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MINORITY HOMEBUYERS SUE COUNTRYWIDE HOME LOANS FOR \$50 MILLION
Lawsuit Alleges Predatory Lending And Conspiracy With Local Developer

Washington, DC, May 28, 2004 . . . Andrew Grosso & Associates, a District of Columbia law firm, tomorrow will file a lawsuit on behalf of a condominium association and about thirty (30) minority and low-income individuals against fifteen (15) defendants, including Countrywide Home Loans, alleging Countrywide and the other defendants conspired with a local developer to sell defective condominiums to first-time homebuyers through fraud and predatory lending. The lawsuit states that the developer, Eric Fedewa, performed substandard work on the condominiums with an unlicensed contractor and without construction permits. Cost for repairs is estimated to be \$7.3 million. The owners, most of whom earn less than \$40,000 annually (less than half the Washington-area median income), cannot afford the extensive repairs, nor can they sell their uninhabitable condominiums.

“In previous decades, persons with lower incomes and minorities were victimized by slumlords; today they are exploited by unscrupulous developers,” said Frances Raskin, the Washington, D.C., attorney and former federal prosecutor who represents Plaintiffs. “Greedy developers pervert the American Dream. They target minorities in some of the most vulnerable neighborhoods of Washington, D.C. and Prince George’s County with predatory sales tactics. They fraudulently disguise ramshackle apartments with new paint and carpet, concealing the defects that render these places uninhabitable, and market them to people with no homebuying experience and limited resources.”

In addition to Countrywide and Fedewa, the King’s Crossing II condominium owners are suing Fedewa’s companies, Regent Crossing and Ascend Communities, and Washington Technology Group, a company owned by Fedewa’s father, Lawrence Fedewa, a prominent broker of federal technology contracts. Other defendants include Legacy Financial Group of Bethesda, Maryland; attorney Charles Tobias and his settlement company Express Title Company of Rockville, Maryland; and Chesapeake Appraisal Services of Bowie, Maryland. Also named are Fedewa associates: developer Roger Black, the selling agent on various Fedewa projects, and James Preuss, a Countrywide representative who, the complaint alleges, arranged most of the mortgages at King’s Crossing II.

The Kings Crossing II condominium complex is a 43-unit development built in the 1960s and located 3070, 3072, 3074 30th Street, SE in Washington, D.C. The roofs on two of the buildings are deteriorated near the point of collapse. Faulty and potentially hazardous electrical and plumbing systems further deteriorate the property, and the condominiums are plagued by mold and fungus. Many residents have inadequate hot water, and lack heating and air conditioning.

The complaint alleges that, to convince the Plaintiffs that ownership at King's Crossing II would be less costly than their current rents, and to ensure they qualified for mortgages, the developers concealed the true costs of operating the complex. It claims they lured the Plaintiffs with promises of low down payments and assurances that they would never have to pay property taxes and would benefit from unrealistically high income-tax savings. It alleges that the developers intentionally projected artificially low condominium fees that could not possibly cover the costs of maintaining the property and paying utilities, and that they intentionally concealed that major components such as boilers, hot water heaters, air conditioning equipment, and roofs were near or past their useful lives.

According to the complaint, Countrywide loan officers, James Preuss and his wife, Mitzie Preuss, conspired with the developers and with a Maryland settlement attorney to provide fictitious down payments to facilitate sales of the condominiums to the Plaintiffs. This ensured that the buyers would obtain mortgages for which they were not otherwise qualified and that many could barely afford. The complaint alleges that the scheme involved a non-existent down payment, which was recorded as a "gift fund" or "Acorn gift" of about \$2000 on each purchaser's settlement statement. A settlement statement, commonly called a HUD-1, is an accounting of the borrower's and seller's contributions to a real-estate purchase, as well as all purchase-related fees. The entry of such a "gift fund" on a HUD-1 gave the appearance that the borrowers had contributed the required minimum down payment, as opposed to the \$0 to \$500 that the purchasers actually contributed, which was less than the required security deposit on most apartments, the complaint states.

The complaint alleges that, shortly after moving in, the unsuspecting buyers discovered that their homes lacked heating and air conditioning. The equipment was rotted, rusted, and leaked continuously when switched to air conditioning. These leaking convectors and numerous pinhole leaks in the copper piping throughout the complex spawned the growth of mold and mildew that covered walls, ceilings and floors in many of the condominiums. The carpets in some of the units are riddled with large patches of mold, and fungus that resembles mushrooms. Several of the owners have experienced health problems consistent with prolonged exposure to mold, which include rashes, dizziness, headaches, and asthma attacks. Some were forced to move out and lost their homes in bankruptcies and foreclosures although the units were still under the developer's "warranty."

Two years ago, D.C government inspectors cited the developers for numerous building-code and fire-safety violations. For example, the washers and dryers promised as part of the "renovated" condominiums were installed illegally. Building codes require that each dryer be vented to the outside; instead, the developers and their contractors vented them into kitchen cabinets. The washers drain into inadequate waste lines that cannot handle such high volumes of water, causing frequent, severe backups in lower-level units. Because the original plumbing has eroded and causes leaks throughout the complex, the lower halls often are flooded with several inches of standing water. The complaint alleges that the developer has refused to address any of the violations and the other construction deficiencies at the complex. Unfortunately, the Plaintiffs allege, the government inspectors, from the DC Department of Consumer and Regulatory Affairs, to date have failed to take further action against the developer or to follow up on the code violations.

The lawsuit will be filed on May 29, 2004, in the Superior Court for the District of Columbia. Frances M. Raskin, Esq., of the law firm of Andrew Grosso & Associates, is lead attorney representing the Kings Crossing II Condominium Association and the condominium owners. Mr. Grosso and Ms. Raskin both formerly served as Assistant United States Attorneys.

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