



## Predatory Lending

Predatory lending is any lending practice that imposes unfair or abusive loan terms on a borrower. It is also any practice that convinces a borrower to accept unfair terms through deceptive, coercive, exploitative or unscrupulous actions for a loan that a borrower doesn't need, doesn't want or can't afford.

Predatory lenders often target lower-income neighborhoods through aggressive marketing. They make false promises about easy access to credit to pay for home repairs or consolidate debt.

### Warning Signs

- High-pressure and/or misleading marketing and sales efforts.
- Excessive fees and interest rates at levels well beyond what is needed to cover risk and make a reasonable profit.
- Excessive origination fees and/or unnecessary and overpriced products included in the loan balance (an example is single premium credit life insurance).
- Large prepayment penalties that trap borrowers in an unaffordable loan.
- “Balloon payments,” which are very large payments due at or near the end of the loan that are impossible to repay and result in foreclosure.
- “Loan flipping” in which a loan is refinanced 2 or 3 times a year that add new fees into the balance of the loan so that the loan balance keeps rising.
- Aggressive or abusive collection practices.

### Predatory Lending is NOT the Same as Subprime Lending

- Subprime lending is when credit is extended to borrowers who might not be able to get a traditional loan because they are judged to be at a significantly higher risk of default than traditional bank lending customers.
- While most predatory loans are made to subprime borrowers, predatory lending uses marketing tactics, collection practices and loan terms that are intended to deceive and exploit borrowers.

Find out more at: [www.wiserwomen.org](http://www.wiserwomen.org)



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## Protecting Your Income: Tips to Avoid Predatory Lenders

- Do some research on the lender—shop around for other options.
- Ask a lot of questions.
- Be cautious.
- Be aware of everything the contract states.
- Read carefully before you sign.
- Avoid balloon payments.
- Watch for high closing costs.
- Never act immediately - don't be afraid to say "no" or "let me think about it" if you start to get suspicious or feel pressured.

The **Consumer Financial Protection Bureau (CFPB)** is aimed at helping consumers avoid fraudulent or inappropriate financial products and services. Call (855) 411-2372, or visit [www.consumerfinance.gov](http://www.consumerfinance.gov)