

# PREDATORY LENDING

## OVERVIEW

# Identifying and Avoiding Predatory Lending

As a HUD-approved housing counseling agency, we work every day to protect and educate home buyers as they make life's most important borrowing decision. Our Predatory Lending guide book includes:

- What is predatory lending?
- Subprime mortgage lending
- What specific lending practices are abusive or predatory?
  - Deceptive marketing
  - Lending without regard to a borrower's ability to repay
  - Excessive fees and insurance
  - Broker yield-spread premiums
  - High interest rates and "balloon" payments
  - Loan "flipping"
  - Prepayment penalties
- Recommendations to consumers
  - Working with a housing counselor
  - Avoiding high-pressure situations
  - Reviewing paperwork
- Things to know
  - Lending terms and definitions
- Beware of terms and conditions that mean higher costs for you
  - High points and fees
  - Single premium credit life or credit disability insurance
  - Prepayment penalty
  - Balloon payments
  - Adjustable rates
  - Mandatory Arbitration

# Predatory Lending (cont'd)

- **At the appraisal**
  - Warning signs of a fraudulent appraisal
- **Watch out for these 12 warning signs of high-risk lending:**
  - Excessive fees and high rates
  - High-pressure sales tactics
  - Fine print changing the terms
  - Being forced to buy credit insurance
  - Frequent refinancing the original loan
  - Unexpected closing costs
  - Being told to leave parts of an application unsigned or incomplete
  - A mortgage loan that is greater than the value of the home
  - Requests to falsify a loan application
  - Being forced to borrow to pay a large lump sum after initial payments
  - Monthly payments that turn out higher than initial disclosures
  - Missing key forms and disclosures in your loan file
    - Good Faith Estimate
    - Special Information Booklet
    - Truth in Lending form
    - HUD Settlement Statement
- **Reminder to borrowers**
  - Know what you can afford
  - Choosing a reputable, licensed broker/lender
  - Applying for a loan
  - Before you sign
- **Outside resources**
  - AARP
  - Freddie Mac
  - FTC Consumer Response Center
  - Federal Reserve Division of Consumer and Community Affairs
  - US Department of Housing and Urban Development (HUD)



# Predatory Lending



## Credit.org

1825 Chicago Avenue  
Suite 240  
Riverside, CA 92507

PO Box 5438  
Riverside, CA 92517-5438

**(800) WISE-PLAN (800) 947-3752**

**[www.credit.org](http://www.credit.org)**

