



IMPORTANT NYC HOMEOWNER ALERT

Avoid Lending & Foreclosure Scams

What is Predatory Lending?

New York City neighborhoods of color have been prime targets of discriminatory and abusive mortgage lending and real estate practices. Hundreds of homeowners risk losing their homes as a result of a set of practices known as “predatory lending.”

Predatory lending refers to fraudulent and deceptive practices by mortgage lenders and brokers and unscrupulous real estate practitioners, who make high cost loans that are unaffordable to the borrower or made on unfair terms.

Three types of predatory lending scams have become widespread in New York City, targeting homeowners as well as people seeking to buy a home for the first time:

- **Refinance scams** – Refinancing scams target seniors and other homeowners who have built up equity in their homes over the years. Mortgage lenders and brokers, often working with home improvement contractors, offer to refinance homeowners’ mortgages, with promises of fast cash despite “bad credit,” or “cash out” for the homeowners. The lender steals a homeowner’s equity by loading excessive interest rates and fees into the loan, typically with unfair and deceptive terms, leaving the homeowner in a worse situation than before he or she refinanced. These loans are not made according to a borrower’s ability to repay, but are based on the collateral, the owner’s equity in the home. The homeowner is unable to make the monthly payments, often times the home improvement contractor never completes the work, and the homeowner ends up going into foreclosure.
- **“Foreclosure rescue” scams** – “Foreclosure rescue” or “deed theft” scams are on the rise in NYC. Foreclosure “bail-out” specialists target homeowners in foreclosure. The specialists offer to let a homeowner stay in his or her home if he or she transfers their property deed to a third party. Although homeowners are told they will be able to buy their homes back at a later date, this never happens, and they are often evicted instead. These schemes never work to the benefit of homeowners, and they typically involve major fraud and deception.
- **First-time homebuyer/“property flipping” scams** – Many people who are buying a home for the first time in NYC neighborhoods of color are targeted for “property flipping” scams. “One stop shops” offer to assist homebuyers through the entire homebuying process, telling unsuspecting first-time homebuyers that they will show them homes for sale, connect them with a mortgage broker and lender, inspect and appraise the property, and even provide an attorney to accompany the homebuyer to the closing. In fact, these companies typically buy up properties in foreclosure, and make only cosmetic improvements that mask structural problems with the home, such as faulty plumbing or electrical systems, a leaking roof, or sewage problems.

The inspector misrepresents the home's condition as good, and the appraiser vastly over-states the value of the home. The scheme sets the buyer up with a significantly inflated mortgage, and a home worth much less than he or she paid for it. The new homeowner soon discovers that his or her home needs major repairs, sending his or her family into financial crisis.

If you are concerned that you have been targeted for a predatory loan or "foreclosure rescue" scam, below are warning signs and ways to get help.

Warning signs of foreclosure and refinance scams include:

- Advertisements claiming: "No Credit? Bad credit? No problem!"
- Extremely high interest rates and fees
- Monthly payments that are unaffordable for your income when the loan was made
- Persistent offers to consolidate debt or refinance a mortgage
- Offers to save you from foreclosure if you transfer your property deed to a third party
- A company promising to take care of every aspect of buying a home, or pressuring you to sign documents without consulting an attorney or others

Are you facing foreclosure? Do you think you have gotten a predatory mortgage?

- Call New York City's 311 hotline for assistance
- Speak to a lawyer or trusted community group before refinancing home loans
- Avoid signing deeds over to anyone who promises to prevent foreclosure while letting residents remain in their homes. These promises of bailout never work!

To combat predatory lending, the City of New York recently joined with several community groups to operate a pilot program for people in three designated communities: Bushwick and Bedford-Stuyvesant, Brooklyn and neighborhoods in southeast Queens. Lending and foreclosure research show that these neighborhoods are among the most targeted for abusive and discriminatory lending and real estate practices. Call 311 for assistance.

People who believe they have a predatory mortgage loan and live outside these neighborhoods should contact the Foreclosure Prevention Project at South Brooklyn Legal Services at 718-246-3279.

Learn more about predatory lending:

The Neighborhood Economic Development Advocacy Project (NEDAP) is a nonprofit organization that helps fight predatory lending. NEDAP is not affiliated with any banks and does not sell any products. If you are part of a community organization or civic association and would like additional information or a free community workshop on fair lending issues, please contact NEDAP at 212-680-5100 or info@nedap.org / www.nedap.org

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