

Lost in the lending jungle?

Here is a list of agencies you can contact if you feel that you were treated unfairly by a lender:

State & Local Agencies

State of New Hampshire Department of Banking
64B Old Suncook Road, Concord, New Hampshire 03301
Tel: (603) 271-3561 Web: www.state.nh.us/banking

NH Department of Justice-Attorney General's Office
file complaint in writing to:
Consumer Protection and Antitrust Bureau
33 Capitol Street, Concord, NH 03301
Web: doj.nh.gov

Mortgage Bankers & Brokers Association of New Hampshire
91 North State Street, Suite 101, Concord, NH 03301
Tel: (603) 226-4486 Web: www.mbba-nh.org

Better Business Bureau Serving New Hampshire
410 South Main Street, Concord, NH 03301-3483
Tel: (603) 224-1991 Web: www.concord.bbb.org

Federal Agencies

Office of the Comptroller of the Currency (*Regulates national banks*)
Consumer Assistance Group
1301 McKinney Street, Suite 3450, Houston, TX 77010
Tel: (800) 613-6743 Web: www.occ.treas.gov/customer.htm

Office of Thrift Supervision (*Regulates federal savings and loans and federally chartered savings banks*)
Consumer Affairs Office
1700 G Street, NW, Washington, DC 20552
Tel: (800) 842-6929 Web: www.ots.treas.gov/docs/48780.html

Board of Governors of the Federal Reserve System (*Regulates state banks that are members of the Federal Reserve System*)
Division of Consumer and Community Affairs
20th and C Streets, NW, Stop 801, Washington, DC 20551
Tel: (202) 452-3693
Web: www.federalreserve.gov/pubs/complaints

National Credit Union Administration (*Regulates federal credit unions*)
Office of Public and Congressional Affairs
1775 Duke Street, Alexandria, VA 22314
Tel: (703) 518-6330
Web: www.ncua.gov/consumerinformation/index.htm

Federal Deposit Insurance Corporation (*Regulates federally insured state banks that are not members of the Federal Reserve System*)
Division of Compliance and Consumer Affairs
550 17th Street, NW, Washington, DC 20429
Tel: (877) 275-3342 Web: www.fdic.gov/consumers/index.html

New Hampshire Housing Finance Authority
P.O. Box 5087
Manchester, NH 03108

Predatory Lending Practices

MEOW!



WHAT YOU SHOULD KNOW



New Hampshire Housing
Bringing You Home



Mortgage
Bankers and Brokers
Association
of New Hampshire, Inc.

It's a jungle out there!

You may have heard the term “predatory lending” on the news or read about it in the paper, but what is predatory lending? Predatory lending is a term used to describe lending practices that employ deceptive, misleading, unethical or abusive tactics when providing financing. Many times predatory lenders will target their marketing to elderly, uneducated, immigrant, or low income households. Predatory lenders usually make false promises to their customers, trapping their prey in loans with excessively high rates, large fees, and unrealistic terms.



Friend or foe?

Why would someone use predatory lending practices with you? Unfortunately, there are people out there who will go to any length to make a profit. Protect yourself by asking questions before you sign any paperwork. Here are a few questions you should ask your lender before committing to a loan:

- **What is the interest rate and what is the Annual Percentage Rate (APR) of this loan?** The interest rate is the rate charged for borrowing a certain amount of money. The APR is the cost of borrowing money, calculated yearly, using a standard formula. The APR includes interest, mortgage insurance premiums, origination fees, discount points and other possible fees. The APR is always higher than the interest rate. What you want to look at is the difference between the interest rate and the APR. The closer together they are, the lower the fees associated with the loan.
- **Are there any “prepayment penalties” associated with this loan and can I pay the loan off at any time?** You want to know if there are any early payoff penalties or balloon payments associated with the loan. Also, ask if you will be penalized for making extra payments on your principal loan amount. If there is an early payoff penalty, understand why and be sure you are comfortable with it.

- **What are the fees charged to close this loan?** Soon after applying for a mortgage you will receive a “Good Faith Estimate” and a “Truth In Lending” disclosure form. These documents represent the lender’s “best guess” of the costs associated with your loan. Review these documents and ask questions. Have the lender explain all fees until you know what they represent. If you are paying “Origination Fees” or “Discount Points” make sure you know why. If something doesn’t feel right, don’t close the loan until you are satisfied with the terms of the loan. You are in control of the loan closing.

Many lenders will try to “cross sell” other products, such as life and disability insurance. This is fine, but understand that you may have other options for these services. Do your homework and determine what is the best deal for you.



Good kitty, bad kitty...

What are the differences between responsible lending and predatory lending? *Not all lenders are predatory, know the difference!* Your lender has many

financing programs available to fit everyone’s needs. No documentation loans, sub-prime lending, and specialized financing for unusual circumstances may require higher rates, payoff penalties and nontraditional terms. These practices alone do not constitute predatory lending. Predatory lending is when your lender does not disclose these nuances. Typical tricks used by predatory lenders are:

- **Flipping** - Flipping is when a lender keeps rolling over your loan into a new loan. Each time your loan is refinanced, higher fees and/or extended loan terms are rolled into the new loan, which reduces the equity in your home.
- **Balloon Mortgage** - A balloon mortgage is a loan with a large lump sum payment at the end. Balloon term loans are not necessarily bad. A predatory lender, however, will

sell the unsuspecting customer on the low monthly payment common to balloon mortgages. By not disclosing the balloon payment, the lender deceives the customer into financing on terms the customer may not be able to meet.

- **Excessive interest rates and fees** - Many times predatory lenders charge excessive interest rates and up front fees, well outside of the norm. By comparing institutions’ interest rates and APRs you can avoid being overcharged.
- **Over extending credit** - Another deceptive practice of a predatory lender is to finance over the borrower’s ability to repay the loan, or to finance more than the house is worth. Be cautious if the lender seems to be pushing more onto you than you feel comfortable paying for.

Hunting for a mortgage.



- **Know your lender.** Feel free to ask questions about your lender. A good lender will be happy to take the time and answer your questions. Educate yourself about each one. Ask your friends who they used and about their experience. Contact the Mortgage Bankers and Brokers Association of New Hampshire (MBBA-NH) or the Better Business Bureau and ask them about the lender. If a deal sounds too good to be true, it usually is. If all you remember is one thing, remember to **Never sign a blank or incomplete document!** By researching and working with well established lenders you will hunt down the right mortgage for you!
- **What do you do if you feel that you may be a victim of a predatory lender?** On this brochure is a list of agencies that you can contact if you feel that you are being treated unfairly. You can also contact the MBBA-NH for information about who to contact. You can reach the MBBA-NH on the web at www.mbba-nh.org or by calling them at (603) 226-4486. The best offense, however, is to educate yourself, learn what to look for, and avoid predatory lenders!