

# Subprime Disaster<sup>WP</sup>

## Lawyers, finance pros can explain loan process

Not seeking advice leads many into debt they can't afford

Ernie Garcia  
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Through years of house closings attorney Martha McCarty learned that many of her clients don't have good home-financing skills.

"They would come out with these weird and odd mortgages, and I would ask my clients if they understood the mortgage, and they didn't," said McCarty, a Mamaroneck lawyer and co-chairwoman of the Westchester County Bar Association's real property committee. "Most people feel that if the bank says they can afford it, they think they can."

In fact, some homebuyers couldn't afford the adjustable-rate mortgages that have contributed to a rise in foreclosures locally and nationwide. A lack of mortgage savvy has homebuyers turning to their attorneys for financial advice, a role that some say is better suited to financial planners.

"I don't like to recommend banks. I don't want any appearance that I'm favoring someone," said McCarty, who nonetheless said that she suggests to clients that they try mainstream banks instead of mortgage brokers offering exotic financing.

Other lawyers are comfortable giving financial advice.

"I actually had a deal where a guy was talked into a loan with an interest-only payment for 25 years and a one-shot balloon deal. It was a horrible deal and I advised him what

the circumstances were, and he realized it was better to walk away from the down payment," said James Meyer, president of the Putnam County Bar Association, who later recouped the client's down payment from the mortgage broker.

Meyer said homebuyers are to blame for signing unmanageable mortgages.

"People are so gung-ho about owning homes because it's been such a great investment, they went in with blinders on their eyes," Meyer said.

In the past three years Meyer saw clients finance their down payments with variable-rate loans whose higher percentages have yet to activate.

Professional financial planners can help homebuyers figure out how much home they can afford and what kind of mortgage is best,

yet homebuyers need to reach out to them.

"I certainly discuss all major financial decisions with my clients before jumping into anything, but frankly, in my 17 years in this business, no one ever called me about mortgages that wasn't already with me," said Barry Krane, a certified financial planner and president of Krane Financial Services Corp. in Montebello.

"Is it necessary to consult a certified financial planner before jumping into a subprime mortgage?" Krane wrote in an e-mail. "No, but in this day and age, why would anyone make a major financial move without seeking the help of an expert? To me this is just common sense."

Reach Ernie Garcia  
at [elgarcia@lohud.com](mailto:elgarcia@lohud.com)  
or 914-696-8290.