

Facts About Home Equity Fraud and various Fee Scams

Home Equity Fraud

Home equity fraud is a pervasive national problem, which calls out for redress. Although credit is widely available, it often is proffered only at exorbitant cost, and on unfavorable terms, which are incomprehensible to all but the most sophisticated consumers. Abuses are rampant, and there is virtually no effective regulation of such practices at either the state or the national level. The most egregious predatory practices involve equity skimming, or equity theft, which is asset based lending using a home as collateral in order to take equity in the home. Disproportionately affecting elderly African American women, equity skimming leads to egregious abuses of trust, poverty, foreclosure, and homelessness. Victims of home equity fraud can be deprived of their life savings and of their homes as well. It is essential that these abuses be monitored, publicized and addressed by consumer advocates, working together with consumer and community groups

Credit Insurance Scams.

The sale of credit insurance is proliferating in consumer transactions. Because credit insurance is very expensive and pays little in benefits, it is extremely lucrative. Finance companies, car dealers, and others engage in the practice of packing credit life, credit disability, and credit property insurance, among other products, onto loans without the borrowers' knowledge or consent. These insurance policies supposedly pay off the debt if the consumer dies, becomes disabled or suffers loss of the insured property. The finance companies sell these insurance products through wholly owned subsidiaries using reverse competition to look for the policies with the highest possible price, which pay the least in benefits. In addition, they then refinance or "churn" those loans repeatedly, each time rebating unearned insurance premiums in a way that favors them, and selling new policies. Finally, they deny claims whenever possible so that the amounts paid them for premiums and commissions are maximized.

Excessive Late Fees.

Imposing late fees on credit card accounts is another way companies reap billions of dollars in profits each year. Even though the companies charge the annual percentage rate of interest until payment is received, so are compensated for any delay in payment, many impose late fees of up to \$29.00. Because these fees are so lucrative, some companies engage in delayed posting of payments so that timely payments are treated as late in order that the charge can be imposed.