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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

June 14, 2023

David Yost
President
National Association of Attorneys General
1850 M Street NW
12th Floor
Washington, DC 20036

Dear Mr. Yost,

We write to ensure that the National Association of Attorneys General is aware of a fraudulent scheme that targets vulnerable homeowners with cash offers and rapid settlement for their homes without informing the sellers that these cash offers are well below market rate. In addition to misleading homeowners, the scheme may also involve steps to tie up property in litigation to damage a home's salability and force the completion of the disadvantageous sale.

Recent reporting has uncovered allegations of predatory practices used by franchises of HomeVestors of America, a Texas-based real estate investment company that operates in nearly every state. HomeVestors claims to offer homeowners the opportunity for a fast and easy sale, regardless of the condition of their home.¹ However, a recent investigation by ProPublica has found alarming concerns about the firm targeting vulnerable homeowners and communities, using deception and coercion to close sales, and employing complex legal maneuvers to prevent their victims from backing out of sales despite unfair conditions. When homeowners or their loved ones have tried to cancel a sale, franchises have sued or filed a *lis pendens* notice against the property, clouding the title and effectively blocking another sale.

As the chair and ranking member of the United States Senate Subcommittee on Housing, Transportation, and Community Development, we believe it is critical that homeowners, particularly those in a vulnerable position due to their health or financial situation, are protected from exploitative practices.

Attorneys general provide critical protection for consumers against fraud and are empowered to pursue bad actors that seek out vulnerable homeowners for exploitative offers and predatory legal maneuvers. In considering best practices, we recommend attorneys general to take the following common-sense steps to address this important issue:

¹ <https://www.propublica.org/article/ugly-truth-behind-we-buy-ugly-houses>

Post alerts to protect consumers and guides to direct victims to resources.

Companies perpetrating fraudulent schemes may seek out those who are unable to advocate for themselves. Educating homeowners about the risks of accepting an unsolicited cash offer and the warning signs of fraud is critical.

Research suggests that for every reported incidence of financial exploitation of the elderly, up to 44 additional cases go unreported.² Guides should also provide steps that homeowners and their families can take if they believe they have been a victim of fraud, including clear instructions for reporting complaints to law enforcement and your members.

Monitor for trends and patterns in complaints and encourage cooperation and coordination in response.

Given the underreporting of fraud, multiple independent complaints about the same cash buying service should be carefully scrutinized. Moreover, fraudulent schemes of this nature may combine elder abuse and financial exploitation. Cooperation and coordination between experts or specialized units in your office may be necessary.

Advocate for tools that empower homeowners.

Attorneys general may be in a position to advise state and local officials and advocate for additional protections for consumers.

For example, a fraudulent scheme may rely on hard sell techniques, including practices such as going door to door and pressuring the homeowner to immediately accept an unsolicited offer. The Federal Trade Commission's "Cooling-Off Rule" does not apply to sales of real estate,³ but states could offer additional protections through a state cooling-off period that covers these transactions if they do not already.

Attorneys general could also advocate for local officials to make it simple for homeowners to view real estate records online and sign up to be notified of changes regarding their properties.

We laud your members that have already taken these steps to protect consumers and pursue bad actors.

Home equity represents more than a quarter of all household wealth in our country and we are deeply troubled by schemes that are all too eager to pilfer it. We appreciate your dedication to safeguarding consumers and respectfully request that you continue work to put a stop to unfair, deceptive, or abusive acts or practices, and ensure that HomeVestors and other similar firms are not allowed to take advantage of our nation's most vulnerable homeowners. Americans work

² <https://ocfs.ny.gov/reports/aps/Cost-of-Financial-Exploitation-Study-2016May.pdf>

³ <https://consumer.ftc.gov/articles/buyers-remorse-ftcs-cooling-rule-may-help#:~:text=Report%20Problems-,What%20Is%20the%20FTC's%20Cooling%20Off%20Rule%3F,center%2C%20fairground%2C%20or%20restaurant.>

hard to build equity in their homes and should be protected from those seeking to reap the benefits of their investments.

Sincerely,

A handwritten signature in blue ink that reads "Tina Smith". The signature is stylized and cursive.

Tina Smith
Chair
Subcommittee on Housing,
Transportation, and Community
Development

A handwritten signature in blue ink that reads "Cynthia Lummis". The signature is cursive and includes a middle initial.

Cynthia Lummis
Ranking Member
Subcommittee on Housing,
Transportation, and Community
Development