

# predatory loan *noun* \pred-ə-tōr-ē lōn\ :

any loan where the borrower's expenses cannot be justified on the basis of the lender's risk and cost.

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Predatory lending has been defined as having three main parts: 1) the terms of the loan, 2) the needs and capabilities of the borrower and 3) the intent and/or impact/effects of the actions of the lender. Predatory lending practices based on race, ethnicity or other protected class status violate the Pennsylvania Human Relations Act.

## Potential Warning Signs of Predatory Lending

### During the Marketing Process

- Aggressive solicitations to targeted neighborhoods
- Home improvement scams
- Kickbacks to mortgage brokers
- Steering to high-rate lenders
- Targeting first-time home buyers (i.e. Habitat for Humanity buyers)

### During the Sales Process

- Purposely structuring loans with payments the borrower cannot afford
- Falsifying loan applications (particularly regarding income level)
- Adding insincere co-signers
- Making loans to mentally incapacitated homeowners
- Forging signatures on loan documents (i.e. required disclosures)
- Paying off lower income mortgages
- Shifting unsecured debt into mortgages
- Loans in excess of 100% LTV (Loan-to-Value)

### Conditions of the Loan Itself

- High annual interest rates
- High points or padded closing costs
- Balloon payments
- Negative amortization
- Inflated appraisal costs
- Padded recording fees
- Bogus broker fees

- Unbundling (itemizing duplicative services and charging separately for them)
- Required credit insurance
- Falsely identifying loans as lines of credit or open-end mortgages
- Force-placed homeowners insurance
- Mandatory arbitration clauses
- Single premium life insurance policies

### After the Closing Process

- Flipping (repeated refinancing, often after high-pressure sales)
- Daily interest when loan payments are late
- Abusive collection practices
- Excessive prepayment penalties
- Foreclosure abuses



**Don't let a bad  
loan hang you out  
to dry!**