



Fighting Foreclosure: Homeowner Stories: SCAMMED!

Meet Erwin & Patricia Hardy...

The Hardys have lived in and owned their home in Richmond, Virginia for 30 years. The couple started to experience financial troubles when Patricia got ill and could not work. Erwin worked hard to make up the difference, but soon they got behind. One of their biggest financial challenges was the interest they had to pay on a sub prime loan they took out when they had refinanced their home. The payments doubled to \$1400, and within a very short period the Hardys received foreclosure notice on their home.

Desperate for Help

The couple searched for help, and finally heard on television about the NeighborWorks® Resource Group in Richmond. One of the organization's counselors, Christie Smith, immediately started to help them out, but by the time she became involved, the mortgage company had already turned the case over to the attorney's office that would handle the foreclosure auction. Smith began to negotiate a stop sale to cease the foreclosure so that other terms could be arranged and the Hardys could keep their home.

At the same time Smith was working with the lawyers, the Hardys received a phone call from someone in Virginia Beach who claimed to be working with the attorneys. Smith later concluded that the caller was a fraud, acting on information about the Hardys that was available in the legal foreclosure notices posted in the local newspaper. The caller told the Hardys that if they would send \$1100 to the Virginia Beach office, they could "save their home." The Hardys did not have \$1100, so the caller dropped the amount to \$750, and the Hardys, desperate to save their home and to do what they thought was right, wired the money to Virginia Beach. It was all the money they had left.

Saved from A Terrible Hoax

When the Hardys went to Smith's office the next day, they told her about the call and the money wire. Smith recognized this hoax, certain the Virginia Beach caller was not aligned with the attorney's office that she had been talking with. She called Western Union, explained that the Hardys were victims of fraud, and urged that the wire be intercepted. Western Union officials acted immediately to intercept the wire. The scammer got away, but did not get the money.

Smith had seen this scam before. "It's a crime, a felony," she said. "It's becoming a huge problem, because these scammers prey on people who are looking for a remedy and are desperate for an answer."

A Happy Ending

Smith worked quickly with the attorneys and was able to stop the foreclosure, especially in light of the scam the Hardys had fallen victim to. "Foreclosure scams are a big problem for mortgage companies and their attorneys," explains Smith. "Desperate homeowners become victims and end up losing their homes. Foreclosures are an expensive and unwelcome solution to mortgage companies for delinquent homeowners, and scams like these just make matters worse."

In the end, NeighborWorks® Resource Group was able to refinance the Hardys into a more affordable loan. Smith also helped advise the Hardys on their home budget, so that they can better manage expenses and set aside savings to withstand any future problems they may encounter that could decrease their income. She helped them file for and receive social security disability that was due to Patricia as a result of her illness. In addition, Smith helped the Hardys with a low-interest loan that is enabling them to make long-overdue repairs to the home they hope to live in for many more years.

"Without Christie's help," said Patricia Hardy, "we'd be on the street. We had already packed up and had nowhere to go. She helped us save our home."

To find a nonprofit financial counselor in your area go to www.hud.gov.



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How to spot predatory lending

Buying or refinancing your home may be one of the most important and complex financial decisions you'll ever make. It's worth the time and effort to contact your local NeighborWorks® organization or other nonprofit financial counselor to learn how to avoid costly mistakes.

Common predatory lending tactics include:

- Selling properties for much more than they are worth using false appraisals.
- Encouraging borrowers to lie about their income, expenses, or cash available for down payments in order to get a loan.
- Knowingly lending more money than a borrower can afford to repay.
- Charging high interest rates to borrowers that are not based on their credit history.
- Charging fees for unnecessary or nonexistent products and services.
- Pressuring borrowers to accept higher-risk loans such as balloon loans, interest only payments, and steep pre-payment penalties.
- Targeting vulnerable borrowers in need of cash due to medical, unemployment or debt problems.
- Convincing borrowers to refinance again and again when there is no benefit to the borrower, but severe losses to home equity are accrued.
- Using high pressure sales tactics to sell home improvements and then finance them at high interest rates.

Tips to avoid a predatory loan:

- If it sounds too good to be true, it probably is!
- Shop for a lender and compare costs. Be suspicious if anyone tries to steer you to just one lender.
- Beware of fees greater than 3 or 4 percent of a home mortgage loan amount that strip equity from your new home.
- Get information about the prices of other homes in the neighborhood. Don't be fooled into paying too much.
- Hire a properly qualified and licensed home inspector to carefully inspect the property before you buy. Determine whether you or the seller will be responsible for paying for the repairs.
- Do not make 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 how long you have been employed.
- Avoid prepayment penalties touted by subprime lenders that trap borrowers in high-rate loans, which too often leads to foreclosure.
- Be wary of promises to refinance the loan to a better rate in the future.
- Remember that a low monthly payment isn't always the best deal. Look at the TOTAL cost of the loan.

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