

Community banks not foreclosing -- what's the secret?

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AYER -- In today's economy families are losing their homes because they simply can't afford to make their mortgage payments due to a reduction in wages, high fuel costs and other expenses.

But community banks across New England are working with their customers to ensure they keep their homes and aren't falling too far behind in payments.

Frank Gracia, senior vice president of the North Middlesex Savings Bank Loan Center on Main Street, said his bank has not foreclosed on a loan in more than 10 years.

"What you have to realize is I don't think it's just isolated to just us," he said. "It's probably community banks in general. The community banks did not get into the sub-prime lending, and that's the difference right there."

Sub-prime lending, according to Gracia, means anyone can get a loan through a larger, nation-wide mortgage broker.

"If you were breathing you could come in and get a loan," he said. "No money down, here's your loan, here's your house -- fantastic."

The ideal situation for subprime loans is after two years at a lower interest rate, customers can refinance to avoid having their interest rates increase at an alarming rate, but according to Gracia, that doesn't happen.

"The bigger the loan the more money they make, because they work on commission," he explained. "They're never going to see that loan again. As soon as they make the loan they sell it off to another company, say in California, and then they turn around and sell it again."

"When we make a loan it's going to be here forever. If something goes wrong we have to work with the customer. The broker is probably never going to see that customer again. They're not looking out for the customer. They're looking out for themselves."

At North Middlesex Savings Bank, the customer receives one-on-one service for the life of the loan. Gracia said he encourages his customers to make contact with their creditors should a situation arise where they might not be able to make payments on their debt.

"The worst thing a customer can do when they are getting behind on their payments is to ignore the situation," he said. "They have to start making some phone calls and talking to their creditors and explain to them that they're having problems."

According to Gracia, most creditors will work with their customers by deferring payments or putting some of the payments on interest only until they can get back on their feet, he said.

"But they have to realize they have to call their creditors," he said. "I think they're just afraid they're not going to get the right answer, or they're just ignoring the situation and saying, 'Things will get better tomorrow.'"

North Middlesex Savings Bank has about 1,000 mortgages it services. Gracia said it's not about how much they can get the mortgage for -- it's truly what's best for the customer.

Gracia calls it conservative lending.

"We looked hard at our customers and made sure they could afford the mortgage we were giving them," he explained. "I will tell a customer, 'Based on your income, based on your debts, my ratios will qualify you for a \$350,000 loan.' Now just because they qualify for that loan doesn't mean they're going to be comfortable with those payments."

If a customer is used to paying a rent at \$600 per month, it doesn't mean they'll be comfortable paying up to \$2,500 per month on a mortgage, he said.

"That's a question they have to answer for themselves," said Gracia. "We're conservative. We try to provide a loan that we feel the customer is going to be able to afford."

Patricia Thorpe, vice president of marketing, believes Gracia and his team in the Loan Center are the reason the bank has been so successful in not foreclosing on loans.

"Some of our customers do get in trouble here," she said. "But Frank and his team really work with the customers to help them out, and I think that's a

really big key about this bank. I think that's one of the biggest differences. We know our customers, and they know us."

But it's not just when customers get into trouble making payments on their mortgages that Gracia steps in.

"We have a lot of mortgage types, so Frank will really work with the customer to try and figure out which one fits them best," said Thorpe. "They may come in thinking they want a fixed mortgage, but Frank may have another type in mind, and that really helps the customer."