

Home Buyers: Beware of "Flipping" Scams



Before you agree to buy a house, make sure you're not dealing with a "flipper." A flipper buys a house cheap and then sells it to an unsuspecting home buyer for a price that far exceeds its real value.

The flipper finds his victims by looking for someone who needs a new place to live but believes he or she can't afford to buy a home or qualify for a mortgage loan. The flipper gets the buyer to trust him by promising to put the buyer in a house and arrange a mortgage loan even if the buyer has bad credit or little money. Not surprisingly, these buyers often feel that the flipper is making their dreams come true by getting them a house and a loan when no one else could.

The flipper does not tell the buyer that the sales price of the house is much higher than the house is worth. The flipper arranges a mortgage loan to cover the inflated sales price, but the loan is based on a false appraisal of the property and often exaggerates the income and assets of the buyer. The flipper walks away from the deal with all the loan money, but the buyer winds up with a house that is not worth the loan he or she owes. Too often the buyer can't afford to pay the inflated loan, and soon loses the house in foreclosure.

Take Three Steps to Protect Yourself:

1

Get the facts.

You can find out how much the house is really worth before you sign a contract.

Don't just take the seller's asking price as being a fair market price. You need to get the facts yourself. Ask the seller to complete and sign the attached "seller's statement" form.

SEE SELLER'S STATEMENT FORM INSIDE ➔

The seller's answers will give you the facts you need to begin to find out what the true value of the house is. Then, take this information and consult with a certified home ownership counselor or real estate agent who represents you as the buyer.

Note: The seller is not required by law to fill out and sign the seller's statement. However, the completed statement will help you make an informed decision.

Home ownership counselors can educate you on the home buying process, review your qualifications for a loan, and help you understand what you need to do to become a home owner. A buyer's real estate agent can find out the prices of other houses in the immediate neighborhood to find the fair market price, and can represent you in buying a house.

Check the name of the current owner, the last sale date, and the last sale price of the house by calling the Maryland State Department of Assessments and Taxation. For properties in Baltimore, the number is (410) 767-8259 or -8260, or visit the office at 6 St. Paul Street, 11th floor, weekdays 8:30 to 5:00. For properties in other jurisdictions, call the Assessments and Taxation office for your area, listed under "State Government" in your phone book. You can also visit the Department's web site at www.dat.state.md.us.

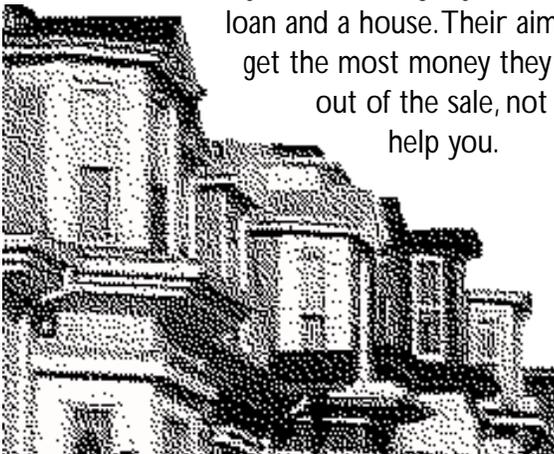
If what you find out does not match what the seller told you, slow down. Get independent advice.

2

Do not rely on the seller or lender alone.

Get independent advice before you sign a contract to buy a house or agree to a mortgage loan. Flippers use their knowledge and experience to take advantage of first-time home buyers. They do this by getting you to trust and

rely on them to get you both a loan and a house. Their aim is to get the most money they can out of the sale, not to help you.



Talk to a certified home ownership counselor or buyer's real estate agent before you sign a contract to buy a house.

Even before you look at specific houses, home ownership counselors can review your income, assets, credit rating, and housing needs with you to help you decide what is the best strategy to clean up your credit rating and qualify for a loan. They can assist you in getting the information you need to see if a specific house is worth the price the seller is asking. Get counseling from an independent organization – not one affiliated with the seller or lender. For a referral to a home ownership counselor, call the Maryland Center for Community Development at 1-888-949-6677. A buyer's real estate agent can represent you in finding a house you can afford at a fair price and in negotiating with the seller.

You have the right to select your own home ownership counselor, real estate agent, mortgage lender, title company, appraiser, and home inspector. Do not trust the seller or the seller's agent to make those selections for you.

Free legal representation is available to first-time home buyers who are buying a house for less than \$125,000 in Baltimore. A lawyer will advise you, review documents and represent you in the negotiation process. Contact Civil Justice, Inc., at (410) 779-7780 before you sign a contract and preferably before you make an offer on a house.

3

Know the warning signs of flipping.

Don't let the seller rush you into signing a contract.

The **sales price** may not reflect the house's real value if:

- ▲ The seller or lender does not answer your questions about the price and condition of the house.
- ▲ The person with whom you are dealing is not the person who holds the title to the property. The

property may have been sold recently at a much lower price and the person is trying to sell it fast to make a quick profit. Find out under what right the person is authorized to sell the property.

▲ The price of the house is much higher than the prices for which similar houses in the neighborhood have sold.

▲ The seller offers to let you move in right away, before you buy the house, or offers you free rent.

▲ The house is in poor condition and the seller promises to make repairs either before or after the settlement, but refuses to put those promises into writing or in the contract.

The **mortgage loan** may be fraudulent or may be more than you can afford if:

▲ The seller says he or she can get you a loan even though you have bad credit, or offers to give or lend you money to make payments on your debts, but does not disclose your bad credit or the seller's payments in the mortgage application.

▲ The seller or lender wants to give you a "gift" or "grant" or arranges for a relative or friend to give you a gift for the down payment or closing costs, but doesn't disclose the seller's gift in the mortgage application.

▲ The seller tells you that you can buy a house for the same monthly payment as you are paying in rent. Often the seller is not telling you about the other costs involved in owning a house, such as insurance and tax escrow, utilities and repairs.

▲ The seller wants to make all the arrangements for getting the loan, inspections, and settlement, or discourages you from getting independent advice or shopping for a different loan.

▲ The seller or lender exaggerates your income and assets, or understates your debts, in order to make you look better on the loan application. You may be asked to list additional income from a fake second job or self-employment, or to exaggerate your actual salary or overtime pay.



Home Sweet Home

When you decide to buy a house,
don't forget to:

- 1. Have the house inspected by a qualified home inspector** whom *you* choose to find out if the house meets the building code and is what the seller is promising. Look for a home inspector who is a member of a state or national association that imposes a code of ethics on its members.
- 2. Get promises in writing.** Make sure that any promises the seller makes, such as repairs he is to perform, are written down in the contract.
- 3. Make sure information about you is true.** Check the loan application and other documents to make sure that the seller or lender has not exaggerated your income or assets, or hidden any of your debt. The seller may be trying to qualify you for a loan that is too expensive or that you may not be able to afford.
- 4. Call your local government's housing code section** to find out if there are any code violations on the property. In Baltimore, the number is (410) 396-4126.

Think You've Been Scammed?

If you have recently purchased a house or entered into a contract to buy one, and think you may be a victim of a flipping scam, contact the Attorney General's Consumer Protection Division. We can try to resolve your dispute through mediation. Call (410) 528-8662 or toll-free 1-888-743-0023.

Seller's Statement

To the Seller: The buyer asks that you fill out this statement and sign it at the end.

You are not required by law to fill out and sign this statement. You may be required to complete a Maryland Real Property Disclosure or Disclaimer statement pursuant to Section 10-702 of the Real Property Article of the Maryland Code.

1. Property address: _____

2. Full legal name(s) of all current title holders of property:

3. Full legal name(s) of the seller(s): _____

If seller is not the current title holder, explain what right the seller has to sell the property:

4. Name of the seller's real estate agent and broker: _____

5. Date current owner bought the property: _____

6. Amount current owner paid for the property: _____

7. Name of prior owner(s) of property: _____

8. Are there any outstanding housing code or health code violations on the property?

Yes No

If yes, list the violations: _____

9. List major repairs or renovations done since current owner bought house and the cost of these repairs:

Date	Item	Amount
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10. List all repairs or renovations the current owner is promising to make before selling the house:

11. State the amount the current owner paid during the last calendar year for:

oil: \$ _____

gas: \$ _____

electricity: \$ _____

water/sewage: \$ _____

property taxes: \$ _____

homeowner's insurance: \$ _____

I hereby state under penalties of perjury that the above information is true to the best of my knowledge, information, and belief.

Signature Date

Name _____

Address _____

Phone _____

If a corporation or other entity:

Name of corporation/entity: _____

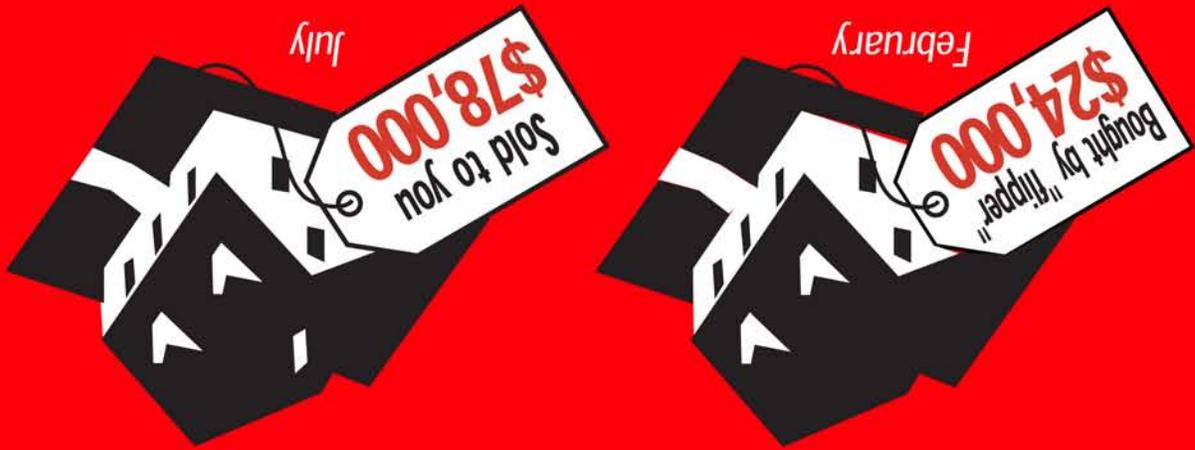
Your name and title: _____

Address of corporation/entity: _____

Phone _____

Employer's Federal ID#: _____

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Maryland Attorney General's Office
Consumer Protection Division
200 St. Paul Place
Baltimore, MD 21202



Special Alert
For Home Buyers