

Real Estate Perspective

By Loretta A. Hall



LOAN SEEKERS NEED TO KEEP EYE OUT FOR SCAMS

Home buyers and refinance's shopping for the most competitive mortgage rates should be on guard against loan application scams such as "Low-ball" quotes that evaporate on paper; "bait-and-switch" and "no-cost" cream-puff deals that's costlier than ordinary mortgages. Here's a quick overview of some of the latest scams being used across the United States.

Shall we start with "Low-Balling." This is most frequently found in metropolitan areas where borrowers have a wide choice of competing lenders and often do their initial rate-shopping by phone. When a prospective borrower phoned for rates and terms, according to industry sources, the low-baller deliberately offers a quote that's a notch below anybody else in the market. What the lender doesn't mention is that the rate is only guaranteed or "locked" for 10 days. After that it floats to whatever level the lender wants. In other words, if you were able to closed on your new mortgage or refinancing within 10 days, you could indeed get the cut-rate deal you were quoted. But who's prepared to complete an appraisal, credit check, title search and all the legal paperwork in 10 days on a home loan? Virtually nobody. And when do you typically find out that the rate you were quoted by phone was a 10-day wonder? At best, when you come to the mortgage company office and you're well along into the formal application process. But some borrowers, particularly refiners, don't hear about the evaporating rate-lock until much closer to settlement date. The 7.5, 30-year loan they thought they were getting has now turned into an 8% loan, or higher. Refiners are especially vulnerable because a loophole in existing federal law allows lenders to withhold truth-in-lending "good faith estimate" disclosures until settlement.

The National Association of Mortgage officials feels "Low-Balling" is unquestionably a problem that the mortgage industry needs to control. Consumers can avoid being snared by asking any provider of loan quotes over the phone or face to face one basic question: How long are your quotes good for? Many lenders offer rate packages that can be locked for 60 days, 45 days, 30 days or 10 to 12 days. To truly compare apples with apples, oranges with oranges, you've got to ask how long the rate is actually protected. If the rate or fees could go up sharply by tomorrow morning, what good is today's low quote? However, shall we go on to the second scam I would like to bring to your attention, the "Bait-and-Switch." Often used in tandem with low-balling, bait-and switch techniques can be so slickly done that the victim doesn't even know anything happened. The "bait" may be a low rate, no-points, no-closing-costs refinancing package. The quote may be made over the phone or across a desk. What isn't revealed up front, however, is that the package is reserved solely for borrowers with immaculate credit; not

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ever the tiniest late-payment blemish on a charge card is allowed. The applicant puts up a standard \$300 to \$375 non-refundable deposit to cover credit check and appraisal costs. In some cases, the non-refundable application fee totals one-half to 1% of the mortgage amount. Two weeks later the loan officer reports back that "I'm sorry, you've got this late payment on your credit history. Now of course, we know you're a good credit risk, but our funding sources insists on absolute perfection. So let me tell you what we can do for you..." Then the loan officer steers the borrower into a higher-cost loan package than the original.

The final scam is "No-Closing-Cost, No-Points Deals. Refinancers need to look hard and long at loan packages when the lender claims he's paying all closing cost and charging no "points." A point is equal to 1% of the loan amount. Mortgage industry executives say no-closing-cost packages are not necessarily rip-

offs, but they may be financially less attractive than they first appear. No-profits, no-closing-cost mortgages always come with a higher interest rate. In a market where standard 30-year fixed-rate loans go for 8% with 0 to 2 points, no-closing-cost loans may be quoted at 8.5% to 8.75%. What isn't disclosed to the borrower is that the loan originators may be getting \$3,000 to \$3,500 in extra premiums and fees from investors who buy the higher-rate loans from them. The borrower often ends up paying an excessively high monthly mortgage rate for years "saves" nothing and merely improves the loan originator's bottom line. Consumers, please ask lots of questions and don't be taken for a ride.

As always contact a professional for additional information regarding your special needs or send all inquires to me c/o REAL ESTATE PROSPECTIVE, Las Vegas Sentinel-Voice Newspaper, 1201 S. Eastern Avenue, Las Vegas, Nevada 89104

FINANCIAL REPORT

Estimating Your Social Security Income

By Fred T. Snyder

Estimating your future Social Security benefits used to be a difficult task, but not any longer. The Social Security Administration now provides an estimate of all future Social Security benefits to any taxpayer who requests it.

You simply submit a copy of form SSA-7004. You can pick one up at your local Social Security office. You can also obtain a copy by calling 800-234-5772.

This form asks you for a number of facts about yourself, including your name, Social Security number, date of birth, previous year's earnings, the age at which you plan to retire, and how much you expect to earn between now and retirement.

Based on this information and its own records of your previous Social Security payments, the Social Security Administration will produce an 8-page report called "Personal Earnings and Benefit Estimate Statement." This document usually takes 4 to 6 weeks and lists all the benefits you're likely to receive upon your retirement.

Monthly Benefit

Your report will contain an estimate of your monthly retire-

ment check from Social Security, in today's dollars, based on when you're planning to retire. It will also contain an estimate of the amount you would receive if you were to wait until age 65 to retire, (assuming you're planning on retiring earlier), and an estimate of the larger benefit you would receive if you were to continue working until you are 70 years old.

Survivor's and Disability Benefits

Based on your age, your family can receive special survivor's benefits in the event of your death. Your children will receive a percentage of your retirement benefit until they reach 18, and your spouse will receive your full benefit when he

or she turns 65. This report estimates the value of these benefits as well.

If you are unable to work for at least a year, or if you are terminally ill, you'll be eligible to receive disability benefits. Your report will include an estimate of the size of these benefits. Like survivor's benefits, disability benefits include income for dependent children.

Statement of Earnings

Finally, your report will contain a year-by-year statement of your earnings that were subject to Social Security withholding. You should carefully check these numbers against your own records; occasionally the Social Security Administration will make mistakes. Its best to resolve any



FRED T. SNYDER

discrepancies long before you need the retirement benefit.

Call Today

Obtaining a fairly accurate estimate of your Social Security benefits is a relatively simple matter and an excellent first step in your retirement planning efforts.

Fred Snyder is an investment advisor for UNION EQUITY PARTNERS.

SMALL BUSINESS SEMINAR AT THE LAS VEGAS LIBRARY

Learn how to be your own boss as Dick Beske from Service Core of Retired Executives (SCORE) and Jerilyn Schneider conduct a small business workshop for minorities Saturday, October 10, 9 a.m. at the Las Vegas Library, 833 Las Vegas Blvd. N.

Receive real-life suggestions for starting your own business from executives that know the ropes. SCORE volunteers come from all walks of life and have valuable experience in the business world.

Find out if your idea for a small business is a good one. Is there a need for the business in your neighborhood?

SCORE executives will cover all the angles to opening a small business including how to determine if there is a need for your

business. Discover how to choose the best location for your business and how to serve the public once the doors to your business are open.

Find out tips to financing a small business. SCORE executives will guide potential small business owners through the decision making process of opening a small business and help make sound business decisions.

Look at all the angles and examine what's in it for you.

William E. Dougan, M.D., FACOG

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