weeks later, PHS submitted a motion for summary judgment without ever providing notice to me, as required by the Rules of Civil Procedure. See Page 8 of Exhibit-4. No notice was provided to me, as you can see from the Civil Docket Report. However, the motion was assigned then to Judge Nina Wright Padilla, and on September the 30th, 2014, Judge Nina Wright Padilla granted the motion for summary judgment without me ever having my day in court to defend myself or my property and, more importantly, without Nationstar providing

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proof that any payments were owed to them. The judgement entered against me was $248,787.08, plus unspecified interest and other charges. See Page 8 of Exhibit-4.

Also important here, this motion for summary judgment was granted without the mandatory pretrial conference that was Court ordered by Judge Idee Fox on July 1st, 2014. See the case management order attached as Exhibit-5. Although I filed timely and proper documents with the Court to reverse the judgment, all my efforts were denied several times. I was obstructed and prevented from filing documents in the Prothonotary's Office.

Finally, I met with Hiram Carmona from the Office of Housing and Community Development to alert him of possible misconduct and violations being committed by PHS. When I presented the order issued by Judge Fox, he immediately scanned it and e-mailed it over to PHS.

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The response that came back from Jonathan Etkowicz from PHS stated that our motion will override the order issued by Judge Fox. Refer to the attached e-mail exchange, Exhibit-6. I also attempted to alert several public officials of misconduct, fraud, and malfeasance being committed against me and my property. I addressed notarized letters to the following individuals: Joseph Evers received three letters, Nina Wright Padilla, Idee Fox, Hiram Carmona, who I personally visited, Zygmont Pines, Francis Hallinan, and Leon Tucker, just to name a few.

On March 3rd, the real estate was allegedly sold with the aid of Attorney Jonathan Etkowicz by a deed pool from PHS. See Page 12 of Exhibit-4. Then on August 6th, 2015, as I was backing out of my driveway, I noticed some papers under a shrub. When I picked them up, it was a notice of ejectment action, an attempt to evict me and my

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family from our home. See attached as Exhibit-7. Unbeknownst to me, an order for alternate service was granted by Judge -- or somebody by the name of Stamato states that service would be provided by first-class mail. Again, this is not how I received the documents.

Also important, the action for ejectment is now being brought on by Federal Home Loan Mortgage and fraudulently alleges that it purchased my real estate at Sheriff Sale on March 3rd. See Page 3 of Exhibit-7. According to the Civil Docket Report, the property sold to PHS for $18,000. See Page 12 of Exhibit-4.

What I would hope that this legislative body would take into consideration, as long as we continue to allow law firms to violate federal and state regulated laws, omit and step over Court orders, we're going to continue not only having people like this come before you, but you're going to increase

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homelessness, and that should be something very alarming and we should be able to stop that with the efforts of you. And I appreciate your time and patience on this and courage for bringing this up.

(Applause.)

COUNCILMAN JONES: Thank you for your testimony. And to hear some of the processes, each time we get something new, and what we got a little bit more of from your testimony was some of the lack of conforming to the regs. Not just notice but documents, notes that are supposed to be in there. And I don't want to say I get the impression that people are moving paper, moving properties, moving people, but not paying attention to the process that is legally binding. So it raises some concerns.

Is there anyone else to testify?

THE CLERK: Irwin Trauss.

COUNCILMAN JONES: Please come

forward.

Thank you again for your testimony.

(Thank you.)

(Witness approached witness table.)

COUNCILMAN JONES: I want to thank Councilwoman Blackwell for co-chairing this hearing. She has a prior engagement, as she always does.

You missed three already? We're going to get you to this one.

COUNCILWOMAN BLACKWELL: This came first.

COUNCILMAN JONES: All right.

COUNCILWOMAN BLACKWELL: Thanks.

COUNCILMAN JONES: Thank you.

Yes. Please have a seat. Again, state your name for the record.

MR. TRAUSS: Irwin Trauss.

Thank you for letting me speak again. There's just a couple points I wanted to make. I suspect they're not

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going to make me very popular. But on 39 years of litigating against mortgage companies, it struck me that it's good to focus on those things that are real problems and not raise red herrings that allow the opponents to quibble about those things that don't really matter. And I just felt compelled to make a couple comments about testimony I heard.

One was that there's a couple people who have testified that Mike McKeever's law firm was sued for fraudulently and illegally filing for foreclosures against Allegheny County in Pennsylvania which they were stealing real estate from owners. Interestingly, the firm pled guilty to the charges and then changed the firm's name to KML Law Group. I'm just reading from one of the couple people that testified.

I would just like to point out that it is not true that the KML law firm or Mike McKeever pled guilty to any charges of fraud. There was no criminal

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prosecutions brought against Mike McKeever or his firm. There was a lawsuit filed against the McKeever firm alleging unauthorized practice of law based on the practice of the law firm of having paralegals sign the attorneys' names to documents. The McKeever firm is defending that lawsuit. I don't know what the outcome of the lawsuit is. It was filed in 2011. I haven't been able to find anything in the court records. His position is that, yes, indeed they had paralegals sign the documents, but they believe it was appropriate because they were doing it under the supervision of attorneys.

I just raise this because allegations of fraud are very serious things. They can often distract people from what is really the issue, and the issues are the things that the people have raised here that they -- their properties may be foreclosed when they shouldn't be. But I don't think you need

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to cloud the issue with allegations that are not accurate.

Similarly, there's been a reference to a lawsuit that was filed against MERS that was won in District Court by, I think it was, Montgomery County challenging the practice of allowing mortgages to be transferred without the transfer being recorded in the court documents. That case was overruled by the Third Circuit. I happen to agree with the lawsuit that was filed and wish the Third Circuit did not overrule it, but that's what the Third Circuit did. So that the law presently at the time -- at the present time in this circuit is that what they were doing was not actionable.

Finally, I just want to make an observation about another problem which potentially is a notice problem that could be creating problems for homeowners. In the Court of Common Pleas when an attorney enters an appearance for

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a client, the Court generally sends all the notices, all the papers that are filed in that case to the attorney. It is then the attorney's responsibility to communicate with the client about what's happening. In some circumstances that could be problematic, because sometimes attorneys and clients -- the client fires the attorney, the attorney agrees to stop representing the person, but there's no formal withdrawal of appearance, and then notices continue to be sent to the attorney. I believe this would require a rule change, but I think it's a rule change that the Court should consider, which is to require the Court to continue sending notices to the clients in addition to the attorney in foreclosure cases, because that could, I think, in some number of cases avoid the problems that we've heard here from people saying, and I think credibly saying, that things happened and they never got a notice. And it's quite possible they never got a

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notice because the notice was going to their attorney and the communication with that attorney had ended for one reason or another and they really didn't know what was going on. It's a similar problem to what I spoke about earlier where the mortgage companies decide that they're going to stop sending things to the homeowner. I think that is something that is remediable, but I think the remedy lies with the Rules Committee and the Pennsylvania Supreme Court.

So I thank you. I appreciate the opportunity to make those few comments.

COUNCILMAN JONES: Just one question before you go. The issue of the promissory note being affixed, where are you on that?

MR. TRAUSS: The promissory note being recorded?

COUNCILMAN JONES: Yes.

MR. TRAUSS: Being recorded? Well, the requirement that mortgages be

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recorded is statutory. It's part of the recording structure that requires real property transfers to be recorded in order to be effective under certain circumstances. There's no requirement that notes be recorded. One of the problems with requiring notes to be recorded is that the Recorder of Deeds in Pennsylvania, Philadelphia County and Pennsylvania generally, will not accept documents for recording which are not acknowledged, which means it has to be taken, signed in front of a notary and acknowledged. Generally speaking, notes are not acknowledged. So the Recorder of Deeds will not accept a note for recording. They're not permitted to. They're not authenticating documents, but they are legally enforceable documents. In order to have a system where the note is recorded, that would require notes to be acknowledged and, generally speaking, notes are documents that are -- if they're negotiable instruments, they're

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covered by the Uniform Commercial Code, which applies in 50 states. And I think it would be a very hard lift to get a legislature to require notes to be acknowledged in connection with mortgages. Though it is something that is not impossible, I don't think it's something that City Council could require.

COUNCILMAN JONES: Are you talking about the sheer volume of processing, the sheer volume of processing?

MR. TRAUSS: Yes. Well, notes -- the problem is is the note itself is a negotiable instrument. Mortgages are not negotiable instruments. I don't know if you want to get into a lot of detail about this. But a note -- the entitlement to collect a note, it's like a check. If you endorse the note and hand it to somebody, that somebody now has the right to endorse -- to enforce the note. And in some cases, if

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you endorse it in blank, you don't even put the names of persons on it, it's just endorsed in blank, whoever is the holder of the note has the right to enforce that note. And the idea behind notes is that like checks, they need to be freely alienable so that they can be passed from people -- from one person to another. And the recording would disturb that whole system with respect to notes and it would have ramifications beyond the mortgage foreclosure sphere.

COUNCILMAN JONES: Stay tuned. We'll take a look at that, because it poses the interesting question as to if there is no note, is there a debt, and in this age of technology, is there a way to do that more efficiently, and I don't know the answer to those.

MR. TRAUSS: If I could just make one more observation. The law regarding notes particularly in Pennsylvania is clouded. In most of the rest of the country it is clear that the

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mortgage follows the note, which is to say that whoever holds the note is entitled to enforce the mortgage.

In Pennsylvania, there is a history that goes back 150 or 200 years where with respect to mortgage foreclosure actions, the courts had ignored the note. They just looked at who had the mortgage. That law is changing and Pennsylvania is catching up with the rest of the country, and more and more the note follows the mortgage even in Pennsylvania cases. There's a Superior Court case that has said that an entity that does not hold the note cannot foreclose, which for us is progress.

Unfortunately, most cases that have raised -- there have been a number of places in which people have raised the issue that if the note and the mortgage are not held by the same entity, that neither entity can enforce either. That argument has lost virtually every place it's been raised except, I think, in one

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court. There's not a lot of sympathy -- I think most recently the argument was made in New Jersey and rejected by Bankruptcy Court. The courts have not been sympathetic to that argument. So the argument that if the two are split, which was the problem with MERS, there was a split between who owned the mortgage and who held the note, then that means nobody can collect the debt. The courts have rejected that, and now the question is who can collect it. Is it the holder of the note or is it the holder of the mortgage? That's where the current state of the jurisprudence is, and it will be fought. It will be fought out, and eventually we'll get a clear rule in Pennsylvania as well.

COUNCILMAN JONES: Well, thank you for the clarification, and thank you all for your testimony. And I want you to know that this has been recorded, that this is being considered. Councilwoman Blackwell particularly, particularly was

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touched by this, and she didn't say a lot, but I could hear some of the things that she was responding to.

Vernon Price from the District Attorney's Office heard what was going on, and there will be a follow-up conference to digest all of these things so that something good comes out of something bad. I cannot guarantee where individual cases will wind up, but I can guarantee that the issue has been raised. It has been memorialized, and we will address it hopefully for the better for everybody.

MR. RANDALL: Can I say something, Councilman?

COUNCILMAN JONES: If you must. It's been four hours, but come on up.

MR. RANDALL: I came too far not to say anything.

COUNCILMAN JONES: Okay. Come on. That's right, you sure did. You came from out of town.

MR. RANDALL: Yes; South

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Carolina.

COUNCILMAN JONES: That's right.

MR. RANDALL: You did an excellent job.

COUNCILMAN JONES: You're going to have to say your name for the record.

(Witness approached witness table.)

MR. RANDALL: Paul Randall. I just want to echo Brother Trauss. I do this all across the country nationwide. So I heard the questions you asked earlier, and by far, he has been the best that I've ever heard as it relates to the subject matter in terms of an attorney, and he did an excellent job, along with the other gentleman who was here earlier.

But just real quick, because it's been a long day for all of us. Just in terms of -- one of the questions you asked earlier was in terms of the 90 days. The chemistry behind the 90 days is this: Typically for a loan

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modification, they're asking to be 90 days late. The ideal is 90 days, because on the 91st day, the banks get paid again from the insurance company and REMIC. REMIC is short for Real Estate Mortgage Investment Conduit. The banks get anywhere from 70 to 100 percent of the value of the home. So as a result, the debt has been settled unbeknownst to the homeowners and everyone else. So as a result, this is actually the third time the banks have gotten paid.

So it was broadcast on CNN, on national television, fraudulent foreclosure. It's not a question of if there's fraud. It's a matter of fact. So much so, it was on CNN. In addition to that, all 49 Attorney Generals went up against the banks and they had to come up with the $26 billion of fraudulent foreclosure, which, by the way, has not been allocated. This is happening in Maryland. This is happening all across the country. So not just in

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Philadelphia; this is a national issue.

So the first time is when you go to closing, and someone brought up securitization. That word "securitization" means it's been securitized. In other words, it's been converted to a security. It's no longer a mortgage. It's now stock. Once it's stock, it's forever stock. It can never go back to being a mortgage. Now it falls on the auspices of SEC and not the Department of HUD and treated as such.

And then, secondly, when they take yours and thousands of others, they bundle them up. Then they sell them to foreign investors as mortgage-backed security. Now it's a security. It's being traded. It has what you call a CUSIP number, C-U-S-I-P, which identifies it as a stock.

Prior to getting into the mortgage defense, I had ten years in the mortgage industry, residential as well as commercial. What goes on behind the

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scenes I'm well astute, as well as working five years with traders, for options and commodities traders. The mortgages now become converted. So now you cannot foreclose on a stock. It's impossible.

The word "QWR" was mentioned several times. In the QWR -- I've been doing this for four years. To date, not one bank has answered question No. 11, which is -- they ask the question about it being registered with SEC, prospective 8K. No bank to date has ever answered that question because it will incriminate them. See, during the Savings and Loan Crisis during the late '80s, early '90s, people went to jail. It was approximately 1,500 people. But under this auspices right now, foreclosure was never heard of until 2005. The banks would work with the homeowners. How you doing, Mr. Johnson? Ms. Jones, how is your children, et cetera, et cetera. But in 2005, we got -- the new effort is they

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like to call this foreclosure. So as a result, these bankers devised a system.

You heard about interest-only loans, amortization loans. I don't care if you're not in foreclosure. Everyone in this country who has a loan that didn't pay cash, the banks committed fraud. You just don't know it. So all 49 Attorney Generals said there is fraud. The banks didn't say there wasn't fraud, so much so they had a Senate hearing in DC where I'm normally at. Elizabeth Warren, Senator Warren, said -- and you can look it up online. She said the banks have now become from "too big to fail" to "too big to jail." And she had a meeting with OCC, and she asked the question, she said, When was the last time you actually have taken a bank to trial?

So they began to deliberate and filibuster. Then after they discoursed, she said, But let me ask you again. When was the last time you actually took a

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bank to trial? Not settlement, but trial. They could not answer.

So we've gone as high as the Treasury Department with this. So in my statement -- and I think she gave you a copy briefly. The first ever GAO audit, the Government Accountability Office of the Federal Reserve, showed that 16 trillion, with a T, has been given secretly to banks. This is in addition to the 26 billion. Bernanke as well as Greenspan, I believe it was, they denied it, and this testimony is public information. It's not me making this up. Sixteen trillion. Bank of America got about 2 trillion, another bank another trillion, in addition to what they've already gotten.

So these guys have committed crimes, but they've been awarded with bad behavior. You don't reward bad behavior. You actually punish these guys. These are criminal acts. You asked that question earlier, and you said that the

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attorneys were involved. Yes, attorneys oftentimes with the robo signing and sold other documents. Not the attorneys that represent the homeowners, but those who are representing the banks have oftentimes more times -- this is across the country. I get it all the time. They misrepresent. They send documents out in terms of saying you getting ready to get evicted. Only a Sheriff should be doing that. And what happens is, if the homeowners leave their home without a Sheriff -- the Constitution backs the Sheriff. The only one who can put you out the house is the Sheriff, not a bank, not a mortgage company, not a realtor. The Sheriff. If he or she doesn't do that, it's invalidated. In other words, it protects -- the Constitution put certain things in place so that only they can do it. And the numbers were astonishing in terms of only -- I don't know how many Sheriffs put notices, but private companies, because there's an

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incentive for them to get paid. So as a result, this is first taking place and then there's no oversight.

So I've been to many of these Council hearings. We had a Senate and a Housing hearing in Maryland with the Supreme Court, and the questions you asked are very engaging and the questions that need to be brought about, because this problem is still in existence. It hasn't stopped since 2007. It's still the same. The stats are still there. They're increasing.

Maryland, PG County is the highest -- it's the richest black community in America, but the foreclosures are 500 a month. And one of these Senators asked the question -- we were in a Senate hearing like this. He said, Well, why is it?

I couldn't tell you. I really couldn't tell you, but this is cross country, and we had the stats to show what communities were affected more so.

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And unbeknownst, it was the African American community. So all across the country you'll see a panel and then you have the homeowners, and yet I have clients from -- I have clients that are Sheriffs who are in foreclosure. I have one ex-ambassador that's in foreclosure. I have court reporters who are in foreclosure, stars. The list goes on. This affects everyone, every color. We're one of the few countries with a middle class, and what this has done throughout history more than any time before, it has made the divide wider than ever before, and now it's by design. These things didn't happen -- because my background is a mortgage broker. I know what goes on behind the scene, and you would never know as a homeowner. You would think they're not charging you points. Anyone tell they're not charging you points, they are. If you think everything is okay with your mortgage, you don't have to be in foreclosure. You

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could be current. I could look through your documents and tell you, yes, there are problems, because my background is not just as a person who represent. I come from the background of mortgage industry and the financial industry. So more so than an attorney, anyone else, because even private banking in terms of what I've done, the information I just shared with you was never supposed to be made public. That's the whole purpose of a fraud or a scheme. It was not to let you know.

The 49 Attorney Generals went up against them and they admitted and they had to come up with 26 billion. If you are innocent, you wouldn't come up with $26 billion. You wouldn't do it. You would say, We didn't do anything.

But people look at the homeowners as if they're deadbeats. No. My average client is either divorced, through the economic turndown what happened, people lost their jobs, and

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these are the things. It's not that they're not trying to. Someone gets hurt, someone dies. That's what happens. But in years past, banks would work with people. You never heard about foreclosure growing up. I know I never did. So as of 2005, all the sudden it's because they started creating all these new devices and then the paper. It's just so many. And investors come at me all the time. I say, I'm not on that side of the fence. I'm here to help the homeowners stay in their home.

If I said yes, I can have investors and flood this room immediately, because they want -- and they're overseas. And, by the way, the investors who they sold the paper to, it was subprime. In other words, it wasn't triple A rated, but they lied to them. So not only did the American people get duped, the foreign investors got duped.

So all this is documented. This is not me talking. You can go

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online and find it, because this is what they're doing. So that chemistry of the banks selling the note, the service -- the service is just another name for a debt collector. And at the bottom of the paper by law, they have to put, This is an attempt to collect a debt.

A servicer is not the owner. If he sells me a car and he doesn't give me the title, guess what? Who owns the car? He still does. As it is with cars, so it is with mortgages. When they sell the mortgage, there must be an assignment of deed. Oftentimes or not, 90 percent of the time in my experience they don't do a transfer of deeds correctly, because if there's not a proper assignment, then it can't be transferred to the other person. So consequently it's invalidated. And there's so many other nuances that are involved, but just to suffice it to say because of time, it is so many things that are involved with this, but because the homeowners don't know, it's not enough attorneys around to do this -- there's about 30 million people in foreclosure, 30 million and counting. So it's not -- it's larger than all the casualties of war in American soil throughout our history. This is a huge tsunami. If your house is unstable, then you can't send your children off.

They called me -- I call this the silent killer. The average client I have, they have high blood pressure, those have tried to commit suicide, heart attack, and the list goes on, and they're concerned every day. If we can dial in and put it on the television and ask how many people are dealing with sicknesses and illnesses and what-have-you because they just don't know what to do, it's overwhelming. And that's just it.

But I thank you for your time, Councilmembers, Stacey. Thank you so much.

(Applause.)

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COUNCILMAN JONES: Thank you for your patience and your testimony.

Is that it? Is there anybody else here to speak?

That was rhetorical.

MINISTER ALI: Can I make a comment?

COUNCILMAN JONES: That was really rhetorical.

(Witness approached witness table.)

MINISTER ALI: I have one more thing to say --

COUNCILMAN JONES: Hold up.

MINISTER ALI: My name is Minister Mahdian Ali, M-A-H-D-I-A-N, A-L-I.

COUNCILMAN JONES: Have a seat.

MINISTER ALI: It would be unjust --

COUNCILMAN JONES: This will be an abbreviated --

MINISTER ALI: Real quick. The cases that -- it would be unjust for me

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to come today and not share with you the actual pinpoint of the money. Where is the Bank of America's consent judgment money? If you Google Bank of America's consent judgement, go to Page 4 of that consent judgment. It states that there is 10 point something billion dollars put in a fund for anyone who has lost a home or was injured in the bank fraud.

Now, the gentleman sitting here, they baked the cake. They put the cake together. I'm here to put the icing on it. Because we like cake, but without icing, it doesn't sweeten it up, and many of us got a sweet tooth.

The word "fraud" means that someone is saying something that is not true and they know it. When you go to a mortgage loan process and you give the bank the note, because they always want the note, the note is stamped "paid to the order of" without recourse, and it's deposited. So if I give someone a note, like when I go to the bank and you give

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them your check, a check is a note. When you go to deposit a note, you become a depositor. When you deal in a mortgage, you are the investor. You're not the borrower. That's the fraud, and the Attorney Generals of Utah versus the Federal Reserve Bank put the President of the Federal Reserve Bank on the stand and asked him, Where are you getting the money that you're lending out?

He said, We create it.

They said, Hold up. What do you mean you create it?

He said, We create it out of thin air.

So when the homeowner, the landowner, not the property owner, as soon as you mention property, you come outside of -- the Supreme Court ruled in that case, the Attorney General of Utah versus the Federal Reserve Bank, that the banks cannot give notes or Federal Reserve notes, property of the Federal Reserve Bank. They don't even own the

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money that they coming into these courts alleging to be collecting, like they say they are a debt collector. They don't own the money that they're trying to collect. The Federal Reserve Bank does, and they don't have power of authority from the Federal Reserve Bank to proceed to get back the note that they gave.

But the fraud -- and I want to express this -- the fraud is when they call you and every City Councilmember and every citizen and every national and every more in this country a borrower, the bank is the borrower, because they take the note and deposit it as cash and borrow on a daily deposit, because we know -- it's called fractional reserve banking when the bank borrows ten times from the Federal Reserve Bank. So the fraud is when they call the depositor/investor, you and me and our mothers and fathers and grandparents and everybody present in this room, a borrower. That's the fraud, because the

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bank is the borrower. You are the investor/depositor. And that mortgage contract is a fraudulent contract, because the reason they do it is because the United States Constitution and the Commonwealth of Pennsylvania's Constitution says the state cannot impair the obligations of a contract. So they get the poor, ignorant investor/depositor to deposit the note. They take and borrow it. They borrow off of it. So the banks are the borrower. That's the fraud that the Attorney Generals knew, but they couldn't come out and say it because it would be a massive uproar when people who have lost they homes and put out in the street realize that they were the depositor/investor and that the bank, who was supposed to be they agent, and your agent can't turn around -- I can't work for you, Councilman Jones, and then turn around and come and take your house. I can't move in as a tenant and then turn around and put you and your wife in the

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basement and I start to sleep in your house. So you would be totally against that.

So to put the icing on the cake and to help the people, we need to do a class action investigation. Because I am an independent associate press, private investigator, and a trustee. We need a note to the public that City Council is just investigating whether or not to file a class action suit against the banks and attorneys, just like the Attorney General in Utah sued all of the attorneys for Bank of America. So it's two cases, the Attorney General of Utah versus the Federal Reserve Bank and the Attorney General of Utah and other attorneys. If you go to that website, they sued the attorneys for Bank of America because they were committing massive fraud.

The bank is a fiction, an organization. It doesn't have life. It can't injure you. It's the individuals calling themselves attorneys. And you

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have two types of lawyers that we need. We need, one, a free independent lawyer and we need a counselor at law. We don't need no attorneys, because they job is to turn over the ruling -- turn over the property to the ruling party. So when you mention the word "property," the Supreme Court say they can't take land and house. They can't give notes, promises, and come and take land and house. But when you say "property," "my property," you're outside of that protection, and there's some key words that we need to start eliminating from our vocabulary. And at the next hearing, I will prepare a term paper, research paper, whatever y'all call it, and submit it to you.

And I thank you for listening, and I pray that almighty God bless us and save Philadelphia from these attorneys who will turn every City Councilmember over for less than a few pieces of silver.

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I thank you for listening.

COUNCILMAN JONES: I want to thank you for your testimony.

(Applause.)

COUNCILMAN JONES: My kids live in the basement and they would turn me over too, no doubt about it. But we're going to try to legally protect me, my wife, and you.

All right. Thank you all for your testimony.

We will recess to the call of the Chair.

Thank you very much.

(Joint Committees on Public Safety and Housing, Neighborhood Development and the Homeless concluded at 6:05 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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