



Four-year struggle to avoid foreclosure pays off for Jefferson Twp. couple after joining Lackawanna County Court program

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Michael J. Mullen / Staff Photographer Frank and Judi Viola stand on the stairs of their Cortez home with their children, Tony, left, and Jesse. The family worked out a loan modification through the court to retain ownership of their house.

CORTEZ - Frank and Judi Viola's determination paid off after a four-year struggle to save their home from repossession.

"We didn't want to leave this house. We love it," Mr. Viola, 54, said as he and his wife sat at the dining room table of their ranch-style home in Jefferson Twp. "You just have to stick it out."

The Violas faced a foreclosure judgment and had four sheriff's sales postponed as a Lackawanna County Court program enabled them recently to obtain a modified mortgage with monthly installments they can manage. They already have lived in the house 20 years and will pay a mortgage until 2031, but are thrilled for the opportunity.

"After what we went through I don't care about (paying for) 20 years. We get to keep our house," Mr. Viola said. "The system works."

As homeowners struggle against a rising tide of foreclosures, the Violas' experience stands out as a happy exception.

More than 14 percent of all mortgages nationwide were in foreclosure or delinquent in the third quarter of 2009, according to the Mortgage Bankers Association, a real estate industry trade group in Washington, D.C.

More than 300,000 U.S. properties received foreclosure notices in January for the 11th straight month, reported RealtyTrac, a Los Angeles-area real estate research firm. January's volume of 315,000 notices was up 15 percent from the year-earlier level.

The torrent of foreclosures and sheriff's sales, brought about by upheaval in real estate values and rising unemployment, moved county court to establish a foreclosure diversion program last spring.

The program is modeled after one in Philadelphia and it forestalls sheriff's sales after people who own foreclosed properties apply for help, undergo budget counseling and meet with lenders to try to work out an agreement.

Of the 45 cases that came through the program between July and January, 24- or 56 percent - resulted in renegotiated arrangements, according to a county report.

"I'm pleased with the success rate, but somewhat disappointed in the level of participation," said Judge Terrence Nealon, who directs the county program. "Often times, it's as simple as getting everyone in the same room together to talk and exchange proposals and financial information so that the lender can see what the person truly can afford."

More than 10,000 cases came through the Philadelphia program between June 2008 and December, and 1,900 resulted in settlements, court data show.

Some cases don't fit well into a court-mitigated program because the lender owes more than the house is worth, said Celia Chen, Ph.D., director of housing economics at Moody's Economy.com, a West Chester forecasting and consulting firm.

"Sometimes, the borrower is so far underwater that the risks outweigh the benefits to modify the loan," Dr. Chen said. "Sometimes, banks can't modify the payment to make it affordable."

The Viola's trouble started in 2005 when Mr. Viola, a machinist, needed two surgeries and the couple was forced to negotiate a repayment plan on their mortgage.

Then, Mrs. Viola encountered health problems, including surgeries, and Mr. Viola stopped working in 2007 because of his ailments. They had no household income for eight months in 2008 and liquidated their assets, including retirement savings and Mrs. Viola's engagement ring, to try to make ends meet.

"That's when things got real bad," said Mrs. Viola, 50, who now works two part-time jobs. "There were a lot of tears."

They resisted when a credit counselor advised them to short-sell the property to settle their mortgage debt.

"We said we only needed more time to get back on our feet," Mrs. Viola said.

"We looked at each other and said, 'We're never going to give up on this house,'" her husband added.

After a foreclosure filing and court judgment in 2008, their home was listed for sheriff's sales in January and March 2009. A third sale, on June 2, was postponed hours before it was scheduled to occur and another in July was continued after Mr. Viola received notice that he was eligible for Social Security disability benefits.

"We were sweating it out," Mrs. Viola said.

A counselor from Neighborhood Housing Services, a nonprofit budget counseling agency, and a lawyer working for free through the court program helped them finally hammer out an agreement with their lender in January.

"It still feels surreal, like it hasn't sunk in yet," Mrs. Viola said of the lengthy ordeal. "We hope this helps other people. Just hang in there."

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