



# CONSUMER PROTECTION: HOME BUYING & MORTGAGES

by Texas Attorney General Greg Abbott

IN THE WAKE OF THE RECENT HOUSING downturn, many Texans are understandably cautious about the real estate market. But there are many things – like low interest rates, reduced sales prices and government incentives for first-time home buyers – that have many Texans thinking about exploring the benefits of home ownership.

Buying a home can be a complicated process – and mistakes or errors in judgment can have long-lasting consequences for a home buyer. Texans who are eyeing the real-estate market should educate themselves and enlist help from professionals who can protect their interests.

Ideally, Texans should make financial decisions that will foster healthy credit profiles long before they are ready to become home owners. Proof of financial responsibility, often in the form of a higher credit score, can often be parlayed into lower interest rates and mortgage costs.

One of the first things a home buyer should consider is hiring a knowledgeable real-estate agent. Asking friends and family for Realtor recommendations is a good place to start. But buyers should interview an agent to make sure the individual sounds like a good fit. Consider questions such as: How long have you been licensed? What are your hours? What are your rates? How are you different from your

competition? With which areas of town are you the most familiar?

Texas home buyers should learn as much as they can about their specific housing markets. The Internet provides a multitude of resources allowing prospective buyers to research homes. Home buyers should consider specific areas of town, home prices and values, tax rates, school districts, mortgage terms, interest rates, proximity and crime rates, as well as any other factors important to them. The more a buyer knows, the more difficult it is for an unscrupulous actor to take unfair advantage.

One of the issues under scrutiny and blamed for much of the mortgage crisis is predatory lending. Predatory lending refers to a variety of illegal activities in the loan industry, including deceiving borrowers into accepting unfair and abusive loan terms.

To reduce the risk of predatory lending, a prospective purchaser should do their homework to best understand mortgage financing. Shopping around for the best mortgage deal can save thousands of dollars over the life of a loan. The lower the interest rate, the less the owner will pay the lender to borrow money. Understanding the terms of the loan is also important. Some loans – like adjustable rate mortgages (ARMs) – have fluctuating interest rates, which means an owner could end up making

higher payments after an initial period of time. Home owners should carefully weigh their ability to pay more per month if the rate goes up.

Home buyers should consider getting quotes and information from a variety of lending sources, such as mortgage companies, commercial banks and credit unions. And, of course, home buyers should never sign a loan agreement or sales contract unless they are certain they fully understand the terms.

Lastly, home buyers should always use a title company. This is the only way home buyers can protect themselves from financial loss due to title defects, liens or other problems. Buyers should not skip this service even if the seller “just had a title search six months ago.” Any number of things can happen in six months that affect the seller’s ability to legally transfer a home’s title. Plus, the seller’s title insurance would not protect the buyer in the event that a claim against the property arose after the sale.

More home buying information is available on the Office of the Attorney General (OAG) Web site at: [http://www.oag.state.tx.us/consumer/buying\\_house.shtml](http://www.oag.state.tx.us/consumer/buying_house.shtml).

Texans who believe that they may be a victim of predatory lending, deceptive trade practices or other consumer fraud should visit the OAG’s Web site at [www.texasattorneygeneral.gov](http://www.texasattorneygeneral.gov) for more information and to file a complaint.

## POINTS TO REMEMBER



### HOME OWNERSHIP & MORTGAGES

#### Texas Department of Housing and Community Affairs

(800) 792-1119

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

#### U.S. Department of Housing and Urban Development

[www.hud.gov](http://www.hud.gov)

#### Federal Housing Administration

(800) 225-5342

<http://portal.hud.gov>

#### Home Affordable Refinance Program

[www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)

#### GovLoans.Gov

[www.govloans.gov](http://www.govloans.gov)

#### OAG Consumer Protection

(800) 621-0508

[www.texasattorneygeneral.gov](http://www.texasattorneygeneral.gov)



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