

Warning Signs Of Predatory Lending Practices



Falsifying information

Providing inaccurate information on a mortgage application about income, debt, employment history, intent to occupy the premises, or the value of the home is fraud and is subject to criminal penalties.



Second set of documents

Never sign an addendum or second set of documents that won't be shared with all parties. This could be a warning sign that fraud is being committed.



Bait and switch

Make sure the terms on the mortgage are the terms you agreed to before closing. Do not sign loan documents without reading them and do not be pressured into signing "new deals" at closing.



Documents containing blanks

If information is added after you have signed a document, you may still be responsible. Cross out any blanks or insert "N/A" (i.e., "not applicable").



Multiple refinancing

Be careful of refinancing repeatedly after short periods of time. Each refinancing often comes with new fees and possibly prepayment penalties. While these loans may offer lower interest rates and payments, you may be losing your equity or have more debt because refinancing and origination fees are added to the loan.



Borrowing too much

Don't let anyone convince you to borrow more money than you need or more money than you can afford to repay.



Excessive fees

While it is not uncommon for lenders to charge fees for appraisals and credit reports, you should beware of loans with large, non-refundable application fees. Loan costs can be compared by looking at the Good Faith Estimate (GFE) form that all lenders are required to provide to a borrower at time of application. Beware of lenders that don't offer you a GFE to compare costs before you apply for a loan.



Shopping for a Mortgage?

Don't let the American Dream turn into the American Nightmare

Tips On Being A Smart Mortgage Consumer



Know and understand your credit

Your credit score may affect the loans available to you. You may request a free copy of your credit report online at www.annualcreditreport.com. Make sure the information is correct.



Seek advice

Learn more about credit, budgeting, and the mortgage process. Before signing or paying any fees, consult with an attorney or someone you trust about the terms of the loan. Visit www.homeloanlearningcenter.com for more information.



Ask questions

Ask your lender a lot of questions. Make sure all your questions are answered to your satisfaction before you sign any documents.



Compare lenders

Remember, rate is not the only factor that should be considered. Visit several lenders to compare interest rates, loan servicing practices, fees and other terms of the loan. Be wary of deals that seem too good to be true – they probably are!



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Walk away from high pressure or confusing sales tactics

Take the time necessary to review and understand the loan that is being offered to you. If you qualify for a loan now, you should still be qualified for the loan after you have had time to review it and consult with someone you trust.



Understand all the terms of the loan

There is more to a loan than just the monthly payment and interest rate. You should also know the annual percentage rate (APR), total loan amount, lender fees, points, and term length. Also, ask about mortgage insurance, rights of rescission, and prepayment penalties.



Cash at closing

Make sure your lender will deliver the funds at closing. You have a legal obligation to close on the date specified in the offer to purchase contract. You are not relieved of this obligation just because your lender does not provide the funds on time. If possible, avoid closing at the end of the month, and at the beginning or end of the day.



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4801 Forest Run Rd.
Madison, WI 53704-7337

(800) 279-1972
(608) 241-2047

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