

## IF YOU ARE CONSIDERING REFINANCING YOUR HOME MORTGAGE:

WAIT: and continue reading before you sign on the dotted line...

Home ownership is an awesome, exciting achievement. Before you decide to refinance – also known as borrowing against the equity in your home - consider the consequences. If you refinance your mortgage without fully understanding the risk, you could:

- be the victim of aggressive sales tactics that make you feel that you need to make a decision before you are ready and before you understand ALL the terms;
- get a loan with terms that are different from what you asked for and thought you were being offered;
- end up paying property taxes and insurance separately rather than spreading out those payments through the year; or
- you could wind up with a “balloon payment” that you never asked for! (That’s a large payment amount due all at once.)

Don’t risk your most valuable asset. Ask yourself these questions BEFORE YOU SIGN ON THE DOTTED LINE:

- Have I shopped around for other rates and offers?
  - Government-backed loan programs: Did you know that the City of Shaker Heights has programs available to help with housing code violations, or that Cuyahoga County partners with local lenders to get you low-interest refinancing?
  - A regular community-based bank: did I rely on the advice of others for a quick financial fix, or did I take the time to talk to my local bank, the same bank where I have my checking account, or the credit union that I have trusted for years?
  - Be cautious: is this loan offer the best option for me? Click here to download the “refinancing checklist” [coming soon to this page] to find out if you are getting the best deal, and to ensure that you are aware of ALL of the terms of the loan before you close the deal.
- Is this the best deal for me?
  - If you have a checking account, talk to someone at your bank first about refinancing options.
  - Belong to a credit union? Many credit unions have good refinancing options for members; check with them prior to using an unknown entity to refinance your most valuable asset. If you live, work, or worship in Shaker, you may be eligible to join the Shaker Heights Credit Union. Click here [<http://www.shakercommunity.com/>] for more information.
  - If you work with a mortgage broker, review the “refinancing checklist” [coming soon to this page!] with the broker to ensure all of your questions are answered prior to the date of closing.
  - You have the right to receive a copy of the “settlement statement” 24 hours before you close. This document is the roadmap for your

transaction – it shows where all of the money will go (compensation to the broker, lender, title company, recording fees, other debts paid, etc.).

- Do I understand all the terms of my deal?
  - Click here to download the ‘refinancing checklist’ [coming soon to this page!] to make sure that you are an educated consumer, and that you understand all of the terms of your refinancing deal. Take the checklist with you to closing and demand that all of your questions are answered before you sign on the dotted line.
  - If you want someone to review your loan papers before you sign, call 211, the County’s “Don’t Borrow Trouble” hotline, to get connected to a HUD-certified housing counselor that can review your loan documents and answer your questions BEFORE it’s too late.
  - If it sounds too good to be true, it probably is. So ask questions and demand to see terms put in writing. Sometimes brokers try to get you hooked on a “teaser rate” for a loan. You should ask: “What happens if the interest rate increases?” A broker may tell you “don’t worry, we’ll help you refinance in another 6 months for a lower rate.” If promises are made to you, get those in writing, too. Lower rates may not be available in 6 months when your interest rate goes up.
  
- Is my mortgage broker and/or lender reputable?
  - Click here for a list of recent enforcement actions taken against loan officers or mortgage brokers by the Ohio Department of Commerce, <http://www.com.state.oh.us/dfi/enforcement.aspx>.
  - Is your lender: Ameriquest? Click here [<http://www.ameriquestmultistatesettlement.com/index.htm>] to learn about a class-action lawsuit that may affect your rights if you had a mortgage from Ameriquest between 1999 and 2005.
  - Click here [<http://www.cleveland.bbb.org/home/>] to connect to the Cleveland area Better Business Bureau (BBB) to research whether any complaints have been filed against the company that wants to do business with you (i.e. mortgage broker, home repair contractor, etc.).

#### ARE YOU IN DANGER OF MISSING A MORTGAGE PAYMENT?

- Contact the lender to find out your options. Many lenders or servicers of mortgages will provide you with a number to call. This number can usually be found on your monthly statement.
  
- Call the County’s 211 program – get connected with a HUD-certified credit counseling agency. Note that there may be special options for borrowers with an FHA or VA mortgage.

- If you missed a payment due to job loss, or some other major event that could be long-term, start to think about your long-term options. Take control of the situation and start to find the best strategy for you. This may include finding legal counsel if you think you are the victim of predatory lending, or finding resources for alternative housing. Don't wait until the day you are being evicted from your home and realize then it's too late.

#### ARE YOU ALREADY IN FORECLOSURE?

- Contact the County's 211 program, also visit their website at [www.dontborrowtroublecc.org](http://www.dontborrowtroublecc.org) to learn about the foreclosure procedure, what to expect, and how to file a motion on your own behalf to request more time if you decide to seek legal counsel, or for more time to mount your own defense.
- If you have a housing code violation case pending in Shaker Heights Municipal Court, be sure to let the Court know of the status of your foreclosure case. You can visit the Cuyahoga Common Pleas website at <http://cpdocket.cp.cuyahogacounty.us/TOS.aspx> and search for your case by either case number or your last name (you can also search by property address or parcel number for foreclosure cases filed after November 2005).
- If you no longer occupy the property and the house is now vacant, be sure to comply with the City of Shaker Heights' vacant property ordinance. Contact 216/491-1470 for more information.

#### FAQ's:

- Q. I recently received notice of code violation on my house. My roof contractor said he would take care of the financing. Is this a good idea?
- A. Nobody will find you a better financing deal than YOURSELF. Take the time to do your own homework and shop around for the best rates. Chances are that if a contractor arranges the financing, he will receive some sort of "fee" for getting you to agree to sign on the dotted line with some mortgage broker. And besides that contractor getting a fee, the mortgage broker will also get a fee from the lender. Don't let others profit off of your decision to skip "shopping around." Find your own financing: contact the place where you do your personal banking, visit your credit union, or find a reputable lender. Another danger with this type of financing is that you may still have to pay even if your contractor does not do the work or does not do the work to your satisfaction. The contractor may have already been paid by the financing company.

Q. I received a solicitation in the mail about a government-sponsored refinancing program for seniors. This sounds reputable, is it?

A. Be suspicious of programs that sound too good to be true. Contact the County's 211 program (simply dial "211"), visit the County's website at <http://www.dontborrowtroublecc.org/> click here to learn more about legitimate government-sponsored financing options through the City's Department of Neighborhood Revitalization [click here??].

Q. I think I may have a predatory loan. How do I know if my loan is the result of predatory lending?

A. Some indications of predatory lending are getting a loan with different terms and conditions than you were promised, high interest rates and fees, getting an adjustable rate mortgage when you thought you were getting a fixed rate, not having property taxes and/or homeowners insurance included in your monthly payment if you thought they were to be included, and getting a loan with an adjustable interest rate even though your income is fixed. If you think you have a predatory loan, be sure to call 211, or seek legal counsel. Analyzing a loan for predatory characteristics involves complex legal analysis, mathematical calculations, and an understanding of lending laws, regulations, etc. Talk to a professional.

Q. Why is my credit score so important?

A. Your credit score is one way for lenders to determine how much of a risk you are if they decide to lend you money. The lower your credit score, the greater of a risk that you may default, and you will therefore get a higher interest rate – thus costing you more over the life of the loan. If you have a high credit score, lenders consider you a good risk, and you should receive a lower interest rate (and a less expensive loan). Before you apply for a loan, find out what your credit score is. Most lenders use a complex formula to determine your credit score. They may pull your credit rating from the 3 main Credit Reporting Agencies (Equifax, Experian, and TransUnion). A new federal law, The Fair Credit Reporting Act, allows you to request a copy of your credit report once a year. Click here [<http://www.ftc.gov/bcp/online/pubs/credit/freereports.htm>] to learn more about the law and how to request your free report. For general information about credit, click here [<http://www.ftc.gov/bcp/online/edcams/credit/index.html>] to be redirected to the Federal Trade Commission (FTC).

Q. Do anti-discrimination laws apply to the mortgage application process?

A: Yes – lenders are required to make credit available to persons regardless of their race, color, religion, national origin, gender, familial status, disability, receipt of public assistance, age, or marital status (NOTE: these protected classes are slightly different from those under general fair housing laws; this list includes categories under the Equal Credit Opportunity Act). Lenders cannot treat an applicant differently based on the racial composition of a neighborhood. As a borrower, make sure you are aware of your credit score before you apply. When quoted a rate, ask if that rate is the best rate available on that day (yes, interest rates change on a daily basis!) based on your credit score. If you have some late pays or other kinds of credit issues, write an explanatory letter so the underwriter can view all the facts before a decision on your application is made. A lender has 30 days to let you know whether your application has been approved. If you are denied, demand to know the reason why. Ask to see a copy of the appraisal conducted on the house. If you think the denial of your application was due to illegal discrimination, call the Shaker Heights Fair Housing Office at 216/491-1440. If the City cannot process your complaint, you will receive an appropriate referral to an agency that can assist you.