



Article published Nov 10, 2016

Towbin: Zombies among us

Our small village of Plainfield has been terrorized by zombies. A “zombie house” is the moniker given to properties stuck in the purgatory of bank foreclosure. They are the spawn of real estate deals gone bad. The wealthy parents, institutions that lent money on these properties, feel they have no obligations to the community. Plainfield residents and taxpayers are hostage to their bad decisions. The two zombies that live on Creamery Street attract vermin and depress property values. They are impervious to local authority.

Dozens of people have asked about purchasing the properties for rehabilitation. As Select Board chairman, I have reached out to the banks only to be met by endless phone trees and indifferent middle men. I located interested buyers. The banks, however, have an entirely different agenda. They are concerned with arcane balance sheet shenanigans that might serve shareholders, but hurt Vermonters. Only the town constable was in attendance at the first bank auction. The lack of bidders was not surprising given the sole notice of the sale was placed a month earlier as a legal notice in the local paper. Why not take advantage of social media? Why not take the names of willing buyers supplied by a local official? Why use an outofstate auctioneer? The house now is placed with the federal agency that guaranteed the loan. I contacted them but they couldn't find the property in their system. They added that it's a “long process” before it comes up for another auction. How could this happen?

The answer lies in understanding that the banks are not interested in selling these properties at reasonable prices in a timely manner. This realization came during the auction of the second house. I had noted that the reserve price for the first

house was four times what anyone would have offered given the condition of the property. It turns out this bank based the opening bid exclusively on the amount they lent. Since the second house was owned by a different institution, I was hopeful I could lay the groundwork for a sale. I contacted the mortgage holder. They directed me to an auction company based in Rhode Island. I explained to a representative of that company that I would publicize the sale via "word of mouth" and social media. There would be a crowd of interested buyers. The seller's obligation would be to start the bidding with a number commensurate with the house's condition. The second house had been internally damaged as the owners had turned off the electricity during the winter without regard to the plumbing. Plainfield's water department came to the rescue when Creamery street began to flood due to burst pipes. That was our first intervention. The second came when the town was forced to declare a health emergency due to a rat infestation. The owners had stored a years worth of kitchen waste in the attached garage. I calmly explained to the auctioneer that it would be foolish not to take these conditions into account when formulating an opening bid. I was assured that this information would be passed on to the seller. The auctioneer refused to give me the official's direct line. He also gave no details on how they would proceed prior to the date of the sale. The town's effort to attract buyers was successful. Unfortunately, the opening price was, once again, based on nothing to do with the wreck of a structure plaguing our village. This property sits empty to this day, along with its spiritual sibling located right down the street. They both have been vacant for nearly two years.

The town of Plainfield contacted the Department of Financial Regulation, which is charged with overseeing banks. Deputy Commissioner Stuart was responsive and recommended the Legislature follow rules adopted in other states as a remedy. Gov. Andrew Cuomo, in neighboring New York, has just signed a bill addressing this problem. It is understood that this is a complicated process and everyone's rights need to be upheld. The mortgagee will say they are encumbered by the rules set to

protect the homeowner, just as the mortgagor will seek refuge in laws that safeguard the bank. It is time for the other stakeholder, the community, to be represented.

The Legislature and the regulators can embark on complicated studies that spell out the rules. In the interim, the state should mandate that a large sign be placed on foreclosed properties: THE ORIGINAL LOAN ON THIS PROPERTY WAS MADE BY (NAME OF INSTITUTION)... then give the direct number to the individual who sanctioned the loan. That person can answer all the questions that are directed at local officials who are charged with cleaning up their mess. They can speak to the bank's vetting of homeowners. They can explain the process by which a house sits languishing while the area faces a housing shortage. They can talk about auctioneers and appraisers collecting fees while taxpayers wait to get paid for emergency repairs. They can fill in the details about pretending to sell these properties. They can underscore there is absolutely nothing illegal about their behavior. Something tells me this might spook someone into acting. It might even kill a zombie.

Our town's Halloween parade featured many people dressed in macabre costumes parading down Creamery Street. The real fright was in the background. The zombies are here to stay. Remember the monster isn't the banks. It's the Legislature that allows small communities to be savaged by these large institutions. That's what's really scary.

Bram Towbin is chairman of the Plainfield Select Board.
