



Predatory Mortgage Lending

The Ohio Homebuyers' Protection Act, which went into effect January 1, 2007, prohibits loan officers, mortgage brokers and non-bank lenders from committing abusive lending practices. "Predatory lenders" may try to take advantage of consumers when buying a new home, refinancing a mortgage on an existing home, or applying for a home equity or home improvement loan. Predatory lenders will lure individuals into borrowing more than they can afford at high or adjustable interest rates with excessive fees. These loans often lock the borrower into unfair and unaffordable terms and tend to cause severe financial hardship which may result in consumers losing their home to foreclosure.

Who do predatory lenders target? These lenders target the elderly, minorities, those with less-than-perfect credit, and low income neighborhoods or neighborhoods with older homes.

Protect Yourself From Predatory Loans

√ **Misrepresentation** where the lenders advertise one set of terms when you apply but give you another set of terms at the time of signing. Often with these loans borrowers are not told that their loan does not include an escrow account for paying taxes and insurance until they sign the final documents.

√ **Pre-payment penalties** in the loan that make it very costly or impossible for you to refinance or sell your home. The law prohibits a prepayment penalty on a first mortgage if your loan amount is less than \$75,000.

√ **High or adjustable interest rates or interest only** with high fees.

√ **Balloon payments** where a large amount of money that is beyond your ability to pay is due at the end of the loan. If you can not make the balloon payment or get a new loan to pay it, you face foreclosure and the loss of your home.

√ **Over-inflating the appraisal** is not allowed. The appraiser's value of the home cannot be influenced by the lender.

√ **Multiple refinancing** also known as ("loan flipping") where the lender tells you to let the equity in your home "work" for you and encourages you to refinance loans and borrow more money with additional fees and penalties. The Act prohibits a loan officer from refinancing a loan unless the loan has a benefit to the borrower.

√ **Asset-based lending**, where the lender gives you a loan based on the equity in your home, not your ability to repay or your income, is also prohibited.

√ **Home improvement loans** where consumers receive unsolicited telephone calls, door-to-door literature or literature in the mail offering to do home repairs for a reasonable price. The contractor offers to arrange the loan for you through their lenders. Then the work begins and the lender asks you to sign a lot of papers in a rush, not giving you time to read them. Later you find that you signed a home equity loan with high interest rates and fees.

√ And remember to **NEVER** sign blank documents. You have the right to seek legal advice before signing any loan papers.