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## Protect Yourself: Be a smart consumer. (Continued)

- Don't be persuaded to borrow more than you can repay.
- Don't sign a blank document or a document containing blanks.
- Don't make false statements about your intention to occupy.

## What can you do?

- Consumers, realtors, housing providers, and lenders may contact the Fair Lending/Fair Housing Legal Advice line by calling Idaho Legal Aid Services, Monday through Friday, 9:00 a.m. to 12:00 p.m., M.S.T., (208) 345-0106 in Boise calling area, or statewide toll-free 1-866-345-0106, or (TTY) 1-800-245-7573.
- En español llamada gratis estatal, 1-866-954-2591 o 454-2591 en la área local de llamadas en Caldwell.
- Visit our web site at [idaholegalaid.org](http://idaholegalaid.org) for fair lending and fair housing information and materials. E-mail the Fair Lending/Fair Housing Advice Line at [fairlending@idaholegalaid.org](mailto:fairlending@idaholegalaid.org).

- If you are being discriminated in lending based on your color, race, national origin, religion, gender, disability or familial status (presence of children under 18) you may contact the following resources:

### Idaho Legal Aid Services Inc.

310 N 5<sup>th</sup> St., Boise, ID 83702

(208) 345-0106 in Boise

1-866-345-0106 (toll-free)

TTY 1-800-245-7573

## U.S. Department of Housing and Urban Development (HUD) in Seattle and Washington, D.C.,

1-800-669-9777 *or*

### FHEO HUB Office

909 1<sup>st</sup> Ave., Ste. 205, OAE  
Seattle, WA 98104  
(800) 877-0246 or (206) 220-5170  
TDD: (206) 220-5185  
FAX: (206) 220-5447

1-800-669-9777

1-800-927-9275 (TDD)

### HUD Idaho Counseling Website:

[http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?  
&webListAction=search&searchstate=ID](http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?&webListAction=search&searchstate=ID)

### Intermountain Fair Housing Council

(208) 383-0695 in Boise -or-

1-800-717-0695 (toll-free)



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## Idaho Legal Aid Services, Inc.

### Fair Lending:

### Predatory Lending Abuses

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## Predatory Lending: What is it?

Predatory lending is the practice of preying on, or taking advantage of, an individual or group of people that may have a difficult time buying or refinancing a home.

## What is the issue?

- Certain groups of people are denied the dream of owning a home.
- These same groups are forced to accept lending that is subprime.
- Homeowners are at risk of losing their homes or financial security.

## Predatory Lending: Who is at risk?

- Low-income families.
- Minorities.
- Seniors / Persons with disabilities.
- All persons in the seven protected classes based on: race, national origin, color, disability, gender, familial status, and religion.

## What is a prime loan?

“In conventional lending [prime loans], you're dealing with borrowers with high credit scores, solid income and single-family residences -- basic borrowers...”

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## What is a Sub-prime loan?

“...in subprime, you're dealing with people who can't prove any income, have low scores, have had bankruptcies, have way too much credit or need higher loan to values on their property.”

--Charlie Cartwright, LenderBase Corp.

## Sub-prime loans:

- Provide credit to persons with past credit problems, insufficient credit history, previous bankruptcy, spotty employment, and others that do not meet credit standards in the prime (conventional) loan market;
- Subprime Loans have increased by 10 percent in the past five years in minority neighborhoods;
- Are three times more likely in a low-income neighborhood than in high-income neighborhood;
- Are five times more likely in black neighborhoods than in white;
- Two times more likely in high-income black neighborhoods than in *low-income* white neighborhoods.

## Subprime loans and Seniors:

Seniors become targets because:

- They are “cash-poor” even though “asset-rich”;
- They have limited financial resources (income);
- They have limited knowledge about financing alternatives;
- They have large or unexpected bills for medical expenses or repairs on their older homes.

## Predatory Lending: Who does it?

- Appraisers
- Mortgage brokers
- Home improvement contractors
- Lenders

## Predatory lenders:

### What do they do?

- False appraisals
- Encourage false information
- Lend more than can be repaid
- Charge more interest based on race or national origin
- Charge for unneeded products and services
- Pressure borrowers to accept higher-risk loans
- Target vulnerable borrowers
- Refinance again and again (called “flipping”)
- Pressure to refinance and charge high interest rates

### More Abusive Practices...

- Single premium credit insurance
- High fees
- Prepayment penalties
- Yield-spread premiums
- Steering
- Mandatory arbitration

## What do predators say?

“This is your only chance.”

“The Federal Housing Administration insurance protects you against property defects or loan fraud.”

“Refinancing can solve your credit or money problems.”

“You can only get a good deal on a home improvement loan if you finance with this lender.”

## Possible signs of lending abuses:

- House costs more than similar ones in the neighborhood.
- Sales contract or loan document has blanks or false information.
- Cost or closing terms are different.

## Protect Yourself: Be a smart consumer:

- Educate yourself about homeownership.
  - Interview real estate professionals.
  - Find out about the prices of comparable homes.
  - Have the property inspected.
  - Shop for a lender
  - Read everything carefully and ask questions.
  - Watch that the cost doesn't increase.
  - Don't be persuaded to make false statements.
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