

NEED CASH?

Bad Credit?

No Credit?

No Problem!

*...until you sign  
on the dotted line!*

## How can I avoid an abusive loan?

Educate yourself about your options.  
We can help get you the information you need.



FAIR HOUSING OF MARIN

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“Ensuring equal access to housing for all people through counseling, education, and advocacy”

Don't Borrow Trouble was developed by Housing Opportunities Made Equal (HOME) in Richmond, Virginia and Freddie Mac through their Virginia Lending Protection Project.

## Fair Housing of Marin



## DON'T BORROW TROUBLE

*Thinking about buying a home, refinancing, or making home improvements? We're here to help!*

FAIR HOUSING OF MARIN



## What is an abusive loan?

An abusive loan (also known as a predatory loan) is a loan that takes advantage of a borrower and that the borrower may not be able to repay.

Many predatory practices are legal, so you must protect yourself. Once you've signed loan documents it can be difficult to impossible to get out of the loan. ANY loan can include fees, interest rates, or contract terms that are predatory or harmful.

Abusive lending at its worst can ruin your credit and cause you to lose your home.

## How can I recognize an abusive loan?

This can be very hard. Know what you will have to pay each month to repay the entire loan and that you can afford those payments. Know the answers to the following questions. Remember that someone making you a loan is NOT doing you a favor—they are making money. They are business people—not friends.

**Homeowners—especially the elderly, minorities, those with damaged credit, and those with low incomes—should be extra careful when choosing their loans.**

## Know the answers to the following questions:

WHAT IS THE ANNUAL PERCENTAGE RATE (APR)? How does it compare to the current market interest rate?

WHAT IS THE MONTHLY PAYMENT? WHAT DOES IT INCLUDE? Sometimes the monthly payment does not include the property taxes and home insurance—which you must pay.

IS THE LOAN SECURED BY MY HOUSE? If it is, and you are unable to keep up the payments, you may lose your home.

HOW MANY POINTS AM I PAYING? A point equals one percent of the loan. More than two points may be excessive.

WHAT FEES AM I BEING CHARGED? Get all the details.

IS THERE A MANDATORY ARBITRATION CLAUSE? Some loans have clauses that take away your rights to sue if there are problems with the loan that cannot be solved. A mandatory arbitration clause is not a good sign.

IS THERE A PRE-PAYMENT PENALTY? HOW MUCH AND FOR HOW LONG? This is a penalty for paying your loan off early. If there's a big pre-payment penalty, you may have to pay thousands of dollars if you want to refinance with a better loan later.

IS THERE A BALLOON PAYMENT? WHEN DOES IT COME DUE AND HOW MUCH IS IT? Some loans appear to be manageable because you aren't really paying off all the principle, and a large amount will come due all at once in a few years. This is generally a danger sign—especially if the lender didn't volunteer the information.

IS LIFE, DISABILITY OR OTHER CREDIT INSURANCE BEING FINANCED WITH THE LOAN? This is a VERY expensive way to get insurance to pay off the loan if something happens to you, and many of these policies don't provide the payments you expect. *There is no legal requirement that you have this insurance.*

## Just Say No!

**Say No** if the lender calls you or comes to your house with the offer, or repeatedly pressures you to refinance an unsecured debt such as a credit card.

**Say No** if a home improvement contractor comes to your home, recommends repairs, and says they can arrange for financing.

**Say No** if you are not sure how much your monthly payments will be or if the amount changes significantly.

**Say No** if you are not sure you can afford the monthly payments.

**Say No** to lenders or brokers who try to intimidate you—a good lender is always happy to answer all of your questions until you're completely comfortable.

**Say No** to lenders or brokers who try to rush you or pressure you—a good lender won't be in a hurry.

**Say No** to signing blank loan documents.

**Say No** to deals that sound too good to be true—they probably are.

**Call:**  
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