

[Please click here to return to the previous page.](#)

## Press Release



OFFICE OF THE GOVERNOR

---

PR01:413  
**FOR IMMEDIATE RELEASE**  
09/06/2001

# GOVERNOR DAVIS URGES CONSUMERS TO BE ON THE LOOKOUT FOR PREDATORY LENDERS 9/6/2001

*California Consumers Warned to Beware of Unlawful and Unethical Lending Practices*

## SACRAMENTO

Governor Gray Davis today offered consumers tips to arm themselves against unscrupulous lenders and urged all Californians who are considering a loan to review the fact sheet and use the tips to protect themselves and their families.

"Americans lose \$9.1 billion each year due to predatory lending practices," Governor Davis said. "This fact sheet gives borrowers the tools to better understand the loan process and make well-informed decisions."

A fact sheet prepared for consumers by the Governor's Department of Corporations is now posted on the state home page ([www.my.ca.gov](http://www.my.ca.gov)). It offers consumers a description of predatory lending practices and ways to avoid them.

The term "predatory lending" is used to describe a number of unfair and deceptive credit practices, including charging excessively high fees and commissions and concealing or misrepresenting loan terms such as penalties for early repayment. Unscrupulous lenders who use these tactics often target vulnerable populations such as low-income and minority borrowers, single women and seniors.

The fact sheet recommends that consumers:

- Shop around before taking out a loan;
- Use caution when reviewing offers and considering loan terms;
- Ask questions of the lender - make sure you understand everything involved in the transaction; and

- transaction; and
- Review and double check all documents before you sign the dotted line.

Governor Davis also supports AB 489 by Assemblymember Carole Migden (D-San Francisco) which will curb abusive lending practices and protect consumers. Governor Davis has committed to signing the bill when it reaches his desk.

People who are considering applying for a personal or home loan can request a free copy of the predatory lending fact sheet by calling (916) 445-7205. Please link below to view the fact sheet.

## California Department of Corporations Predatory Lending Fact Sheet

**The State of California is working hard to protect borrowers from illegal and improper lending practices while still making sure that people get the credit they need to live the American Dream. Prospective homebuyers and other borrowers need to do their part by being careful about the lenders they select. Educating yourself about the techniques that dishonest lenders use will help you avoid becoming a victim of predatory lending.**

**The term “predatory lending” is used to describe a variety of deceitful, fraudulent or unfair credit practices, including:**

- Steering borrowers towards interest rates that far exceed the lender’s risks
- Charging excessively high fees and commissions
- Persuading a borrower to repeatedly refinance a loan in order to charge high points and fees each time the loan is refinanced (“loan flipping”)
- Misrepresenting the loan’s terms and conditions
- Requiring high-cost credit insurance (“packing”)

**Unscrupulous lenders who use these tactics often target vulnerable populations such as low-income and minority borrowers, single women and seniors.**

### Protect Yourself from Predatory Lending Practices

#### **Shop Around**

- Compare the interest rates *and* the total costs of loans offered by several banks and credit unions in your area.
- Ask lenders for names of other customers you can contact to see if they are satisfied with their experience.
- Check for consumer complaints against lenders you are considering by

visiting our Web site at [www.corp.ca.gov](http://www.corp.ca.gov) or by contacting your local Better Business Bureau.

- Don't take the first loan you are offered.

### **Use Caution**

- Be wary of lenders who contact you first, through mail, e-mail, door-to-door sales or telemarketing solicitations.
- Be suspicious of lenders or brokers who guarantee loan approval regardless of your credit history.
- Beware of offers that are “only good for a short time.”
- Steer clear of lenders who resort to high-pressure sales tactics.
- Be wary of promises to refinance the loan to a better rate in the future.
- Watch out for “hidden” terms, such as penalties for early pay-off of the loan.
- Avoid “balloon” payments—some loans keep monthly payments down by requiring a big payment at the end of the loan term.
- Make sure the monthly payments are well within your monthly budget.

### **Ask Questions**

- Ask your lender exactly what is being offered—you have a legal right to know the total cost of the loan, the annual percentage rate, the monthly payments and how long you have to pay back the loan.
- Have all fees and points explained to you before applying for a loan.
- Always ask questions until you understand everything.

### **Before You Sign on the Dotted Line**

- Make sure that you have received, read and understand all required disclosure documents.
- Check to see if the loan terms quoted to you match your loan documents.
- Before you sign the loan papers, have a lawyer, family member or friend go over them with you.
- Never sign a document with blank spaces; all spaces should be filled in before you sign.

The bottom line: If you have any doubts, don't sign!

[Back to Top of Page](#)

[Please click here to return to the previous page.](#)