



# *Protect Your Home... Protect Yourself from Predatory Loans*

There are several “warning signs” that a loan may be abusive or predatory. While not all loans containing one or more of the “signs” listed below are predatory, these features are often associated with such loans.

## Things To Look Out For

- Beware of home improvement scams! Do not let the home improvement company arrange a loan on your behalf. These contractors often get commission on these loans and may take your money and not finish the repair job satisfactorily.
- Avoid loans with high interest rates, fees or closing costs. If you are not sure if a closing fee or cost is fairly priced, seek counseling before signing the loan. For assistance dial 2-1-1 or (216) 436-2000, First Call for Help, United Way of Greater Cleveland.
- Avoid loans with “balloon” payments. A balloon payment is a large sum of money due at the end of the term of a loan. Homeowners who cannot meet the balloon payment may lose their home to foreclosure unless they refinance the loan, often at an excessive cost. Balloon payments make a loan appear affordable by highlighting the low monthly payments instead of the entire cost of the loan.
- Do not purchase credit insurance with your loan. Some lenders may try to offer you credit life insurance or credit accident and health insurance as part of the loan. The insurance may be extremely profitable for the lender, but may provide you little or no benefit. Credit insurance premiums are expensive as they are financed over the life of the loan.
- Think carefully before you refinance with the same lender. Predatory lenders make money by charging you a new set of costs and fees every time you refinance your loan.
- Predatory lenders can be very aggressive and may try to pressure you into signing for a loan that you really do not want. Before you take out a loan, talk to your attorney, a housing counselor or someone you trust if you do not understand the terms of the loan offered to you. If you do sign a loan agreement, federal law gives you 3 business days to change your mind for any reason.

**“Dedicated to the protection of Cleveland Consumers”**

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