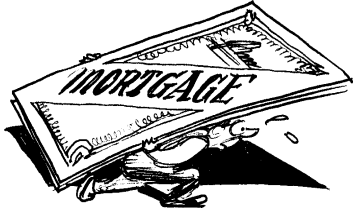


Don't be Fooled by a Mortgage Scam



Important Information Concerning Home Buying



Brought to you by:
**ATTORNEY GENERAL
TOM REILLY**

The purchase of a home is a major financial investment. If you do not learn about the mortgage process, and how best to protect yourself, you could become the target of a mortgage scam, or contract for a mortgage loan you cannot afford. To avoid being scammed in the mortgage process, or to prevent the future possibility of foreclosure, we offer these tips for future homeowners.

THINK TWICE BEFORE PAYING LARGE FEES FOR A HOME BUYING SEMINAR.

The Office of the Attorney General has seen a rise in consumer complaints in Massachusetts about businesses that offer “home buying services,” “home buying seminars,” or “home buying educational services.” Such a business may promise to “guarantee” home ownership or easy acquisition of mortgage loans. The business may tell you that it can help you get a home and a mortgage even if you have credit troubles, bankruptcies or past mortgage foreclosures in your background. **BE WARY** if a business asks you to pay a large fee for this type of service; some of these programs are scams! Here are some tips to avoid being scammed:

- **Do Not Do Business with an Unlicensed Mortgage Broker.** Generally, if a business promises that it can help you get a mortgage loan, the business must be licensed in Massachusetts as either a mortgage lender or a mortgage broker by the Massachusetts Division of Banks. If you have any question whether the business is licensed or should be licensed, call the Division of Banks and they can tell you.
- **Do Not Pay Large Fees For A “Seminar” Or Advance Fees To A “Home-Buying Service” Business.** Be very wary of businesses that demand large fees for seminars or up front fees for home-buying programs. If the business is legitimate, it is very unlikely that it will charge you large advance fees. Mortgage broker or lender fees typically are paid at the closing; if they are paid ahead of time, they should be placed in escrow. Know what fees you will be charged by a mortgage broker.

IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS.

If a business makes promises that sound too good to be true, trust your instinct! The business may be operating a scam. Here are some false promises we have seen:

- “We can **guarantee** financing.”
- “We can **guarantee** home ownership.”
- “We offer **100% financing.**”
- “We have a **unique and revolutionary** program.”
- We can get you a home and a mortgage loan, “**no matter what your credit background,**” “**no matter whether you’ve filed for bankruptcy,**” “**no matter what your income,**” and “**with no closing costs.**”

MEET WITH A TRUSTED PROFESSIONAL.

Arrange a meeting with a professional you trust who is knowledgeable about mortgage lending and about purchasing a home. For example, meet with a real estate agent you know or meet with a loan officer at your bank. (Professionals are not likely to charge you for informational meetings like this.) These professionals can give you information about how much you can afford to spend for a home, how much you need to save for a down-payment, whether you need to take care of any debt prior to applying for a mortgage and how much you should anticipate paying for closing costs and other fees.

SEEK LEGAL ADVICE.

Loan transactions are very complex and can be confusing. Protect yourself by hiring your own lawyer to review all mortgage documents and to represent your interests in the mortgage transaction. Remember, the lender's attorney does not represent your interests.

DEAL WITH REGULATED LENDERS ONLY.

Generally, mortgage lenders and brokers must be licensed in Massachusetts by the Massachusetts Division of Banks. Call the Division of Banks to find out if the lender you are negotiating with is licensed. If the business is licensed in Massachusetts, it will have a license number.

DO NOT SIGN ANY BLANK FORMS.

NEVER sign a mortgage document that is not completely filled in. Understand the forms you sign. Ask questions. Have your lawyer review any forms before you sign them and get copies of everything.

DO NOT SIGN BASED ON PROMISES OF FUTURE RATES OR CONDITIONS.

Promises of future low rates cannot be counted on unless they are in writing. You will have to pay back the loan on the terms you sign your name to at the closing.

DO NOT SIGN FOR MORE THAN YOU CAN AFFORD.

Find out exactly what your monthly mortgage payment will be before closing. Get the figure in writing. Regardless of the amount the lender approves you for, know your budget and be certain you are truly able to afford the monthly payment.

COMPARISON SHOP.

Compare rates and terms from at least two other lenders. In particular, rates and terms you should compare are the interest rate, the number of points to be charged, the number and size of monthly payments, whether the interest rate will remain unchanged ("fixed") for the life of your loan, or whether it will be subject to change ("variable") over the life of your loan.

BEWARE OF EASY CREDIT.

Be wary of any deal where you are told your credit history or income does not matter. You do not want to set yourself up to default on a mortgage loan.

READ ALL DISCLOSURES.

When you apply for a loan, you will be given a number of disclosure statements about your loan. Read them carefully with your lawyer.

CHECK THE COMPANY'S REPUTATION.

Use a lender you can trust; ask family members and friends where they got their mortgage loans, and if they are satisfied. If you are using a lender you do not know, check to see if there are consumer complaints on file against the lender, by contacting the Attorney General's Consumer Information Hotline, the Better Business Bureau, and the Division of Banks.

WHERE TO CALL FOR ASSISTANCE

If a home buyer is interested in learning more about the home buying process, there are well established first time home buyer education programs offered by the state or local nonprofit agencies at low cost or for free.

To determine if there are consumer complaints on file against a particular lender:

**Attorney General Tom Reilly's
Consumer Information Hotline
(617)727-8400**

**Better Business Bureau
(617)426-9000
(413)734-3114
(508)755-2548**

To determine if a mortgage broker or lender is licensed in Massachusetts:

**The Division of Banks and Loan Agencies
(617)727-3145**

Mortgage program information & publications:

**Attorney General Tom Reilly's
Consumer Information Hotline
(617)727-8400**

**Massachusetts Housing Finance Agency
(617) 854-1000**

**Federal Reserve Bank of Boston
(617)973-3000**

