



85 of 137 DOCUMENTS

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HEADLINE: State probe of 'flipping' under way; Attorney general says quick property sales being investigated; Hearing in E. Baltimore; Buyers tell legislators they were duped into overpaying for homes

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BODY:

As first-time homebuyers told a legislative hearing of being duped into paying much more for rundown houses than they are worth, an official of the Maryland attorney general's office announced last night that a "law enforcement investigation" of property flipping has begun.

Also, state delegates promised legislation to attack the problem.

The hearing, conducted by two House of Delegates subcommittees at a Patterson Park recreation center, marked the first public airing of an epidemic of property flipping that has swept across Baltimore in the past three years.

Working largely in poor neighborhoods, "flippers" buy rundown houses at low prices and sell them quickly -- often on the same day -- for two to 10 times the purchase price. In most cases, few if any repairs are made.

"There's more money in housing scams than in drugs, and it's just as pervasive as drugs," Frank Fischer, representing the St. Ambrose Housing Aid Center, testified. He said that one person who flipped 10 houses last year "cleared \$270,000" on the deals.

"The scope of the problem is staggering," said Ken Strong, executive director of the Southeast Community Organization. Based on an examination of a 25 percent sample of house sales over the last three years, he said, there are "over 2,600 questionable sales" that are concentrated in African-American and racially changing neighborhoods.

"This is not a problem that's going to be solved tomorrow," said Baltimore Del. Carolyn J. Krysiak, a Democrat who chairs the housing subcommittee of the House Economic Matters Committee.

She and Del. Samuel I. Rosenberg of Baltimore, Democratic chairman of the Health and Human Resources Subcommittee of the Appropriations Committee, scheduled the hearing after The Sun reported last month on widespread flipping in Baltimore.

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Rosenberg said that legislation to deal with the problem would be introduced in the 2000 General Assembly session. He said the package would probably include tighter regulation of appraisers, whose inflated valuations of properties make it possible for the sellers to obtain mortgages for their buyers; disclosure of prior sales and appraisals to buyers; and a requirement that lenders ascertain the ability of buyers to repay their loans.

He and Krysiak suggested that they might seek additional funds for state Attorney General J. Joseph Curran Jr. so he can pursue the problem.

Curran's Consumer Protection Division "has been unable to actively pursue 'flipping' scams due to a lack of manpower to pursue complaints," said a report to Krysiak from legislative aides.

The attorney general came in for criticism last night.

"We have not seen the type of legal action we need to put some of these people behind bars," complained Michael Seipp, executive director of the Historic East Baltimore Community Action Coalition.

"We hear you," responded John Nethercut, an assistant attorney general in the Consumer Protection Division. "We have begun a law enforcement investigation."

Nethercut said the agency had not decided whether it would pursue civil or criminal action, or both, against participants in flipping deals, who include mortgage brokers and appraisers in addition to the sellers.

"The wheels of justice grind slowly, but they do grind," he said.

The Maryland U.S. Attorney's office also has an investigation under way.

Last night, the most dramatic testimony came from buyers, who said they had been duped.

Gertrude Green said she was making \$8 an hour when she paid \$44,000 in 1997 for a house in the 600 block of N. Belnord Ave. in East Baltimore that had just been purchased for \$3, 900. A bedroom ceiling leaks, a wall in the basement is collapsing and there are serious electrical problems.

Green, 45, has sued the seller of her house, Robert L. Beeman, who is under federal investigation. She says that he arranged a phony gift of \$2,600 from her son to her -- funds that were described as her payment toward purchase of the house. In fact, she said, Beeman gave the money to her son, who deposited it in his bank account and immediately drew a certified check, which he gave to Beeman.

Tabatha Evans, a 26-year-old mother of two, paid \$78,000 in December 1997 for a house in the 2400 block of E. Fayette St. in East Baltimore, although she had been told the price would be \$45,900.

Asked how she got a mortgage for \$50,700, Evans responded, "I don't know," claiming the seller assured her he "was taking care of everything."

"Unqualified buyers are put into unrenovated houses at exorbitant prices," said Andre Weitzman, an attorney who represents Green, Evans and more than 100 other buyers.

GRAPHIC: PHOTO(S) Victim: Attorney Andre Weitzman and client Gertrude Green testify before House subcommittee members on housing schemes.

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