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BODY:

An insidious real estate fraud known as "flipping" is victimizing both home buyers and lenders in Maryland.

"Flipping" derives its name from the speed at which homes are bought and then resold for far more than their real value.

This is how flipping works:

Unscrupulous mortgage brokers, lenders or property owners get inflated appraisals for the value of their property. Then they find a naive buyer. This buyer often is unqualified for a loan but is provided with bogus documents and assurances that he or she can afford to buy. The buyer then takes the bogus documents to another lender, who issues a mortgage based on the inflated assessment for the house and the belief that the mortgage applicant is credit worthy.

The first lender or mortgage broker takes a quick profit and disappears. A little way down the road, though, the buyer often can't make the payments and can't maintain the house and ends up declaring bankruptcy. This leaves the second lender holding a nearly worthless mortgage loan on a home whose price is far higher than its real value.

Flipping has three victims: the buyer; the lender who issued a mortgage for the inflated amount; and the neighborhood surrounding the property concerned, because it ends up with abandoned and untended houses.

"Flipping" rarely involves homeowner to homeowner sales. Instead, speculators buy houses at rock-bottom prices from owners who are in a hurry to sell or from estates or bank foreclosures.

In a federal suit filed recently, Superior Bank FSB of New Jersey claimed it has been stuck with more than \$ 820,000 in bad loans in Baltimore, most of which are in default or are delinquent. Reappraisals of 21 of the 23 properties, on which the bank had loaned \$ 776,900, showed a worth of only \$ 555,000. "Flipping" scams increase foreclosures and the numbers of abandoned houses and lead to high property-tax assessments on innocent neighbors. In short, everyone loses but the con artist.

According to the Mortgage Asset Research Institute, Maryland is a hot spot for mortgage fraud, with Baltimore taking first place in the state for the frequency of federal housing law violations.

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Last month I co-chaired an open meeting in southeast Baltimore's Patterson Park neighborhood to address the issue of "flipping" and to make the community aware of the mortgage fraud being perpetrated in the area. At the meeting victims told about the tragic consequences they suffered from "flipping."

As one way to stop such fleecing operations, I am preparing legislation for introduction in the 2000 General Assembly session to require that disclosure information on the property being sold include the date of the last time the property was sold and the price for which it was sold. I also am looking into legislation to regulate more strictly the practices of appraisers. Disclosure of the date and price for which the home was last sold should serve as a red flag to both the buyer and the mortgage lender.

-- Carolyn Krysiak

a Democrat, represents Baltimore City and Baltimore County in the Maryland House of Delegates.

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