

Updated 7/1: Law Requires Home-loan Advice For Some

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Those "quick cash" offers from home-mortgage companies may not be so quick anymore, thanks to new legislation to ensure that borrowers understand the terms of their loans.

Effective July 1, borrowers whose loans contain certain red flags are required to meet with a housing counselor before signing off on what may prove to be an unaffordable mortgage.

"The law is a response to all those loans that have gone into foreclosure within the first two years," said Jasmine Brewer, director of housing counseling for Interfaith Housing Center of the Northern Suburbs. The Winnetka-based organization is one of two agencies certified by the U.S. Department of Housing and Urban Development, to counsel borrowers in Chicago's northern suburbs. The other is CEDA/Neighbors at Work in Evanston.

"This counseling doesn't mean the borrower can't go back and get the loan they really want. It is to make sure they understand what they're getting," Brewer said, citing bait-and-switch tactics in which borrowers are confronted with different terms at closing.

The mandatory counseling applies both to first-time home buyers and homeowners refinancing a mortgage for their primary residence.

Counseling triggers

Features that trigger the counseling requirement include interest-only payments or loans with negative amortization, meaning the loan principal grows over time.

Counseling also is required for adjustable rate mortgages (ARMs) that reset within the first three years; loans with prepayment penalties and loans with closing costs and fees that exceed 5 percent of the amount borrowed.

Under the Anti Predatory Lending Database Program, brokers and loan originators must input loan information into a shared database. If counseling is warranted, it must occur within 10 days and the broker must pay a \$300 fee that cannot be charged to the borrower. The counselor has another 7 seven days to input a response.

At a recent breakfast, one broker remarked that his job "is about finding creative solutions when borrowers don't qualify for certain types of loans."

"Creativity is what has created the crisis in the housing market," responded Brewer, adding that some brokers have said they'll stop writing the loans that trigger the counseling.

From her perspective, "that would be a good thing."

For more information about the program or Interfaith's Foreclosure Prevention Counseling, go to www.interfaithhousingcenter.org/mainpages/15predatory.html, or call (847)501-5760.