

PREDATORY LENDING
*may be fraudulent,
deceptive, discriminatory or
unfavorable lending practices.
Many practices are illegal, while
others are legal but not in the
best interest of the borrowers.*

GETTING HELP

Contact DFI to check the background of your loan officer or to file a complaint:

- ▶ KY Department of Financial Institutions
800-223-2579
<http://kfi.ky.gov>



Contact these other agencies if you are having trouble paying your mortgage or other loan:

- ▶ Kentucky Homeownership Protection Center
866-830-7868
www.ProtectMyKyHome.org
- ▶ Homeownership Preservation Foundation
888-995-HOPE
www.foreclosurehelpandhope.org
- ▶ HUD
800-569-4287
http://portal.hud.gov/hudportal/HUD?src=/i_want_to

COMMONWEALTH
OF
KENTUCKY
KENTUCKY DEPARTMENT OF
FINANCIAL INSTITUTIONS
DIVISION OF NONDEPOSITORY
INSTITUTIONS



If you have questions or would like to request a speaker or additional quantities of this brochure at no cost call or write:

Kentucky Department of Financial Institutions
500 Mero Street, 2SW19
Frankfort, KY 40601
800-223-2579
<http://kfi.ky.gov>

The Public Protection Cabinet does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, ancestry or veteran status, and provides, on request, reasonable accommodations including auxiliary aids and services necessary to afford an individual with a disability an equal opportunity to participate in all services, programs and activities. To request materials in an alternative format, contact the Department of Financial Institutions. Hearing and speech-impaired persons can contact the agency by using the Kentucky Relay Service, a toll-free telecommunication device for the deaf (TTY). For voice to TTY, call 800-648-6057. For TTY to voice, call 800-648-6056.



Printed on recycled paper with state funds June 2013.

Don't Fall PREY to PREDATORY LENDING



Kentucky
Department of Financial
Institutions
<http://kfi.ky.gov>



DON'T BE A VICTIM OF PREDATORY LENDING

Predatory lenders use slick and deceptive sales tactics to convince you to sign a loan contract before you have had a chance to review the paperwork and do the math. Almost anyone can fall prey, and you could end up further in debt or even lose your home. Protect yourself by being aware of some of the common warning signs of predatory lending:

- ▶ Watch for exceedingly high interest rates or inflated fees. Also avoid prepayment penalties when possible.
- ▶ Beware of unsolicited offers to refinance your loan. Be certain the new loan provides a benefit to you, such as reduced interest rate or term, and not just a new fee for the lender.
- ▶ Use comparison shopping to help you avoid being steered into more expensive products when you may qualify for mainstream loans.
- ▶ Beware of "bait and switch" tactics where a lender initially offers one set of terms, but then pressures you into signing a contract with more expensive terms and hidden fees.
- ▶ Know that some lenders require a mandatory arbitration clause. This means you may give up your right to go to court if you have problems with the contract.
- ▶ Don't be pressured to purchase extra products such as credit life insurance or disability insurance that are optional and can be costly.
- ▶ Beware of loan solicitations from telemarketers and door-to-door salesmen, as well as pitches for home equity loans related to unsolicited home improvement contracts.
- ▶ 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 with someone you trust.
- ▶ Remember, if it sounds too good to be true ... it probably is.

DO:



- ▶ Check the license and complaint history of a mortgage company and individual by calling the Kentucky Department of Financial Institutions at 800-223-2579 or by using NMLS Consumer Access, www.nmlsconsumeraccess.org.
- ▶ Shop for the best product to suit your needs. Compare offers from several lenders. Ask if the lender will waive or reduce fees or charges.
- ▶ Make sure you can afford to repay the loan. If unsure, call or visit a credit counselor or speak to someone you trust.
- ▶ Look carefully through the entire loan package and ask for an explanation of fees, charges, terms and conditions.
- ▶ Obtain your HUD1 Settlement Statement 24 hours before closing on a mortgage loan and compare it to your Good Faith Estimate. The terms on both should match.
- ▶ Get copies of your written loan documents at the time you sign them.
- ▶ Understand your right to cancel a mortgage transaction. The law allows three business days to cancel a refinance or home equity loan.
- ▶ Contact the Kentucky Homeownership Protection Center toll-free at 866-830-7868 or online at www.ProtectMyKYHome.org if you are having trouble paying your mortgage or other loan.

AVOID THESE LENDING SCAMS

▶ Advance Fee Schemes

These illegal schemes are often presented as "no-fee" or "no-cost" loans, where the company requests a payment up front for the "first payment" or "insurance." After this payment is received, no loan is provided.

▶ Internet Payday Loans

Internet payday lenders use ACH transactions to deposit and deduct money from the borrower's account; Kentucky law requires a check to be presented at a licensed location. Internet payday lenders are not licensed in Kentucky. State law says it is illegal for them to collect on such loans without first obtaining a license.

▶ Foreclosure Rescue Scams

The most common is the phantom help scam, where fees are charged for "services," which are actually paperwork and telephone calls the consumer could easily handle personally. Other examples include lease-back or repurchase scams, refinance scams, and Internet and phone scams.

DON'T:

- ▶ DON'T deal with an unlicensed lender/broker.
- ▶ DON'T give in to high-pressure sales tactics.
- ▶ DON'T sign any papers with blank spaces or incorrect information.
- ▶ DON'T agree to inflate your earnings or provide false information to qualify for a loan.
- ▶ DON'T sign unless all promises made to you are in writing and you understand the terms.
- ▶ DON'T pay for credit counseling or credit repair. You can receive free credit counseling.