



Predatory Lending

There are many lending practices which have been called abusive and labeled with the term "predatory lending." Here are some tips to help you avoid becoming a victim of predatory lending or loan fraud.

Signs of predatory lenders

- Home improvement contractors offering to arrange financing
- Lenders offering loans to rescue a homeowner from foreclosure
- Lenders referring rejected loans to subprime lenders that may be their affiliates
- Misrepresentations and conflicting information (verbal and written)
- Telephone solicitations, door-to-door solicitations, direct mail fliers, the internet and TV commercials offering "slow credit, no credit, no problem" loan programs
- Repeated offers to refinance
- Loans that require balloon payments
- High-pressure tactics to get you to sign the loan before reading and understanding the fine print
- Request for signatures on incomplete or blank loan documents
- Failure to provide a "Good Faith Estimate"

Examples of predatory lending practice:

Fraud

- Forged loan documents
- Hidden terms
- Incomplete disclosures

Bait & Switch

- Qualified borrowers steered away from affordable loans

Balloon loan refinanced with excessive fees

- Low monthly payments with a large final payment

Required credit insurance

- Credit life insurance
- Credit disability insurance
- Unemployment insurance

Prepayment penalties

- Penalties for paying off a loan ahead of time to keep loan continued as long as possible

Flipping

- Repeated refinancing of loan balance into a new loan, sometimes without knowledge of the borrower

How to protect yourself

- Don't let the promise of extra cash or lower monthly payments get in the way of your good judgment
- Don't agree to a loan that is more than what you believe your house is worth
- Don't sign documents you have not read or have blank spaces to be filled in after you sign
- Don't take the first loan you are offered

- Don't give in to high pressure sales tactics
- Beware of quick fixes and easy credit programs. For help, contact Housing Opportunities Project for Excellence, Inc.

(H.O.P.E.):1-888-995-HOPE.

Predatory Lending Hotline: 305-655-3153

FAX/TDD: 305-493-0108

Additional resources

Anti-Predatory Lending/Foreclosure Prevention Hotline: 786-331-5348

Legal Services of Greater Miami: 305-576-0080

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