



Fair Lending Claim Kit

HOW TO DETERMINE IF YOU
HAVE BEEN THE VICTIM OF
LENDING DISCRIMINATION



You Think You May Have Been the Victim of Lending Discrimination

You attempted to obtain a mortgage, refinance, home equity loan, or other home lending, but you feel that you may have experienced discrimination during your attempt. You are not sure what to do next, or where to turn. This Fair Lending Claim Kit is a guide for the information you need to collect as well as a resource for information on where to obtain assistance.

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7 Steps to Make a Lending Discrimination Claim

1. Determine if you are a protected party
2. Assess whether the market is covered under the act
3. Conclude whether the action is prohibited by the Act
4. Gather any supporting documents or evidence
5. Watch out for signs of Predatory Lending
6. Beware of Foreclosure Rescue Scams
- 7.. Fill out and return the attached complaint form to the West Penn Rural Fair Housing Initiative, who will contact you to offer additional assistance

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DETERMINE IF YOU ARE A PROTECTED PARTY

The Fair Housing Act protects seven classes of people from lending discrimination. The classes are Race, Color, Religion, National Origin, Sex, Disability and Familial Status.

In order to make a claim under the act, you must have been discriminated against based upon membership in one or more of those classes.

Disability status refers to someone who has a physical or mental disability that substantially limits one or more major life activities, has a record of having such a disability or is perceived as having such disability.

Familial status refers to anyone who has a child under the age of 18 residing with them, which can be a natural child or one over whom they have legal custody; a person securing custody over the child under the age of 18, such as an adoption; or a pregnant woman.

Additionally, the Equal Credit Opportunity Act applies and protects people because of age, marital status, and income derived from a public assistance source.

2

ASSESS WHETHER THE MARKET IS COVERED UNDER THE ACT

The Fair Housing Act covers actions for the sale, rental, lending or insurance areas, or any area related to residential housing. Persons are protected in any residential lending scenario, whether it is to buy, refinance, modify or maintain their home. Additionally, a person cannot be discriminated against when having their home appraised in connection with a residential loan or in having their loan sold from one lender to another.

3

CONCLUDE WHETHER THE ACTION IS PROHIBITED UNDER THE ACT(S)

The following activities are prohibited under the Fair Housing Act and Equal Credit Opportunity Act, where the activity is the result of a person's membership in a protected class:

- Discourage you from applying or reject your application
- Consider your protected status in a loan decision
- Consider the racial composition of the neighborhood
- Ask about plans for having a family
- Impose different terms or conditions
- Use discriminatory factors when refusing to purchase a loan
- Require a co-signor if the borrower meets the lender's normal credit standards
- Fail to inform about all the available loan products for which the purchaser qualifies

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GATHER SUPPORTING DOCUMENTS OR EVIDENCE

You should keep all of the documents for your residential loan, from application to closing. Many of the documents can be examined by an attorney for signs that indicate that you may have been the victim of lending discrimination.

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WATCH OUT FOR SIGNS OF PREDATORY LENDING

Predatory lending includes home loan scams where a lender uses deception or fraud to take unfair advantage of a borrower's lack of understanding about loan terms, combined with excessive high fees and interest rates without regard for the borrower's ability to repay.

Signs of predatory loans:

- Home loan offers over the phone, in the mail, or in person at your front door
 - A contractor who says he can arrange financing for your home repair
 - Pressure to sign loan documents immediately
 - Pressure to sign loan documents with blanks in them
 - Failure to explain interest rate and fees
 - Interest rates far above current market rate
 - Fees charged up-front without lowering the interest rates
 - Costs and fees above normal
- Repayment schedules set up so that the monthly payment fails to pay off interest and increases the amount you borrowed
 - Balloon payments—balance due on the mortgage that must be paid at the end of the loan, in a huge sum, beyond your ability to pay, forcing you to borrow more to pay it back.
 - Loans more than 100% “Loan-to-Value” may lock you into additional debt.
 - Credit life or Credit Accident and health insurance included as a condition of the loan. It increases the amount you owe.
 - Loan contracts requiring mandatory, binding arbitration instead of the court system—this tends to favor lenders
 - Calls and letters asking you to refinance when you already did so in the past year or two.

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BEWARE OF FORECLOSURE RESCUE SCAMS

What is it?

Scam artists taking advantage of homeowners facing foreclosure by “rescuing” them from financial distress

Common Scams

- ❑ *Bait and Switch:* Homeowner is deceived and doesn’t understand that he is selling the house in exchange for “rescue” or thinks that he is signing documents for a new loan
- ❑ *The False Intermediary:* The scammer charges upfront and/or high fees to “save” the house by promising to find a buyer or negotiating with the lender, but actually seals the homeowner off from actual help from attorneys or credit counselors, and then disappears with the money
- ❑ *The Bogus Rent-to-Buy Scheme:* The homeowner surrenders ownership, believing that he will be able to pay rent and buy it back over a few years. The terms are stacked against the homeowner, with the

Purchase price well above market value. When the homeowner misses rent payments, he is evicted, leaving the scammer free to sell the house.

What tactics do Scammers use?

- ❑ Lies, exaggeration, misinformation and pressure
- ❑ The victim’s have blind trust in the scammer, because they believe the scammer wants to help them
- ❑ Fraud, deception, forgery
- ❑ Desperation of the Victims who feel their dreams slipping away
- ❑ Affinity fraud (perpetration by people of similar ethnic, racial, religious or age groups. The scammer understands that people who are like you are more likely to be on your side.
- ❑ Some homeowners’ lack of sophistication in education and finances

If it sounds too good to be true, it most likely is!

Free help is available to persons facing foreclosure by HUD-certified housing counselors, including Southwestern Pennsylvania Legal Services.

7

FILL OUT AND RETURN THE ATTACHED COMPLAINT FORM

The Complaint form that is attached asks you to complete questions based upon the information contained in this kit and to send it to the West Penn Rural Fair Housing Initiative. There is return postage so that you may return it to us without cost to you. After receipt of your claim, an attorney will contact you to discuss whether your case has merit and to discuss your options (you may have the option of filing a complaint with HUD or filing a federal lawsuit). We cannot determine at the outset what the possible outcome may be for your circumstances, but will gladly assist you in filling out the proper paperwork and explaining the procedures.

WHO TO CONTACT FOR MORE INFORMATION:

Members of the West Penn Rural Fair Housing Initiative:

Southwestern Pennsylvania Legal Services
10 West Cherry Avenue
Washington, PA 15301
Fair Lending Hotline: 724-554-3113
Telephone: 724-225-6170 (Serving Wash-
ington, Fayette, Greene and Somerset Counties)

Neighborhood Legal Services
928 Penn Avenue
Pittsburgh, PA 15222-3799
Telephone: (412) 255-6700
Toll-Free: 1-866-761-6572 (Serving Beaver,
Butler and Lawrence Counties)

Laurel Legal Services
306 S. Pennsylvania Avenue
Greensburg, PA 15601-3066
Telephone: 724-836-2211
Toll Free: 800-253-9558 (Serving Westmore-
land, Cambria, Jefferson, Indiana, Clarion
and Armstrong Counties)



