

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.

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!**