

## What Is Home Equity?

Home equity is the current value of your home minus any money you owe on the home. If you own a home, the equity can be used to help you get a loan. Sometimes it is a good idea to take out a loan against your home's equity as long as the terms are reasonable and you have the ability to repay.

## What Is A Home Equity Loan?

When most Americans need money, they take out a loan. To get a loan, the lender usually requires that you give some guarantee that you will pay the loan back. For a home equity loan, you secure the loan with your home.

Typically a home equity loan works like a credit card. It provides the borrower with a revolving credit account that includes a line of credit and a series of checks to access the line. Usually the line of credit can be accessed for at least 5 years from the start date of the loan. During the access period many lenders only require the borrower to repay the interest on the loan. After the access period, you can no longer draw money from your credit line even if a balance is available. At this point the loan is in the repayment period and you are required to pay both the principal and the interest due on the total balance of the money that you borrowed.

Most home equity loans require loan repayments over a period of between 10 and 20 years. Remember, even if you make all of your minimum payments during the access period of your loan you may have paid only the interest on the loan and not any of the principal.

## What Is Home Equity Lending Fraud?

Home equity lending fraud is different than other types of fraud. Here, unscrupulous lenders seek you out, often by phone or visiting you at home unannounced. They trick you into taking a loan against the equity in your home at unusually high interest rates and fees. These lenders offer the loan to you whether you can pay for it or not. If you don't make your payments, the lender can take your home.

### **IF YOU DON'T PAY YOUR LOAN, YOU CAN LOSE YOUR HOME!**

When you fall behind on your payments, the lender can take your home and your equity through a legal process called foreclosure. The lender then owns your home. At this point, it is nearly impossible to get your home back. Many people all over the country have either lost their homes or their equity to unscrupulous lenders. Over 100,000 people in 29 states have fallen victim to home equity lending fraud. Most are senior citizens.



## How to Protect Yourself

The best protection against home equity fraud is to be an educated consumer. Don't be afraid to ask other people for advice. Seek out credit counseling before you sign anything. Be wary if you encounter any of the following, as they may signal trouble:

- Documents with blank spaces (e.g., The lender gives you papers to sign and the date or the loan amount is left blank).
- Door-to-door salespersons offering you easy credit (e.g., People knocking on your door offering you money even if you have no credit history or have a bad credit history).
- A deal that sounds too good to be true (is usually too good to be true).
- Offers of debt consolidation. While such offers may seem attractive at first, they can turn out to be a very costly "convenience" (e.g., the lender offers to pay off your credit card bills and your medical bills with the home equity loan).
- Excessively high interest rates.
- Excessive prepayment penalties (e.g., the loan contract with a fixed interest rate which requires that you pay a large penalty if you repay the loan early).

## Do's and Don'ts

### DO'S:

- Make sure the lender is licensed and check whether any complaints have been filed against the lender by calling either the New York State Banking Department, the Department of Consumer Affairs, or the Better Business Bureau (Better Business Bureau will charge you a fee for the call).
- Make sure that you can afford to repay this loan. If you are not sure, then call or visit a credit counselor, or speak to someone you trust.
- Get pre-loan counseling (Credit counseling services are listed below).
- Get the "big picture" on the loan. Look carefully through the entire loan package and ask for an explanation of all fees, charges, terms and conditions.
- Read every word of the loan agreement.
- Shop around. Find out what other lenders are offering and compare for the best price. Ask whether they would be willing to waive or reduce any fees or charges, and compare.
- Understand your right to cancel the transaction. The law allows you THREE business days to cancel the loan.
- Be aware that a mandatory arbitration clause in the loan contract requires you to give up your right to go to court if you have any problems with the contract.
- Seek legal advice to answer any questions you might have.

### DON'TS:

- Don't deal with an unlicensed lender.
- Don't accept telephone or direct mail solicitations. While some of these may represent legitimate offers, many are not. You're better off doing your own shopping.
- Don't give in to high-pressure sales tactics such as "This special offer is good only for today". Remember, if the offer is good today, then it should be good tomorrow.
- Don't sign any papers with blank spaces or incorrect information.
- Don't agree to inflate your earnings or provide other false information to qualify for a loan.
- Don't sign unless all the promises made to you are in writing.
- Remember, DON'T sign away your rights!

### RESOURCES:

Please note that some of the organizations listed below may charge for their services.

### LICENSING INFORMATION:

- New York State Banking Department 1-877-BANK-NYS
- New York City Department of Consumer Affairs (212) 487-4444
- Better Business Bureau (212) 533-6200 (BBB charges a small fee for its service)

### FINANCIAL COUNSELING:

For a list of licensed credit counselors, call the New York State Banking Department, 1-877-BANK-NYS

- New York City Commission on Human Rights (718) 657-9333
- Pratt Area Community Council (Central Brooklyn Residents Only) (718) 522-2613
- Neighborhood Housing Services, Homeownership Center (718) 230-7610  
NHS operates several programs including a low interest/forgivable loan program, a home improvement program, a minor repair program for seniors, and an emergency loan program. For NHS offices in Brooklyn, Bronx, Manhattan, Queens and Staten Island, contact (212) 519-2500.
- Neighbors Helping Neighbors (718) 492-3450  
NHN also operates an emergency loan program, home improvement program and a foreclosure prevention program.
- U.S. Department of Housing & Urban Development (HUD)  
Housing Counseling Center (800) 569-4287

### For referrals to housing counseling organizations outside of New York City:

- Fannie Mae - Western & Central New York Partnership Office (716) 858-4220
- NeighborWorks® Network of New York State (607) 273-8374
- Neighborhood Preservation Corporation of New York State (518) 432-6757
- Rural Housing Coalition of New York State (518) 458-8696

### MORTGAGE ARREARS:

You may be eligible for an Emergency Assistance Grant to repay mortgage arrears. Call the Human Resource Administration (HRA) for information about the grant at (718) 291-1900.

### PROPERTY TAXES:

You may be eligible for assistance with your property taxes. Contact the following organizations for more information.

- Senior Citizen Ombudsman, New York City Department of Finance (718) 694-8260
- Senior Citizen Property Tax Exemption, call the Department for the Aging (212) 442-1000
- SCHAP Program call the Parodneck Foundation (212) 431-9700

### LEGAL SERVICES:

- South Brooklyn Legal Services, (718) 237-5500
- Queens Legal Services, (contact: Myrtle Jonas) (718) 392-5646
- Legal Services for the Elderly in Queens (718) 897-2515
- St. John's University Elder Law Clinic (718) 286-1500
- For New York City: Association of the Bar - NYC, Legal Referrals, (212) 626-7373

### GENERAL FRAUD COMPLAINTS:

Contact your local district attorney's office:

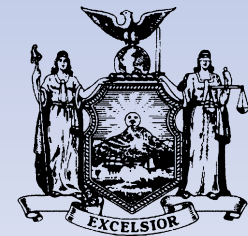
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|-----------|----------------|
| •Bronx    | (718) 590-2000 |
| •Kings    | (718) 250-2000 |
| •New York | (212) 335-9500 |
| •Queens   | (718) 286-6000 |
| •Richmond | (718) 876-6300 |

- City of Albany, District Attorney's Office, Consumer Affairs Unit (518) 487-5040
- City of Buffalo, District Attorney's Office (716) 858-4600
- City of Rochester, District Attorney's Office (716) 428-3059
- City of Syracuse, District Attorney's Office (315) 435-2470
- The New York State Attorney General's Office, Consumer Helpline: (800) 771-7755



# DON'T LOSE YOUR HOME

How to Avoid Home Equity Fraud



STATE OF NEW YORK  
BANKING DEPARTMENT  
ONE STATE STREET  
NEW YORK, NY 10004  
1-877-BANK-NYS  
www.banking.state.ny.us

George E. Pataki, Governor  
Diana L. Taylor, Superintendent of Banks