

**From The Sturdevant Law Firm and Housing and Economic Rights Advocates
For Immediate Release,
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JP MORGAN CHASE WRONGFULLY DEPRIVES HOMEOWNERS OF MORTGAGE MODIFICATIONS

California Homeowners Sue Chase for failure to comply with its obligations under Federal Program, HAMP, Designed to Modify Mortgages

San Francisco, California-On May 14, 2010 two homeowners from San Mateo and Santa Clara Counties filed a class action suit against JPMorgan Chase for illegally delaying and denying their applications for permanent foreclosure relief under the federal “Home Affordable Modification Program” (HAMP).

Under the HAMP program, servicers like Chase are required to provide permanent modifications to all eligible homeowners who make required payments over a three-month trial period. But Chase failed to give the plaintiffs permanent modifications, even though they had made trial period payments well beyond the required time period and complied with burdensome income verification requirements. The lawsuit charges that Chase breached its trial period contracts with them and violated HAMP program requirements. It also alleges that Chase unlawfully promised permanent modifications at the end of the trial modification period – and dragged the trial periods out – as a debt collection tactic, in violation of California’s Fair Debt Collection Practices Act.

“Chase’s failure to comply with its obligations under HAMP has a drastic impact on homeowners throughout California because they lose money, have to comply with stressful and harassing demands for additional information, and live in a state of limbo regarding the security of their home,” said **Whitney Huston, an attorney at the Sturdevant Law Firm.**

The homeowners are suing for an injunction requiring Chase to give them the permanent modifications it promised. HAMP modifications reduce mortgage payments to 31% of the homeowners’ income for five years by reducing the interest rate and in some cases extending the term of the loan. The suit also seeks damages.

Santa Mateo County homeowner Herminia Morales made timely trial modification payments for nine months, but to-date, has still not been offered a permanent modification. Morales fell behind on her mortgage payments in 2009, after she was forced to refinance and then used her family’s savings to pay her husband’s medical bills. She applied for a modification in March of 2009, and was placed into a

three-month trial modification in August of 2009. Chase entered into a trial period contract with her, which provided that if she made payments on time and provided income documentation, she would receive a final modification. During the following months, she received another eight repetitive demands for updated information from Chase. On some occasions, Chase demanded the same document again and again; on others, it demanded different form of proof. Even though Ms. Morales made nine months of trial period payments and provided all the documents Chase demanded, she was never offered a HAMP final modification. Instead, she was offered an unaffordable modification, with payments that were hundreds of dollars higher and a balloon payment of nearly \$400,000 at the end of the loan term. “They’re not really helping me with my loan,” **Ms. Morales notes**. “I thought they would tell me at the end of three months what my final payments would be, and that they would be similar to the trial period payments. But I simply can’t afford the modification that they finally offered me after I paid for nine months.”

“Chase should not be permitted to string homeowners along month after month and not face any consequences,” said **Cynthia Singerman, an attorney at Housing and Economic Rights Advocates**. “Some homeowners end up worse off than they were before any type of modification from Chase.” During the trial period, the difference between the trial period payment and the ordinary payment is not forgiven; instead, it is added to the unpaid loan balance. Extended trial periods, therefore, actually add to the homeowner’s long-term financial burden. In addition, each additional month in a trial period has negative credit reporting consequences.

Chase also failed to provide a permanent modification to **Michelle Suranofsky, a single mom who lives in Los Gatos, California**, even though she also made timely trial period payments for months after she was entitled to a permanent modification.

Suranofsky fell behind in her mortgage payments in 2008 after losing her job. Although Ms. Suranofsky found new employment, she was unable to catch up on her mortgage. Ms. Suranofsky made trial period payments from August, 2009 on, but Chase has given her neither a permanent modification, nor a denial in writing.

“They make promises that they have no intention of keeping,” said **Suranofsky**. “I did everything I was supposed to do, and they didn’t hold up their side of the bargain.”

“Chase accepted federal bailout funds, and in return, it is required to modify loans according to the Home Affordable Modification Program rules. Instead, Chase appears to be using the HAMP trial periods as a collection tactic, taking month after month of ‘trial period’ payments without intending to follow through with the permanent modifications,” said **Elizabeth Letcher, staff attorney at Housing Economic Rights Advocates**.

The lawsuit was filed in the Northern District Federal Court in San Francisco on May 14. The full complaint is available on request.