

## ***Tips to Avoid Predatory Lending***



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1. Take a homeownership education course.
2. Shop around for the right real estate professional. Ask for referrals from family and friends.
3. Get information about the homes in the area you want to buy. If you know at what price homes are selling, you can avoid paying too much. Be suspicious of a home that costs more than other homes in the area, but is not any bigger. Keep in mind that a high sales price is only a warning sign and does not equal predatory lending. Remember, a seller tries to sell his or her home for a price they feel is reasonable. This price may be much higher than what the home is actually worth.
4. Hire a qualified, licensed home inspector. An inspector is a professional who checks the home for problems before the purchase. He or she checks all the main systems in the home, the roof, and structure. Determine if you or the seller must make the repairs. If you must, be sure you can afford them. To learn more about inspections, see Go Homebuyer's ***Inspect the Home*** course.
5. Shop around for the best mortgage lender. Compare interest rates and closing costs. Ask about prepayment penalties.
6. Do not let anyone steer you to a specific lender.
7. Do not accept any unsolicited loans through the mail, over the telephone, or door-to-door. If the lender calls you or comes to your door uninvited, do not agree to anything.
8. Do not take the first loan offered to you unless you already compared other lenders.

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9. Ask the right questions if you choose an adjustable rate mortgage (ARM) loan.
10. Do not let anyone convince you to lie on the mortgage loan application. This is fraud. You can be charged with criminal action if you commit fraud. Be honest on how you plan to live in the home. Do you plan to use it as your primary residence, a second home, or an investment property?
11. Do not let anyone convince you to get a larger loan amount than you feel comfortable paying. You are the one who could lose your home if you cannot pay.
12. Do not let anyone convince you that you must agree to credit life, disability, or unemployment insurance to get a mortgage loan.
13. Read all your paperwork. Make sure everything is correct. This includes the ***HUD-1 Settlement Statement*** (HUD-1), ***Good Faith Estimate*** (GFE), and ***Truth in Lending Disclosure*** (TIL).
14. Do not sign anything you do not understand. You can always consult with an attorney, a trusted real estate professional, or a HUD-approved housing counseling agency if you need advice.
15. Never sign a blank document. Write in "N/A" or cross out any blank lines on the document.
16. If you need to make home improvements, call several home repair contractors. Ask family and friends for referrals. Do not buy from a door-to-door salesperson who promises to get a loan for you.