

the contract. Insert "N/A" or cross through any blanks.

- Read everything carefully and always ask questions. Do not sign anything you don't understand. Before signing, have your contract reviewed by an attorney skilled in real estate law. Also, consult with a trusted real estate professional or ask for help from a HUD approved counseling agency.
- Be suspicious when the cost of a home improvement goes up if you do not expect the contractor's financing.
- Be honest about your intention to occupy the house. Stating that you plan to live there when, in fact, you are not (because you plan on renting it out or fixing it up to resell) violates federal law and is a crime.

**The Fair Housing Resource Center, Inc.** is a non-



profit 501 (c)(3) organization that offers several housing programs that benefits residents of Lake County, Ohio and surrounding communities. The mission of

Fair Housing Resource Center (FHRC) is to promote equal housing opportunities for all persons and to advocate for fair housing and diversity in Lake County and surrounding communities through the education and involvement of the public, government, and the business community. FHRC operates a Landlord/Tenant hotline service to Lake County residents to assist them with their housing rights. FHRC also operates a fair housing intake and investigation complaint service for victims of housing discrimination. FHRC is a Housing Counseling Agency certified by the U.S. Department of Housing and Urban Development and provides homeownership counseling, such as: pre-purchase home buying, educational and group workshops, resolving and preventing mortgage delinquency, home maintenance and financial management for homeowners, rental counseling, and homelessness counseling.

***Fair Housing is NOT an Option...***  
***Fair Housing IS THE LAW!***

## **"YOU HAVE A RIGHT TO HOUSING FREE FROM DISCRIMINATION"**

**Sex • Disability • Familial Status**

**Race • Color • Religion**

**National Origin or Ancestry • Military Status**

*If you feel you've been discriminated against in housing, make sure you take these steps:*

- Keep a record of the names, dates, addresses, phone numbers and other important information which can assist in the investigation of your complaint.
- Don't forget to be as specific as possible about the incident. Get the names and addresses of any witnesses to the incident whenever possible.
- Following the incident, you have one year to file an administrative complaint or two years to file a lawsuit.



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This brochure is intended for general information purposes only and does not constitute legal advice. If you need legal advice please contact your local Bar Association, Legal Aid Society or a private attorney.



***Fair Lending  
and  
Mortgage Fraud  
"Don't Be A Victim"***



## Don't Be A Victim Of Mortgage Fraud

Buying or refinancing your home may be one of the most important and complex financial decisions you'll ever make. You need to understand the home buying process to be a smart consumer. Every year, misinformed homebuyers, often first-time purchasers or seniors, become victims of predatory lending or mortgage fraud.

## Fair Lending

Discrimination in mortgage lending is prohibited by the federal Fair Housing Act and HUD's Office of Fair Housing and Equal Opportunity actively enforces those provisions of the law. The Fair Housing Act makes it unlawful to engage in the following practices based on race, color, national origin or ancestry, religion, sex, familial status or handicap (disability), and in Ohio, military status:

- Refusing to offer a mortgage loan;
- Refusing to provide information regarding loans;
- Imposing different terms or conditions on a loan, such as different interest rates, points or fees;
- Discriminating in appraising property; and
- Refusing to purchase a loan or setting different terms or conditions for purchasing a loan.

## Predatory Lending

Predatory lending is a terrible lending practice. It strips equity out of homes and puts homeowners at risk of losing their homes by offering inappropriate loan products. Borrowers are often times saddled with loans that come with outrageous terms and conditions, which happens often through deception. The typical predatory loan is:

- **Excessive fees and/or unnecessary fees;**
- **Not justified by the creditworthiness of the borrower or the risk of loss; and**
- **Secured by the borrower's home.**

## Subprime Lending

Subprime loans play a significant role in today's mortgage lending market. Subprime loans make homeownership possible for many families who have blemished credit histories or who otherwise fail to qualify for prime, conventional loans.

## Mortgage Fraud Schemes

While the subprime market serves a legitimate role, these loans tend to cost more and sometimes have less favorable terms than prime market loans. Additionally, subprime lenders are largely unregulated by the federal government. Data shows blacks are more likely than whites to get a subprime loan regardless of their qualifications. Many of the borrowers who are offered subprime loans actually qualify for loans with better rates and terms.

## Property Flipping

Property is purchased, falsely appraised at a higher value and then quickly sold.

## Silent Second

The buyer of a property borrows the down payment from the seller through the insurance of a non-disclosed second mortgage.

## Silent Gift

This scheme is similar to the "Silent Second" scheme except the second mortgage is disguised as a gift from the seller.

## Nominee Loans/Straw Buyers

The identity of the borrower is concealed through the use of a nominee who allows the borrower to use the nominee's name and credit history to apply for a loan.

## Fictitious/Stolen Identity

A fictitious/stolen identity may be used on the loan application. An applicant's name, personal identifying information and/or credit history are used without the true person's knowledge.

## Foreclosure Schemes

The perpetrator identifies homeowners who are at risk of defaulting on loans or whose homes are already in foreclosure. The homeowners are misled into believing that they can save their homes in exchange for a transfer of the deed and up-front fees. Some of the most common schemes are identified as: phantom help, bust-out and the bait and switch.

## Equity Skimming

An investor may use a straw buyer, false income documents, and false credit reports to obtain a mortgage loan in the straw buyer's name.

## Fake "Government" Modification Programs

Unscrupulous people may claim to be affiliated with, or approved by, the government or may ask you to pay high up-front fees to qualify for government mortgage modification programs.

## Tips On Being A Smart Consumer

- Attend a homeownership class offered by a HUD approved counseling agency.
- Interview several real estate professionals (agents), and ask for and check references before you select an agent to assist with buy or selling a home.
- Get information about the prices of other homes in the neighborhood.
- Hire a properly qualified and licensed home inspector to carefully inspect the property before you offer to buy.
- Shop for a lender and compare costs. Be suspicious if anyone tries to steer you to just one specific lender.
- Do not let anyone persuade you into making 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. Lying on a mortgage application is fraud and may result in criminal penalties.
- Do not let anyone convince you to borrow more money than you know you can afford to repay.

## Debt-Elimination Schemes

Scammers may claim to be able to "eliminate" your debt by making illegitimate legal arguments that you are not obligated to pay back your mortgage. These scammers will provide you with inaccurate claims about applicable laws and finance, such as that "secret laws" can be used to eliminate debt or that banks do not have the authority to lend money.

## Lease-Back Schemes

In this scam, you are asked to transfer the title to your home to the scammer, who will, supposedly, obtain new and better financing and/or allow you to remain in the home as a renter and eventually buy it back. In fact, the scammers may have no intention of ever selling the home back to you.

The scam artist may use such terms as "federal," "TARP" or other words or acronyms related to official U.S. government programs.