

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. A person's credit history is his or her own responsibility. Review your income and expenses and borrow within your budget. Don't inflate your earnings or provide other false information to qualify for a loan. Don't become house poor. Remember there are more costs associated with buying a house than the mortgage costs.

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. Never sign a blank form or sign one with information that is incorrect (especially cost of the home, your employment data and income data.)

Talk to a knowledgeable and trusted financial consultant or attorney of your own choosing 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. Understand your right to cancel the loan application. The law allows you three days to cancel the loan application after you have signed it. Report any concerns or suspicious activity to the Office of Banks and Real Estate.

George H. Ryan
Governor

William A. Darr
Commissioner



OFFICE OF BANKS AND REAL ESTATE

Don't Fall Prey to Predatory Lending

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:

Office of Banks and Real Estate

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

Office of Banks and Real Estate
500 East Monroe Street
Springfield, Illinois 62701
Phone: (217) 782-3000
Fax: (217) 524-5941
TDD: (217) 524-6644

310 S. Michigan Avenue, Suite 2130
Chicago, Illinois 60604
Phone: (312) 793-3000
Fax: (312) 793-7097
TDD: (312) 793-0291

Consumer Services Toll Free
Hotline: 1-877-793-3470

www.obre.state.il.us

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 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.

When Getting An Appraisal, Watch For Some Warning Signs:

- Any consumer who is told that the equity in their home will be enough to cover any or all down payment provisions of a loan application may be about to get a fraudulent appraisal.
- A consumer who is told that another appraisal is needed because the first one was too low or something else was wrong with it, may be about to receive a fraudulent appraisal.
- More than one appraiser contacts you to make an appointment to inspect your home. This may indicate that the loan officer has called several appraisers and will use and pay the one giving the highest appraisal on the property.
- When an appraiser comes to your home to do an inspection and appears very disinterested in the home and doesn't ask reasonable questions, chances are that a predetermined value has already been set on the home.
- Before any appraisal is complete, be wary of statements made by the lender that there will be no problem getting a loan due to the value of your home - this is a sign of a potential problem.
- Always make sure the appraiser identifies herself or himself and gives you a business card or information stating who they are and how to contact them.

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 inflated fees!
- **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 and 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 if you have made all payments as scheduled.