

44 - CAPE GAZETTE - Friday, March 30 - Monday, April 2, 2007

# Markell offers tips for avoiding predatory lending traps

As the problem of subprime lenders takes the center stage in Washington, D.C., the week of March 26, Delaware State Treasurer Jack Markell is reminding Delawareans to remain vigilant by taking proactive steps to avoid falling victim to predatory lenders.

"When taking out a loan or getting a credit card the devil really is in the details," Markell said. "The hidden costs in fine print cannot only derail budgets but can have severe impact on your financial future. Until there are real reforms in place to put a stop to predatory lending, consumers must remain alert when applying for and receiving loans."

The term subprime lending - also called nonprime, special finance and second-chance lending - is generally used to describe a particular lending market sector. Typically, these customers are those who don't qualify for prime market rates because of blemished or limited credit histories. Subprime customers are then charged a higher interest rate to compensate for the increased rate should they default on their loans. Subprime customers are generally defined as individuals with limited incomes or a credit score below 620 on a scale between 300 and 850.

"For a long time this type of predatory loan has kept people locked in a cycle of poverty," Markell said.

"I'm encouraged that Congress has made addressing this issue a priority."

"We hear horror stories every week of our neighbors receiving these loans that they never could repay," said Mary Dupont, executive director of Nehemiah Gateway Community Development Corporation. "From refund anticipation loans to unscrupulous used car dealers, people end up paying much more in interest than in principal."

The following are some tips Markell and Nehemiah Gateway Community Development Corp. offers to consumers to avoid high-cost loans:

- Avoid the flash - Flashy ads on television and high-pressure telemarketers often offer fast and easy loans without disclosing all of the details. Remember that if it's too good to be true, it usually is.

- Annually check credit reports and scores - Check yearly with the three primary credit bureaus: Equifax, 800-685-1111; Experian, 888-397-3742; and TransUnion, 800-916-8800; or visit [www.annualcreditreport.com](http://www.annualcreditreport.com). Address any errors. Take care of any discrepancies or disputes in a credit history before beginning to look for a loan. A credit history and score directly affect one's rate, and the better a credit score, the better the rate.

Those who need credit help should contact a nonprofit associ-

ation. Their only business is to help consumers. Call the Delaware Help Line at 800-464-4357 and ask for information about housing counseling.

- Do homework - Don't trust lenders who say they are trustwor-

thy. Check with the Better Business Bureau by calling the local chapter or by visiting [www.bbb.org](http://www.bbb.org) to check if there have been any complaints filed against the lender.

- Ask questions - Those who







don't understand the specifics of the deal should ask as many questions as necessary until they do.


- Shop around - Contact lenders and mortgage brokers who offer credit directly. People should tell

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## Predators

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them their score and ask for the interest rate along with an estimate of all fees they might be charged, including lender points. Many lenders will email, mail or fax a good faith estimate form with all of this information disclosed.

- Compare the total cost - Mortgages include fees and other costs in addition to the monthly payment. People should make sure they compare the final tally so they don't wind up paying more in the end.

- Read the fine print, and then read it again - People should verify that what they are signing is what they have verbally agreed to.

They should not sign anything that doesn't agree with what the salesperson presented.

- Think it over thoroughly. People don't have to take the first loan that they are offered. They should take the time to think things over and ask for help from someone they trust if they need to. People should not feel pressured to give in to fast-talking, high-pressure sales pitches.

- Share the story - Those who have been the victim of predatory lending should let others know about their experience. Call the Delaware Attorney General's Office Fraud & Consumer Protection Division, toll-free, at 800-220-5454. Victims may also report their experiences to the consumer counselors at the Federal Trade Commission at 877-FTC-HELP (877-382-4357).