

# Predatory Lending

What you need to know.

Predatory lending is a derogatory term used to describe a wide range of abuse. There is no legal definition in the United States of predatory lending; however there are laws against specific illegal activities in the loan industry. Predatory lenders most likely will target vulnerable populations, such as low and moderate income, minority, and the elderly; victims of predatory lending are represented across all demographics.

The loans are predatory because they prey on borrowers' inexperience and lack of information to manipulate them into a loan they cannot afford to repay or terms that are considerably less beneficial for which the borrower is qualified.

Predatory lending occurs frequently on loans backed by some type of collateral, such as a house or automobile, so that if the borrower defaults on the loan, the lender can foreclose or repossess and profit by selling the property.

## Things to Look For

- Did you have full understanding of the loan terms? Did the lender offer unclear information about the loan?
- Did you feel you could cancel the loan? Did the lender apply pressure to keep you from backing out?
- Does a lender have a reputation of targeting a vulnerable or protected group for the purpose of making high cost loans?
- Did the lender know that the borrower could not afford the loan? Or did the lender make the loan based on value of assets without consideration for the skill to repay?
- Did you refinance repeatedly even when there was no benefit to you financially?

**REMEMBER: IF A LOAN TO REPAIR, REFINANCE OR BUY SOUNDS TOO GOOD TO BE TRUE, IT USUALLY IS!**

If you have any questions regarding this or any other topics on finances please call the Housing Department @ 989.775.4595 - You can also make an appointment for a free credit report and financial counseling.