



Minnesota Indian Business Alliance

Small Business
Predatory Lending
Column

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Predatory Lending: Protect your Credit and Assets against Fraudulent, Deceptive, and Unfavorable Lending Practices

Tom Bloomquist
Counselor Supervisor
LSS Financial Counseling
318 West Laurel Street
Brainerd, MN 56401
Phone: (888) 577-2227
Tom.Bloomquist@lssmn.org
www.cccs.org

Predatory Lending

We are all familiar with the phrase “wolf in sheep’s clothing”. Today the term predatory lending which applies to any number of fraudulent, deceptive, or unfavorable lending practices makes you the consumer every bit as vulnerable and preyed upon as unsuspecting sheep. Unfortunately for the consumer during tough economic times like we have now we become even more of a target to these type of practices. Following are some common predatory lending scheme broken into two categories: those scams aimed at homeowners and those aimed at consumers overall.

Predatory Financial Scams Aimed at Homeowners

The home is for many families their largest asset. The equity (difference between what is owed and the value) in the home can be a target of predatory lender who are always trying to find ways to take that equity away. Here are some examples:

Equity Stripping is when lenders talk you into refinancing your home or taking out a home equity loan to get the cash value you have built up. These loans may have large fees associated with them and your monthly payment may rise making the home unaffordable.

Balloon Payments is when lenders offer you to refinance keeping your payments low but requiring a balloon payment (large lump sum payment) say five years later. Sounds good at first but when the balloon comes due you may not be able to come up with it and you could face foreclosure.

Loan Flipping is when lenders refinance you over and over again each time charging you fees and gradually taking all the equity out of your home.

Tips to Prevent Problems

Do not sign anything with blanks or for that matter anything you do not understand. Be sure to read the fine print. Trustworthy lenders will always give you the papers to read a day before the closing. Never turn your deed over to anyone. Avoid anything that sounds like easy money. Keep the equity in your home as an asset. If you do decide to refinance, shop around.

If you feel you have been a victim you may contact :

MN Dept of Commerce Hotline at 866-462-6466 or to locate the nearest HUD-Approved Housing Counseling Agency in your area call 800-569-4287.



PREDATORY FINANCIAL SCAMS AIMED AT CONSUMERS

Car repair fraud is when you are charged for work not done or parts not actually replaced, or unnecessary work done on your car. Use word-of-mouth from friends to find a trustworthy repair shop. Get a written estimate before making any repairs. Never sign a blank repair order.

Work-at-home schemes advertise that you can make lots of money at home through envelope stuffing, medical billing, and so on. They get you to send them money for “start-up information” but give you no real training to succeed. Or they try to sell you supplies and you are stuck with if the business never gets going. Honest work-at-home companies will send you information in writing and answer all your questions about your pay and costs before you send any money.

Advance fee scams are phone, mail, or email offers that tell you have won a free prize, a vacation, or access to credit are usually not legitimate. At the end of the sales pitch, they ask you to send money or provide your bank account numbers for them, only later to learn that the offer is not what it sounded like. Your financial safety lies in guarding your bank account information.

Payday Loans and Title Loans have very high fees (often 15% per two-week period = 390% annual percentage rate) and count on you to fail in two weeks, so that you will have to roll the loan over again and again. If you have a payday loan, get in gear with selling personal property, working three jobs, whatever it takes to get out quick.

Some Consumer Laws Protecting You Against Fraud

Fair Credit Billing Act gives you rights if you paid with a credit card (these rights don't apply with debit card). You can dispute any unauthorized charges to withhold payment if goods were not delivered or as promised. Requests need to be in writing (keep a copy) within 60 days of receiving your bill. Send requests to the “billing inquiries” address, not the payment address.

FTC Cooling -Off Rule allows you to cancel any door-to-door-sales, if you sign and date the cancellation form

given by salesperson and mail it so it is post-marked within three business days of your purchase.

For more on these rights or to file consumer complaints contact :

The Federal Trade Commission at 877-382-4357 or www.ftc.gov.

In Minnesota, contact the Attorney General at 800-657-3787.

For help managing money or debt problems, call LSS Financial Counseling Service at 888-577-2227.

Tom Bloomquist is a certified consumer credit counselor working out of the Lutheran Social Services CCCS office in Brainerd, MN. CCCS counselors are available to assist consumers with credit ,debt consolidation, budgeting, pre-filing and pre-discharge bankruptcy., housing, foreclosure prevention and reverse mortgage counseling..