

How to Spot and Avoid Predatory Lending

Predatory lenders promise loans that are "too good to be true" and pressure borrowers to take them on the spot. Here's a few things you or your family and friends should know about spotting and avoid predatory loans:

How to Spot a Predatory Loan

- **Balloon payments.**
- **High interest rates.**
- **Monthly payments you can't afford.**
- **Penalties for early pay-off of the loan.**
- **Unauthorized refinancing of your loan.**

Predatory mortgage lending involves a wide array of abusive practices. Here are brief descriptions of some of the most common.

- **Excessive Fees**
- **Abusive Prepayment Penalties**
- **Kickbacks to Brokers (Yield Spread Premiums)**
- **Loan Flipping**
- **Unnecessary Products**
- **Mandatory Arbitration**
- **Steering & Targeting**

How to Avoid a Predatory Loan

- **Always shop around.**
- **Ask questions.**
- **If you don't understand the loan terms, talk to someone you trust to look at the documents for you.**
- **Don't trust ads promising "No Credit? No Problem!"**
- **Ignore high-pressure sales tactics.**
- **Don't take the first loan you are offered.**
- **Remember that a low monthly payment isn't always a 'deal.' Look at the TOTAL cost of the loan.**
- **Be wary of promises to refinance the loan to a better rate in the future.**
- **Never sign a blank document or anything the lender promised to fill in later.**

If you have any questions on predatory lending call David Gold at Sovereign Bank (860) 570-3171 or the Connecticut Department of Bank at 877-472-8313