



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

May 10, 2004

Notice 04-25

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

Federal Agencies Publish Spanish-Language Version of Consumer Brochure on Predatory Lending

DETAILS

The federal Interagency Task Force on Fair Lending has published a Spanish-language version of a brochure that alerts consumers to potential borrowing pitfalls, including high-cost home loans, and provides tips for getting the best financing deal possible. The brochure, *Utilizar su hogar como garantía para un préstamo es arriesgado (Putting Your Home on the Loan Line Is Risky Business)*, warns that regardless of whether a home equity loan is for a home repair, bill consolidation or some other purpose, it's important to shop around.

Borrowing from an unscrupulous lender, especially one that offers a high-cost loan using the home as security, could result in the loss of the borrower's home and money. The brochure cautions that certain lenders—often called predatory lenders—target homeowners, including the elderly, with low incomes or credit problems by deceiving them about loan terms or giving them loans they cannot afford to repay. Before signing the credit contract, consumers are encouraged to

- Think about their financing options
- Do their homework
- Think twice before they sign a loan contract
- Know that they have rights under the law

The brochure notes that many consumers may have other options for meeting their financial needs, including housing counseling and social service programs. If consumers decide that a loan is right for them, the brochure suggests talking with several lenders; comparison shopping for interest rates, payments, term of the loan, points and fees, and other costs of the loan; and having a knowledgeable friend, attorney, or housing counselor review the loan documents. A shopping checklist is included with the brochure.

The publication also reminds consumers that if they are refinancing or using their home as security for a home equity loan (or for a second mortgage loan or a line of credit), federal law gives them three business days after signing the loan papers to cancel the deal. The cancellation must be submitted in writing, after which the lender is required to return any money the consumer has paid to date.

If the three-day period has already passed and consumers believe they have been misled, the brochure suggests that they contact a state or local bar association, a local consumer protection agency, or a local fair housing or housing counseling agency.

The members of the Interagency Task Force are the Department of Housing and Urban Development, Department of Justice, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Federal Housing Enterprise Oversight, and Office of Thrift Supervision.

The brochure is available on the agencies' web sites listed below. A PDF (Portable Document Format) version is provided on the web site so that consumer groups, financial institutions, agencies, and other organizations can download and print copies for distribution to their clients and customers. Single copies of the brochure in English or Spanish are available free of charge from the following agencies:

Department of Housing and Urban Development at www.hud.gov or contact U.S. Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410; Customer Service Center; (800) 767-7468

Department of Justice at www.usdoj.gov/crt/housing/index_esp.html or contact U.S. Department of Justice, Civil Rights Division, 950 Pennsylvania Ave., N.W., Housing and Civil Enforcement Section, NWB, Washington, D.C. 20530; (202) 514-4713

Federal Deposit Insurance Corporation at www.fdic.gov or contact FDIC Public Information Center, 801 17th Street, NW, Room 100, Washington, D.C. 20434; toll free (877) 275-3342 or (202) 416-6940

Federal Housing Finance Board at www.fhfb.gov or contact Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006

Federal Reserve Board at www.federalreserve.gov/pubs/riskyhomeloans/riskyspanish.htm or Publications, Stop 127, Federal Reserve Board, 20th & C Streets, N.W., Washington, D.C. 20551; (202) 452-3245

Federal Trade Commission at www.ftc.gov or contact Consumer Response Center, 600 Pennsylvania Avenue, NW, Washington, D.C. 20580; toll free (877) 382-4357; TTY for the hearing impaired (866) 653-4261

National Credit Union Administration at www.ncua.gov or contact Cliff Northup, Director of Public & Congressional Affairs, National Credit Union Administration, 1775 Duke Street, Alexandria, VA. 22314; (703) 518-6330

Office of Federal Housing Enterprise Oversight at www.ofheo.gov/consInfo.asp
E-mail requests for individual copies should be sent to ofheoinquiries@ofheo.gov
or call (202) 414-6922

Office of the Comptroller of the Currency at www.occ.treas.gov or contact Communications, Mail Stop 3-2, Office of the Comptroller of the Currency, 250 E Street, S.W., Washington, D.C. 20219; (202) 874-4700

Office of Thrift Supervision at www.ots.treas.gov or contact Louise Batdorf, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552; (202) 906-7087

MORE INFORMATION

Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at www.dallasfed.org/banking/notices/index.html.