

Consumer Alert



DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

What You Should Know Before You Finance Your Home

If you are planning to purchase a home in the District of Columbia or refinance your existing mortgage, this notice concerns you.

The District of Columbia law contains valuable information you should know. The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) has outlined below important information, created for your protection, which your mortgage broker or lender is required to provide before closing your loan. This will help you in recognizing some of the possible lending abuses and violations that may occur during the process. It will also help you in determining whether your mortgage broker or lender may be engaging in predatory lending practices in violation of D.C. law.

To ensure that your interests are protected, DISB strongly recommends that you seek assistance or advice from an attorney, a D.C. housing counselor or a financial advisor, before you sign any loan documents.

A MORTGAGE GIVES A LENDER THE RIGHT TO FORECLOSE ON YOUR HOME!

IF YOU CANNOT OR DO NOT PAY YOUR MONTHLY MORTGAGE PAYMENTS ON TIME, YOUR HOME CAN BE SOLD, WITHOUT YOUR CONSENT, AND YOU MAY LOSE ALL THE MONEY YOU HAVE INVESTED IN YOUR HOME. YOU MAY EVEN BE EVICTED.

Page Two

Following is a list of questions to assist you in determining whether you should seek legal assistance before continuing with the lender or broker you had planned to use. If your answer is YES to the following questions this may be an indication that your lender or broker may be operating in violation of the law.

- 1. Unaffordable Loan** - Will you spend 50 percent or more of your gross (before tax) monthly income for the new monthly mortgage payment or will you be unable to make the monthly payments on your new loan on a timely basis?
- 2. Financed Credit Insurance** - Have you purchased insurance (single-premium credit life, accident, health or unemployment insurance) with your new loan and is it being financed through your mortgage payment?
- 3. Insurance, Debt Cancellation, or Suspension Services** - Have you purchased any insurance, debt cancellation, or suspension services and failed to receive a disclosure notice regarding the insurance, debt cancellation or suspension services?
- 4. Repeated Refinancing** - Have you refinanced your home more than once in the last 18 months and has your lender included financing for points and other fees from your previous loan, in excess of \$400 or 3 percent of the new loan principal?
- 5. Encouraging Nonpayment** - Have you been informed by your lender or broker that because you are refinancing, you should not continue to pay on your existing loan?
- 6. Unfair Steering** - Do you think you should have qualified for a better rate based upon your credit score?
- 7. Failure to Report Good Payment History** - Was your favorable payment history and information not reported to a nationally recognized credit reporting agency for a period of more than 12 months?
- 8. Home Improvement Contracts** - Will a home improvement contractor be paid from the proceeds of your loan without your approval or consent?
- 10. Increased Interest Rate On Default** - Do you have a loan that includes a provision that increases the loan's interest rate upon default?
- 11. Improper Fees** - Have you been charged fees for services that are not actually performed or charged loan discount points that do not reduce your interest rate?

12. Failure to Provide Notice - Did your lender or broker fail to provide you with a copy of the “Red Flag Warning Disclosure Notice” at least three days before closing your loan?

13. Prepayment Penalty - Have you been charged a prepayment premium, fee or charge payable more than three years after the closing of your loan?

14. Balloon Payment - Do you have a loan with a scheduled balloon payment in less than seven years?

15. Call Provision - Does your loan contain a provision that permits your lender to accelerate your debt even if you don't fall behind in your payments?

16. Advance Payment - Does your loan include terms under which any periodic payments required under the loan are paid in advance from loan proceeds?

17. Advanced Waiver - Have you waived any protection under the law with respect to any provision of your new loan before the loan was finalized?

18. Homeownership Counseling - Has your lender failed to inform you at least three days before settlement of your right to obtain counseling in connection with your loan?

If your answer is NO to the following question, than your lender or broker may be working with an unlicensed home improvement contactor in violation of the law.

Bonded and Licensed Home Improvement Contractors - Is the contractor you have chosen to work on your home improvements licensed by the District of Columbia government?

If you have any questions, please send an e-mail to the BankingBureau@DC.gov or call DISB's office at (202)727-8000, and ask for the Banking Bureau Licensing Division.