

Predatory Lending



Most Mainers own their homes. As expenses increase, and real estate values rise, you may be tempted to use your home as a source of collateral for a loan. Don't risk foreclosure or risk losing equity in your home by spending too much to borrow money. Each year Mainers lose their homes due to debts they are unable to repay. Generally, it is a bad idea to pay credit card debt or medical bills with a refinance of your home mortgage.

Savvy, unscrupulous lenders are ready to pounce on the unsuspecting borrower. These lenders may try to sell you a loan with inflated interest rates and fees. This is called "Predatory Lending."

What are Some Signs of Predatory Lending?

1. Excessive fees;
2. Very high prepayment penalties;
3. A kickback to the broker who sells you the loan;
4. New loans which generate fees that get the borrower further in debt;
5. Unnecessary products and add-ons;
6. Mandatory arbitration clause in contract;
7. Not getting the best loan terms despite having a good credit score; and
8. "Balloon" payments: low monthly payments with a large payment at the end of the loan period.

How Can I Avoid Becoming a Victim of Predatory Lending?

- Know your credit score, and check your credit report annually. A good credit rating may qualify you for a better interest rate.
- Talk to your local bank to check lending rates.
- Don't take the first loan you are offered. Shop around.
- Ask questions.
- If you don't understand the loan terms, talk to a lawyer, or someone you trust, to look at the documents with you.
- Be suspicious of ads promising "No Credit? No Problem!" If it sounds too good to be true, it probably is.
- Ignore high-pressure sales tactics, and don't jump into a deal that sounds good without taking the time to check it out first.
- Remember that a low monthly payment isn't always a "deal." Look at the total cost of the loan.
- Be wary of promises to refinance the loan to a better rate in the future.
- Never sign a blank document or anything the lender promises to fill in later.
- Be suspicious of a lender who solicits you, most reputable mortgage companies and lenders don't "cold-call."



You can change your mind at any time before you sign a contract. Also be aware that the Truth in Lending Act allows you to change your mind within three days of signing a contract that uses your home as security. If you want to exercise this option, be sure to put it in writing and to send this request by certified mail to the lender.

For more information about Predatory Lending and other free or reduced fee legal services, call the Legal Services for the Elderly Helpline, or visit www.mainelse.org. To inquire about complaints made against a mortgage company or lender, to file a complaint about a lender yourself, or to ask for a copy of your credit report, call the Maine Office of Consumer Credit Regulation toll-free at 1-800-332-8529.

For more information, call the Legal Services for the Elderly Helpline for free legal advice.

LSE Helpline
1-800-750-5353



 **Legal
Services
for the
Elderly**
Free legal help for Maine's seniors

