

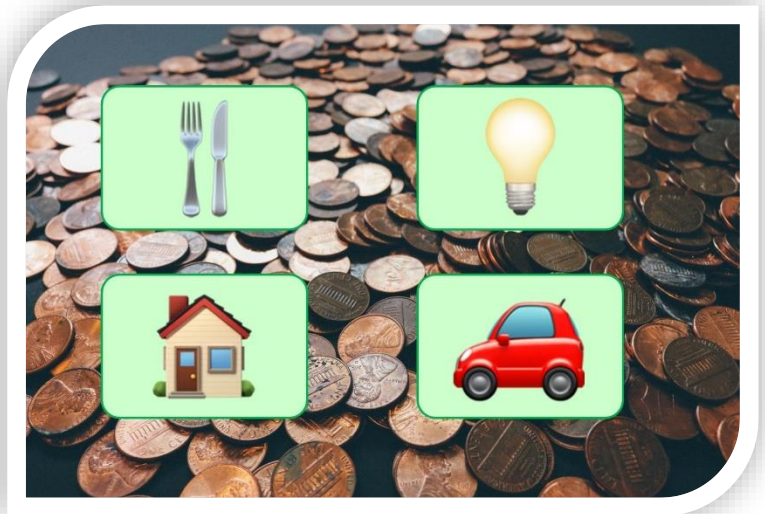
Cautions regarding mortgage re-financing

We all have periods of life where we struggle and frequently money troubles can be bundled up into these times. The most important thing to remember with USDA financing is that EARLY COMMUNICATION will preserve the most options for you. When you see trouble on the horizon, be sure to communicate these issues with your mortgage servicer *before* you miss a payment. Many financial advisors suggest that you focus on your “four walls” during difficult times, spending only on these four things (in this order):

- Food
- Utilities
- Shelter
- Transportation

If you're up to your eyeballs in debt it's easy to panic, but remember to keep your family safe FIRST before trying to pay consumer debt.

If do you decide to refinance your mortgage for whatever reason, it's important to be aware of predatory lending practices that may try to trap you into cycles of debt leading to foreclosure or even bankruptcy. Your first line of defense will be to understand some of tactics these lenders use to separate you from your money. They are frequently aggressive, deceptive and typically target minorities, the poor, the elderly, those with less education and people who need immediate cash for emergencies. Trustworthy lenders make it their goal to lend to qualified borrowers who will be able to repay their loan. With predatory lending, the lender is looking to take advantage of the borrower's situation. Some common red flags include:



- Excessive or hidden fees – Be wary of inflated interest rates, points, fees hidden in fine print or changing the loan terms after the original offer. Confirm your estimated monthly payment also includes taxes and insurance or the figure could be greatly under estimated.
- Add-on charges – A lender may try to pack a loan by adding services to the loan such as credit or life insurance

that only benefits themselves and not you.

- Prepayment or balloon fees - A "prepayment penalty" requires you to pay a steep fee before refinancing. The penalty period can last several years, cost thousands of dollars. A "balloon" is a large lump sum payment at the end of a loan's term often used to make your monthly payment look small. These fees can be hidden or glossed over by unscrupulous lenders.
- Loan flipping – Sometimes it may seem your new loan is saving you money but is actually more expensive after figuring in the cost to originate a new loan or the new longer term length. This practice can trap a borrower into debt that keeps piling up.
- Negative amortization – If your payment is so small that the interest isn't covered, be aware that you will actually be going deeper into debt every month instead of gaining equity over time. Your lender should be able to demonstrate how the loan term will be paid off in the end.
- No credit check required – Lax lending requirements generally attract borrowers into a loan they can't afford so the lender can claim your home through foreclosure.
- Rushed approval or paperwork – It's important to have time to fully review all contracts including the fine print. If you feel rushed into signing, that's definitely a warning sign there may be unfair fees or terms. Also watch for unexpected paperwork at signing or any fields that are left blank, as the lender could go back and use those to alter the terms of the agreement.
- Bad reputation – Review other consumers' experiences by checking their reputation with the Better Business Bureau, Consumer Financial Protection Bureau or even through Google. Also look for any misleading information they might provide or if they are reluctant to provide full disclosures. If they try to explain away every fee or you feel like you're not getting a straight answer to your questions it can also be a warning sign. Further, if you are suggested to misrepresent yourself in any way on your loan application in order to get approved, someone could be trying to take advantage of you.



Overall, it's important to be cautious about any loan agreement that seems too good to be true or is too difficult to understand. A consumer-focused lender will be transparent about the total loan costs and should be able to show you how the loan will be paid within the loan terms.