



## Predatory Lending Practices / Abusive Loan Practices

Categories : [Consumer Services](#)

The following is excerpted from the website of the United States Department of Housing and Urban Development (HUD): <http://portal.hud.gov/hudportal/HUD?src=/states/connecticut/homeownership/predatorylending>

### WHAT IS PREDATORY LENDING, ALSO KNOWN AS ABUSIVE LOAN PRACTICES?

Predatory lending is another term for loan fraud committed by mortgage lenders, home appraisers or real estate professionals on consumers who are trying to buy a home, obtain re-financing or make improvements on their home. A bad loan obtained from a predatory lender may cause homeowners to lose their chance to buy a desired home, lose the equity in their current homes or force them to sell their homes when they are unable to make loan payments.

Predatory lenders can cause consumers to lose their homes and property investments by practices such as:

- Having borrowers make false statements about their income in order to get a loan;
- Purposely making higher loans than borrowers can afford to make payments on;
- Charging high interest rates based on factors other than credit history such as a borrower's race or national origin;
- Pressuring borrowers to assume higher risk loans that may have balloon payments, pay only on the loan's interest or have steep penalties for pre-payments;
- Persuading borrowers to obtain refinancing multiple times which takes the equity from their homes.

### WHY ARE OLDER ADULTS TARGETED BY PREDATORY LENDERS?

Anyone can be the victim of a predatory lender, but older homeowners are often particularly vulnerable because many of them are on fixed incomes and rely on the equity in their homes as their primary financial assets. Among the scams targeted to seniors are charging high interest rates on loans, selling credit insurance as part of the loans, making loans that the homeowner is unable to repay and refinancing unsecured debts, such as credit cards or medical costs into the loan. For further information, visit the website of the National Consumer Law Center: [www.nclc.org/images/pdf/older\\_consumers/consumer\\_concerns/cc\\_elderly\\_victimized\\_predatory\\_mortgage.pdf](http://www.nclc.org/images/pdf/older_consumers/consumer_concerns/cc_elderly_victimized_predatory_mortgage.pdf)

### HOW DO I AVOID BECOMING A VICTIM OF PREDATORY LENDERS?

Consumers can take the following steps to avoid becoming a victim of a predatory lender:

- In Connecticut, housing counseling agencies can educate and advise homebuyers on predatory lending and help them evaluate loan offers. A list of housing counseling agencies can be found at HUD's website: [www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=ct](http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=ct)
- Contact one of the following agencies to check if the lender is registered and if there are any records of complaints: Fraud – Federal Trade Commission (FTC): [www.ftc.gov/](http://www.ftc.gov/)  
Banks – State of Connecticut Department of Banking: <http://www.ct.gov/dob/site/default.asp>  
Mortgage Companies/Brokers: State of Connecticut Department of Consumer Protection: [www.ct.gov/dcp](http://www.ct.gov/dcp)
- Make sure your credit report is accurate – Lenders use credit reports to determine risks in making loans to borrowers. Credit reports can be obtained from Equifax, Experian, or Trans Union credit reporting agencies for a set fee.
- Have an attorney or loan counselor look over loan documents before signing – Don't allow any lender to



rush you through the loan process before making sure all information on the application forms is correct.

- Consumers have three days after the close of a loan to change their minds for any reason, or even if there is no reason, and cancel the loan.

### **WHERE DO I COMPLAIN ABOUT A PREDATORY LENDER?**

Consumers in Connecticut who want to report predatory lending practices can contact:

- Better Business Bureau of Connecticut: <http://www.bbb.org/connecticut/>
- State of Connecticut Department of Banking-Consumer Credit Division
- State of Connecticut Department of Consumer Protection

### **TO FIND PROVIDERS IN CONNECTICUT'S COMMUNITY RESOURCES DATABASE:**

Search by service name: [Predatory Lending Assistance](#)

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*SOURCES: Better Business Bureau of Connecticut website; Federal Trade Commission website; "Helping Elderly Homeowners Victimized by Predatory Mortgage Loans": article posted on the National Consumer Law Center website; State of Connecticut Department of Banking website; State of Connecticut Department of Consumer Protection website; U.S. Department of Housing and Urban Development website*

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