What are your rights?

Taking a loan.

Before taking a loan, you have the right to know the interest rate the lender is offering you. If it is an adjustable interest rate, the rate may increase or decrease over time. If it does increase, you will need to be able to repay the principal on the loan along with the increased interest rate. The “principal” amount of a loan is the cost of what you purchased with the loan. For example, if you purchase a car for $15,000 and get a loan to pay for it, you will actually wind up paying more than $15,000 as you pay back the loan over time. $15,000 is the “principal” amount of the loan. “Interest” is the service charge you will pay with each payment to the lender.

If the bank is offering a fixed interest rate, you have the right to know the total amount of repayment upon purchase – principal plus interest.

If you have a low credit score (generally below 700), lenders will only provide loans to you at a higher interest rate because they consider you to be at a higher risk to “default” on the loan. A loan default occurs when you are not able to repay the loan as you agreed to when you made the purchase.

Fees charged.

There may be many organizations or parties involved in getting a loan. These maybe you, as the lender, a title company, attorneys, an appraiser, an insurance underwriter, sometimes insurance brokers. Each party involved in the loan process will charge a fee that will be added to the loan. Pay special attention to the fees charged by each of the parties involved in your loan. You have the right to review those charges by looking at the Settlement agreement document, which is the form that will be used to close your loan. Before signing a loan settlement agreement, you have the right to ask how much are the estimated costs involved in your loan and who are the parties that will be involved and whether those are licensed.

Payday loans.

Payday loans are short term cash loans that have finance charges of $15.00 to $20.00 for every $100 loaned. That equals an Annual Percentage Rate (APR) fee between 391% to 521%. These APR percentages are VERY high. Most payday loans are targeted and made to low-income people. As a condition for a loan approval, payday lenders are not allowed to require you to give them access to your bank account to repay the loan. You have the right to get a disclosure document so that you can see clearly how much the loan will cost you and the fees they will charge you. You have the right to ask and understand what will happen if you do not pay back the loan.

Title loans.

Title Loans provide short-term loans against the value of a vehicle that you own. Title Loan lenders will hold the title of your car until you repay the loan. If you cannot repay the loan on time, they will add charges and fees to the amount that you owe. If you cannot repay the loan when it is due in full or miss too many payments, the Title lender will take your car through Repossession.

Like Payday Loans, you have the right to get a disclosure document that clearly explains how much the loan will cost you and what fees and costs the Title Loan lender will charge you. You have the right to ask and understand what will happen if you do not pay the loan. You have the right to get a copy of the contract you are signing. If you fail to repay the loan and the lender tries to seize the vehicle, you have the right to receive a notice of repossession and a notice of sale to find out how much was the car sold for and to see if you are entitled to a surplus or responsible for a deficiency.

Rent-to-Own a home.

There are advertisements that sound very attractive and offer you the ability to rent a home to own – “Rent-to-Own.” In a rent-to-own deal, the person who rents the property agrees to sell it to you at a later day for a specific price and tells you that the rent you pay will be counted toward a future down payment. Unfortunately, most of these rent-to-own homes are just scams that lure you into renting the home with the belief that you will eventually own it. In some instances, the Seller (advertiser) does not even own the house that is listed for “rent-to-own” and therefore cannot legally sell it to you in the future. In other situations, the homeowner has failed to pay property taxes, is going through foreclosure, or the house is in terrible shape and has issues like asbestos and leaked lead. Any of these situations would prevent a buyer who needs to get a mortgage (a home loan) from purchasing the property, no matter how many rent payments they have made. In these situations, it is important that you check before entering into these “Rent-To-Own” agreements that the person who is renting the property to you owns the home, has paid the taxes and any other charges like Homeowner Association dues.

Rescue scams.

Homeowners who are facing foreclosure or struggling financially to pay their home loans (“mortgages”) should beware of rescue scams. Foreclosure is when the bank who financed your home takes back the property because you have not paid your mortgage payments on time. These types of scams will lure the homeowner to pay fees to the scammer, who promises to assist the homeowner in avoiding foreclosure. A different type of Rescue Scam may transfer the property to the scammer, who promises the homeowner that they can repurchase the property back while the homeowner will pay rent to the scammer. In both situations, the scammer ends up pocketing the money and disappearing and the property is foreclosed by the bank.

To avoid unfair loans, look for and avoid these situations.

- Any lender who is promoting or pressuring you to take a loan with a Variable Interest Rate when they know that you may not have the financial income to repay the loan when the interest rate increases.
- Any loan broker or lender who inflates your income or the value of your property or home in order to secure a higher loan amount for you.
- Any person or company who extends credit to you if you are already struggling financially will be making it more likely that you will default on your loan.
- A lender who seems to be targeting their advertising or promoting a loan to people who are trying to change careers or students that are being offered loans with very high interest rates.
- A lender who agrees verbally to a lower interest rate than the loan disclosure document actually states or which they originally promised to you.

- A loan with a balloon payment means that the interest rate and the payment amounts will increase over time. These types of loans seem affordable in the beginning, but later when the payments increase, you may not be able to pay the higher amounts and you may default on the loan.
- Any lender or company that seems to be targeting their advertising at minority groups for higher interest loans when members of those minority groups are qualified for more favorable loan terms. This is manipulative advertising.
- With home loans, or mortgages, any company that uses inflated property appraisals to increase the price of a property is potentially a predatory lender. When this happens, it is often on properties that are “flipped.” Flipped properties are those that are bought, fixed up, and sold very quickly, without occupancy.

What you need to do?

What to look for when seeking a loan.

- Before you get a loan shop around different lenders and financial institutions. Compare rates and seek out reputable companies or banks.
- If you are buying or refinancing a home, check the average interest rate for a 15-year loan and a 30-year loan so that you have some general understanding of whether or not the interest rate a lender is offering to you is within reasonable limits.
- Gain a clear understanding of the loan interest rate, the principal amount, and the total amount you will end up paying for the loan over time through the final payment. Other fees that may be included in your loan are brokerage commissions, title insurance, and other miscellaneous fees. A loan disclosure agreement should show all of these fees and costs. If you are purchasing a home, the lender is required by law to give you disclosures about the closing costs and what will be the total cost for the loan. ASK as many questions as you need to in order to understand the entire loan agreement before you sign!

Be financially prepared

- Work on your monthly or yearly budget. Understand what amounts you must pay and what you make and what the difference is. Do not seek a loan for more

than your current budget allows.
- Be sure to add costs to your budget for maintenance and repairs. This will be needed for vehicles or real estate (homes.) If you are getting a home loan, don’t forget to include expenses in your budget for a down payment and loan closing costs.
- Check your credit score to see if you have a good credit score and can get a loan so you do not fall for predatory lending. Keep in mind if your credit score is below 700 you will likely pay more for the loan.

Beware of “flipped” homes.

- “Flipping” a house refers to a situation when a person or company buys the house for cheap, quickly fixes it up, then resells the house without ever living in it themselves. Sometimes a flipped house has been renovated for cheap with low quality materials or workmanship.
- If you are buying real estate that has been flipped, you may wind up paying more money and the price may not reflect the real value of the property. Use caution when purchasing a home that is being sold by a person or company who did not live in it.

Compare the price of the home to others.

- Beware of a lender or person who tells you that the property you are buying costs more than the other ones in the neighborhood even though it does not look bigger or better. If you can work with a real estate agent, they may offer some protection from situations like this by providing you with “Comps”, which are priced in the same area for similar homes. You may also be able to compare your own housing prices by checking online home sale websites such as Zillow or Redfin.

Decide on loan terms.

- Decide what term you need. A loan Term is the amount of time you will pay back the loan. For example, if you are purchasing a home you can take a 15 year loan instead of a 30 year loan. On a 15 year loan, you will save money on interest but your monthly payments during those 15 years will be higher than a

30 year loan. One reason for this is that a lender takes a greater risk with a 30 year loan because you have twice as much time to repay it and, therefore, twice as much time to miss payments or default on the loan.
- Avoid taking any loan that has a balloon payment. A balloon payment most often means a much larger payment or series of payments against your principal balance at the end of the loan period.

Avoid payday and title loans.

Do your best to refuse payday or title loans! These can become a type of trap where the lender asks you to rollover or refinance the loan and you will be paying more money on fees and charges without getting any cash in return. In addition, you may risk losing your car when you get a title loan.

Avoid home mortgage scams.

- Avoid paying fees to a person who says they will help you if you are facing foreclosure. Do not transfer your property to another person. You can call the lender/bank and try to negotiate a loan modification.
- Avoid rent-to-own homes and save the money for a down payment to buy a house.

What to consider before taking action?

Set up payments you can afford.

- Find out how much of your monthly income will go toward the loan.
- If you are borrowing a car, a safe guideline to ensure you are not borrowing more than you can afford is to keep your car payments less than 10% of your total monthly income.
- If you are seeking a home loan, try to keep your monthly mortgage payments less than 30% of your total monthly income.

Understand who is receiving fees.

Check the fees to be charged to your loan and ask questions about what the fees are for, who is charging for the fee, and what work is being done by the person charging the fees. Also, make sure the persons who are to receive fees from your loan are licensed.

Know your credit score and make a budget.

Establish a budget to see how fit you are financially to meet new obligations and save money for closing costs and down payment. Your budget should include future costs like maintenance and repairs.

Check your credit score! If you have a good credit score, you are more likely to get a reputable loan with fair terms and you will be less likely to fall for a scam or unfair loan terms. If your credit score is below 700, your interest rate will probably be higher than if it is above 700. Consider taking more time to build up your credit score before seeking a loan.

Do not take more loan than what you can afford.

Understand what you are being asked to sign.

- Do not sign documents that are blank, only partially completed, or that you do not understand.
- Do not sign documents that are written in a language that you do not speak or understand. If you cannot read the documents do not feel ashamed to ask a family member to read the documents to you. You can also consult with an attorney who may assist you during the closing. If you work with a translator to apply for and negotiate a loan, be sure that the translator is someone that you know and trust (not someone who works for or with the person or company who is planning to give you the loan.)
- Make sure you get the disclosures about your closing costs before you sign the loan.
- If you are blind, then the lender needs to accommodate the borrower by providing the aid or services needed to communicate effectively.

If you are considering a Title Loan:

- Make sure you have the money to pay the loan before the day it is due. If you do not pay the amount loaned when it is due, the Title Loan company will offer you a refinancing option and that will add more fees to the loan without giving you any more cash back.
- If you do not believe you will have the money to pay then you should not be taking this kind of loan because you risk losing your car through repossession.
- You need to read the fine print of the document you are signing for this kind of loan. Make sure you get a receipt from the lender every time you make a payment. Do not make payments in cash without an official receipt that shows the date of payment and the amount of payment.
- Read any disclosure documents given to you by the lender.

If you are considering taking a Payday Loan:

- Find out what the terms of the loan are.
- Read any disclosure given to you by the lender.
- Check if the lender is licensed in the State of Florida. You can verify a valid license online at the Florida Office of Financial Regulation.
- Make sure you have the money to pay the loan when it becomes due to avoid a rollover and additional fees that will increase the total amount you will have to pay the lender.
- Make sure you get a receipt from the lender every time you make a payment. Do not make payments in cash without an official receipt that shows the date of payment and the amount of payment.

If you are considering a rent-to-own home:

- Check that the Seller is the real owner of the property. A copy of the most recent Deed should be available on the website of your County’s Property Appraiser.
- Make sure property taxes have been paid and that the property is not in foreclosure.
- Get an inspection of the property to see if anything needs to be fixed before you move in and make any payments.
- Take a tour of the home.
- Use a licensed real estate agent to assist you in finding a place to rent and own.

- Read the agreement you are signing to make sure your terms are in the agreement.
- Do not rely on spoken or verbal promises that the house will be fixed after you move in.
- Make sure you can make the payments you agreed to. If you cannot, the deal is off, and you may end up losing money.

If you are facing foreclosure and want to avoid a mortgage rescue scam:

- Do not pay any upfront fees unless you are hiring an attorney.
- If a company is assisting you with a loan modification, they cannot charge you any fees until after you have negotiated the terms of the loan modification and you have accepted them in writing.
- If the company tells you that they have an attorney that will help you, check to make sure that the attorney is licensed in the State of Florida. You can do this online by entering the attorney's name into The Florida Bar's lawyer directory. Call the attorney at their office yourself to make sure they have actually been hired by the company who is making that representation to assist you.
- If a person or company who is offering to help you with a loan modification tells you not to contact your lender, immediately stop dealing with that company because your own mortgage lender must be involved in the modification process.
- Do not sign over the deed to your house to someone who tells you that it is required for them to handle your mortgage loan modification. You may lose your home and still be liable to the bank for the loan.

Additional Resources

- Consumer Financial Protection Bureau
- Federal Trade Commission
- Housing and Urban Development