

Foreclosures crisis in Greece is 'like a horror movie'

ATHENS

Desperate homeowners panic as delinquent loans strain banking system

BY NIKI KITSANTONIS

Even after retiring as an accountant, Michalis Hanis dutifully kept up with the mortgage payments on the small house in a suburb of Athens where he has lived for 23 years. That was until several years ago, when Greece's economic crisis hit.

As part of belt-tightening measures demanded by Greece's creditors, the government cut his pension by 35 percent. Like his country's debts, his debts grew.

Now he has joined the tens of thousands of Greeks fighting to save their homes as a sudden wave of repossessions has struck this year, prompting mounting protests across Greece.

"It's like a horror movie," said Mr. Hanis, 63, who takes antidepressants and sleeping pills to cope with the stress. "You can never relax. I just want to protect my home."

The country's creditors have pressed the government to allow the auction of delinquent debtors' properties, collecting billions of euros that could be used to prop up tottering Greek banks.

Greek banks hold 108 billion euros, or about \$119 billion, in bad loans, just under half of all loans given out. Of these, 41 percent are delinquent mortgages.

The real challenge is to address the problem of bad loans in a way that offers some hope to debtors like Mr. Hanis but does not undermine the banking system.

That circle may be impossible to square.

The country has been given three international bailouts worth more than €300 billion over the past six years, but it cannot recover if its banks are foundering.

Since signing the third bailout package in the summer of 2015, Prime Minister Alexis Tsipras has less leverage to push back against his creditors. Critics

say he has made concession after concession despite pledges to protect homes.

Government officials insist that homes are safe. Giorgos Stathakis, the economy minister, said in a statement that "first homes are already protected as regards debts to banks."

The authorities, he added, are also "examining further intervention for debts exclusively to the state," meaning debts like unpaid taxes.

Yet in the spring, the government lifted a ban on the sale of delinquent

mortgages and loans to small businesses. In the summer, new laws were passed that allowed banks to initiate foreclosures if debtors are regarded as uncooperative.

Greeks are furious and feel betrayed. In a campaign reminiscent of citizens' initiatives in Spain a few years ago, Greek homeowners and their supporters have been staging demonstrations against auctions across the country.

Every Wednesday, when foreclosure auctions are held, protesters gather outside Greek courts, blocking access to legal staff, barging into courtrooms and, on occasion, clashing with the riot police.

Among those protesting are groups like the left-leaning Repossessions Stop and Den Plirono (I Won't Pay), as well as right-wing groups.

Stefanos Grigorakis of the United Pan-Popular Front, a nationalist group, joined one recent Wednesday protest outside the Athens county court. He said the government's reassurances were disingenuous.

"It's deception, so people sit back on their couches," he said. "Greeks have to wake up. They handed over the public wealth," he added, referring to the government's plans for state privatizations. "Now they're coming to take our houses."

Such protests have blocked dozens of repossessions in recent weeks. Auctions began in September, when Greek lawyers returned to work after a nine-month strike over cuts to their pensions.

In a speech in Parliament last month, Mr. Tsipras defended his government's efforts to protect homeowners. He said there had been only 500 repossessions this year and none in 2015, when his leftist Syriza party came to power, compared with thousands under previous governments.

Greek notaries and the association of Greek borrowers said the numbers were higher, though they did not have exact figures. The head of the borrowers' association, Vangelis Kritikos, said about 50,000 properties would be up for repossession next year. "People are panicking," he said. "Every day we get about 500 calls."

After violent clashes in Thessaloniki at a planned foreclosure auction in the first week of October, Greek notaries said they would no longer attend auctions for primary residences and urged the government to pass a law categorically protecting them.

The deputy finance minister, Tryfon Alexiadis, declared a ban on foreclosures of primary residences with a taxable value of €300,000 or more. Strong words aside, the authorities stopped short of legislation. According to the political opposition and other critics, that was because creditor representatives

were in Athens and would have objected.

Negotiations between Greece and its creditors have several times touched on the huge burden that nonperforming loans have placed on Greek banks, but the issue remains unresolved.

Unless it can be solved, Greek banks will be unable to pump money back into the economy. They have already been recapitalized three times in three years.

As is customary, officials of the euro-zone countries, European Central Bank and International Monetary Fund would not comment publicly while bailout negotiations were underway. Privately though, officials said it was not the first time that the Greek government had ventured a "unilateral action" that it had then revoked.

All three institutions have pointed to bad loans as a major problem, calling for a crackdown on delinquent debtors, particularly strategic defaulters (who have money but do not pay) and the development of a market where bad loans could be traded.

Yannis Stournaras, the head of Greece's central bank, has also highlighted the issue, saying that "tackling the high stock of nonperforming loans is the greatest challenge facing the Greek banking system and the Greek economy."

Greek bank officials, in talks with foreign envoys, have proposed that auctions be conducted electronically to overcome the problem posed by angry protesters at courthouses.

In the meantime, Greek homeowners like Mr. Hanis, the retired accountant, remain in limbo. He took out two mortgages, in 2001 and 2012, worth €71,000. Once his pension was cut, he asked for help from banks, which advised him to take out new loans to pay off the old ones.

"It's like Greece getting more loans from the lenders," he said. "Just more debt to pay the old debt, but what else could I do?"

Mr. Hanis applied to a government program introduced in 2010, at the peak of the crisis, that aims to reduce monthly payments for people with serious financial problems. The program has since been qualified by so many conditions that inclusion is difficult.

About 150,000 applications are pending. His hopes now hang on a court case in November.

Mr. Hanis's lawyer, Dimitris Anastopoulos, said he had represented "about 1,000 people" during the crisis years, "not including the hundreds of people who walked in here to seek advice."

A significant problem, he said, is that the Greek authorities have focused more on giving homeowners a false sense of security than providing them with information about their options.

"Successive governments convinced

people that they won't lose their homes while they tried to figure out what to do," Mr. Anastopoulos said. "They issue a law saying, 'We can take your house.' Then, they reassure you that it's protected."

Many homeowners are desperate, he said, citing a client who recently told him that he had contemplated suicide.

Mr. Hanis fears a rejection, but said he would continue to fight.

"I'm going to appeal for a reprieve," he said, "because I just can't make the payments."



ERINI VOURLONIS FOR THE NEW YORK TIMES

Michalis Hanis at home in a suburb of Athens last month. Since his pension was cut, he has struggled to pay down his mortgage.

