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HEADLINE: Hearings to begin on 'flipping'; Measures aim to curb fraud in rapid turnover of city properties; Inflated appraisals a target; Bills would expand state regulator's power, require more licensing

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BODY:

General Assembly committees begin considering tomorrow the first of several bills aimed at arresting an epidemic of property flipping that has seen more than 2,000 Baltimore houses bought and quickly resold at markups of at least 100 percent in the past four years.

The bills target sales in which inflated appraisals and falsified documents are used to obtain mortgages that exceed the value of the houses, defrauding lenders and buyers, who are often stuck with high-interest loans they can't afford to repay.

The hearings occur as two Baltimore delegates, Carolyn Krysiak and Samuel I. Rosenberg, both Democrats, are asking Gov. Parris N. Glendening to combat flipping by giving state regulators more staff, increasing financing for nonprofit agencies to counsel prospective homebuyers and financing nonprofit groups' acquisition and rehabilitation of flipped houses that have been abandoned or seized in foreclosures.

Glendening spokesman Michael Morrill said the governor wants to curb flipping, but hasn't agreed to specifics. "He absolutely wants to see action taken that addresses this issue," Morrill said. "What he wants to see is a final proposal after everyone has sorted through the complexities, before we agree to a specific plan."

The five measures would:

Expand the power of the commissioner of financial regulation to police mortgage brokers and lenders and require that state agency to keep closer watch on lenders.

Require licensing of all appraisers.

Limit fees and points mortgage brokers and lenders could charge and place restrictions on lenders of high-interest mortgages.

Make information on property sales in Baltimore available on a state Web site more quickly.

A House Commerce and Government Matters Committee hearing tomorrow will consider the bill to broaden the authority of financial regulation Commissioner Mary Louise Preis. The four other bills will be heard later by that panel and the House Economic Matters Committee.

Del. Maggie L. McIntosh, a Baltimore Democrat, is sponsoring the bill to strengthen Preis' hand. It would allow her to quickly issue cease-and-desist orders if regulators find illegal activity. And, Preis said, it would give her agency more authority to go after lenders and brokers who operate without required licenses.

"This bill would broaden our ability" to enforce the law, Preis said.

She complained last month that her agency's "current ability to discover and investigate mortgage fraud is below that of other states," adding, "If your enforcement gets lax, people recognize it, and it becomes a good place to do fraudulent business."

Krysiak planned to introduce a bill last night to require the commissioner of financial regulation to more frequently examine each of the state's 2,700 licensed mortgage lenders and brokers.

Since 1990, the number of staffers who examine licensees has fallen from 12 to five while the number of licensees has tripled from 900 to more than 2,700. Each licensee is examined every five or six years, says deputy commissioner Nerry Mitchell.

Krysiak's bill would require examination of each company every three years. New licensees would have to be examined initially within 18 months of licensing.

Missing from the legislative package is an expected measure that would require sellers to disclose details of their acquisition of the property, including when they bought it, what they paid and what they spent on renovations.

Rosenberg says on his Web site that he and Krysiak "will introduce" such a measure.

"First-time homebuyers would thus have more information as to the true value of the home they are thinking of purchasing," he says.

But Krysiak has pulled back since she first discussed such a measure last fall, saying she fears it could "slow down sales" in rising real estate markets and misrepresent values in declining neighborhoods.

"I'm worried about areas like Canton, where someone might have bought a house for $60,000 and it's now worth $200,000."

The Greater Baltimore Board of Realtors opposes forcing sellers to reveal more information. "Additional disclosures will only hurt legitimate sellers by forcing them to defend their asking price," the board told legislators last month.

One possibility, Krysiak said, is to require sellers to inform buyers that the sales history of the house is available on the State Department of Assessments and Taxation Web site and provide the information if it has not appeared on the Web site.

City property transactions do not show up on the agency's Web site until seven or eight weeks after the deed is recorded, said Ronald W. Wineholt, who runs the agency. Houses often are flipped on the same day.

"That's a significant blind spot" that limits public access to sales information, he added.

Krysiak has introduced a bill that would make the information available in a week or two, Wineholt says, by transferring responsibility for compiling it from city government to his agency.

Rosenberg says, "We're still giving serious thought to some form of notification as to the most recent sale."

Another Krysiak bill, co-sponsored by Rosenberg and 13 others, would require the licensing of all appraisers. Appraisers are key figures in property flipping. Their inflated valuations persuade lenders to provide mortgages to buyers that often exceed the value of the house.

Licensed appraisers are involved in many Maryland home sales, as required by federal agencies that guarantee mortgages and many firms that buy mortgages, according to Gregory J. Glover, chairman of the state Real Estate Appraisers Commission.

The Maryland Bankers Association, whose members sometimes use unlicensed appraisers, opposes the bill, arguing that it will drive up settlement costs on mortgages and home equity loans.

"The appraisers who have created problems are already licensed," said Robert Enten, lobbyist for the organization.

Glover says the bill would increase the industry's professionalism "and give us better regulatory control over the profession." He said the commission gets complaints about unlicensed appraisers but doesn't keep records of those phone calls.

Another bill, introduced by Del. Salima Marriott, a Baltimore Democrat, would limit the points and fees that mortgage and home equity borrowers could be charged and would place a series of restrictions on loans and lenders, particularly high-interest loans.

Many of the mortgages that have financed flips are high-interest loans that would be covered by the bill's strictest provisions.

The Association of Community Organizations for Reform Now (ACORN) says it asked Marriott to introduce the bill.

"It's an important bill," said Norma Washington, president of the board of ACORN's Baltimore chapter. "Predatory lending is being targeted into lower-income and moderate-income communities, mostly lower-income."

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