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## Avoid Predatory Refinance Lending - Read the Fine Print!

If you are a homeowner, and are considering a refinance loan, be sure you read the fine print before you sign any paperwork. While most are decent and honest, the sad truth is that there are some mortgage lenders who will try to bamboozle you out of your money. Take this story as documented by the Center for Responsible Lending, for example:

A retired couple in their early seventies had almost paid off their mortgage. Their retirement income turned out to be less than expected (and needed), so when they received a \$1000 "check" (read: high-interest loan) from their friendly bank, they decided to cash it to supplement their income.

After two weeks, the same bank called the couple and encouraged them to consolidate this new high-interest \$1000 loan by refinancing their remaining mortgage balance. Because the couple had excellent credit the bank promised them a nice low interest rate of 5-6 percent.

Unfortunately for the trusting couple, the papers they ended up signing for the refinance loan did not give them the 5-6 percent interest rate; instead it was almost 10 percent with an APR of 12 percent. Additionally, the refinance loan required the couple to pay 10 discount points, totaling \$15,000. These were, of course, rolled into the balance of the new loan so that the couple did not realize upfront they were being charged. And the bank representative overseeing the signing of the paperwork did not disclose any of these changes from the original promises. The couple just assumed the bank (a major, well-known, nationwide lender) would hold up its end of the bargain and they did not take the time to read the fine print of the contract. The new monthly mortgage payments for the couple ended up costing them about 60% of their monthly income!

When the couple realized the insanity of the new loan they had gotten into, they decided to refinance again with a new lender who would actually give them the low interest rate and good terms that the couple had qualified for. While it saved them money over the high-interest mortgage loan, the couple had to pay \$7,500 in prepayment penalty fees just to get out of that loan!

Hopefully in reading this gloomy tale, you have picked up on ways that you could avoid falling prey to such predatory lending tactics. First, beware of lenders that approach you about refinancing. When you are ready to refinance, shop around and get lots of quotes and estimates on the type of rates and terms you could get. Do not accept the first offer extended to you.

Second, you should read the fine print! Do not take honesty for granted in this world we live. Make sure you are getting the loan you were promised by actually reading through the contract when it comes time to sign. Much of mortgage contract language is complicated and confusing and it might not be a bad idea to have your attorney or trusted financial advisor review the paperwork with you before you sign. You will definitely be happier in the end if you save yourself from a loan with worse terms than you were originally offered!