

## **CONSUMER TIPS TO AVOID ABUSIVE LENDING PRACTICES**

Deciding to purchase a home is one of the most significant decisions that a consumer will ever make. It is crucial that the professionals consumers will work with during the home buying process treats each individual in an appropriate manner. While most mortgage industry professionals are honest and ethical, it is still important for consumers to be educated as they prepare to enter the largest financial transaction of their lives. Homeowners should be knowledgeable about the mortgage process so they can protect their financial interests and get the best loan for their needs.

Here are some tips to avoid abusive lending practices during the home buying process:

**Shop around and compare.** If you need to borrow money for a home purchase, refinance, home repairs, medical expenses or bill consolidation, shop around with different brokers and lenders. Compare interest rates and find out what the total costs of the loan will be and your monthly payment before making a decision. Use the Good Faith Estimate from each application to compare the loan terms and costs.

**Negotiate.** Don't let the promise of extra cash or lower monthly payments get in the way of your good judgment about whether the cost you will pay for the loan is really worth it. Don't agree to a loan that includes extra products you don't want. Negotiate the loan terms and agree to a loan amount only for what you need.

**Be cautious.** Be wary of anyone who calls you on the phone, solicits you in the mail or comes to your door offering "bargain loans". Beware of claims that the offer is only available for a short period of time. Beware of lenders claiming 'bad credit – no problem'. If the loan seems too good to be true, it probably is.

**Never act immediately.** Say "no" to lenders who ask for upfront fees allegedly to cover a first loan payment and other expenses as part of the application. Never pay a lender cash for any fees, and always make the check payable to the lender, not the individual loan officer.

**Don't be afraid to ask questions.** You have a legal right to know the total cost of the loan, the annual percentage rate (APR), the monthly payments, and how long you have to pay back the loan. If you are unsure of any terms of the loan, ask. If you don't get a straight answer, go elsewhere for your financing needs.

**Read carefully before you sign.** Don't sign any document you haven't read or has blank spaces to be filled in after you sign. Don't be pressured into signing any loan papers that you do not understand. If you need an explanation of any terms or conditions, talk to someone you trust, such as a knowledgeable family member or attorney. Get copies of everything you sign.

**Borrow only the amount you need and can afford to repay.** Just because you qualify for a certain amount of money doesn't mean you can afford to pay it back. Determine exactly how much money you need, borrow only that amount, and find out exactly how much you will have to repay every month. Make sure you will have enough money left over to pay your other bills.

**Immediately get help if you feel you have been victimized.** Contact your local Better Business Bureau to report the individuals and companies you worked with.

**Understand the terms of your loan.** Some loans may sound very attractive because the monthly payment is small. Ask about balloon payments at the end of the loan period. Make sure you know the dollar amount of each monthly payment and ask if the monthly payment can change at anytime during the repayment process. If so, find out when it will change and by how much.