

## Avoid Home Purchase Scams!

Shop for a home the right way – don't become a victim of home purchase scams! If you are considering buying a home, watch out for home purchase scams that turn the dream of homeownership into a nightmare. These traps are designed to steal your hard-earned money and leave you and your family out on the street.

Beware of rent-to-own, lease purchase, land contracts, seller financing and similar offers as they almost never work when they don't involve a governmental entity or reputable non-profit.

Rent-to-own or lease with the option to purchase: You pay a large down payment up front (that is supposed to be credited toward the purchase price). You pay high monthly rent (with part that is supposed to be credited toward the purchase price). Before the end of the option period (typically a year), you are supposed to find financing and purchase the home.

End Result: If you don't qualify for financing or the home doesn't appraise high enough for you to qualify for the loan amount you need, the seller evicts you, keeps the house, keeps your down payment and excess rent payments, and then turns around and preys on the next unsuspecting person.

Contract for deed or land contract: The seller provides financing and you think you own your home with a regular mortgage. However, the seller is not required to put title in your name until after you've paid all the monthly payments (often for a 30-year period). Typically, the contract requires you to make all necessary home repairs, pay the property taxes, and pay homeowner's insurance, even during the 30-year period when you do not actually own the home.

End Result: You spend time and money fixing up the home. If you miss a single payment, the seller evicts you like a tenant. The seller keeps the house with all the repairs and improvements you have made, keeps the down payment, and all the equity you have built into the house, and finds another unsuspecting person to prey on.

Seller-financed wraparound mortgage: The seller provides you a mortgage, but it "wraps" around the previous mortgage on the home. You make monthly mortgage payments to the seller, who then uses part of those funds to pay the previous mortgage and keeps the rest.

End Result: If the seller doesn't pay the previous mortgage payment each month, even if you are paying your mortgage on time to the seller each month, you will be foreclosed on by the previous mortgage company, and lose the home and all its equity.

## Protect Yourself

1. Find a local HUD-approved nonprofit housing counseling agency, and meet with a housing counselor to evaluate your options and enroll in a free homebuyer's workshop. Find a HUD-approved housing counseling agency at <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=GA>
2. Before you begin house hunting, work on your budget and your credit, save up for a down payment, and make sure you have good, steady income. Get pre-approved for a mortgage loan from a reputable bank or mortgage lender.
3. Have an expert (a lawyer) examine the purchase agreement, other documents you receive, and the final closing papers before you sign.
4. Hire an independent inspector to make sure the house is in good condition whether the house is new or previously owned.
5. Read other information and advice about the home buying process at <https://www.consumerfinance.gov/owning-a-home/>.

Have you or someone you know been targeted for a home purchase scam? Need legal assistance?

Call the Home Defense Program of Atlanta Legal Aid at (770) 648-4290.