

Don't Be A Victim of Loan Fraud

Protect Yourself from Predatory Lenders

Buying or refinancing your home may be one of the most important and complex financial decisions you'll ever make. Many lenders, appraisers and real estate professionals stand ready to help you get a nice home and a great loan. However, you need to understand the homebuying process to be a smart consumer. Every year, misinformed homebuyers, often first-time purchasers or seniors, become victims of predatory lending or loan fraud.

Don't let this happen to you!



11 tips on being a smart consumer

- 1 Before you buy a home, attend a homeownership education course offered by a U.S. Department of Housing and Urban Development (HUD)-approved, non-profit counseling agency.
- 2 Interview several real estate professionals (agents), and ask for and check references before you select one to help you buy or sell a home.
- 3 Get information about the prices of other homes in the neighborhood. Don't be fooled into paying too much.
- 4 Hire a properly qualified and licensed home inspector to carefully inspect the property before you are obligated to buy. Determine whether you or the seller is going to be responsible for paying for the repairs. If you have to pay for the repairs, determine whether or not you can afford to make them.
- 5 Shop for a lender and compare costs. Be suspicious if anyone tries to steer you to just one lender.
- 6 Do **NOT** let anyone persuade you to make a false statement on your loan application, such as overstating your income, the source of your down payment, failing to disclose the nature and amount of your debts, or even how long you have been employed. When you apply for a mortgage loan, every piece of information that you submit must be accurate and complete. Lying on a mortgage application is fraud and may result in criminal penalties.
- 7 Do **NOT** let anyone convince you to borrow more money than you know you can afford to repay. If you get behind on your payments, you risk losing your house and all of the money you put into your property.
- 8 Never sign a blank document or a document containing blanks. If information is inserted by someone else after you have signed, you may still be bound to the terms of the contract. Insert "N/A" (i.e., not applicable) or cross through any blanks.
- 9 Read everything carefully and ask questions. Do not sign anything that you don't understand. Before signing, have your contract and loan agreement reviewed by an attorney skilled in real estate law, consult with a trusted real estate professional or ask for help from a housing counselor with a HUD-approved agency. If you cannot afford an attorney, take your documents to the HUD-approved agency near you to find out if they will review the documents or can refer you to an attorney who will help you for free or at low cost.
- 10 Be suspicious when the cost of a home improvement goes up if you don't accept the contractor's financing.
- 11 Be honest about your intention to occupy the house. Stating that you plan to live there when, in fact, you are not (because you intend to rent the house to someone else or fix it up and resell it) violates federal law and is a crime.