The TILA right of rescission does not apply to all loans arranged by mortgage brokers, so do not rely on the possibility of later rescission as a substitute for careful study of the loan before you agree to it.

The TILA was amended in 1994 with respect to certain loans, other than purchase money loans, construction loans, reverse mortgages or home equity lines of credit, secured by the borrower's principal dwelling. In these "high-rate/high-fee" loan transactions, also known as Section 32 loans, the TILA places some additional restrictions on creditors, requires more disclosures, and gives borrowers cancellation rights. The amendment defines a creditor as someone who, in any 12-month period, originates more than one high-rate/high-fee loan. Also, any such loan arranged by a mortgage broker is subject to the requirements. A high-rate loan is one in which the APR exceeds by eight points or more on a first-lien loan or 10 points or more on a second-lien loan, the yield on Treasury Securities having a similar term. A high-fee loan is one in which the total points and fees exceed the greater of 8 percent of the loan amount or, as of January 1, 2006, $528 (adjusted annually on January 1 based on the change in the Consumer Price Index). The TILA is enforced by the CFPB, and CFPB can answer questions concerning the TILA and high-rate/high-fee loans.

PROTECT YOURSELF IN THE LOAN PROCESS—DO NOT FALL PREY TO PREDATORY LENDING!

The term "predatory lending" encompasses a variety of home mortgage lending practices. Predatory lenders often try to pressure consumers into signing agreements for loans they cannot afford or simply are not in the consumer's best interest. Often, through the use of false promises and deceptive sales tactics, borrowers are convinced to sign a loan contract before they have had a chance to review the paperwork and do the math to determine whether they can truly afford the loan.

Predatory loans carry high up-front fees that are added to the balance, decreasing the homeowner's equity. Loan amounts are usually based in the borrower's home equity without consideration of the borrower's ability to make the scheduled payments. When borrowers have trouble repaying the debt, they are often encouraged to refinance the loan to another unaffordable, high-fee loan that rarely provides economic benefit to the consumer. This cycle of high-cost loan refinancing can ultimately deplete the homeowner's equity and result in foreclosure.

Predatory loan practices specifically prohibited by law include:

- Unsuitability: Giving a borrower a loan he or she cannot afford to repay
- Flipping: Frequent making of new loans to refinance existing loans
- Steering: Giving a borrower a loan with higher rates and fees when the borrower qualifies for a loan with lower rates and fees
- Packing: Selling of additional products without the borrower's consent
- Charging excessive fees.

Homeowners in certain communities, particularly the elderly or minorities, are especially likely to be targets of predatory lending, but almost anyone can fall prey to abusive lending practices. You can protect yourself by knowing what you can afford; choosing a reputable, licensed broker/lender; understanding the loan application and contract; and being aware of commonly used predatory lending practices. Informed decision-making is your best defense.

Beware of these predatory lending tactics:

- Exceedingly high interest rates and inflated fees in comparison with other lenders.
- Bait and switch tactics where a mortgage broker or lender knowingly offers one set of terms that are more appealing but are not readily available and then pressures the borrower into signing the contract with more expensive terms and hidden fees.
- Door-to-door high-pressure salespersons and pitches for home equity loans related to home improvement contracts or contracts for installation for items such as drapes and carpets.
- Salespersons with backgrounds similar to yours who attempt to gain your trust. This tactic is oftentimes used to lull a homeowner into a false sense of security, causing the homeowner to make a decision based on trust instead of knowledge and understanding.
- Mail, radio, and television ads that claim "No job! No credit! No problem! You can still qualify for a loan based on your home equity." These ads encourage you to place your home at risk. If you cannot make the payments, you will lose your home. Offers that sound too good to be true usually are.