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NEI's Real Estate Report

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Don't Get Caught In Mortgage Fraud

by Phoebe Chongchua

Mortgage fraud is among the top concerns of those investing in real estate. If you get caught in a mortgage fraud scheme it can create a financially painful and emotionally distressing situation. While there are many reputable and trustworthy mortgage providers, the lengthy documents filled with legal jargon make conditions ripe for misunderstandings. So before you sign, attorneys Jonathan Kurniadi and Jeff Hogue who specialize in real estate lawsuits have this advice to protect you from mortgage fraud or mishaps due to misunderstandings.

1. Read every page of every document.

It sounds like such a trite statement but really this is where many borrowers make their biggest mistake. "Most borrowers feel pressured to quickly sign loan documents, trusting that the content of the loan documents is correct. Also, trusting that the real estate loan professional has completed the loan paperwork in such a manner that the borrowers have agreed to. But there's no reason to feel pressured for one of the biggest purchases of the borrower's life," says Kurniadi of The JK Lawfirm, APC.

He suggests taking your time to completely review each page, even taking notes on portions of the document that you have questions or concerns. Also, check things that might seem obvious. One borrower signed loan documents only to find that the street address was incorrectly printed on every single page of the loan documents ~ getting them changed became a tedious process and required the resigning of all the loan documents.

Kurniadi says borrowers should not feel they have to sign the loan documents. He says always be prepared to walk away if it doesn't feel comfortable. He also says non-profit HUD approved community housing counselor agencies can help review the loan application and documents. "That's probably the quickest, cheapest, and most efficient source to have loan documents reviewed," says Kurniadi.

2. Sign documents only after seeing that the original and the copy contain the same contents. Be sure to get your copy.

"Some borrowers do not realize that they are entitled to a copy of their loan documents. And most borrowers forget that receiving a copy is useless if they don't make sure the contents of the original and the copy are the same before they sign the loan paperwork," explains Kurniadi.

He says borrowers must be certain they are comparing the documents before they sign because what can happen is "The borrowers will trust that the contents of the documents are the same as the originals (that they signed)," says Kurniadi. However, if the copy of documents the borrowers receive is not the same, Kurniadi says the original documents are what obligate the borrowers not the copies.

3. Make sure there is no false or even slightly fibbed information on your loan paperwork.

It's just not worth it to falsify information in order to push your loan through.

"Any real estate or loan professional who advises you to provide any false information on loan paperwork is putting you at risk," cautions Kurniadi. Jeff Hogue from Hogue and Belong adds, "There is no valid reason to provide false information on the loan paperwork, and most borrowers do not realize that signing a loan application is confirming its contents are true and correct under penalty of perjury."

And Hogue says, "If your loan broker tells you that 'everybody does it' or that 'it is legal and customary' to fib on how much you make, ask him to put that in writing for you." You can bet that won't be happen!

4. Check the license background of your broker.

Taking the time to review the background of your real estate agent and broker can prove to be invaluable. Make sure you do this before you ever provide any personal information or sign loan documents. Finding out if there is any pending litigation or complaints will help you decide if they are the best people to do business with.

5. Ask how much your mortgage broker is earning on your loan transaction.s

Hogue says that, "Often times, this is not disclosed. It is important information because sometimes the percentage of the loan broker's compensation will correspond to what interest rate you will pay on your loan."

As the adage goes, better safe than sorry ~ read your paperwork, tedious as it may be, ask questions, and give yourself time to understand it all. You'll be glad you did.

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Will Higher Loan Limits Matter?

by Peter G. Miller

The huge debate in Washington regarding whether or not conventional loan limits should be raised is over. Those who wanted higher limits won with passage of the new stimulus package, a big deal because higher loan limits mean that big-ticket buyers will be able to get larger loans at less cost.

The conventional loan limit had been \$417,000 before the stimulus package was passed. Loans above the limit are regarded as "jumbo" financing, mortgages for which borrowers pay a higher rate of interest.

Now the conventional loan limit will be increased to \$729,750, in large measure to stimulate home sales in high-cost areas such as California, Connecticut, Massachusetts, New York and the Washington, DC area.

The FHA loan limit for "high-cost" areas in the lower-48 states will also rise to \$729,750, more than twice as much as the old loan limit of \$362,790.

The real estate industry has been very much in favor of the higher loan limits, but not everyone agrees.

The Treasury Department opposed higher loan limits because it wanted more regulation for Fannie Mae and Freddie Mac, huge buyers of local mortgages. Treasury officials worried that bigger loans could equal more risk in the mortgage marketplace, something no one favors.

Regardless of how the debate went, real financial decisions are no longer made just in Washington. To have jumbo mortgages ~ to have any mortgages ~ there must be investors who buy

mortgage-backed securities. The way it works today is that a large percentage of all mortgages are sold by originators, packaged together and then used to back securities which are sold to investors worldwide. The money received from investors is used by lenders to create new loans.

If securities buyers in the Middle East, Europe and Asia don't line up to purchase mortgages with bigger loan limits then it doesn't matter what Washington wants. Without investors, super-jumbo loans simply won't be available at reasonable cost, regardless of what the rules say.

And that's the way the world turns.

FHA MORTGAGE LIMITS IN SOUTHERN CALIFORNIA BY COUNTY

County Name	FHA Limit
Los Angeles County	\$729,750
Orange County	\$729,750
Riverside County	\$500,000
San Bernardino County	\$500,000
San Diego County	\$697,500
Ventura County	\$729,750

**These higher loan limits are temporary
and due to expire at the end of the year.**



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