



# Memorandum

**TO:** DRIVING A STRONG ECONOMY COMMITTEE      **FROM:** Leslye Krutko  
**SUBJECT:** FAIR HOUSING AND PREDATORY LENDING EDUCATION UPDATE      **DATE:** April 7, 2006

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Approved

Date

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**COUNCIL DISTRICT:** Citywide  
**SNI:** All

## **RECOMMENDATION**

It is recommended that the Driving a Strong Economy Committee accept this report as an update on the Housing Department's progress towards educating the residents of San José on fair housing and predatory mortgage lending practices.

## **OUTCOME**

This report updates the Driving a Strong Economy Committee and provides the opportunity to discuss the Housing Department's efforts to educate City residents on fair housing and predatory mortgage lending practices.

## **EXECUTIVE SUMMARY**

Towards the City's goal of equal housing opportunity for all residents, the Housing Department currently coordinates public education campaigns on fair housing and predatory mortgage lending practices. The fair housing campaign consists of the distribution of informational handouts in multiple languages, educational workshops, a video segment on the City's cable television channel, and additional information and resources on the Housing Department's website. "Don't Borrow Trouble Silicon Valley," the City's anti-predatory mortgage lending campaign that is run in partnership with local nonprofits, for-profits, and industry associations, provides information to residents through informational handouts, educational workshops, and a free referral and assistance telephone line. The Housing Department will continue to seek additional funding sources with which to expand both campaigns throughout the community.

## **BACKGROUND**

The City of San José has set the goal of equal housing opportunity for all residents. As part of the City's efforts to achieve this goal, the Housing Department is coordinating two public education campaigns: (1) to educate the residents and housing providers of San José on their rights and responsibilities under fair housing laws; and (2) to educate residents on how to protect themselves

against harmful predatory mortgage lending practices. This memorandum serves as a status report on the Housing Department's efforts on both fronts.

In September of 2003, the City Council approved the Analysis of Impediments (AI) to Fair Housing Choice report. The AI identifies impediments to fair housing choice and provides recommendations for actions that the City can take to remove these obstacles. The report includes recommendations on increasing public outreach and education efforts to tenants, landlords, and housing and apartment associations on fair housing laws.

On June 1, 2004, the City Council approved the Predatory Lending Action Plan and directed staff to work with community and industry partners to develop a comprehensive anti-predatory mortgage lending program that includes counseling, outreach, and education. Since the Council meeting, the Housing Department, along with its nonprofit and industry partners, have developed such a program – “Don't Borrow Trouble Silicon Valley” (DBTSV). In addition to the City, the DBTSV core group consists of members from the California Association of Mortgage Brokers, the Fair Housing Law Project, Neighborhood Housing Services Silicon Valley, the Santa Clara County Association of Realtors, Working Partnerships, Pro Bono Project of Silicon Valley, Project Sentinel, and Bay Area Legal Aid. In addition, last year Freddie Mac accepted San José as a member of its Don't Borrow Trouble anti-predatory mortgage lending outreach and education campaign. As a result, San José became one of only four cities in California and forty-one cities nationwide to participate in this award-winning program.

## **ANALYSIS**

### **Fair Housing**

Although the receipt and investigation of fair housing complaints is beyond the scope of the Housing Department's purview, the Department has a close working relationship with the local fair housing organizations that provide these services. Local fair housing service providers, including Asian Alliance, Bay Area Legal Aid, the Fair Housing Law Project, and Project Sentinel, have identified the following protected categories to be the most frequent basis for tenant fair housing complaints in San José over the last year:

- Familial status or the presence of children;
- Disability including rejections of reasonable accommodation requests and discriminatory statements;
- National origin; and
- Gender, sometimes in the form of sexual harassment.

Over the last year, the fair housing service providers have continued to see a trend toward discrimination by smaller rental development owners (four or fewer units). However, tenants in larger developments have also reported discriminatory practices, in particular, overly restrictive rules such as prohibitions against children playing outside. Unfortunately, the victims of these discriminatory actions are often hesitant to pursue remedies.

In addition to the numerous activities undertaken by the fair housing service providers, the following is a brief description of the fair housing outreach and education efforts undertaken by the Housing Department over the last year:

- **Fact Sheets:** Last year the Housing Department developed two fair housing fact sheets, one of which provides a general overview of fair housing, while the other specifically addresses sexual harassment under the fair housing laws (see Attachments A and B). Each fact sheet provides basic fair housing information, examples of discriminatory actions, and contact information for assistance. Over the past year, the Housing Department has actively sought opportunities to provide the fact sheets to residents throughout San José through tables at fairs and festivals, joint mailers with the Rental Rights and Referrals Program, and distribution in City buildings, libraries, and other agencies that serve the community. This year, both fact sheets were translated into Spanish and Vietnamese.
- **Cable TV Segment:** In March of 2005, staff from the Civic Center Television channel, the Housing Department, Project Sentinel, the Fair Housing Law Project, Tri-County Apartment Association, and the Santa Clara County Association of Realtors collaborated on an educational fair housing segment. Utilizing interviews with real estate agents, apartment managers, apartment association staff, fair housing service providers, victims of housing discrimination, and City employees, the segment provides viewers with a general overview of fair housing and the people involved. This segment will be aired on the City's cable channel throughout the month of April.
- **Fair Housing Month Activities:** In honor of the passage of the Federal Fair Housing Act of 1968, the City of San José, along with organizations throughout the nation, will celebrate April as Fair Housing Month. In honor of this important event, the City will make an official proclamation of April as Fair Housing Month. In addition, the Housing Department will be a partner and participant in "Not in Our Neighborhood! Evicting Housing Discrimination from Our Communities," a comprehensive symposium on fair housing issues.
- **Funding:** This spring, the Housing Department will again submit a funding request under HUD's Fair Housing Initiatives Program to assist in the continued expansion of the City's fair housing efforts.

The City will continue to explore new and innovative ways to educate San José's residents and housing providers about their rights and responsibilities under fair housing laws.

### **Predatory Mortgage Lending Practices Outreach and Education**

Fair Housing Law Project, the primary nonprofit litigator of predatory mortgage lending cases in San José, identified the occurrence of the following potentially predatory lending practices over the past year:

- **Bait and switch** - the client thinks they are applying for one loan rate and monthly payment, but the final loan has much different (higher) rates;
- **Fraud** – the borrower is told the loan is one rate, but it turns out to be another;
- **High broker or origination fees** – borrowers are charged two to five points for these services, versus the typical fee of one point or 1% of the loan amount;
- **Hidden adjustable rate or interest only loans** – the borrower does not realize, and is not told, that their loan has an adjustable rate or is interest only;
- **Deed theft** – the homeowner is told to sign over the deed to their house to someone with good credit so that person can refinance the homeowner’s loan. However, the homeowner becomes a tenant in their own home, sometimes with an implausible “buy-back” option;
- **Foreclosure rescue scams** – a homeowner facing foreclosure gets an offer for help. However, this “help” turns out to be either a case of deed theft (see previous item) or an offer to buy the home for below market rate after convincing the homeowner that if they go into foreclosure they will lose all of the equity they have built up in their home;
- **Broker fees and yield spread premiums** – the borrower gets charged both a yield spread premium and direct broker fees. Yield spread premiums are payments the mortgage broker receives from a lender based on the difference between the interest rate and points of the loan the broker entered into with the borrower, and the rate offered by the lender to the broker for that particular loan. The yield spread premium is supposed to be used in lieu of the direct fees, not in addition;
- **English only documents** – even if the loan is negotiated in another language (usually Spanish);
- **Pressure at closing** – the borrower is not given sufficient time to review the loan documents, they are told they will miss an opportunity, or that the seller will sue them and make them liable for lots of money if they do not go through with the sale; and
- **Neglect of lender responsibilities** – the borrower is not told about their three-day right to cancel for refinance loans and/or does not receive their loan documents in advance of their signing date for review.

In addition, over the past year the Housing Department has heard from several residents in need of assistance due to their receipt of home loans with payments far beyond what their monthly income can provide. Finally, Fair Housing Law Project has reported that even if they are able to get the victim of these practices out of their home loan, they are often unable to find replacement refinancing.

Since 2004, the Housing Department, in a unique partnership with nonprofit and for-profit organizations and business associations, has been developing an outreach and education campaign to help prevent these abusive mortgage lending practices through informed and empowered consumers. On November 4<sup>th</sup>, 2005, San José’s campaign went public with the launching of “Don’t Borrow Trouble Silicon Valley.” Components of the campaign to date include:

- **Educational Workshops:**
  - On October 3, 2005, DBTSV, in coordination with Freddie Mac, sponsored a free training by the National Consumer Law Center for local services providers on what predatory lending practices are, how they can be identified, as well as possible remedies.
  - On December 3<sup>rd</sup>, DBTSV put on a comprehensive educational workshop for residents on how to avoid becoming victims of predatory mortgage lending practices. The event was held at the MACSA Youth Center and offered workshops in both English and Spanish.
  - Future workshops are currently planned for residents on May 19<sup>th</sup>, in the San José City Hall, as part of Affordable Housing Week, and on June 3<sup>rd</sup> at Willow Glen High School.
  
- **Informational Flyers:** DBTSV has developed two educational flyers to help protect residents against harmful predatory mortgage lending practices (see Attachments C and D). The first flyer provides ten steps for perspective borrowers to take before they sign their loan documents, as well as definitions of some common loan terms. The second handout provides additional information on comparing loan offers and loan agents, and lending practices of which to be weary. Additionally, the flyers refer persons with questions or in need of assistance to the DBTSV free referral line (see next item). These flyers were translated into multiple languages and distributed at workshops, community events, in City buildings, libraries, and other agencies that serve the community, and are available on the DBTSV section of the Housing Department's website.
  
- **Free Referral Line:** In order to provide assistance to residents at all stages of the home mortgage process, DBTSV has implemented a free referral telephone line housed by the Pro Bono Project of Silicon Valley. This line is staffed by trained professionals who can offer assistance and referrals to individuals seeking information at any stage of the mortgage lending process, including setting up a bank account, purchasing a home, refinancing their current home loan, consolidating debt, taking out a home-equity loan, and mortgage foreclosure prevention.
  
- **Funding:** As a supplement to the Housing Department's in-kind contributions, DBTSV has received unrestricted funding from Freddie Mac, the Santa Clara County Association of REALTORS, the California Association of Mortgage Brokers (CAMB), the Silicon Valley Chapter of CAMB, and NeighborWorksR America (Neighborhood Reinvestment). In order to engage the widest possible audience, DBTSV will continue to seek additional funding to provide for newspaper, television, and radio advertisements, billboards, and signs in VTA stops, buses, and trains.

I will be happy to answer any questions on this memorandum at your April 24, 2006 meeting.

April 24, 2006

**Fair Housing and Predatory Lending Education Update**

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**PUBLIC OUTREACH**

The information in this memorandum has been coordinated with local fair housing service providers as appropriate.

**COORDINATION**

This memorandum has been coordinated with the Office of the City Attorney.

**COST IMPLICATIONS**

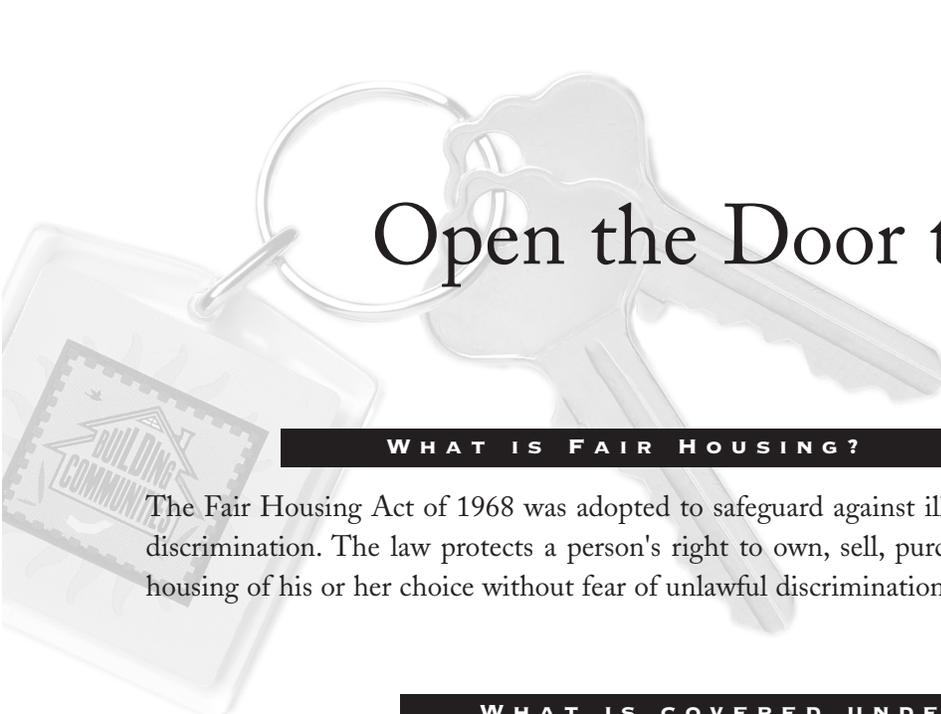
None.

**CEQA**

Not a project.

LESLYE KRUTKO  
Director of Housing

Attachments (4)  
cc: Housing Advisory Commission



# Open the Door to Fair Housing

## WHAT IS FAIR HOUSING?

The Fair Housing Act of 1968 was adopted to safeguard against illegal housing discrimination. The law protects a person's right to own, sell, purchase, or rent housing of his or her choice without fear of unlawful discrimination.

## WHAT IS COVERED UNDER FAIR HOUSING LAWS?

Fair housing laws cover nearly every stage of the rental process, including:  
Advertising, Screening, Leasing, and Tenancy

### *Advertising*

There are some exceptions to the fair housing laws with regards to:

- Homes in which the landlord lives and rents to just one person
- Housing specifically intended for and occupied by senior citizens
- Single-room occupancy developments

### *Leasing*

### *Screening*

In order to allow individuals with physical and mental disabilities full and equal access to housing, in most cases:

- Landlords must make "reasonable accommodations" in rules, policies, practices, or services for their tenants with disabilities, if requested
- Landlords must allow tenants with a disability to make "reasonable modifications" to a dwelling or building, if the tenant pays for the changes
- The tenant must restore the premises to the original condition after vacating the unit

### *Tenancy*

A landlord may decide not to rent to an applicant, as long as the same standards are applied to everyone, when:

- The available unit is too small for the proposed number of tenants
- The applicant's income does not cover the rent
- The applicant has a poor credit history
- The applicant has an unfavorable rental history

**WHAT IS CONSIDERED UNLAWFUL DISCRIMINATION?**

State and federal fair housing laws protect against discrimination in housing on the basis of the following protected categories:

**RACE/ETHNICITY** "I don't rent to you people"

*"You wouldn't feel comfortable in this neighborhood"*

**NATIONAL ORIGIN** "I don't think you will fit in here with your accent"

**RELIGION** "People who have no religion have no morals"

**GENDER** "Where's your husband?"

*"There is an additional*

**FAMILIAL STATUS** (children) "This is an adult building"

*security deposit per child"*

**DISABILITY** "No pets allowed - not even your seeing-eye dog"

**SEXUAL ORIENTATION** "You won't like it here - there aren't any other couples of your kind"

**SOURCE OF INCOME** "We don't take people on SSI"

*"We don't rent*

**AGE** "We don't rent to anyone under 30 years old - they make too much noise"

*to migrant workers"*

**MARITAL STATUS** "We don't rent to unmarried couples"

**OPERATION OF LICENSED HOME DAY CARE** "Your day care will cause excess

*"Kids in day care make too much noise"*

*liability for apartment owners"*

**ARBITRARY CATEGORIES THAT ARE UNRELATED TO THE RESPONSIBILITIES OF A TENANT** (such as personal appearance, political affiliation, or belonging to organizations)

*"We don't rent to motorcycle riders"*

*"We don't rent to Pro-Choice advocates"*



*If you have any questions about your rights and responsibilities under the fair housing laws, please contact:*

**Asian Law Alliance**  
184 Jackson Street  
San José, CA 95112  
408.287.9710  
[www.asianlawalliance.org](http://www.asianlawalliance.org)

**Bay Area Legal Aid**  
2 W. Santa Clara St., 8th Floor  
San José, CA 95113  
408.283.3700  
[www.baylegal.org](http://www.baylegal.org)

**Fair Housing Law Project**  
111 W. St. John Street  
Suite 315  
San José, CA 95113  
408.280.2435  
[www.lawfoundation.org](http://www.lawfoundation.org)

**Legal Aid Society of Santa Clara County**  
W. Robert Morgan Legal Services Center  
480 N. First Street, P.O. Box 103  
San José, CA 95103  
408.998.5200  
[www.legalaidsociety.org](http://www.legalaidsociety.org)

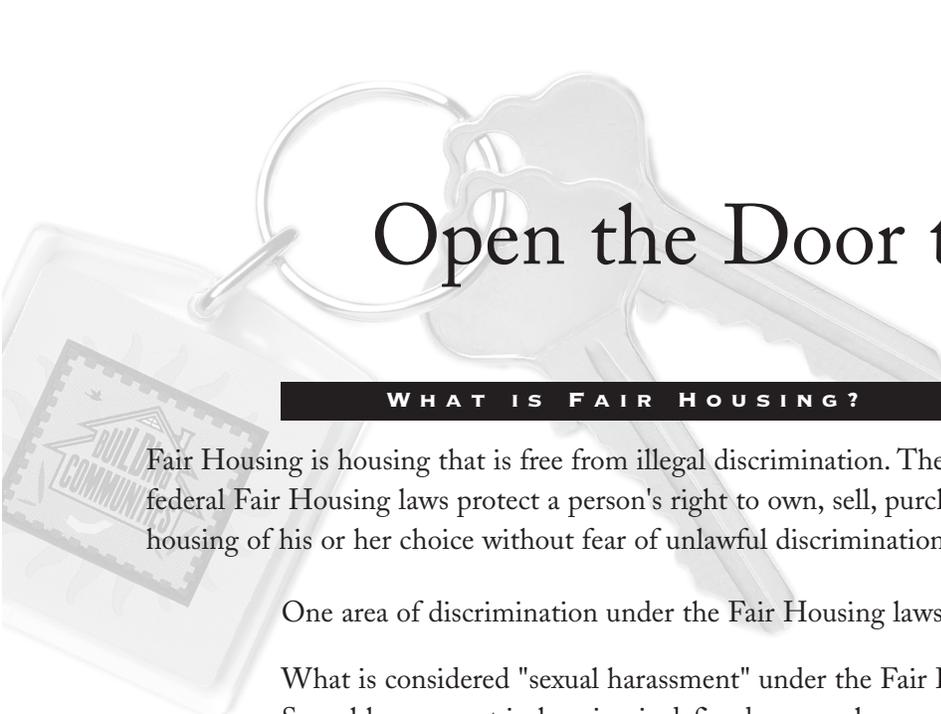
**Project Sentinel**  
430 Sherman Avenue, Suite 308  
Palo Alto, CA 94306  
Toll Free - 888.324.7468  
[www.housing.org](http://www.housing.org)

**Tri-County Apartment Association**  
20863 Stevens Creek Boulevard  
Suite 250  
Cupertino, CA 95014  
408.873.1599  
[www.tcaa.org](http://www.tcaa.org)

**Santa Clara County Association of Realtors**  
1651 N. First Street  
San José, CA 95112  
408.445.8500  
[www.sccaor.com](http://www.sccaor.com)

**City of San José - Housing**  
200 East Santa Clara Street  
San José, CA 95113  
408.535.3860  
[www.sjhousing.org](http://www.sjhousing.org)





# Open the Door to Fair Housing

## WHAT IS FAIR HOUSING?

Fair Housing is housing that is free from illegal discrimination. The State and federal Fair Housing laws protect a person's right to own, sell, purchase, or rent housing of his or her choice without fear of unlawful discrimination.

One area of discrimination under the Fair Housing laws is *Sexual Harassment*:

What is considered "sexual harassment" under the Fair Housing laws?

Sexual harassment in housing is defined as unwelcome sexual advances, solicitations, sexual requests, or other verbal or physical conduct of a sexual nature.

## Sexual Harassment

## WHAT YOU DON'T KNOW CAN HURT YOU...

Sexual harassment laws apply to everyone in the housing process including:

- Owners
- Managers
- Maintenance persons
- Real Estate Agents
- Mortgage Brokers
- Other tenants

## WHO CAN BE HELD LEGALLY LIABLE FOR SEXUAL HARASSMENT?

The owners of housing developments are responsible for the actions of their management personnel, maintenance workers, and other employees. The owner could also be liable for sexual harassment committed by one of their tenants if the owner knows about the harassment. There are two categories of sexual harassment:

- **"Quid pro quo"** sexual harassment occurs when sexual favors are demanded or requested in exchange for housing or a housing benefit, including:
  - Denial or acceptance of a rental application
  - Repairs and how quickly they are made
  - Eviction notice decisions
- **"Hostile environment"** sexual harassment occurs when the pervasiveness or severity of the unwelcome sexual language/advances makes the person's living situation significantly less desirable, including:
  - Severe conduct: touching, pinching, patting, rubbing, or kissing
  - Pervasive conduct: constant requests for dates, unwanted love notes, sexually explicit jokes, or questions about a person's sex life

## Liability

## EXAMPLES

Examples of sexual harassment comments:

"I'll give you \$50 off of your rent if you'll go out with me"

"Hey, sexy lady, why don't you come over to my place tonight"

"I'll fix your sink - if you ..."

"Check out the new tenant - she/he has a great ..."

"Show me how much you want to rent the apartment..."

"I'm evicting you because you never came over to have drinks with me"



## TIPS

*Act  
Quickly!*

What should you do if you think you are experiencing sexual harassment?

*Act quickly!* Tell someone about the occurrence and keep detailed notes about:

- What happened
- Where it happened
- Name, address and phone numbers of any witnesses who saw or heard what happened, or that you talked to about the harassment

Keep documents, such as:

- Newspaper ads
- Apartment rules
- Warning notices
- Eviction notice
- Letters, notes or gifts from the harasser

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*If you have any questions about your rights and responsibilities with regards to sexual harassment in housing, please contact:*

**Asian Law Alliance**  
184 E. Jackson Street  
San José, CA 95112  
408.287.9710  
[www.asianlawalliance.org](http://www.asianlawalliance.org)

**Bay Area Legal Aid**  
2 W. Santa Clara St., 8th Floor  
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**City of San José - Housing**  
200 East Santa Clara Street  
San José, CA 95113  
408.535.3860  
[www.sjhousing.org](http://www.sjhousing.org)



# 10 THINGS TO DO

*Before You Sign on the Dotted Line...*

IF YOU ARE THINKING ABOUT GETTING A LOAN TO PURCHASE A HOME, refinancing, or borrowing money for home repairs, make sure you get the *right loan* to meet your needs. Asking questions and understanding the loan process can save you and your family from excessive fees and possibly foreclosure. For assistance and referrals on home loans contact, Don't Borrow Trouble Silicon Valley at 408.283.1284, or visit our website at [www.sjhousing.org](http://www.sjhousing.org).

## Helpful Tips

- 1 **DO YOUR HOMEWORK** Familiarize yourself with the home loan process and what you can afford. Attend a homeownership education course or meet with a homeownership counselor. These services are available locally and often without a fee.
- 2 **KNOW YOUR CREDIT RATING** Understand your credit rating and its impact on your loan qualifications. Obtain a copy of your credit report and review it with your mortgage counselor. Visit [www.sjhousing.org](http://www.sjhousing.org) for information on where to obtain a copy of your credit report.
- 3 **SHOP AROUND** Get the best loan for your needs. Question loan offers made by mail, over the Internet or telephone, or by someone who comes to your door uninvited. Talk to at least three lenders, get a "Good Faith Estimate" from each lender, and compare their fees and the total cost of the loan.
- 4 **CHOOSE YOUR LOAN AGENT WISELY** Beware of anyone who tells you to falsify information on the loan application.
- 5 **CHECK YOUR LOAN AGENT'S QUALIFICATIONS** Ask your loan officer if they are licensed to originate mortgage loans and confirm it with the California Department of Real Estate at [www.dre.cahwnet.gov](http://www.dre.cahwnet.gov). If they are a mortgage broker, ask if they are a member of the California Association of Mortgage Brokers.
- 6 **ASK FOR CLARIFICATION** Understand all of the costs and fees in your loan. If any of the items in your loan contract are not clear, **Ask Questions!** Don't sign anything you don't completely understand.
- 7 **ENSURE AFFORDABILITY** Make sure you can afford the loan's monthly payments, especially if it has a variable interest rate. Ask what the maximum monthly payment would be over the life of the loan. Don't agree to a loan program with payments you cannot comfortably afford.
- 8 **TAKE CHARGE** Don't let anyone pressure you to sign a contract. A good deal today should be available tomorrow.
- 9 **COMPLETE CONTRACTS** Don't sign any blank forms or documents that aren't filled in completely. If an item is supposed to be blank, draw a line through the space and initial.
- 10 **READ AND REVIEW** Make sure the loan contract contains only the terms to which you agreed. Request your loan documents three days before escrow closes. Bring the completed loan documents to a mortgage counselor for review.

## Know What You're Signing

**ADJUSTABLE-RATE MORTGAGE (ARM)** An ARM's interest rate will increase or decrease over the life of the loan, impacting your loan payments. An ARM, also known as a Variable Rate loan, usually has an attractive initial low interest rate. To fully understand the long-term cost of the loan, you need to know the maximum interest rate you could be required to pay.

**ANNUAL PERCENTAGE RATE (APR)** The cost of credit expressed as a yearly rate. May include interest rate, points, broker fees, and other credit charges that the borrower is required to pay.

**BALLOON PAYMENT** A large single payment at the end of the loan term because the monthly payments are too low to pay off the entire loan amount.

**CLOSING or SETTLEMENT** The meeting where loan documents are reviewed and signed.

**CLOSING COSTS** Fees required by the lender at closing. While the fees can vary among lending institutions, many include one-time processing fees such as application, origination or appraisal fees, points, title search, or title insurance. Find out what closing costs will be charged before the closing and which fees may be negotiable. If you are unsure about any of the fees, ask for clarification.

**CREDIT INSURANCE** A loan option that repays the lender should the borrower die or become disabled. In the case of single-premium credit insurance, the full premium is paid all at once by being added to the amount financed in the loan rather than on a monthly basis. Adding the full premium to the amount of the loan will increase the amount of interest you pay over the life of the loan.

**EQUITY** The difference between what a property is worth and what the owner owes against that property, (*i.e. the difference between the house value and the remaining mortgage or loan payments*).

**FIXED RATE MORTGAGE** Loans in which the interest rate remains the same over the life of the loan.

**HOME-EQUITY LOAN** A cash loan in which the homeowner borrows against the equity in their home. The loan is secured by using the home as collateral.

**INTEREST** The fee paid to borrow money. It is a percentage of the amount borrowed.

**MORTGAGE** Generally refers to a loan that finances the purchase of real estate, usually with specified payment periods and interest rates. The mortgage lender has the right to take the property if the borrower fails to make loan payments.

**POINTS or LOAN DISCOUNT POINTS** A one-time charge by a lender to lower the interest rate on a loan. Each point is equal to 1 percent of the loan amount. For example, one point on a \$100,000 loan would cost \$1,000. Points may be negotiable at closing.

**PREPAYMENT PENALTY** A penalty some lenders charge for paying a loan off early. Before signing loan papers, check to see if your loan has a penalty and how long it will be in effect. If you think you might make early payments, or sell your home before the loan is paid off, the prepayment penalty could be costly.

**PRINCIPAL** The amount of money borrowed or that remains unpaid.

**REFINANCING** The process of paying off one loan with the proceeds from a new loan secured by the same home or property, generally to secure a lower interest payment.

**SECOND MORTGAGE** A second loan on the property that is recorded after the first loan. A Home Equity Line of Credit (HELOC) is normally recorded as a second mortgage.

*Asking questions and understanding your home loan can save you time, money ... and even your home!*  
Call Don't Borrow Trouble Silicon Valley at 408.283.1284 or visit our website at [www.sjhousing.org](http://www.sjhousing.org).

*To ensure that you do not fall victim to Predatory Mortgage Lending Practices follow these guidelines:*

↓  
Understand all terms and requirements of your loan before you sign any documents, including balloon payments, prepayment penalties, maximum monthly payment on adjustable rate loans, credit insurance, mandatory arbitration clauses, and the total cost of the loan

↓  
Whether you're purchasing or refinancing a home, be sure your monthly loan payments are affordable  
Mortgage payments should not exceed 35% of your gross monthly income

↓  
Don't allow yourself to be pressured into borrowing more money than you need

↓  
Don't sign blank or incomplete loan documents

↓  
Before signing any loan documents, ensure that the cost and terms of the loan are the same as those you discussed with your loan agent or mortgage broker

↓  
Beware of repeated requests to refinance your loan which may result in a loss of equity and additional loan fees

↓  
Don't falsify your income, expenses, or available cash in order to qualify for a home loan

↓  
Don't be pressured to sign loan papers before you understand all of the terms

↓  
If you are contacted by a door-to-door or telephone salesperson, or receive a home loan offer via the mail, the Internet or by e-mail, that seems "too good to be true", it probably is!



*The Wrong Loan Can Cost YOU Your Home*



*Housing*

City of San José - Housing Department  
200 East Santa Clara Street  
San José, California 95113  
[www.sjhousing.org](http://www.sjhousing.org)

2/9/11/06



*Get the  
Right  
Loan  
for Your  
Home*



## Thinking of purchasing a home?



Buying a home is one of the most important decisions you will ever make. The right loan can mean the difference between sleeping peacefully in your own bed or not sleeping at all. Beware of *Predatory Lending Practices*. Don't forfeit or lose your hard earned money by accepting the *wrong loan* for your home. To protect your investment, your family, and your home, here's what you should know so that you

**Don't Borrow Trouble.**

### Asking the Right Questions

Before you sign on the dotted line, ask yourself these important questions:

- Can I afford to purchase a home at this time?
- What is my credit rating?
- Do I have enough money for a downpayment?
- What is the maximum monthly mortgage payment I can comfortably afford?
- Which loan is best for me?

### Finding the Right Loan

Not all loans are the same. One of the most important things to do when buying a home is to find the right loan. Beware of loans with excessive rates and fees, pre-payment penalties, or other hidden features that can rob you of your hard-earned money and diminish the equity you've built up in your home.

Before you decide on a loan agent, you may want to seek guidance from someone you trust and who understands the mortgage lending process. Shop around for a licensed loan agent who will take the time to help you understand the homebuying process. To find a qualified loan agent or mortgage broker:

- Talk to at least 3 different mortgage brokers, loan officers, or loan agents
- Ask for references and referrals
- Ask to see the loan agent or mortgage broker's license
- Ask about their experience and qualifications

Before you meet with a loan agent, prepare a list of questions about available home loans. Ask the loan agent to explain all of your loan options. Question any loan agent who tells you that you can only get a good deal on a loan if you finance with them.

### The Right Loan for You

The right loan is one that best fits your needs and that you can comfortably afford. Before choosing a home loan, compare the following:

- Points and fees
- APR (Annual Percentage Rate)
- Interest rate
- Processing fees
- Loan rates
- Total closing costs
- Total costs over the life of the loan

*Read, Understand, and Agree with ALL of the loan conditions.*

#### Help is Available!

Don't Borrow Trouble™ Silicon Valley, is your free one-call source for home ownership information and assistance. We can help you make the right home loan decision.

Call Don't Borrow Trouble™ Silicon Valley  
**408.283.1284**  
or visit our website  
**[www.sjhousing.org](http://www.sjhousing.org)**  
to learn more!

This program is brought to you by Freddie Mac and the City of San José.



# Fair Housing & Predatory Mortgage Lending Education Update

Driving a Strong Economy  
Committee

4/24/06

## In Support of Equal Housing Opportunity

- Outreach and education programs
  - Rights and responsibilities under fair housing laws
  - Protecting against predatory mortgage lending practices



## Housing Discrimination in San José

- Reported by local fair housing service providers, including
  - Asian Law Alliance
  - Bay Area Legal Aid
  - The Fair Housing Law Project
  - Project Sentinel



## Most Prevalent Fair Housing Violations in San José

- Familial status (or the presence of children)
- Disability
- National origin
- Gender (sometimes in the form of sexual harassment)
- Race
- Increasing violations in smaller rental developments



## Fair Housing Outreach & Education Activities

- Fair Housing partners provide fair housing trainings, brochure distribution, & Public Service Announcements
- Fact Sheets
  - Translations
  - Distribution
- Cable TV Segment
- Fair Housing Month
  - City Proclamation
  - Educational Symposium



## Predatory Mortgage Lending Practices

- Reported by
  - Fair Housing Law Project - primary nonprofit litigator of potential predatory mortgage lending cases
  - Anecdotal evidence from
    - Realtors
    - Mortgage brokers
    - Nonprofit service providers
    - Housing Department



## Most Prevalent Predatory Lending Practices in San José

- Bait & switch
- Fraud
- High broker or origination fees
- Hidden adjustable rate or interest only
- Deed theft
- Foreclosure rescue scams
- Broker fees + yield spread premiums
- English only documents
- Pressure at closing
- Neglect of lender responsibilities



The Wrong Loan Can Cost **YOU** Your Home

## Partners

- Diverse & unique!
- Bay Area Legal Aid
- CAMB
- Fair Housing Law Project
- Freddie Mac
- NHSSV
- Project Sentinel
- SCCAOR
- Working Partnerships USA



## Anti-Predatory Mortgage Lending Outreach & Education Campaign

- Preventing predatory mortgage lending practices through informed & empowered consumers
  - Kick-off
  - Educational workshops
  - Informational flyers
  - Free referral line



# Funding

- Freddie Mac
- SCCAOR
- CAMB
- Silicon Valley Chapter of CAMB
- NeighborWorksR America
- Partner volunteers & in-kind donations
- Additional funding needed!

