

What is **PREDATORY LENDING?**

In communities across America, people are losing their homes and their investments because of predatory lenders, appraisers, mortgage brokers and home improvement contractors who:

- Sell properties for much more than they are worth using false appraisals.
- Encourage borrowers to lie about their income, expenses, or cash available for down payments in order to get a loan.
- Knowingly lend more money than a borrower can afford to repay.
- Charge high interest rates to borrowers based on their race or national origin and not on their credit history.
- Charge fees for unnecessary or nonexistent products and services.
- Pressure borrowers to accept higher-risk loans such as balloon loans, interest-only payments and steep pre-payment penalties.
- Target vulnerable borrowers for cash-out refinance offers when they know borrowers are in need of cash due to medical, unemployment or debt problems.
- “Strip” homeowners’ equity from their homes by convincing them to refinance again and again when there is no benefit to the borrower.
- Use high pressure sales tactics to sell home improvements and then finance them at high interest rates.



Housing counselors with a HUD-approved agency can help you be a smart consumer. To find a counselor near you, call 1-800-569-4287 or go to HUD’s web site www.hud.gov.

WHAT TACTICS DO PREDATORS USE?

- A lender or investor tells you that they are your only chance of getting a loan or owning a home. You should be able to take your time to shop around and compare prices and houses.
- The house you are buying costs a lot more than other homes in the neighborhood, but isn’t any bigger or better.
- You are asked to sign a sales contract or loan documents that are blank or contain information that is not true.
- You are told that the Federal Housing Administration insurance protects you against property defects or loan fraud — it does not.
- The costs or loan terms at closing are not what you agreed to.
- You are told that refinancing can solve your credit or money problems.
- You are told that you can only get a good deal on a home improvement if you finance it with a particular lender.

REMEMBER

If a deal to buy, repair or refinance a house sounds too good to be true, it usually is!

