

NOTE: The information in this pamphlet is general information, and it is not meant to give legal advice. The general rules of law often have exceptions, and the law often changes.

Arizona Statewide
Consumer Law Project

LOANS AND YOUR HOME

Know the Danger Signs



WHAT CAN I DO IF I'VE ALREADY SIGNED AN AGREEMENT?

Bring all of the documents you have relating to the loan to a lawyer or one of the agencies listed above.



To receive this brochure in alternate formats, please call 602-258-3434 x 2230.

For more information, contact:
Statewide Consumer Law Project

602-258-3434
800-852-9075 (toll free)
bgelder@clsaz.org

STOP!



Are you planning to buy a home, refinance your home or take out a home equity loan?

If so, **STOP** and read this first!!

This pamphlet has legal information which is periodically updated by the Statewide Consumer Law Project. Call to find out if this pamphlet has been updated since the last printing dated below.

The Statewide Consumer Law Project does not discriminate on the basis of race, religion, sex, age, disability, or national origin in its relations with service applicants or employees.





CAUTION

Getting a mortgage, refinancing a mortgage or taking out a home equity loan shouldn't be scary - but the wrong agreement can cost you thousands of dollars in unnecessary interest charges and fees, and may even cost you ownership of your home.

WARNING

SIGNS OF A RISKY LOAN AGREEMENT



- The lender contacts you in person, at home, by mail or telephone;
- You are told you'll be approved, regardless of your credit;
- You're told you must lie about your income to get the loan;
- You're told to stop making payments on your current loan or to other creditors;
- You're told to send payments for your current loan directly to the person or company offering you the new loan;
- The interest rate may increase over the course of the loan - an Adjustable Rate Mortgage (ARM);
- The loan includes a prepayment penalty;
- There is a large payment at the end of the loan - sometimes called a 'Balloon' payment;
- The lender pressures you to sign the papers 'NOW' if you want the deal;

- You're told not to worry about the 'fine print' - sometimes they'll pretend to explain it to you rather than to give you time to read it - don't feel pressured -

TAKE THE TIME TO READ IT!

- You're asked to sign, or 'deed,' your home over to the lender.
- The loan is suggested by someone offering home improvement repairs - they may be in on the scam, too!
- You're asked to sign documents with blanks or in a language you don't understand

- ***If Something Sounds Too Good to Be True - it usually is!!!***

HOW CAN I PROTECT MYSELF?



- Know the basic terms;
 - ◆ Refinance - replacing an existing loan with one with different terms;
 - ◆ Terms: refers to interest rates, repayment period, type of interest;
 - ◆ Home Equity Loan - loan in which your home is used as collateral;
 - ◆ Balloon - a lump sum payment paid at the end of the loan term;
 - ◆ Fixed Rate Mortgage - a loan where the interest rate does not change;
 - ◆ Adjustable Rate Mortgage (ARM) - a loan where the interest rate may increase during the life of the loan;

- ◆ Prepayment Penalty - a charge to pay off the loan early, usually when the loan is refinanced;

- ◆ Negative Amortization or Interest Only Loan - your loan balance actually **INCREASES** as you make your payments.

- Gather all documents connected with the mortgage or loan agreement together and show them to a lawyer or one of the agencies listed below **BEFORE YOU SIGN ANYTHING!**



- ★ Acorn Housing - 602-253-1111 - www.acornhousing.org
- ★ Chicanos Por La Causa - 602-253-0838 or 520-882-0018 - www.cplc.org
- ★ Community Housing Resources of Arizona - 602-631-9780 www.communityhousingresources.org
- ★ Family Housing Resources - 520-318-0993 www.familyhousingresources.com
- ★ Neighborhood Housing Services of Phoenix - 602-258-1659 - www.nhsphoenix.org
- ★ Northern Arizona Council of Governments - 928-774-1895 - www.nacog.org
- ★ Southeastern Arizona Governments Organization - 520-432-5301 www.seago.org