



Potential Warning Signs

Always be careful when selecting a lender. A responsible lender can help you gain financial flexibility and achieve your goals. But, unfortunately, some lenders in the marketplace are dishonest. They may take advantage of someone who doesn't understand the terms of the loan. Or, they may lock someone into a high-cost loan that they're not able to afford.

While these lenders may act like they want to help you, their real goal is to cheat borrowers by using deceptive, fraudulent, or aggressive sales tactics. It's called predatory lending. Anyone can be a target, but knowing these nine warning signs to watch out for can help you to avoid being a victim:

1. Encouragement to include false information. If a lender has changed any of your income or expense information or leaves your income blank, do not sign the loan application.
2. Blank loan documents. Never sign a blank loan document or work with a lender who asks you to.
3. "Bait and switch" sales tactics, when a lender makes promises in order to make the sale, but then backs out on the promises after the sale. To avoid this, it's critical to carefully read and understand the agreement *before* you sign. Question anything in the document that is not consistent with what you were told. Don't sign the agreement if anything in it is unclear or not as promised.
4. Equity stripping. Let's say you don't have much monthly income but you have built up equity in your home. If a lender encourages you to inflate your income on your application form to help get the loan approved, watch out! A predatory lender doesn't care if you can't keep up with the monthly payments, because as soon as you can't, the lender will foreclose—taking your home and stripping you of the equity you have spent years building.
5. Loan flipping. This is when a lender persuades a borrower to repeatedly refinance a loan, often within a short time frame, charging high points and fees each time. This is not in your best interest because it costs you money and postpones the loan principal from being reduced.
6. A high fee for bi-weekly payments. Some lenders will offer you the option to pay your loan bi-weekly. Although this type of payment plan can reduce the finance charge and length of a loan, predatory lenders may charge you \$1,000 for the "privilege" of paying biweekly. In reality, such accounts can often be set up for free or a few hundred dollars at most.
7. Required deed signing. If you are behind on your mortgage payments, a predatory lender may offer to help find new financing. But first you are asked to deed your property over to the lender as a temporary measure to prevent foreclosure. But then the promised loan never comes, and you no longer own your home.

Potential warning signs (continued)

8. Advertisements promising “No Credit? No Problem!” These are often warning signs of scams. Consumers responding to such ads are guided through a phony application process and may even receive fake loan approval documents. To receive the approved loan, they are told to pay money up-front for fees or services—and instead end up losing their money.
9. Promises to refinance the loan to a better rate in the future. No one can make you that promise. Instead, ask what you can do now to get a better rate. If you’re working with a local bank, for example, there may be a rate discount for making automatic monthly payments from your checking account.

How do you find a responsible lender? It’s a good idea to look for an established company with a good reputation. Ask a money-savvy friend, family member, or work associate for a referral. Or, ask your local bank or employer. Many banks and businesses have established relationships with reputable companies they can recommend to you.

It’s important to remember that signing a loan agreement is a serious financial responsibility. You’ll have to live up to the terms that you agree to. That’s why it’s critical that you avoid predatory lenders and understand exactly what you’re signing.

Only work with lenders who answer all your questions, put everything in writing, and give you time to shop and compare before you sign a loan agreement. These are all good signs of a responsible lender.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.