



MAKING CENTS

DON'T LET LENDERS PREY ON YOU

-John P. Napolitano, CFP®, CPA, PFS, MST



The subprime mortgage fiasco, still fresh in the minds of many borrowers, is an example of predatory lending gone wild. Too many of these lenders targeted people with poor credit simply to generate greater profit for themselves. They get to charge a higher rate for subprime borrowers and really don't care about your ability to pay the loan back; they are paid to originate and close the loan.

Predatory lenders are skilled in knowing whom to target and whom to avoid. So if you are in need of a loan, make sure you fall into that latter category by avoiding lenders who use the following tactics.

Let's get it right out in the open. If you have no job and poor credit, but a lender says "no problem" after finding out you have a house or car you can put up as collateral, then you have been earmarked as an easy target.

Watch out for a lender who encourages you to borrow more than you need: That's a real red flag that you may be working with someone with their interests more important than yours. In fact, a good rule of thumb when borrowing is to borrow the least amount, for the shortest amount of time and with the lowest annual percentage rate. And while

we're addressing rates, beware of higher-than-advertised interest rates.

Balloon payments are to be avoided; there is no guarantee that you'll be able to refinance the loan or pay off the loan when the balloon payment is due. And if a lender keeps adding on "fees," speak up and find out exactly

what they're for. It is certainly true that the lending market has tightened up considerably.

Lenders have less flexibility than they used to and your credit score really dictates the kind of rate you can expect. Ask your

lender early in the process just exactly what your credit score is and what that means with regard to the rates available for you. A good lender will also review your credit report and give you advice on how to clean it up and receive a higher score, which should result in a lower rate.

Savvy predatory lenders may employ pressure tactics to get you to sign on that dotted line before you're ready. Do not ever sign blank forms, falsify application information or be rushed into signing documents. Do, however, have an attorney, an accountant or a financial adviser look over loan documents before you commit pen to paper.

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