

Local News - Monday, August 18, 2003

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Beware of predatory lenders

Some lenders write loans with the specific purpose of trapping people into foreclosure, so...

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Owning a home represents the American dream for many people. So homeowners who cannot pay their mortgages, and are forced out through foreclosures, suffer emotional as well as financial losses.

Foreclosures are on the rise, and experts say the people losing homes shouldn't be. These experts say people entered into loans with lenders who wanted to seize their property when they fell behind on payments, and so they designed contracts to that end. The loans are not illegal, but they are unethical.

Mildred Wilkins, president and founder of the company Homeownership Matters in Indianapolis, is on a crusade to put unethical, or predatory lenders, out of business. She travels around the state arming consumer groups with the knowledge they need to avoid the common traps these lenders set up. She also gives training sessions to real estate agents and attorneys so they learn how to spot the signs of predatory lending, and help consumers stay away from it.

"We are facing a housing crisis," Wilkins said. "It is imperative that we work more aggressively and more directly to inform consumers of the many challenges facing them in all aspects of home ownership."

Wilkins said consumers need to look for the Realtor trademark when dealing with agents. She and other agents join the organization as one way to adhere to a higher ethical standard. Consumers can complain to the association if there are problems, and stiff fines may be imposed for infractions. Not all individuals with real estate licenses are Realtors.

"Predatory lending is almost exclusively a problem associated with home mortgage refinancing," Wilkins said. "Go to a prime lender, which will almost always have buildings and offer multiple services, such as savings accounts and checking accounts. There is a place in the market for sub prime lenders. Not all mortgage brokers are predatory. However, almost every predatory lending situation originated with a sub prime lender using the services of a mortgage broker."

Wilkins said it is important that consumers not include unsecured debt into their mortgage. That way, they don't lose their home if they can't pay off a credit card, which can happen if you tie other debts to your home mortgage. Taxes and insurance should be included in the mortgage payment.

"There is a relationship between the appraiser and the lender," Wilkins said. "In some cases, if a bank wants to issue a specific loan amount, an appraiser may 'make the numbers work.' Consumers need to make sure



ELAINE BUSCHMAN / Staff photographer

GOOD GUYS – At bottom, Mildred Wilkins, President of Home Ownership Matters, travels the state educating consumers about predatory lenders and how to avoid their traps. In middle, Matt Cannon, president of the Marion Area Board of Realtors, and Linda Cline, Executive Officer of the Marion Area Board of Realtors, brought Wilkins in to speak earlier this year.

THE PROTECT YOURSELF PLEDGE

I will make these promises to myself:

I will never sign documents which I do not completely understand.

I will never sign documents


they get a copy of the appraisal. Don't let them give you a statement that says you will get a copy of the appraisal in 60 days. Insist that you be given an appraisal prior to the closing. Then you can see for yourself if similar homes were compared and the numbers are accurate."

Wilkins said the skyrocketing number of foreclosures in Grant County represents a significant increase and should be of concern. She suggests consumer education as a proactive way to react to the problem.

"Consumers need to pick the financial institutions they borrow from rather than letting them pick you. Predatory lending results when an advertising or telephone campaign is directed toward certain neighborhoods. The broker hooks up with you through advertising. Victims are targeted for the loan."

Wilkins said if people feel they have been victims of an inflated real estate appraisal they can contact the Indiana Attorney General's Office. That office actively reviews appraisers to check on inflated appraisals.

Source: U.S. Attorney's Office, Southern District of Indiana

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which have blank spaces.

I will always remember that contracts are legally binding.

I will remember, if it sounds too good to be true, it is.

I will realistically decide what I can honestly afford for housing (or a repair) and stick to it.

I will support both education and legislation to combat the predatory lending problem.

I will assertively stand my ground concerning my finances.

I will take time and not rush into financial obligations.

I will have someone I trust review the loan papers if I am not absolutely clear on all the terms and conditions.

I will never sign a contract to build without an agent or attorney representing me.

I will not refinance without having an attorney or other professional representing me to review the closing documents before I sign.

I will be aware that all professionals are not committed to treating me fairly. Predatory lending is done by professionals.

Source: Mildred Wilkins,
President of Home Ownership
Matters

Suggestions to Buyers of Real Property:

If both the buyer and seller are not present together at the closing, ask why.

Generally, the settlement statement should contain both the buyer's and seller's signature on the same document.

Be suspicious if you are told that everyone lies on documents to purchase property.

If the settlement statement shows a down payment and you did not make one, do not sign the document.

Be suspicious of anyone who offers you an "investment opportunity" to invest in property that involves no down payment and pays you money at the loan closing.

Be suspicious if someone tells you that you can buy property and now worry about making the mortgage payments or maintaining the property.