

## DO'S:

- Check that the home improvement contractor is licensed and bonded.
- Insist that all promises be put in writing and get at least three price estimates.
- Insist that all documents be fully completed with no blank spaces or missing dates before you sign.
- Make sure the contractor or his agent also signs all forms and papers.
- For your records, get a copy of everything you and the contractor sign.
- Before any work is done, insist that the contract has a start date and an expected completion date.
- Seek credit counseling to ensure that you can afford any loan that you are considering for the home improvements.



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## DON'TS:

- Don't deal with any unlicensed home improvement contractor.
- Don't deal with door-to-door salespeople or telephone solicitations.
- Don't sign any forms or papers with blank spaces.
- Don't sign a contract without a specified start and completion date for all work.
- Don't accept a promise that is not in writing.
- Don't allow yourself to be pressured.
- Don't sign a statement that the home improvement work is complete until you are fully satisfied with the quality of the work and nothing else must be done according to the contract.

## RESOURCES

**Before you take out a loan, consider obtaining pre-loan counseling from one of the following sources:**

Anchorage Neighborhood Housing  
(907) 677-8490; Toll Free: (907) 677-8450;  
[www.akanhs.org](http://www.akanhs.org)

Fairbanks Neighborhood Housing  
(907) 451-7230; [www.fnhs.org](http://www.fnhs.org)

Cook Inlet Housing Authority  
3510 Spenard Road, Suite 201  
Anchorage, AK 99503  
(907) 276-8822; [www.cookinlethousing.org](http://www.cookinlethousing.org)

Alaska Housing Finance Corporation  
4300 Boniface Parkway  
Anchorage, AK 99504  
(Anchorage): 338-6100; (toll free): (800) 478-2432  
Offers class: "Homechoice: Steps to Home Ownership"  
[www.ahfc.state.ak.us](http://www.ahfc.state.ak.us)

Consumer Credit Counseling Service of Alaska  
(907) 279-6501; Toll Free: (800) 478-6500  
Fairbanks (907) 451-8303

U.S. Department of Housing and Urban Development  
3000 C Street, Suite 401  
Anchorage, AK 99503 (907) 677-9800;  
(800) 569-4287; [www.hud.gov/buying/index.cfm](http://www.hud.gov/buying/index.cfm)

Alaska Legal Services  
(Provides legal representation and counseling for seniors and low income individuals with offices located throughout the state); [www.alsc\\_law.org](http://www.alsc_law.org)  
(907) 272-9431; Toll Free: (888) 478-2572

**If you feel you are the victim of predatory lending/home equity fraud you may file a complaint with one or more of the following agencies:**

Office of the Attorney General  
Consumer Protection Unit  
1031 W. 4th Avenue, Suite 200  
Anchorage, AK 99501  
(907) 269-5100 or (888) 576-2529  
[www.law.state.ak.us/consumer/](http://www.law.state.ak.us/consumer/)

Federal Trade Commission  
Consumer Complaint Hot Line  
1 877-FTC-HELP; [www.ftc.gov](http://www.ftc.gov)

U.S. Department of Housing and Urban Development  
3000 C Street, Suite 401  
Anchorage, AK 99503  
(907) 677-9800  
(800) 347-3735; [www.hud.gov/complaints/index.cfm](http://www.hud.gov/complaints/index.cfm)

Better Business Bureau  
3601 C Street, Suite 1378  
Anchorage, AK 99503  
(907) 562-0704

National Fraud Information Center  
Toll Free: (800) 876-7060; [www.fraud.org](http://www.fraud.org)

Alaska Legal Services  
(Provides legal representation and counseling for seniors and low income individuals with offices located throughout the state); [www.alsc\\_law.org](http://www.alsc_law.org)  
(907) 272-9431; (888) 478-2572

**If you think you are the victim of discriminatory predatory loan practices based on your sex, race, national origin, religion, or disability, you may file a complaint with the following agencies:**

Alaska State Commission for Human Rights  
800 A Street, Suite 204  
Anchorage, AK 99501-3669  
Complaint Hotline: (907) 274-4692; Toll Free (800) 478-4692; TTY/TDD: Toll Free (800) 478-3177  
[www.gov.state.ak.us/aschr](http://www.gov.state.ak.us/aschr)

Anchorage Equal Rights Commission  
632 W. 6th Avenue, Suite 110  
Anchorage, AK 99501  
(907) 343-4342; [www.muni.org/aerc/index.cfm](http://www.muni.org/aerc/index.cfm)

U.S. Department of Housing and Urban Development  
(907) 677-9800; (800) 669-9777; [www.hud.gov/complaints/index.cfm](http://www.hud.gov/complaints/index.cfm)

**Alaska Division of Banking & Securities  
Toll Free Predatory Lending Referral Hotline  
(888) 925-2521**

## STATE OF ALASKA DEPARTMENT OF LAW



## CONSUMERS BEWARE!

Protect yourself  
against  
Predatory Lending

State of Alaska  
Office of the Attorney General  
1031 W. 4th Avenue, Suite 200  
Anchorage, Alaska 99501  
(907) 269-5100 or (888) 576-2529  
[www.law.state.ak.us/consumer/](http://www.law.state.ak.us/consumer/)

## PROTECT YOURSELF FROM LENDING ABUSE

Abusive or “predatory” lenders often target people who are elderly, have low incomes, or are strapped for cash. The loans they push usually have skyhigh interest rates and fees. You need to know how to protect yourself from predatory lending. Otherwise, you could end up paying too much, hurting your credit rating and even losing your home.

Predatory lending can occur in many different lending situations such as auto, home, or payroll advance loans. This brochure discusses two types of predatory lending:

- Home Equity Lending Fraud
- Home Improvement Scams

## WARNING SIGNS FOR ANY TYPE OF LOAN

Avoid any lender who:

- tells you to falsify information on the loan application. For example, the lender tells you to say that your loan is primarily for business purposes when it’s not, or tells you to put down more income than you earn.
- pressures you into applying for a loan or applying for a larger loan than you need.
- pressures you into accepting monthly payments you can’t make.
- fails to provide required loan disclosures or tells you not to read them.
- misrepresents the kind of credit you’re getting. For example, calling a one-time loan a line of credit.
- promises one set of terms when you apply, and gives you another set of terms to sign – with no legitimate explanation for the change.
- tells you to sign blank forms – the lender says they’ll fill them in later.
- says you can’t have copies of documents that you’ve signed.



## 1. HOME EQUITY FRAUD

Home equity lending fraud is different from other types of fraud. Here, unscrupulous lenders seek you out, often by phone or visiting you at home unannounced. They trick you into taking a loan against the equity in your home at unusually high interest rates and fees. These lenders offer the loan to you whether you can pay for it or not. If you don’t make your payments, the lender can take your home.

## WARNING SIGNS OF POSSIBLE HOME EQUITY FRAUD:

- Documents with blank spaces (e.g., the lender gives you papers to sign and the date or the loan amount is left blank).
- Telemarketers or door-to-door salespersons offering you easy credit if you have no credit history or have a bad credit history).
- A deal that sounds too good to be true (is usually too good to be true).
- Offers of debt consolidation, such as when the lender offers to pay off your credit card bills and your medical bills with the home equity loan. While such offers may seem attractive at first, they can turn out to be a very costly “convenience.”
- Excessively high interest rates.
- Excessive prepayment penalties. This occurs when the loan contract requires that you pay a large penalty if you repay the loan early.

## DO’S:

- Make sure that you can afford to repay the loan. If you are not sure, then call or visit a credit counselor, or speak to someone you trust.
- Get pre-loan counseling (credit counseling services are listed below).
- Get the “big picture” on the loan. Look carefully through the entire loan package and ask for an explanation of all fees, charges, terms and conditions.
- Read every word of the loan agreement.
- Find out whether the loan includes a balloon payment, prepayment penalties or credit insurance. If so, determine what impact these terms will have on your loan and whether you are better off without them. A pre-payment penalty may require you to pay a penalty before you can refinance or pay off your mortgage early which may prevent you from refinancing at a better rate. A final balloon payment could be beyond your ability to repay. Credit insurance can add to the monthly cost of your loan.
- Shop around. Find out what other lenders are offering and compare for the best price. Ask whether they would be willing to waive or reduce any fees or charges, and compare.
- Understand your right to cancel the transaction. The law allows you THREE business days to cancel the loan.
- Be aware that a mandatory arbitration clause in the loan contract requires you to give up your right to go to court if you have any problems with the contract.
- Seek legal advice to answer any questions you might have.

## DON'TS:

- Don’t accept telephone, e-mail, or direct mail solicitations. While some of these may be legitimate offers, many are not. You’re better off doing your own shopping.
- Don’t give in to high-pressure sales tactics such as “This special offer is good only for today.” Remember, if the offer is good today, then it should be good tomorrow.
- Don’t sign any papers with blank spaces or incorrect information.

- Don’t agree to inflate your earnings or provide other false information to qualify for a loan.
- Don’t sign unless all the promises made to you are in writing.
- Remember, DON’T sign away your rights!

## 2. HOME IMPROVEMENT LOAN SCAMS

Though the majority of home improvement contractors are honest people, some are not. Some contractors overcharge for work to be done or urge you to agree to unnecessary repairs. Other dishonest contractors may steer you to a high priced lender if you need a loan to pay for the home improvements. The high priced lender in return pays the contractor for the business – this practice is known as “steering.” Don’t be steered into a bad, expensive loan.

**MOST HOME IMPROVEMENT LOANS INVOLVE TAKING LIEN ON YOUR HOME. THIS MEANS YOU COULD LOSE YOUR HOME IF YOU DO NOT MAKE YOUR LOAN PAYMENTS ON TIME.**

## WARNING SIGNS OF POSSIBLE HOME IMPROVEMENT SCAMS:

- Unlicensed home improvement contractors.
- Door-to-door or telephone solicitations offering home improvement work.
- Home improvement contractors that can arrange a loan to pay for the work.
- A deal that sounds too good to be true! It probably is!
- Pressure to sign any papers “today.” If a deal is good today it should be good tomorrow.
- Contractors who will not provide a written contract for the work, the costs involved, and the time frame to start and complete the work.