

# Home Loan For Repairs



## How to Protect Yourself When Getting a Loan for Home Repairs - Posted September 2015.

Warning—Predatory Mortgage Lenders May Take Your Home Away! How Can You Protect Your Home from Predatory Lenders?

### **Quick Tips to Avoid Home Repair Scams Fourteen Warning Signs of a Home Improvement Scam More Information on the Web**

Warning—Predatory Mortgage Lenders May Take Your Home Away! Have you received offers in the mail to refinance your home mortgage? If so, be very careful, or you may risk losing your home! Many predatory lenders claim that they offer low interest rates—but after you sign the loan contracts you learn that the interest rate isn't low, that you were charged \$2,000 to \$6,000 in loan fees and costs, and that your monthly payments are higher than what you used to pay! Predatory lenders will often target homeowners who are senior citizens or minorities. Many predatory lenders charge higher interest rates to minority borrowers than to white borrowers. Nationally, more than 20% of homeowners with high interest rate loans lose their

home within the first five years after they get the loan. Locally, hundreds of Kansas City families lose their homes to foreclosure every year.

### **How Can You Protect Your Home from Predatory Lenders?**

Resist risking your house. Refinancing your home to pay off credit card bills is very risky! If you fall behind in credit card payments, you might get a call from a debt collector. But if you fall behind in your home mortgage payments, you can lose your home within 30 to 60 days! In Missouri, your lender doesn't even have to file a lawsuit in court to take your home. The lender only has to send you one certified mail letter notifying you of the foreclosure sale. The law only requires that the notice be mailed—not that you receive it! Before refinancing, ask lots of questions, such as:

1. What will the interest rate be?
2. What loan fees will I be charged?
3. Is the interest rate a fixed rate or variable rate?
4. Am I being charged a broker fee?
5. Is there a balloon payment?
6. Is there a prepayment penalty? § What is the monthly payment?
7. Does this payment include my taxes and insurance? Shop around. Just like comparing grocery store ads, contact different lenders to compare their interest rates and loan fees. If you apply for a mortgage loan, be sure you get a "Good Faith Estimate" within 3 days of your loan application, which tells you the cost of the loan. Often local banks or lenders offer loans with lower interest or fees than big mortgage companies with fancy TV ads. Believe only what you read, not what they say. You can only rely on the words in the loan contract. It's always best to talk to a lawyer before you sign any important contract. Read everything very carefully before you sign! If you feel pressured or doubtful, don't sign!

### **17 Warning Signs of a Predatory Mortgage Loan**

1. "No Money Down!" "No Equity Needed!" "Low-Interest Loans Available!" If it sounds too good to be true, it probably is.

2. Pressure to sign today! You should not hurry to sign a contract before you read it completely.
3. Hidden loan fees and costs. "Low" or "affordable" payments may in fact be neither.
5. High interest rates or loan fees. You can check your local newspaper for information on current mortgage interest rates at several lenders.
6. Consolidation of your credit card bills into your mortgage. This increases the risk of foreclosure.
7. No "Good Faith Estimate"—disclosing the loan fees and costs—within three days of a loan application.
8. You are told to stop paying your present mortgage before you sign the new loan contract.
9. Adjustable Rate Mortgage (ARM)—the interest rate may start low, but it can end very high!
10. Low-interest mortgage becomes High-interest mortgage with Higher monthly payments!
11. Appraisal is too high.
12. "Balloon payment." A very large payment of several thousand dollars at the end of the loan may be unaffordable.
13. Broker's fee. This fee can be \$3,000 or more! It is a fee you don't have to pay if you contact a lender directly to apply for a loan.
14. Credit life insurance or disability insurance. This insurance is very expensive and usually unnecessary.
15. Loan flipping. Frequent refinancing means you pay more and more loan fees and risk your prospects for paying off your loan.
16. A home improvement contractor refers you to the lender.
17. "Mandatory arbitration clause" in the contract means you lose your right to sue in court!

## **Do Not Sign a Contract for Home Repairs Unless . . .**

1. You have checked out the contractor and know he does good work.
2. All terms of the contract (including the price, finance charges, and payments) are fair, are in writing, and are exactly what you agreed on.
3. The contract includes a detailed description of the work to be done.
4. It says exactly what materials will be used, including brand name, size, color, quantity, model number, etc.
5. It includes the start date, and the estimated completion date.
6. All of the contractor's promises (including warranties) are in writing.
7. There are no blank spaces. Be sure to get a copy of everything you sign, when you sign it!

## **Five Quick Tips to Avoid Home Repair Scams**

1. Don't refinance your home to pay off credit cards or other debts—you risk losing your home to foreclosure!
2. Shop around for financing before you get a loan—compare interest rates and fees.
3. Never get a payday loan or title loan!
4. For minor home repairs, check to see if you are eligible for free repairs through a local city program or a nonprofit agency.
5. Make sure the contract says what it is supposed to ... many do not! Never rely on the lender or salesperson to explain the contract to you. If there is anything you can't read or understand, don't sign it! Talk to a lawyer for advice.

## **Fourteen Warning Signs of a Home Improvement Scam**

A contractor may be trying to scam you if he (or she) —

1. Solicits your business (through door-to-door sales, TV ads, mail, telephone calls).

2. Will not tell you the total cost of the job, or claims he can offer you a "discounted price"—which is only available today.
3. Hurries you to sign contracts before you read them completely, or doesn't give you copies of all documents that you sign when you sign them.
4. Makes lots of promises—but doesn't put them in writing.
5. Presents a contract that does not describe exactly what work will be done or the materials to be used.
6. Pressures you to sign contracts or pay money today!
7. Wants you to pay for all or most of the charge for the repairs before they are completed and before you can inspect the finished work.
8. Uses only a post office box for an address, or only has an answering machine and no listing in the telephone book.
9. Claims "No Money Down!" "No Equity Needed!" "Low-Interest Loans!"
10. Won't show you his contractor's license or won't give you the name and telephone number of his insurance company and bonding company.
11. Tries to scare you into signing a contract by claiming that your home could be dangerous if not repaired immediately.
12. Claims he is doing work in your neighborhood and has extra materials left over from another job that you can buy for a discount.
13. Claims that he is acting on behalf of the "government" or that a "government" loan or money will pay for the improvements.
14. Offers to use your home as a "display home" or offers you a discount if you refer other business to the contractor. Always remember, if it sounds too good to be true - it probably is!

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