



11/13/2006

Avoiding Home Equity Mortgage Scams: Deceptive Loan Servicing

During the recent housing boom, millions of American homeowners took advantage of their rapidly growing home equity by cashing out with refinance or home equity mortgages. Home equity is the amount of the home you actually own; it is the difference between the value of your home and the remaining balance of your mortgage loan. As housing investment and speculation rapidly increased over the past few years, so did the home values of most houses around the country, providing homeowners with a large source of easy cash.

Even as the housing market has cooled off, many are still tapping into their home equity for various projects, things like debt consolidation, car purchases, and home improvements. If you have home equity that you would like to put to good use for your own financial ventures, you might consider taking out a home equity mortgage. This can be a great way to get a new cash loan with tax deductible interest. As with any loan though, you should be careful to avoid becoming the target of home equity mortgage scam, specifically the type that involves deceptive loan servicing.

Deceptive loan servicing takes place after you have closed your home equity mortgage and you have started making payments. Then the mortgage lender fails to provide you with information about your mortgage account. This means you do not have accurate statements of how much you have paid and how much remains on your loan balance. The dishonest lender conveniently “neglects” to provide you with this information to keep you in the dark about your loan standing and can charge you more than you really owe. This can end up costing you hundreds or thousands of extra dollars.

Another form of deceptive loan servicing with a home equity mortgage is when the mortgage company requires you to pay extra charges that were not originally agreed upon. This might include things like property taxes and insurance policies that you intended to pay on your own. It might also mean the lender tells you that you are now going to have to pay higher-than-arranged monthly mortgage payments. Or you may receive late payment notices and fees, when you know that your payments have been made in a timely fashion.

In order to avoid getting into one of these distressing situations, you should start by being very selective in your choice of a home equity mortgage lender. Your safest bet would be a referral from a good friend or relative. If someone else has already had a good experience with a lender, it is likely that you will too. You should review the lenders’ business history with the Better Business Bureau to make sure there is nothing shady in his past. Make sure your lender is someone you feel you can trust.

Once you start into a loan, keep a copy of all the closing paperwork and the official mortgage contract. You should also keep detailed records of the payments you make and ask that your mortgage lender send you regular statements of the status of your account, so that you can check it yourself. If you take care of the important details yourself and do the required research at the beginning, you will be much less likely to get caught in a home equity mortgage fraud scam.