

Members of the Subcommittee, Good morning. My name is Brett Renwick and this is my wife Marla. Thank you for this opportunity to chronicle our experience with HUD's 203K program while attempting to purchase a brownstone in the Mount Morris section of Harlem.

In order to give you some perspective I will mention that my wife is Australian and emigrated here over four years ago to marry me. I was born in Trinidad and emigrated here in 1972 and have lived on at off at the same address in Morningside Heights since then. I consider myself to be a streetwise individual and received my undergraduate degree from NYU but nothing could have prepared us for the cunning deceit of a predatory seller and HUDs evasiveness.

After learning of the 203K program and seeing it as the only viable way for us to own a home in Manhattan we began our search for a brownstone and enlisted the aid of several brokers. Unfortunately all of the brownstones were already sold in spite of the freshly painted "for sale" signs adorning them so we decided to seek out private sellers. We were pre-approved by Fleet, Dime and Chase in addition to taking a one-day, first time homeowner's seminar sponsored by the Greater Harlem Real Estate Board Development Fund at the Met Life office across the street. We proceeded to do everything by the book and kept records of our progress. Marla and I interviewed and retained a reputable lawyer (on Lenox who is well versed in Harlem real estate), and on the recommendation of Dime Savings Bank an architect and contractor. We also retained a HUD certified specialist who would act as our project manager during construction insuring that work was done prior to funds being dispersed to the contractor—all pre-requisites of attaining a 203K loan regardless of the lending institution. Because the \$427,000 cap on the 203K loan has not kept pace with prices in Harlem, Marla and I quickly learned that in order to afford to purchase and renovate brownstone it was imperative that the purchase price be less than \$200,000 since the average per-floor construction cost would be in the neighborhood of \$60,000. We learned quickly that with many vacant brownstones going for \$3-600,000 that our dream of home ownership seemed more and more elusive.

After spending days on end at the Surrogates Court trying to determine who the owners of many brownstones were and navigating past pushy real estate agents Marla and I successfully bid on a property 13 months later. Our agent at the Charles Greenthal agency told us of a brownstone at 148 West 121st street that was available and placed a bid immediately. At \$180,000 the five-story, burnt out shell of a building with no floors, usable beams, windows or roof and a tree growing in the middle of it seemed like a steal. As you know, the 203K Program is meant to provide affordable homeownership via renter's fees facilitating the repayment of the mortgage. This particular building would have three one-bedroom units and Marla and I would live in the garden floor duplex.

On June 9, 2000, my wife and I met with our lawyer to sign the contract and sipped our first dose of avarice. The seller (one James Johnson, VP of The Shelter House Corporation on 130th Street) had included a four-page rider stating that if any industrial pesticides were found on the property that he had no responsibility for its removal. Furthermore, if we did not close within 30 days our deposit would be kept. Needless to say we crossed all of this silliness out, signed the agreement and returned it to the seller's attorney with a check for \$18,000. This \$18,000 had an enormous emotional heft to it because of its origin. Several years earlier my wife's father passed away from melanoma

and this money is part of an inheritance. This money also lost nearly half of its worth when converted to the US dollar from the Australian dollar. Over the next five business days the seller kept us in suspense by not depositing the check and not signing the agreement. Finally, I called the sellers attorney, Howard Horn and requested quite firmly and with great vehemence that he either instruct his client to sign the agreement immediately or that I would personally show up at his office that afternoon and demand our check. We received a copy of the signed agreement the next business day.

Our lawyer conducted a title search via Liberty Title and once the title was proven to be clean, instructed us to have our architect begin work on the plans for our new home.

Dime informed us that in order to close we were required to bring proof of a termite inspection and liability insurance. We quickly found that it was exceptionally difficult to procure liability insurance for a property that has no roof and opened windows even if they are above the first floor. But our biggest hurdle was a newly discovered Unsafe Building Violation. At the time I believed the violation to be directly related to the gaping hole someone had made in the cinderblock sealed entryway. The opening was roughly a foot and a half wide and provided a view into the carnage a fire caused in 1993. Nothing exists in the house past an entrance with a floor that plummets after five feet and is covered in Colt45 cans. In an effort to remedy the UBV I woke one morning and left my house with a bucket, a bottle of water, and spatula and headed for a hardware store on 125th street where I purchased a 10lb bag of cement. As I walked to the brownstone I stopped at abandoned buildings to procure loose bricks. Upon reaching the building and asking the drunks on the stoop to excuse me I proceeded to mix the cement and seal the hole. Proud of myself and thinking that I had moved us closer to the closing table, I called my contractor and told him what I had done. He stated that with the upper floor windows open and with no roof to speak of that the Building's department would still consider the property to be unsafe. Undaunted, our architect met with the officials in Buildings Department and we continued to revise plans and meet with our contractor. This issue dragged on for weeks and all parties were mystified as to the Buildings Department's unwillingness to understand that regardless of the current unsafe state of the building that we were intent on making it safe. The most interesting thing was the silence we experienced from the seller who at one point informed us that this sale was taking too long and that he would happily return our check—a statement that our lawyer scoffed at.

Then came the bombshell. Our lawyer in the course of a routine conversation with the seller's attorney was told that certain previous owners of this property were in the process of being indicted and that there was additional debt. My lawyer reviewed the title search she conducted and found no mention of this. She informed us that in the instance of an unrecorded event having taken place that it was referred to as a "cloud on the title." Despite my urging she told us to wait and did not arrange for a closing in spite of the title insurance she had attained. Unfortunately we had already spent over \$15,000 in architectural and other fees.

Over the ensuing months the facts came into view. At some point during the previous two years a man named Thomas Starr sold this brownstone to Beulah Church of God in Christ Jesus, Inc. in Brooklyn and allegedly made some sort of financial arrangement with their title company representative to "not" register the sale of this property. This meant that although Beulah (who used the 203K program to purchase this

brownstone and 25 others) had paid for the property it would not appear on the City Register as it was supposed to five business days later. Soon after this, Mr. Starr sold the same property to a Harlem resident named James Johnson for \$10,000. Mr. Johnson, as the head of a not-for-profit called Shelter House Corporation agreed to sell the property to my wife and I. The title company in question is Stewart Title. My lawyer attained a letter from Stewart Title to the seller's attorney dated September 14, stating that "our agent neglected to record the deeds" and that they would rectify this problem. They did that and revised the title thereby making Beulah the owner of record.

My wife and I had the down payment returned to us but had spent over \$15,000 in architectural, legal and other fees and still owe our architect a balance of \$3,500 for services rendered. Nearly seven months later my wife and I had tired of trying to reason Stewart Title, the Church, a seller who had disappeared and HUD. HUD especially had taken no responsibility for the program that bares its name and told me it could do nothing. Upon reading a front-page article in the New York Times written by Terry Pristin about the 203K scandal I quickly called her. Within weeks Ms. Pristin had written another article that featured three buyers including my wife and I who had been burned in one manner or another by predatory sellers who defrauded the 203K program.

Soon after this, we met with Darren Walker, the COO of the Abyssinian Development Corporation who had been asked by the departing head of HUD, Andrew Cuomo to help clean up the mess in Harlem. Darren's assured us that HUD (who now referred to my wife and I as the New York Times people) wanted to make good and get us the property. After spending hours upon hours with HUD representatives in both the NY and DC offices repeating the same information over and over nothing happened. HUD dismissed Abyssinian and I was instructed to keep in touch with Peter Spina of HUD in their New York City office. Months passed and my bi-monthly calls ended the same each time. HUD was aware of our predicament and wanted to help but could do nothing although they promised us the house. Finally after hearing this one too many times I wrote the new Secretary of HUD, Mel Martinez a detailed letter asking for a written timeframe for HUD's intervention and a date when my wife and I could purchase the property. His response came in the form of a generic letter from Engram Lloyd, Director of the Home Ownership Center in Philadelphia who had no knowledge of our case. In addition I received a phone call from Ms. Ford who insisted that HUD was a third party with absolutely no ability to influence the outcome of any property being contested. She also stated that HUD would make no promises to us and that she would respond to my letter in kind, which never happened.

As I read this, the Residential Funding Corporation (who purchased the debt from a now defunct mortgage lender) is suing Beulah, Shelter, Starr, the City of New York and various other individuals over a portfolio of properties that includes the one we were under contract to purchase. Despite being told by lawyers that my wife and I should retain counsel and join in this suit in order to be made whole this is not a viable option for us. As a dotcom marketing executive I was laid off in January of this year and although I have sent out hundreds of resumes and gone on many interviews employment continues to elude me so legal action is simply out of the question.

It is our contention that had HUD held tighter reigns over this program that there would be some sort of apparatus in place to identify, label and administrate 203K

properties once they have been sold. Our experience in dealing with HUD is that of a disinterested bureaucratic organization that refuses to take responsibility for a program it has written the rules for.

Had HUD done its job, someone from that agency would have seen that Beulah had not begun construction. This never happened. An approved HUD lender like Brucha Mortgage Bankers Corp. (the mortgage lender Beulah secured their funding from) under HUD's own rules, should never have released the full some of money to Beulah prior to work on the property commencing.

Our proposed remedies are as follows: An HUD representative should be compelled to attend every property closing where the seller is procuring an HUD backed loan of any type. This representative should also be required to do follow-up which involves making sure that the sale is recorded correctly and that a "sales freeze" in imposed on the property to avoid any "flipping" of the property by the new owner for a period of at lease one year. Since HPD refuses to sell properties directly to well meaning individuals like my wife and myself choosing instead to sell to anyone off the street willing to purchase several buildings and calling themselves either a developer or not-for-profit the onus should be on that agency to check the credibility of each potential buyer thoroughly and document the construction progress.

At this point in time every city agency works against, not for prospective homebuyers like my wife and myself. The Buildings Department holds up purchases with ridiculous paperwork like changing the Certificate of Occupancy from an SRO to a four-family, having to attain a Certificate of Non-harassment, and ADA compliance in regards to owners building disabled access and bathrooms for able-bodied owner's units.

In spite of everything my wife and I still want to purchase, renovate and live in that brownstone on 121st Street. In closing I would like to thank the members of this Subcommittee for the opportunity to tell a story that has caused my wife and I an enormous amount of emotional grief and expense but wonder what any of you will do on our behalf.