The Ten Warning Signs of Predatory Lending

To avoid being the next victim of predatory lending, answer the following ten questions to make sure that someone is not misleading you about a loan and its costs to you. Just because you answer “yes” to these questions does not mean you are or have been a victim of predatory lending.

But, if you answer “yes” to some of the questions, it is recommended you contact the appropriate state agency, - Illinois Office of Attorney General - Consumer Fraud Bureau - Consumer Complaint Form; HUD Field Office; or State of Illinois, Office of Banks and Real Estate; for more information and guidance.

According to the Mortgage Bankers Association (MBA), the Borrower’s Bill of Rights is to help borrowers understand how they should expect to be treated in the mortgage lending process.

1. Were you encouraged to include false information on your loan application?
2. Were you asked to leave signature lines or any other important line item of any form blank?
3. Did the lender or broker alter any information you entered on your loan application?

Check your loan file. Are any of the following disclosures missing?

* Good Faith Estimate
* Special Information Booklet
* Truth in Lending
* HUD-1 Settlement Statement

4. Have you refinanced your loan several times? In each instance has the monthly payment increased and/or the total amount you owe increased on your home?
5. Do your documents reveal that your interest rate calculation will change to require you to pay “daily interest” in instances when your payments are late?

6. Is your loan amount on the loan you obtained higher than the value of the home?

7. Did you incur any unexpected costs at settlement that were not explained to you prior to the settlement?
8. After settlement, were you surprised to find that the monthly payments on your mortgage loan were higher than you anticipated based on the initial disclosures?

9. If you have a balloon loan (one in which after a series of low payments the entire loan balance is due in a large lump sum), will you need to obtain another loan to finance that final lump-sum amount?

10. Were you required to buy credit insurance, insurance that will repay the debt if you die or become disabled? (Note: Credit insurance is optional and will not affect your loan decision if you decline to buy it. It can, however, add considerable cost to the loan transaction. You should decide whether you are going to purchase credit insurance carefully.) The Federal laws Real Estate Settlement and Procedure Act (RESPA) and Truth in Lending Act protect your rights during the closing process. There are state laws that are in force to protect you from abusive lending practices such as excessive fees and high rates.

Resources:

Illinois Office of Attorney General - Consumer Fraud Bureau - Consumer Complaint Form;
http://www.ag.state.il.us/consumers/index.html
Chicago - 1-800-386-5438, TTY - 1-800-964-3013
Springfield - 1-800-243-0618, TTY - 1-877-844-5461
Carbondale - 1-800-243-0607, TTY - 1-877-675-9339

HUD Field Office;
Regional Office - Chicago
Ralph Metcalfe Fed. Building
77 West Jackson Blvd.
Chicago, IL 60604-3507
312.353.5680

Springfield Field Office;
500 W. Monroe St., Suite 1 SW
Springfield, IL 62704
217-492-4120
State of Illinois, Office of Banks and Real Estate
500 East Monroe
Springfield, IL 62701
217-782-3000 or TDD: 217-524-6644

Chicago
122 South Michigan Avenue, Suite 1900
Chicago, IL 60603
312-793-3000, or TDD: 312-793-0291
Toll-Free Consumer Hot Line: 877-793-3470

Sources:

Illinois Office of Attorney General
State of Illinois, Office of Banks and Real Estate - http://www.obre.state.il.us/AGENCY/aboutobre.htm


Stop Mortgage Fraud - www.stopmortgagefraud.com/