

**COUNTY OF LOS ANGELES
DEPARTMENT OF CONSUMER
AND BUSINESS AFFAIRS**

500 W. Temple St., Room B-96
Los Angeles, CA 90012

For more information call:

(800) 593-8222

Inside Los Angeles County

(213) 974-1452

Outside the County

Visit us online:

dcba.lacounty.gov

Twitter: @LACountyDCBA

Facebook: LACountyDCBA

**COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS**

Hilda L. Solis, First District
Mark Ridley-Thomas, Second District
Sheila Kuehl, Third District
Janice Hahn, Fourth District
Kathryn Barger, Fifth District

**DEPARTMENT OF CONSUMER
AND BUSINESS AFFAIRS**

Brian J. Stiger, Director



© 2016 County of Los Angeles Department of Consumer and Business Affairs.
May be reprinted for non-commercial use if a credit line is included
acknowledging the Department of Consumer and Business Affairs. Predatory
Home Loans (12.05.16)GL6

**COUNTY OF LOS ANGELES
DEPARTMENT OF CONSUMER
AND BUSINESS AFFAIRS**
500 W. Temple St., Room B-96
Los Angeles, CA 90012

**COUNTY OF LOS ANGELES
DEPARTMENT OF
CONSUMER AND
BUSINESS AFFAIRS**



Predatory Home Loans

High Fees & Hidden Costs;
How to Find a Good Loan



Information for Homeowners

Predatory Home Loans

The term *predatory loan* refers to various abusive lending practices. Predatory lenders use high-pressure sales tactics. They may offer you loans with high fees and interest rates even when lower-interest loans are available. High-interest loans make it difficult for you to make your monthly payments. They also put you at risk of losing your home and the money you put into it.

You won't know if a loan is predatory until you shop around. If you are getting a home loan or refinancing, it's important to compare different loan terms and the cost of each loan. Even if you have good credit, you can fall victim to predatory lenders. Protect yourself by knowing how to get a good loan.

Predatory Lending Tactics

Predatory lenders:

- Offer low terms when you apply, then pressure you to accept higher rates and fees.
- Don't tell you about lower rate loans you qualify for.
- Encourage you to repeatedly refinance.

How to Protect Yourself

Predatory lenders prey on people who don't know how good a loan they qualify for. You can protect yourself by doing the following:

- Get a copy of your credit report and FICO score. The higher the score the

better the terms you qualify for. You can get a free credit report at: www.annualcreditreport.com or by calling toll free: 877-322-8228.

- Ask your bank or credit union what kind of loan you qualify for.
- Shop for a loan by contacting several different lenders.
- Compare the quotes you are given by the different lenders. Look at the loan terms and fees. Choose the best offer.

Subprime Loans

If you don't have good credit, you are considered a high-risk borrower. You are not going to qualify for the best loans with low interest rates. However, you may qualify for a subprime loan. These loans are intended to be short-term, until you are able to build up a good credit history and get a better loan.

Recognizing Subprime Loans

Subprime loans often have:

- High interest rates and fees.
- Monthly payments that only cover the interest. They don't reduce the principal balance.
- Balloon payments that have a large payment due in one lump sum at the end of the loan.
- Adjustable interest rates that can increase your monthly payment.
- Prepayment penalties that charge you for paying off the loan early, even if it's to refinance the loan for better terms.

Loan Costs and Fees

Most lenders and brokers charge points and fees to get you a loan. There are no set fees and charges to get you a loan. Loan charges are negotiable and will vary from lender to lender. You should negotiate the amount of these charges as you would any other purchase.

Before choosing a loan, be sure to shop around. Contact three or more lenders and compare the interest rate, points and fees.

Before You Sign

Everything you were promised should be in writing on the loan documents. If you do not understand something, do not sign. Ask for an explanation. Review the loan documents carefully.

- The *Truth in Lending Disclosure* has the basic terms and conditions of the loan. Make sure it lists the interest rate and monthly payments you were promised.
- The *Settlement or Closing Statement* shows the fees you are being charged for the loan. You can question the fees and ask that they be reduced or removed.

Call us for help

We are available to review loan documents before you sign for the loan. Our services are free to Los Angeles County residents.

**For more information, call
(800) 593-8222 or visit us online
at: dcba.lacounty.gov**