



Homeownership Counseling Center (HCC)

Addendum I – Shopping for a Mortgage: Borrowers Beware!

A significant problem in today's mortgage market is the steering of potential homebuyers and refinancing homeowners into what are known as "B and C" loan programs. These programs target the elderly, minorities and borrowers with significant credit issues. They are typically very costly when compared to traditional loan products. Abusive lending practices range from equity stripping and loan flipping to hiding loan terms and packing a loan with extra charges. Be aware of these practices to avoid losing your home.

If you choose a B or C loan program, you may be required to sign a Homeownership and Equity Protection Act of 1994 (HOEPA) disclosure. The disclosure advises:

- 1) "You are not required to complete this agreement merely because you have received these disclosures or signed a loan application."
- 2) "If you obtain this loan, the lender will have a mortgage on your home. You could lose your home and any money you have put into it, if you do not meet your obligations under the loan."

B and C loan programs charge higher fees, and have much higher interest rates than traditional loan programs. Some borrowers might avoid these programs altogether if they remedy their credit issues through appropriate credit counseling, but they are not always given that opportunity.

If you have prior credit issues when you meet with a mortgage lender, you should be prepared to discuss several topics, including:

- Credit repair and counseling programs designed to remedy outstanding credit issues
- B and C loan programs
- Comparison of fees for B and C loan programs with traditional loan programs
- Comparison of interest rates and corresponding annual percentage rates (APRs) charged for B and C loan programs with traditional loan programs
- Availability of special programs designed to reward timely mortgage payments

Once you have discussed these issues with a mortgage lender, you will be better able to make the decision as to which loan program works for you. If you are unsatisfied with the lender's answers, find another lender.

For more information, please call Radian's Homeownership Counseling Center, at 877 723.4261.