

Beware of Housing Discrimination!

- There may be a correlation between housing discrimination and high points, excessive fees, and closing costs.
- Have you been denied a loan, when you know you were qualified? Have you observed other loan applicants (who were different than you) receive more loan products and packages than you?
- The Delaware Fair Housing Act states: "One can not be discriminated against on the basis of race, color, sex, national origin, religion, disability, creed, age, marital status, and familial status".
- If you believe you have been a victim of housing discrimination, act now, by calling the Delaware Division of Human Relations at:

New Castle (302) 577-5050
Kent (302) 739-4567
Sussex (302) 856-5331

To get information on the Fair Housing Act or Equal Accommodations Law, contact:

State of Delaware Office of Human Relations
820 North French Street
Wilmington, DE 19801
(302) 577-5050
www.state.de.us/sos/hr/default.shtml

If there is a Problem at the Closing

You may have a right to cancel a loan within 3 days of closing if you currently own your home; if your home will be used as collateral for the new loan and if the loan removes your equity from your home. Make sure the lender provides you with a "Notice of Rescission", also known as a "Notice of Right to Cancel".

DOs and DON'Ts When Applying for a Loan

DO:

- Do make sure you can afford the loan. Even though the lender says you qualify, only you can decide if you can afford the monthly payments.
- Do get the "big picture" on a loan. Look carefully through the entire loan package. The interest rate is only one aspect of your loan. Ask for an explanation of all fees, charges, terms and conditions.
- Do shop around. Deal with people you trust.
- Do contact our office, or visit us online, to verify a company is licensed.
- Do have all "promises" put in writing, and have the company representative date and sign the document. Keep a copy for your records.
- Do get pre-loan counseling from a certified housing counselor.
- Do be careful about any mortgage loan that increases your liens (total amount of debt) on the house over the value of the house. For example, a house worth \$85,000 with mortgages and liens totaling \$115,000. This situation locks you into the loan and the home long term.

DON'T:

- Don't deal with any unlicensed lender.
- Don't accept telephone or direct mail solicitations. While some of these may represent legitimate offers, many do not.
- Don't sign any document with blank spaces or missing dates.
- Don't agree to inflate your earnings, sign an application where the lender has inflated your earnings or provide other false information to qualify for the loan.
- Don't allow yourself to be pressured into any deal.
- Don't believe any person who says you have "no" other options.

Falling Behind in Mortgage Payments

If you fall behind in mortgage payments, contact your mortgage company to see if you can work out a solution and get back on track. Most banks and mortgage providers will work with you to get you through a rough period, but only if you make contact and communicate your situation with the company.

Office of the State Bank Commissioner's Public Education and Outreach Programs

The Office of the State Bank Commissioner provides a speaker for community organizations throughout Delaware. Topics covered in 2005 include identity theft, how to read your credit report and mortgage lending scams. Our office also has a number of brochures on these topics including a new brochure from the Federal regulators on the Internet scam called "phishing". Please call (302) 577-6722 from New Castle County and (302) 739-4235 from Kent and Sussex Counties to schedule a speaker, or for additional brochures.

The Office of the State Bank Commissioner employs full-time consumer complaint specialists to assist consumers with problems or questions involving banks and other financial services businesses in Delaware. Staff is available Monday through Friday between the hours of 8:00 a.m. and 4:30 p.m. at (302) 739-4235. Any consumer calling after business hours may leave a voice-mail message. A representative will return the call promptly.

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The A to Z's



of Mortgage Loans



State of Delaware
Office of the State Bank Commissioner
555 E. Lookerman Street
Suite 210
Dover, DE 19901
Phone: (302) 739-4235
OR (302) 577-6722
Web: www.state.de.us/bank

Delaware State Housing Authority

Residents in Delaware looking to buy a home should review programs and opportunities provided by local municipalities and the Delaware State Housing Authority (DSHA). For example, first-time home buyers may qualify for below market interest rate mortgages provided by DSHA. Several lenders have first-time home buyers programs as well. Closing costs, which can add up to several thousand dollars, can be a real barrier to those wishing to buy a home. The good news — DSHA offers loans and grants that assist prospective home buyers with these costs. Other programs supported by DSHA include, a "Live Near Your Work" initiative which provides financial assistance to eligible employees in purchasing homes near their places of employment, and an additional outreach program to public housing residents who want to consider purchasing a home.

To contact the Delaware State Housing Authority:

<http://www2.state.de.us/dsha/>
(302) 577-5001 New Castle County
(302) 739-4263 Kent County
(302) 337-0219 Sussex County



Shop Around for Mortgage Loans

Because of the many loan choices available, you should shop around for the best deal. When you are in the market for a mortgage, look in local newspapers, "surf" the internet, listen to radio advertisements, watch TV, or ask a friend or relative you trust. Always compare the fees, interest rate, points, annual percentage rate (APR) and other items. Make sure the mortgage company is appropriately licensed by contacting our office at (302) 739-4235 or (302) 577-6722 in New Castle County.

First-time home buyers and others who are unfamiliar with the process of buying a home should seriously consider attending home buyers workshops. The workshops, sponsored by certified housing counselors, provide valuable information on special mortgage products, the home inspection, and the role of the real estate broker, mortgage lender, and attorney. To get information on certified housing counselors go to DSHA web site or contact the U.S. Department of Housing and Urban Development (HUD) at www.hud.gov (302-573-6300). To see a schedule of home ownership workshops go to the Delaware Money School web site (www.delawaremoneyschool.com) or call 302-792-1200 or 1-800-267-5002.

Mortgage Terms You Should Know

Points

"Points" are an extra charge that the borrower pays to a lender for a home loan. Some points are simply fees paid to a lender or broker. Some points buy down your interest rate. One point is 1% of the loan amount you are borrowing. For example, let's say you take out a \$50,000 mortgage loan with one point. The one point means you would pay the lender \$500 on top of the interest and other fees. The table below shows what points will cost you if included in your loan package.

<u>Mortgage</u>	<u>1 Point</u>	<u>2 Points</u>	<u>6 Points</u>
\$80,000	\$800	\$1600	\$4800
\$100,000	\$1000	\$2000	\$6000
\$140,000	\$1400	\$2800	\$8400

Prepayment Penalties

A prepayment penalty is a fee you are charged for an early pay off of your loan. Many mortgages have prepayment penalties (some costing consumers thousands of dollars). The more you shop around, the better the deal you can get and the more you can avoid excessive prepayment penalties. Considerations about prepayment penalties should include how favorable the existing terms are and how long you intend to remain in the residence.

Annual Percentage Rate (APR)

The Annual Percentage Rate (commonly referred to as the "APR") measures your cost of credit expressed as a yearly rate. The APR indicates how much the loan will cost including all the fees and points.

Predatory Lending

Predators in the mortgage industry take advantage of anyone who may not be familiar with mortgage documents. Predatory lenders commonly try to collect substantial amounts of money before the loan is made. Common predatory practices include:

- Misrepresentation: The Company promises you one set of terms, but later, when you are ready to sign the documents, they offer you a different set of terms with no good explanation for the change.
- High pressure sales tactics: "offer only good today"
- Excessive fees and prepayment penalties
- Contractor fraud: contractor steers you to a high-cost mortgage company or inflates selling price

