



PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

THE VOICE FOR COMMUNITY BANKING IN PENNSYLVANIA SINCE 1876

Consumer Tips July 2010: Be Smart When Buying a Home

Buying or refinancing a home is one of the most important and complex financial decisions facing consumers, and it is also a breeding ground for predatory lending and loan fraud. It is important to be a smart consumer.

Misinformed homebuyers, often first-time purchasers or seniors, are ripe targets to become victims. But, there are checkpoints to help avoid the pitfalls and losses that they can bring.

Interview several real estate professionals and ask for and check their references before selecting an agent to help buy or sell a home. Check prices of other homes in the neighborhood. Hire a licensed home inspector to carefully inspect the property before becoming obligated to buy. Determine who will be responsible for paying for repairs.

The U.S. Department of Housing and Urban Development (HUD), one of 24 federal agencies that make up a financial fraud task force known as STOPFRAUD.com, offers a list of DON'Ts to avoid being a victim of loan fraud:

- Don't make a false statement on a loan application, such as overstating income, the source of the down payment or failing to disclose the nature and amount of debt.
- Don't let anyone convince you to borrow more money than you know you can afford to repay. If you get behind in your payments, you risk losing your house and all of the money you put into your property. In addition to the principle and interest, be sure you can afford the taxes and insurance. You also may want to check the average monthly utilities over the past year.
- Don't 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" (not applicable) or cross through any blanks.
- Don't sign anything you don't understand. Read everything carefully and ask questions. Before signing, have the contract 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.

And, shop for a lender and compare costs. Be suspicious if anyone tries to steer you to just one lender.

The Financial Fraud Enforcement Task Force, STOPFRAUD.gov, was established last November as the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud.

Members range from the Department of Justice to the Department of Treasury and Federal Deposit Insurance Corporation to the board of governors of the Federal Reserve System. It also includes the FBI, IRS criminal division and Secret Service.

The Federal Reserve Board (FRB) has issued its own tips for avoiding foreclosure scams.

It recommends working only with a nonprofit, HUD-approved counselor and never working with a counselor who collects a fee before providing the services or who accepts payment only by cashier's check or wire transfer.

Be wary of guarantees. Reputable counselors will not guarantee to stop the foreclosure process, no matter what your circumstances. "Working with a legitimate counselor can certainly increase your chance of keeping your home, but be wary of people who promise a sure thing," the FRB reports. "Get the details of your transaction, along with any promises, in writing first."

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