

# Flipping cases of city homes drop 77% since '99, report says

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SUN REPORTER

MARCH 23, 2006

A month after Gwendolyn Moore bought her first home, the roof started to leak. Then she learned that her monthly mortgage payments would jump from \$500 to \$700 and that her interest rate would grow each year.

The Mayfield resident considered foreclosing on her property when she learned that the man who had sold her the house had been accused of "flipping" - an illegal scheme in which speculators buy low-cost housing, obtain false appraisals and quickly resell the properties at inflated prices.

Moore got in touch with the city's Flipping and Predatory Lending Task Force, set up to help people victimized by shady real estate deals, prosecute offenders and strengthen lending laws. The task force issued its final report yesterday, indicating that the number of flipping cases in Baltimore has dropped 77 percent since 1999.

When Moore contacted authorities, she discovered that the house that she had bought for \$77,000 in 1998 had been sold for \$34,000 just six months earlier, and that the previous owner had made only superficial improvements. Moore managed to stay in her house and testify in the trial that convicted the unscrupulous seller.

Aggressive efforts to prosecute real estate predators, educate homebuyers and reform federal home lending guidelines have help reduce the number of flipping cases, U.S. Sen. Barbara A. Mikulski said at a news conference at the **Patterson Park** library announcing that the task force had concluded most of its work.

"We told the flippers, 'You can run, but you can't hide,'" the Maryland Democrat said.

The **Patterson Park** neighborhood had been particularly hard hit by flipping and is now enjoying a boom period of high real estate prices.

Since the task force was formed in 2000, more than 100 appraisers, attorneys, settlement officers and phony homebuyers have been convicted for flipping or predatory lending, U.S. Attorney Rod J. Rosenstein said, adding, "We can reduce crime just by letting criminals know that we are watching." Many of those convicted are serving prison time or have paid restitution to their victims.

Mikulski, who was joined by U.S. Sen. Paul S. Sarbanes and U.S. Rep. Elijah E. Cummings, praised grass-roots advocacy groups such as the St. Ambrose Housing Aid Center.

The nonprofit center counsels homebuyers about mortgage payments, interest rates and

credit issues. It also provides legal aid to owners saddled with house payments that they cannot afford.

"We used to see people who had been ripped off by the carloads," said Frank Fischer, a counselor with St. Ambrose, adding that greater awareness of the problem means that fewer homebuyers become victims of swindles.

To prevent flipping, St. Ambrose buys inexpensive homes and sells them with reasonable financing to low-income residents. Moore refinanced her home through St. Ambrose and now pays a \$483 monthly mortgage. The lower payments enabled Moore to waterproof her basement and renovate her porch.

Barbara Aylesworth, executive director of **Belair-Edison** Neighborhoods Inc., another area hard hit by foreclosures in recent years, attributed foreclosures in her region to problems with Federal Housing Authority lending practices that allowed people to purchase homes that they could not afford.

A national task force has reformed federal lending guidelines by making lenders and appraisers more accountable, Mikulski said.

In 2004, 245 homeowners faced foreclosures in **Belair-Edison**. Last year, that number dropped to 157, said Aylesworth, a member of the flipping task force.

However, Aylesworth cautioned that the decrease in foreclosures might be because of people selling their homes for cash, a growing trend in the region.

People with limited incomes can buy and maintain homes in Baltimore, said David Tillman, a city housing department spokesman. His agency offers incentives for state and local government employees, public housing residents or people who meet Section 8 guidelines.

Said Tillman: "Compared to Washington and many other cities, Baltimore is still affordable."

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