Illegal Practices

There are often don't have a chance of repaying their loans. These lenders make loans to people who have never taken out a loan or who have taken out loans in the past that they couldn't pay. People who have poor credit histories are often referred to as “subprime” borrowers.

Predatory lending

If you have a mortgage, your right of rescission is called your right of rescission. This gives you the right to cancel your mortgage within 3 to 10 days of refinancing. If you're a victim of a high-interest or second home loan, you may have options through the Federal Housing Administration (FHA). If you have a credit card, you may have options through the Consumer Financial Protection Bureau (CFPB).

Consumer Action

www.consumer-action.org

717 Market Street
Suite 310
San Francisco, CA 94103
415-777-9635
TTY: 415-777-9456
hotline@consumer-action.org

523 W. Sixth Street
Suite 1105
Los Angeles, CA 90014
213-624-8327

Chinese, English
and Spanish spoken

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rate card because they have damaged credit. Often homeowners with high credit card debt and damaged credit are targeted for home loans to consolidate debt. The lenders have a legal right to take your home and sell it if you don’t repay the home loan.

**Warning signs of a bad loan**

Shop around and compare different offers. Avoid any loans with:

- **Expensive closing costs.** The law requires that borrowers be given a “good faith estimate” of all fees and costs for a loan. But even with the estimate, costs are often somewhat higher at closing, so make sure you have adequate funds on hand. However, if the costs double or triple the estimate, do not accept the loan.
- **Balloon payments.**
- **Upfront fees as a requirement of receiving a loan.**
- **Telephone solicitations, door-to-door loan offers or any high-pressure sales tactics.**
- **Credit life or disability insurance policies required by the lender.** These are money makers for the lender that will not benefit you. (An exception is title insurance when you buy property—get an owner’s title policy.)
- **Penalties for prepayment.** This could cost you if you improve your credit history and want to refinance the loan at a lower rate.
- **Unlicensed lenders.** Always check licenses with your state department of real estate or other licensing agency.
- **Documents with missing dates or blank spaces.** Make sure the signature lines are part of the entire contract, not loose pages that could be added to a loan with different terms.
- **Brokers who ask you to lie on a loan application so that you will qualify.** It is a crime to lie on a credit application.
- **A broker who recommends that you repeatedly refinance your loan.** This is a scam that results in more profit for the lender.
- **Get it in writing.** Make sure all the terms you were promised are included in the contract. After the company’s representative signs and dates the contract, make sure you get a signed copy. If you are refinancing your home mortgage, you have the legal right to change your mind for up to three days after you sign the loan.
- **Check your credit.** When you apply for a loan, the lender will check your credit history. Take a look at your credit report before the lender does. Reviewing your credit report will provide you with a list of most, if not all, of your current debts, and give you a chance to make sure they are reported accurately.
- **You can get copies of your credit report from one of the big three credit reporting bureaus: Equifax (www.equifax.com, 800-685-1111), Experian (www.experian.com, 888-397-3742) and TransUnion (www.transunion.com, 800-888-4213). Each report costs about $10. In 2005, a new law will give you the right to obtain a free copy of your credit report from all three companies every year. As the 2005 deadline nears, check Consumer Action’s web site (www.consumer-action.org) for more information on how to order your free report.**

If you have Internet access and would like to know how your credit compares to other U.S. consumers, visit MyFICO (www.myfico.com) and order a copy of your credit score from one or all of the major credit reporting bureaus. Each bureau report and score costs $12.95. You’ll need a debit card or credit card to pay for your order online.

Don’t become a victim

The best way to protect yourself is not to sign a contract for a bad loan. It can be difficult for victims to get their money back and in many cases victims of bad auto or home loans lose their cars or homes.

If you have been taken advantage of by a lender, immediately contact your state lending or banking commissioner, your state attorney general and the Federal Office of the Comptroller of the currency or the Federal Deposit Insurance Corporation for advice on filing a complaint. Also file a complaint with the Federal Trade Commission and with advocacy groups (see “Advice” and “Assistance” and “Complaints” sections). By contacting the proper authorities, you will establish a paper trail for your complaint and help regulatory agencies identify abusive lenders.

In most cases, the victims of unfair or deceptive loans have to hire an attorney to sue the lender. The National Association of Consumer Advocates’ web site (www.naca.net) lists member attorneys by region and area of expertise, as well as tips on finding an attorney.

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**Advice and assistance**

- **ACORN, the Association of Community Organizations for Reform Now, is an advocacy group active in protecting consumers from predatory lending. To find the chapter nearest you, visit the ACORN web site (www.acorn.org) or call 202-547-2500.**
- **Consumer Action (www.consumer-action.org) provides consumer advice, suggests appropriate complaint-handling agencies and offers free consumer education publications. Leave a message and a counselor will call you back. Chinese, English and Spanish spoken. 415-777-9635 and 213-624-8327, TTY: 415-777-9456; email: hotline@consumer-action.org.**
- **The Federal Trade Commission accepts complaints from consumers for use in investigating violations and offers a wide range of publications on loans, home improvement and consumer rights. (It does not attempt to resolve individual complaints.) 877-FTC-HELP (382-4357), www.ftc.gov.**
- **Stop Mortgage Fraud (www.stopmortgagefraud.com) is a web site developed by the Mortgage Bankers Association. It has information on how to tell if you are the victim of a predatory mortgage loan and, if so, provides suggestions on where to complain.**

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**Filing a complaint**

**State attorneys general**

Check the state government section of your phone directory or visit the National Association of Attorneys General web site (www.naag.org) for a directory of state attorneys general.

**State mortgage lending regulators**

Check the government section of your phone directory or visit the Mortgage Bankers Association web site (http://www.mortgagebankers.org/state_update) for a list of state regulators.

**Comptroller of the Currency**

(For violations of federal lending and real estate settlement procedures laws.)

Customer Assistance Group
800-613-6743
www.occ.treas.gov

**Department of Housing and Urban Development (HUD)**

Office of Consumer and Regulatory Affairs
Interstate Land Sales/RESPA Division
202-708-4560
www.hud.gov/complaints/landsales.cfm

**Federal Deposit Insurance Corporation (FDIC)**

Consumer Affairs Division
877-ASK-FDIC (925-4618)
www.fdic.gov

**Federal Trade Commission**

(For federal lending violations involving mortgage and consumer finance companies)

Consumer Response Center
877-FTC-HELP (382-4357); TTY 202-326-2502
www.ftc.gov

**Federal Reserve Board**

Division of Consumer and Community Affairs
202-452-3693
www.federalreserve.gov/pubs/complaints/