



Florida Association of Mortgage Brokers Offers Consumers Tips to Avoid Abusive Lending Practices

Deciding to purchase a home is one of the most significant decisions that a consumer will ever make. It is crucial that the consumers work with a mortgage broker, loan originator or other mortgage professional during the home buying process. While most mortgage industry professionals are honest and ethical, it is still important for consumers to be aware of the following tips as they prepare to enter the largest financial transaction of their lives. By becoming knowledgeable about the mortgage process, they can protect their financial investment and close the loan that will best serve their needs.

The Florida Association of Mortgage Brokers (FAMB) offers the following tips to avoid abusive lending practices during the home buying process:

- **Shop around and compare.** If you need to borrow money for a home purchase, refinance, home repairs, medical expenses or bill consolidation, shop around with different brokers and lenders. Compare interest rates and find out what the total costs of the loan will be and what your monthly payment will be before making a decision. You should be furnished with a Good Faith Estimate of costs. Use the Good Faith Estimate from each lender or broker to compare the loan terms and costs.
- **Negotiate.** Don't let the promise of extra cash or lower monthly payments get in the way of your good judgment. Consider whether the closing costs you will pay for the loan are really worth it. Don't agree to a loan that includes extra products you don't want. Negotiate the loan terms and agree to a loan amount that will meet your needs.
- **Be cautious.** Be wary of anyone who calls you on the phone, solicits you in the mail or comes to your door offering "bargain loans". Beware of claims that the offer is only available for a short period of time. Beware of lenders claiming "bad credit – no problem". If the loan terms seem too good to be true, perhaps they are.
- **Never act immediately.** If the mortgage professional asks for fees up front, ask how the fees will be used and be certain to get the explanation in writing. Are the funds for the appraisal or credit report? Never pay a lender cash for any fees, and always make the check payable to the mortgage firm, not the individual loan officer.
- **Understand the terms of your loan.** Some loans may sound very attractive because the monthly payment is small. Ask if there will be a balloon payment at the end of the loan period. Make sure you know the dollar amount of each monthly payment and ask if the monthly payment can change at anytime during the repayment process. If so, find out when it will change, how much the increase will be and how often the change will occur.

- **Don't be afraid to ask questions.** You have a legal right to know the total cost of the loan, the annual percentage rate (APR), the monthly payments, and how long you will make payments on the loan. If you are unsure of any terms of the loan, ask for an explanation. If you don't receive a straight answer, go elsewhere for your financing needs.
- **Read carefully before you sign.** Don't sign any document you haven't read or has blank spaces that could be filled in after you sign. Don't be pressured into signing any loan papers that you do not understand. If you need an explanation of any terms or conditions, talk to someone knowledgeable that you trust. Get copies of everything you sign at the time you sign them.
- **Borrow only the amount you need and can afford to repay.** Just because you qualify for a certain amount of money doesn't mean you should borrow the maximum. Consider whether you can afford to make the payments. Determine exactly how much money you need, borrow only that amount and find out exactly how much your monthly payments will be. If you are consolidating debt, make sure you will have enough money left after closing costs and loan pay offs to pay any other bills you would like to eliminate.
- **Immediately get help if you feel you have been victimized.** Contact your local state regulators and/or your local Better Business Bureau to report the individuals and companies you worked with.

“The members of the FAMB believe that the interests of the public and private sector are best served through the voluntary observance of ethical standards of practice and our members subscribe to a strict code of ethics and professional standards,” states FAMB President Patrice Yamato, CRMS. “Prior to working with any loan originator, you should inquire about their company's reputation.”

For more information or to find a mortgage broker in your area, visit the consumer information page on the FAMB web site at www.famb.org.