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Glen Carbon, Illinois — Becoming a homeowner can be one of the most exciting moments in a family's lifetime. One of the keys to success is obtaining an affordable home loan with fair terms and reasonable costs. Consumers should know that some loans are riskier than others. Simply being aware of the predatory lending problem is the first step in protecting your investment.

"Predatory lenders often take advantage of homebuyers by promising loans that are not in the best interest of the borrower," said Pat Walker, Chairman of the Board of the Greater Gateway Association of REALTORS®. "If it sounds too good to be true, it probably is. Consumers should become educated about the process by asking a local REALTOR® for a comparative market analysis. REALTORS® can also help by referring credible lending institutions and credit counselors," Walker added.

The majority of predatory lending occurs within the "subprime market," oftentimes involving people with poor credit histories and high debt. Although the availability of these loans can help lower-income families achieve homeownership, the problem lies with those lenders that take advantage of vulnerable buyers.

Here are some warning signs of a predatory loan from the consumer brochure published by the National Association of REALTORS®' entitled "Shopping for a Mortgage? Do Your Homework First: How to Avoid Predatory Lending."

- **Sounds too easy.** "Guaranteed approval" or "no income verification" regardless of borrower's current employment, credit history, and assets. These claims indicate the lender doesn't care about whether you can afford to make the payments over the long haul.
- **Excessive fees.** Higher lender and/or mortgage broker fees than are typical in your market. Because these costs can be financed as part of the loan, they are easy to disguise or downplay. On competitive loans, fees are negotiable. It is common for home buyers to pay only one percent of the loan amount for prime loans. By contrast, a typical predatory loan may cost five percent or more.
- **Large future costs.** High-risk adjustable rate mortgages where the payment rises significantly after a short introductory period are seldom appropriate for families who already have had problems repaying other loans. Home buyers should also avoid a large single "balloon" payment (a lump sum due at the end of the loan's term).

- **Closing delays.** The lender deliberately delays closing so the commitment on a reasonably-priced loan expires.
- **Over-valued property.** Inflated appraisals that allow excessive fees to be included in the loan and result in the borrower owing more to the bank than the home is worth.
- **Barriers to refinancing.** Prepayment penalties that make it hard for a borrower to refinance in order to pay off a high-cost loan by taking advantage of a low-cost loan.
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- **Unethical document management.** An ethical lender or broker will always require you to sign key loan papers, and they will never ask you to sign a document dated before the date you sign it.

“Consumers can protect themselves from predatory lenders by checking out lenders with the Better Business Bureau, educating themselves on the financial risks involved, and taking the time to carefully shop for a loan,” said Walker. The Illinois Association of REALTORS® has mortgage resources for consumers and potential homebuyers available at www.illinoisrealtor.org. Click on Consumer Info where you can find information on loan programs and tips to avoid predatory lending. First-time homebuyers in Illinois may qualify for low-cost loans through the Partnership for HomeOwnership’s Rural Initiative, Quincy Initiative, and HomePower Mortgage Assistance programs. Learn more at www.pfho.org

The Greater Gateway Association of REALTORS® serves over 1,000 REALTOR® and affiliate members in the southwestern Illinois region including the counties of Bond, Calhoun, Fayette, Jersey, Macoupin, Madison, Monroe, and Montgomery. The Association strives to promote education, professionalism, and ethical conduct in the real estate industry, to continue to be an advocate for the protection of property rights, and to further the interest of residential and other real estate property ownership.