Looking to Refinance Your Home? Beware of Bait & Switch Tactics

Are you looking for a new mortgage? Are you trying to refinance your existing home? Many people, especially those who got steered into sub-prime loans during the housing boom are. That’s because many people are being hit with mortgage payments that that have adjusted upwards and are now two or three times what they were a few months ago.

If you are looking for a mortgage, you need to be aware of the fact that once you apply, your name will likely be added to a “trigger list”. These are lists compiled by Experian, Trans Union and Equifax of people who have recently applied for a loan through a mortgage broker. The lists are then sold for thousands of dollars as leads to lenders. And that’s where the problem begins.

Trigger lists don’t just contain your name and phone number. They contain much of your most personal financial data. This can include your FICO score, your income, and your credit payment history. By the time a lender calls you, they know as much about your financial background as the broker who you filed your loan application with.

Because the housing market has slumped dramatically over the past few months, new borrowers have become a lot more valuable to lenders. That means that trigger lists are selling like hotcakes. It also means that some unscrupulous lenders are saying just about anything to consumers in order to get their business. The result of this is that consumers are being promised low interest rates up front only to be told at closing that they didn’t qualify for such a good loan. This leaves the borrower with the choice of starting from scratch – which is not always possible – or walking away – which may carry some penalties.

Some organizations have asked the government to step into the situation to stop such practices. The president of the National Association of Mortgage Brokers, Harry Dinham, has been very public in his view. He believes that use of trigger lists may violate provisions of the Fair Credit Reporting Act. He also believes that mass distribution of trigger lists exposes loan applicants to the threat of identity theft. He said, “This is a big gaping hole in the system and we’d like to see it shut.”

A number of organizations had asked the FTC to step into fray and stop the use of trigger lists. But last week, the FTC issued its long awaited ruling, and it doesn’t look good for consumers. The agency said that it doesn’t have the regulatory authority to ban the use of trigger lists. This is somewhat amazing since the FTC does have regulatory authority over matters concerning both consumer credit and identity theft.

The ruling is a serious setback because it means the FTC will not regulate the industry in a proactive manner. The agency has said that it does have enforcement authority over bait and switch scams, as well as misuse of consumer credit information. But because the agency’s stance, it will remain the job of victims to report incidents to the FTC rather than having the FTC attempt to prevent new cases before they happen.

Mortgage applicants do have a weapon they can use to prevent trigger list telemarketing calls. Make sure that your name is on the national Do Not Call registry. Once your name is on the list, telemarketers are banned from calling you unless you have done business with them in the last 18 months. To get your phone on the registry, go to www.donotcall.gov or call 888-382-1222.

by Jim Malmberg

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