

Loan Closing Checklist:

- Make sure that you receive your good faith estimate within three days of submitting your loan application.
- Contact the escrow agent and request copies of your completed documents at least one day before your appointment to sign the loan papers.
- Visit a local housing counselor, attorney, trusted family member, or friend to review all documents with you. Make sure you understand all the terms of the loan.
- Check your promissory note to make sure the interest rate is correct, there are no pre-payment penalties or balloon payments.
- Also, if you have an adjustable rate mortgage (ARM), make sure that you receive an ARM disclosure rider. This will explain how often your rate may change, how much your payment may increase, and the maximum interest rate and monthly payment.
- Review your HUD-1 settlement statement; Verify all fees. Be sure each fee on the statement also appears on the Good Faith Estimate. If the fees are substantially different, **DO NOT SIGN** any documents unless you agree with the new terms.

Predatory Lending; A Sad Story

The American dream can quickly turn into a nightmare. In a neighborhood of picket fences, you will see a number of large orange stickers on windows declaring the homes property of the federal government. "What happened," you ask? Many home owners were qualified by the builder and financed by an FHA (federally insured) loan. Some buyers were qualified for much more than they could truly afford, based on inflated or unsubstantiated incomes. Others were approved under a three year buy down that allowed them to pay only a portion of the interest for the first two years, only to be hit with the entire rate the third year. This caused some payments to increase as much as 30%. As for the builder, they've likely moved on to another development, knowing that even if the FHA loans are defaulted on, they will still get their money.

BEWARE: Take control of your finances. Figure out what you can afford **BEFORE** you search for a home. If someone tries to convince you that you can afford more than you **KNOW** you can, check all the terms of the agreement and think long-term **BEFORE** you sign anything.

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Do You Know How to Avoid a Predatory Mortgage Loan?



What is a Predatory Loan?

A predatory loan is a dishonest loan. Predatory loans harm borrowers by making it difficult or impossible to keep up with their loan payments. Predatory lenders prey on people who are unfamiliar with the banking system. They target seniors, minorities, or anyone whose credit makes it hard for them to get a traditional bank loan. Predatory loans take advantage of borrowers through a variety of abusive practices such as:

- Targeting elderly people, those with disabilities, and people of color for high cost loans.
- Charging excessive interest rates and/or higher fees.
- Approving a loan without considering the borrower's ability to repay the loan.
- Convincing borrowers to frequently refinance (or flip) the loan.
- Carrying terms that make it difficult for the borrower to refinance later.
- Keeping secret the true costs and terms of the loan.



Possible Signs of a Predatory Loan:

- Total bank fees greater than 2% of the total loan amount.
- Balloon payment (a lump sum due at the end of the term of a loan).
- Pre-payment or early payoff penalties.
- Loan is based on home equity rather than borrower's income.
- Credit Life Insurance is added to the loan.

How Can You Avoid a Predatory Loan?

Finding the best loan is no different than making any other purchase.

- Be a smart shopper.
- Talk with a number of different lenders and compare offers.
- ASK QUESTIONS!
- Know the bottom line before you sign anything.

If you are refinancing, you are always free to refuse to sign the documents and walk away from the table if you don't like the terms of the offer.

Remember:
If it sounds too good to be true, it probably is!

Tips to Help You Avoid Becoming a Victim

- Take a free financial literacy or home buyer class.
- Fix your credit before you apply for a loan.
- Shop around; compare rates and fees.
- Be sure to get all quotes in writing.
- Have someone you trust (a family member, a friend, or an attorney) review the documents before you sign them.
- Think twice about financing the cost of credit insurance into your loan.
- When you use your home as collateral for a loan, be extra careful! A bad loan can put your home in jeopardy.



Ask Your Lender:

- What is the best annual percentage rate I can get today?
- Is the rate fixed or adjustable?
- What is the total monthly payment including taxes and insurance?
- What is the term (length) of the loan?
- Is there an application deposit? How much is it, and how much is refundable?
- Is there a balloon payment due on the loan?
- Are there any pre-payment penalties, and for how many years are they in effect?
- Will the interest rate increase if my payments are late?