

Deceptive Mortgage Ads: What They Leave Out

(NAPS)—When shopping for a mortgage to buy a home or refinance an existing loan, you may see or hear ads with offers of low rates or payments.

While some of the offers can seem tempting, some are terribly flawed: They don't disclose the true terms of the deal as the law requires.

The Federal Trade Commission, the nation's consumer protection agency, wants you to know the buzzwords that should trigger follow-up questions, as well as information to insist on.

What the Ads Say

A Low "Fixed" Rate: Ads that tout a "fixed" rate may not tell you how long it will be "fixed." The rate may be fixed for an introductory period only, and that can be as short as 30 days.

Very Low Rates: Are the ads talking about a "payment" rate or the interest rate? The interest rate is the rate used to calculate the amount of interest you will owe the lender each month. The payment rate is the rate used to calculate the amount of the payment you are obligated to make each month. Some offers advertise a low payment rate without telling you that it applies only during an introductory period. If the payment rate is less than the interest rate, you won't cover the interest due. This is called "negative amortization." It means that your loan balance is actually increasing and the lender is adding the unpaid interest to the balance you owe.

Very Low Payment Amounts: Ads quoting a very low payment amount may be an interest-only (I/O) loan, where you pay only the amount of interest accrued each month. Eventually, you will have to pay off the principal—or you may end up owing a lump sum due at the end of the loan.

Loan Amount \$300,000—Pay Only \$900 Per Month!: Ads with



Beware of ads that promise very low mortgage payments.

"teaser" short-term rates or payments such as these don't often disclose that a rate or payment is for a very short introductory period.

Important Notice From Your Mortgage Company: Mailers that have information about your mortgage may not be from your lender at all. Before responding to any offer, review it carefully to make sure you know who you're dealing with.

What the Ads Don't Say

To make an informed decision about a mortgage offer, ask the lender:

- What is the Annual Percentage Rate? The APR is the total cost of the credit expressed as a yearly interest rate.
- When and how can my rate and payments change?
- What will my monthly payment be? Can it increase?
- Does the monthly payment include an escrow amount to pay for my property taxes and homeowners insurance?
- What is the term of the loan (for example, 15 years? 30 years?)?
- Will I have to pay prepayment penalties to refinance and pay off the loan early?

To learn more, visit ftc.gov/credit and click on Mortgages/Real Estate. For free consumer information, visit ftc.gov or call, toll free, 1-877-FTC HELP (1-877-382-4357).

Did You Know?

To learn about recognizing deceptive mortgage ads, visit ftc.gov/credit and click on Mortgages/Real Estate. For free consumer information, visit ftc.gov or call, toll free, 1-877-FTC HELP (1-877-382-4357); TTY: (866) 653-4261.

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