

STOP: HOMEOWNERS BEWARE

Watch Out for the Scams

Homeowners are constantly barraged by all types of solicitations from companies trying to tap into their home equity. Often, these lenders use deceptive tactics and pay little regard for your long-term benefit. Below are some common scams to watch out for:

Income Padding

Income padding involves a lender encouraging you to exaggerate your income in order to get you approved for a home equity loan. The lender or broker isn't concerned that you will not actually be able to make the monthly payments, because once the loan is extended, the creditor holds the home as collateral, and is able to foreclose.

Loan Flipping

Loan flipping occurs when a lender repeatedly encourages you to refinance your mortgage and borrow more money. Mortgage brokers make their money by closing on as many loans as possible and often encourage homeowners to refinance even when it is detrimental. There are often high hidden fees involved in the loan and a slightly lower monthly payment may still mean a significantly higher amount of total debt and longer loan term.

Deceptive Loan Servicing

Many times, lenders fail to provide you with all of the information regarding fees and costs associated with a new loan. You may be looking for a lower monthly payment or a better interest rate, but often aren't told the long-term obligations that you are undertaking or are deceived about hidden costs and fees.

The Home Improvement Loan

Watch out for contractors offering to do work on your house and stating that they can arrange all the financing for the work done on the property. Later, you find out that you have agreed to a home equity loan that could jeopardize your rights to own the home. With a lien on your home, the contractor has little motivation to do a good job on the home repairs and some even disappear.

Signing Over Your Deed

Beware when a lender offers to help you bring your mortgage payment current in exchange for you signing over the deed to your home. Often, the lender will allow the homeowner to remain in the property as a lure to sign over the title. Once the transfer is completed, you have signed away your ownership interest and have simply become a tenant in a house that you no longer own.