

Getting Through Tough Financial Times

Beware of Predatory Lending Scams

Most mortgage lenders are reputable. They provide a service by allowing families to own a home without saving the thousands of dollars necessary to buy it outright. However, a few, unscrupulous lenders, who make high risk second mortgages are engage in predatory lending practices. This increases the likelihood that a borrower will lose his or her home to foreclosure.

These abusive practices include:

- * making a mortgage loan to an individual who does not have the income to repay it,
- * charging excessive interest, points and fees
- * or repeatedly refinancing a loan without providing any real value to the borrower.

Borrowers facing unemployment and/or foreclosure are frequent targets of predatory lenders, because they are dire to find any “solution” to their default.

Homeowners receive refinance offers in the mail telling them that they have been “pre-approved” for credit based on the equity in their home. When you are wondering how you are going to pay your mortgage and other bills, it may appear very attractive to borrow against your house. But consider this, if you cannot make your current payments, increasing your debt, will make it harder to keep your home.

Beware of Scams:

- * Equity skimming: a buyer offers to repay the mortgage or sell the property if you sign over the deed and move out.
- * Phony counseling agencies: offer counseling for a fee when it is often given at no charge.
- * Do not sign anything you do not understand. It is your right and duty to ask questions.
- * Information is your best defense against becoming a victim of predatory lending especially for a worried homeowner!

Where to Report Suspected Predatory Lending®“ homeowners can either visit the Stop Mortgage Fraud web site or call (800) 348-3931 to get information on what steps to take to file a complaint. Homeowners who call will receive a brochure that contains information also found on the Web site.

Source: HUD website <http://www.hud.gov/>