

Think Before You Borrow


Consider these factors when looking at putting your equity up for collateral.


1. Can I afford this loan?

Just because you qualify for a loan does not necessarily mean you can really afford one. If you cannot afford to make the monthly payments, you are at greater risk of losing your home.

2. What will I do if I lose my home?

Most people don't have another place to go if they lose their homes. If you have to buy a smaller house or rent an apartment, you'll need a down payment or a deposit.

 Carefully investigate all the possibilities before you decide to obtain a second mortgage or home equity loan.

 Take advantage of the free information available from nonprofit organizations and governmental agencies (see the resource list in this brochure). It is easier to learn to protect yourself now than rebuild your equity and credit rating later.

Know Your Rights

Even if you have signed a contract, you do have a limited amount of time to change your mind. You must act fast, however, if you want to undo a loan agreement. Texas law gives you three business days from the date you sign a home equity or high cost home loan contract to cancel the loan if your home is the collateral. You can cancel for any reason at all, but must do so in writing within the three days.

Office of
Consumer
Credit
Commissioner

OCCC Consumer Helpline

800.538.1579



High Cost Home Loan Helpline

866.303.INFO(4636)

Other Helpful Resources

Texas Office of the Attorney General

Consumer Protection Hotline: 800.252.8011

www.oag.state.tx.us

Federal Trade Commission

Consumer Response Center: 877.382.4357

www.ftc.gov

U.S. Dept. of Housing & Urban Development

Main number: 202.708.1112

www.hud.gov

Texas Dept. of Housing & Community Affairs

Program hotline: 800.792.1119

www.tdhca.state.tx.us

Texas State Affordable Housing Corp.

Main number: 888.638.3555

www.tsahc.com

National Foundation for Credit Counselors

Counselor Locations (English): 800.388.2227

Counselor Locations (Spanish): 800.682.9832

www.nfcc.org

Office of Consumer Credit Commissioner

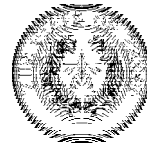
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Se habla Español



Safe and Sound at Home: Tips for Protecting Your Equity



Office of
Consumer
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Protect Your Equity—and Yourself

What is Home Equity?

Basically, your home's equity is determined by taking the value of your home and subtracting any other mortgages or liens secured by the home. A home equity loan is a financial product that allows a borrower to use the home as collateral for a loan. There are two basic types of home equity loans: first mortgages and secondary mortgages. A first mortgage is a loan secured by a home that has no other mortgage against it. It is generally the loan you take out to purchase or refinance the home. A secondary mortgage is simply a loan secured by a home that has at least one other mortgage or lien. Home improvement loans are often secondary mortgages.

Borrower Beware

Although taking out a loan using your home as collateral can be beneficial to your financial situation, beware of loans that you cannot repay. Some lenders offer products that carry high interest rates and heavy fees. A large balloon payment that comes due at the end of a loan's term can create problems for borrowers. If you fall behind or fail to make your payments, the lender can take your home through foreclosure. Once the foreclosure process begins, most people never get their homes back.

Home improvement contracts may also have high costs. Be cautious of home improvement deals offered by contractors or lenders who do not come highly recommended.

Do:

- ✓ Shop around—compare loan packages to find the one that meets your specific needs.
- ✓ Get the big picture: look at interest rates and fees, not just monthly payment amounts.
- ✓ Review all the information with a credit counselor before signing.
- ✓ Read the entire contract before you sign.
- ✓ Avoid loans with balloon payments that come due at the end of the loan term.
- ✓ Seek out governmental agencies and nonprofit organizations that have special loan programs.
- ✓ If getting a loan for home improvement, find and work with your own contractor and lender to ensure they are reputable.
- ✓ Know what is in the contract before you sign.
- ✓ Consider trading your current home for a less expensive one.

Don't:

- ✗ Don't take out a loan made solely on the equity value and not on your ability to make the monthly payments.
- ✗ Don't sign anything that has blank spaces.
- ✗ Don't borrow more than you need. Equity can be your greatest asset in your next home purchase.
- ✗ Don't take out a loan from an unknown door-to-door salesperson.
- ✗ Don't consolidate your bills by using your home as collateral; try to use other means to consolidate.
- ✗ Don't judge by the monthly payments alone—consider the total cost.
- ✗ Don't yield to high-pressure sales tactics.
- ✗ Don't sign forms written in a language that you don't understand.
- ✗ Don't sign a contract if it is not what you expected. Always be prepared to walk away!
- ✗ Don't rush to sign. If the offer is good today, it should be good tomorrow.