APPENDIX H

Answer Sheet to Chapter 3 Questions

CHECKLIST: IDENTIFYING A PREDATORY MORTGAGE LOAN

#	Indicator	Check if included
Marketing & Sales		
1	Aggressive telephone or mail solicitations to targeted neighborhoods	✔
2	Door-to-door solicitation by home improvement contractor	
3	Kickbacks to mortgage brokers	✔
4	Steering to high rate lenders	✔
5	Promising specific terms, e.g., a fixed rate loan; switching at closing	✔
6	Property flipping	
The Application		
7	Structuring loans with payments borrowers can't afford	✔
8	Falsifying loan applications (particularly regarding income level)	
9	Adding "insincere" co-signers	
10	Making loans to mentally incapacitated homeowners	
11	Forging signatures on loan documents (i.e., required disclosures)	
12	Paying off subsidized mortgages or lower interest rate loans	
13	Shifting unsecured debt into mortgages	
14	Loans in excess of 100% LTV	
15	Falsifying appraisals	
The Loan		
16	High annual percentage rate	
17	High points or padded closing costs	✔
18	ARM sold to borrower with limited/no ability to pay higher payments	✔
19	Balloon payments	
20	Negative amortization	
21	Bogus broker fees	
22	Requiring credit insurance	
23	Falsely identifying loans as lines of credit or open-end mortgages	
24	Mandatory arbitration clauses	
25	Excessive prepayment penalties	✔
26	Rushed loan closing	
27	Back-dating documents, esp. the notice of right to cancel	
28	Failing to give copies of documents to homeowner at closing	

#	Indicator	Check if included
After Closing		
29	Loan flipping (repeated refinancing, often after high-pressure sales tactics)	✔
30	Excessive late fees (including daily interest)	
31	Deliberately posting payments late	
32	Abusive collection practices	
33	Incomplete or shoddy work by home improvement contractor	
34	Shoddy installation of mobile home/damaged mobile home	
35	Failure to pay off debts as promised	
36	Foreclosure “rescue” scams	

Additional red flags illustrated by the case study that are not specifically listed in this checklist include: unfair or deceptive practice to fail to advise the homeowners regarding the escrow; lying to them about whether the new loan escrows for taxes and insurance; and payment of high broker fees to a broker when none should have been involved because the lender contacted the homeowners to refinance its own loan, not the broker.