



Helping people help themselves through Education, Financial Counseling and Debt Repayment

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Contact Information:

NANCY STARK
410.357.0614 (phone)
410.357.0613 (fax)
nstark@mind2medias.com

PROTECT YOURSELF FROM PREDATORY MORTGAGE LENDING

BALTIMORE, MD - This is probably one of the largest and most complex financial transactions that you will ever make. Many lenders, mortgage brokers, appraisers, and realty professionals are reputable, hard working, and ready to serve their clients. However, a few are driven by their vested interest in making a real estate sale or loan. Without proper knowledge and guidance, it's possible to become a victim of predatory lending or mortgage fraud, and this decision could cause you to lose money or your home or even end up in jail.

Maryland recently ranked fifth in a Mortgage Asset Institute study of states with significant mortgage fraud problems. Consumers throughout the country have lost their homes due to their lack of awareness and contact with lenders, mortgage brokers, appraisers, and home improvement contractors who:

- Use false appraisals to sell properties for much more than they are actually worth.
- Persuade borrowers to lie about their income, expenses, or available cash for down payments when applying for a loan.
- Consciously lend more money than borrowers can afford to repay.
- Charge borrowers high interest rates that are based on their race or national origin instead of their credit history.
- Charge fees for needless or imaginary services or products.
- Mislead borrowers so that they will accept higher-risk or more costly mortgages, such as those that involve balloon payments schedules or pre-payment penalties.
- Tempt vulnerable borrowers with cash-out refinance offers when they know these borrowers are in need of money due to medical, debt, and unemployment difficulties.
- Convince homeowners to refinance over and over even though it is not in their best interest, so that they can strip the equity from these homeowners' properties.
- Use unscrupulous sales tactics to sell home improvements and then finance them at steep interest rates.

Protect yourself by obtaining legal advice. The Maryland Mortgage Fraud Prevention Project (MFP), managed by Civil Justice Inc., provides free legal services to qualified Maryland residents. First-time homebuyers who have attended one-on-one pre-purchase counseling at a state-approved nonprofit housing counseling agency (such as CCCS of MD), can have their proposed purchase contracts and loan documents reviewed by a volunteer attorney prior to signing. There are no income guidelines for the first year of this pilot project (through December, 2010). Representation is limited to transactions for a primary residence with a maximum transaction amount of \$425,000 on a purchase or refinance. For questions or to request an Application for Free Legal Services, please email mfp@civiljusticenetwork.org or call 410-706-0174.

Here are 11 steps that the U. S. Department of Housing and Urban Development (HUD) recommends consumers take to avoid becoming victims of mortgage fraud or predatory lending:

1. Before you buy a home, seek pre-purchase counseling or attend a housing education workshop offered by a HUD-approved nonprofit counseling agency such as CCCS of MD & DE. To find a counseling agency near you, call 1-800-569-4287 or visit HUD's website at www.hud.gov.
2. Shop around before you select a licensed real estate agent. Ask friends and family members for reputable referrals and request and check references before you choose an agent to help you purchase or sell a home.
3. Before you put a contract on a home, ask your real estate agent to give you a list of recently sold properties that are comparable to the home that you are considering buying, so that you won't be fooled into paying too much. If you are not working with a licensed real estate agent, a friend or relative who works in real estate industry or the agent who sold you your current home may be able to help you gather this information.
4. Before taking on the obligation to buy a home, independently hire a qualified, licensed home inspector to inspect the property. If the seller is not willing to make repairs or reduce the contract price, make sure that you can afford to make this financial commitment before buying a property in need of substantial repairs.
5. Talk with several lenders and compare their **written Good Faith Estimates (GFE) of closing costs on a form from HUD before you choose a loan provider or pay for an appraisal**. Do not let any party involved in the buying or refinancing process pressure you into using a specific lender. If a lender or mortgage broker refuses to provide a GFE on the HUD form, find another lender or broker.
6. Beware of anyone who suggests that you make a false statement on you loan application. Every piece of information you submit must be accurate and complete. Do NOT overstate your income, lie about the source of your down payment, fail to disclose all of your debts, or misrepresent how long you've been employed. Lying on a mortgage application is fraud and can lead to criminal penalties.
7. Be truthful about your intention to occupy a home. It is a federal crime to state that you plan to live in a residence, but will not, because you plan to rent it out, fix it up for resale, or are helping someone else to qualify for the loan.
8. No matter how much you want a home, don't let anyone persuade you to borrow more money than you can afford to repay. This could cause you to get into debt and fall behind on mortgage payments. If so, you may ultimately lose your home, any money that you've invested in a property, and your good credit rating.
9. Do not sign a blank document or a document that includes blanks. If someone later inserts unexpected information after you sign, you may still be legally bound by the terms of the contract. Write in "N/A" ("not applicable") or cross out any blanks.
10. Read and carefully review all paperwork (purchase contracts, loan applications, closing documents), and never sign something that you don't understand. Before signing, have your purchase contract and mortgage documents reviewed by an attorney who is skilled in real estate and mortgage law.
11. Be skeptical if a home improvement will cost more if you don't accept the contractor's financing.

Parting advice: If a chance to buy, refinance, or repair a house sounds too good to be true, it probably is. Beware of lenders, agents, and contractors who discourage you from shopping around, encourage you to make false statements, pressure you to make immediate decisions, or insist that you sign without reading.

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Consumer Credit Counseling Service of MD & DE, Inc. (CCCS) is an accredited 501(c)(3) nonprofit agency that has served the local community since 1966. CCCS helps individuals and families resolve their financial and housing issues and gain economic self sufficiency through financial literacy education and counseling. For further information about our vision, values, and services, please visit our website at cccs-inc.org. Maryland State License #14-01, Delaware State License #07-01.