

DON'T BE A VICTIM OF PREDATORY LENDING...

*Purchasing your first home?
Refinancing your current home?
Need a home equity loan?*

Protect yourself from dishonest, predatory lenders. Some mortgage and home equity lenders try to pressure consumers into signing loan agreements they cannot afford or simply are not in consumers' best interests. Be careful! You could end up further in debt or even lose your home.

Predatory lenders use slick and deceptive sales tactics to convince you to sign a loan contract before you have had the chance to review the paperwork and do the math. Almost anyone can fall prey to these abusive lending practices. You can protect yourself by being aware of the common warning signs of predatory lending:

- Watch for exceedingly high interest rates and hidden inflated fees.
- Beware of “Bait and Switch” tactics – where a lender initially offers one set of terms, but then pressures the borrower into signing a contract with more expensive terms and hidden fees.
- Avoid loans from door-to-door salesmen and pitches for home equity loans related to unsolicited home improvement contracts.
- Look out for mail and television ads that claim “No job? No credit? No Problem! You can still qualify for a loan based on your home equity.” Remember, if it sounds too good to be true...it probably is.
- Walk away from high-pressure sales tactics to sign a loan contract right away. If the offer is good today, it should be good tomorrow – *after* you have reviewed the contract and consulted a knowledgeable financial advisor.

UNDERSTAND YOUR CONTRACT

When purchasing a new home or refinancing an existing mortgage, consumers must make important financial decisions. Be sure that you are well informed and aware of all your options. Listed below are several terms that are frequently used in the lending industry. Knowing them is the first step to understanding a loan contract and making an educated borrowing decision. Before you sign any loan document, be sure to review the following terms in the contract:

Know the Annual Percentage Rate (APR) – This is the cost of your credit as a yearly rate. When shopping for a loan compare the APR offered by various lenders.

Know the Finance Charge – The finance charge is the dollar amount the credit will cost you. It is based on the APR, the amount borrowed and the length of the loan. Beware of hidden charges!

Know the Amount Financed – This is the dollar amount of the credit that is provided to you by your lenders.

Know if You are Paying “Points” – “Points” are fees you pay to a lender to obtain a real estate secured loan. These prepaid finance charges are *not* refundable.

Know the Total Number & Exact Dollar Amount of Each Payment – This will help you determine if the loan is within your budget. It is important to also consider other possible contract terms, such as “balloon payments,” when examining the cost and affordability of the loan.

Know the Payment Date – This is the date the payment must be *received* by the lender.

Know about Collateral – Collateral is property that is used to secure a loan. If a borrower defaults on the loan, the lender may take your collateral. *In a real estate loan your home is your collateral.*

Know the Total Dollar Amount of Payments – The total amount paid over the term of the loan after you have made all payments as scheduled.

BE A SMART CONSUMER

Before you sign a mortgage contract or refinance your home, review the following tips to help you make an informed decision.

Shop around for the best loan. Visit several reputable lenders. Compare interest rates, fees and points, and examine all the terms of the loan. Talk with family, friends and neighbors about where they obtained their mortgages and their experiences. The differences may surprise you and could help you save a fortune!

Manage your money. Review your income and expenses and borrow within your budget. For assistance, contact the Department of Financial Institutions at 1-888-298-8089 and ask for the **MAP to Home Ownership** financial worksheets.

Ask questions about the terms of the loan! Check the contract to confirm that the terms you have discussed are clearly written in the loan documents.

Read the entire mortgage contract carefully. Make sure you fully understand your obligations and all provisions of the contract before-signing.

Talk to a knowledgeable and trusted financial consultant prior to signing a loan agreement. Remember, *never* allow yourself to be pressured to sign a contract that you are uncomfortable with or do not understand.

ASSISTANCE IS AVAILABLE

If you have questions regarding predatory lending, or would like to learn about assistance available through the **Mortgage Awareness Program** contact the:

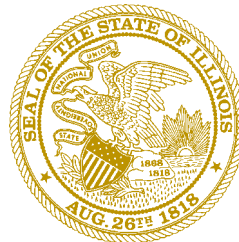
Department of Financial Institutions

Consumer Credit Division
500 Iles Park Place, Suite 314
Springfield, IL 62703
1 – 888 / 298-8089
www.state.il.us/dfi

or

Office of Banks and Real Estate

500 East Monroe
Springfield, Illinois 62701
1 – 877 / 793-3470
217 / 782-3000
www.obre.state.il.us



MORTGAGE AWARENESS PROGRAM

A **MAP** to

Home Ownership



Don't Fall Prey to Predatory Lending

Important mortgage information for Illinois consumers brought to you by the:

Illinois Department of Financial Institutions

Rod R. Blagojevich
Governor

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Director