



# Predatory Lending: An Overview

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# Workshop Objectives

- Define predatory lending
- Identify who is targeted by predatory lenders
- Identify “tricks and tools” of predatory lenders
- Discuss ways to avoid predatory lenders
- Discuss how to get a fair loan



# What is a Predatory Loan?

A loan where someone targets you for the purpose of taking advantage of you.



# Effects of Predatory Lending

- On borrower
  - Higher payments
  - Increased stress
  - Lose home
- On community
  - Lower property values
  - Abandoned property
  - Increased crime



# Extent of Problem in Ohio

- Ohio foreclosure rate four times higher in 2004 than 1994
- Cuyahoga County foreclosure rate five times higher in 2005 than 1995



# Who is Targeted by Predatory Lenders?

- Anyone can be a victim
- Elderly homeowners
- Minority homeowners
- Homeowners with high equity
- People in default and/or foreclosure



# Features of Predatory Loans

- High fees (“closing costs”)
- High interest rate
- Prepayment penalty
- Balloon payment
- Adjustable interest rate (ARM)
- Repeated refinancing (“flipping”)



# How do Predatory Lenders Operate?

- Knowingly mislead borrowers
- Hide loan terms
- Charge unreasonable fees and/or interest



# Ways to Avoid Predatory Lenders

- Never, ever, sign a loan document
  - Before you have read it
  - Before you have read all of the documents
  - Without understanding what you have read
  - That contains blank spaces
  - Under pressure
  - Before consulting an attorney or other professional



# Ways to Avoid Predatory Lenders

- Never get a loan from:
  - Door-to-door salespeople
  - People who call you on the phone
  - People who send letters to you
- Do not call registry
  - [www.donotcall.gov](http://www.donotcall.gov) *or* (888) 382-1222
- Opt out of pre-screened offers
  - [www.optoutprescreen.com](http://www.optoutprescreen.com) *or* (888) 5-OPTOUT



# How to Get a Fair Loan

- Why do you need loan?
  - Home repairs?
    - Look for other programs:
      - County
      - City
      - Other



# How to Get a Fair Loan

- Why do you need loan?
  - Consolidate debt?
    - Costs of \$10,000 loan:
      - 8% interest, 5 year term = \$12K
      - 15% interest, 5 year term = \$14K
      - 8% interest, 30 year term = \$26K
      - 12% interest, 30 year term = \$37K
    - Do not consolidate credit card debt on mortgage



# How to Get a Fair Loan

- Get a copy of your credit report
  - Make sure it is accurate
  - [www.annualcreditreport.com](http://www.annualcreditreport.com) *or*
  - (877) 322-8228
- If you want your “FICO” credit score
  - [www.myfico.com](http://www.myfico.com) *or* (800) 319-4433
  - \$15 each; \$45 for all 3
- Shop around
  - Get at least 3 written quotes



# How to Get a Fair Loan

- Call Better Business Bureau to find out about complaints against lender or broker
- Walk away from high-pressure sales people
- Get verbal promises in writing before signing the contract



# How to Get a Fair Loan

- Read loan documents carefully
- Ask questions about everything you do not understand
- Do not be rushed – take your time
- Never sign any documents with blank lines
- Ask for copies of all documents you have signed



# How to Get a Fair Loan

- You may be able to cancel within 3 days of signing (excluding Sundays)
- If think there is problem, don't sign
- If already signed, talk to someone right away



# Questions?

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