

# SPOTLIGHT ON FINANCE

## Advance Fee Loan Scams

You may have seen loan advertisements in a newspaper, other publication or on the Internet proclaiming that they can assist consumers with credit related issues.

If you've been denied a credit application due to an impaired credit history, advertisements such as this can be tempting; however, you should be suspicious of a reported lending institution that practically guarantees a loan before an application is even submitted.

A lender who says they are not interested in your credit history should serve as a potential warning sign that everything may not be as easy as the advertisement may suggest. In many cases, these situations may end up being a scam and cost the applicant a lot of frustration, time, and, money.

Banks, credit unions and licensed lenders will typically evaluate the creditworthiness of an applicant before they make them an offer for the loan being sought, or else they may propose a counter-offer to the loan amount being requested. Regulated and licensed lenders may often charge some form of an application fee, and if seeking a real estate mortgage transaction, they may also charge an appraisal and credit report fee. These fees are disclosed

at the time the application is originated, or within a few days thereafter.

In situations where the lender advises they are not concerned with your previous credit history, they may require the applicant to pay "up-front fees" reportedly for collateral or securitization purposes for the loan. This is what is commonly



known as an advance fee loan scam. Additionally, or alternatively, they may advise the applicant they are paying premiums toward an insurance policy to secure the loan. There could also be instances the up-front fees are termed as making advance monthly payments on the loan. If asked to pay these type of fees, this is another sign that the offer may have been too good to be true.

Where monies are requested to be paid in advance of the loan being approved, the proposed lender may ask that the money be sent via money orders or through a wire transfer

to an individual, or third party. These tend to be directed to an address that isn't associated with the reported lender. This should be another sign that this may not be a legitimate loan offer; especially, since an applicant may have little recourse should a problem occur with a wire transfer.

Scammers will use company names that may appear similar to longstanding or well-known financial institutions. They can even create websites that look very professional and appear similar to the legitimate lender. As an extra precaution, if the lender only provides a Post Office box address in any correspondence, or on their website, request their street address, so research can be conducted to identify if they are located where they profess to be situated.

Lenders licensed to operate in Tennessee and regulated by this Department can be reviewed on the Department's website under the Who We Regulate Area: <http://www.tn.gov/tdfi/topic/who-we-regulate> You are also encouraged to contact the Consumer Resources Section at 800-778-4215, if you have questions about a lender and whether they are licensed with the Department of Financial Institutions.



## Free Credit Reports

Did you know that you can request a free credit report once a year from each of the three major credit reporting agencies: Equifax, Experian, and TransUnion. Your credit report contains information on where you work and live, how you pay your bills,

whether you have been sued or arrested, or have filed for bankruptcy. You may want to request your credit reports one at a time, every four months, so you can monitor your credit throughout the year without having to pay for a report and check the following for accuracy when you get it.

Is your full name, social security number, birthdate and address correct?

Are employers, creditors, or

home addresses listed that don't belong to you?

Is the account status correctly reported as open, closed or delinquent?

Do judgements, such as liens or bankruptcies appear correctly?

If there are inaccuracies, contact the credit reporting agency and creditor that furnished the information to get it correct. To order your free report, go to [www.annualcreditreport.com](http://www.annualcreditreport.com) or call 877.322.8228.

## What's Best For Financing Home Improvement?

As a rule, the thriftiest way to finance improvements is to pay cash. If you have to borrow, your goal should be to minimize your total interest expense over a time period that allows you to pay off the loan while meeting your other financial goals. How you can do that depends in part on your lender's willingness to work with you and your attitude toward interest rate risk.

If you have an equity line of credit, ask your lender to increase the

credit line-If you are able to obtain an increase, you will have enough funds to take on the projects, and you'll hold on to the low interest rate on the debt.

Or, do a cash-out first mortgage refinancing which will pay off your existing first mortgage plus release money for your home improvements and repairs.

What kind of loan is best for you depends primarily on the amount of money you need to borrow. For

example, listed below is a program that FHA has to offer:

The Title I Property Improvement Loan Program- if the equity in your home is limited, the answer may be an FHA Title I Loan. Banks and other qualified lenders make these loans from their own funds, and FHA insures the lender against a possible loss. The loan insurance program is authorized by Title I of the National Housing Act.

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## National Simplify Your Life Week August 1-7, 2016

The first week of August is National Simplify Your Life Week. Simplifying your life isn't just about removing physical clutter, it's meant to make us look a little bit closer at our lifestyle and eliminate things that keep us from truly enjoying life. There isn't a formula for simplifying your life, but here are a few suggestions to get you started.

Just say "No!" - Sometimes you need to help yourself first, so there may be those occasions where you are unable to assist others as much as you would like.

Clean out your wallet - when was the last time you got rid of old receipts,

no longer needed credit cards, gift cards and IDs stored in your wallet.

Limit what you allow into your life - Consider the amount of time you waste daily. Consider getting rid of expensive monthly subscriptions and memberships. Think about things that truly make you happy and start doing them.

Prep work goes a long way - avoid starting your day in a rush. Make necessary preparation the night before by preparing your lunch, putting out what you plan to wear, placing keys and access cards in one location along with laptop, papers and purse.

We all already know what we can eliminate from our life, taking the step to do so is what hinders us. So, why not make a baby step to simplify your life during National Simplify Your Life Week.



## What's Best for Financing Home Improvement

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FHA-insured Title I loans may be used for any improvements that will make your home more livable and useful. You cannot use them for certain luxury-type items such as swimming pools, outdoor fireplaces, or to pay for work already done. Another use is energy conserving improvements or solar energy systems.

Some of the advantages of the program are:

You seldom need any security for loans under \$7,500 other than your signature

on the note, and you don't need a cosigner.

You do not have to disturb any mortgage or deed of trust you may have on your home.

You are not hampered by a lot of red tape. Usually only the lender has to approve your loan, and can give you an answer in a few days. When the work is finished, you will need to furnish the lender with a completion certificate.

Maximum Loan Amounts and terms of the Title I Property Improvement Loan Program:

HUD/FHA does not set the interest rate. Interest rates are negotiated between the borrower and the lender.

The Maximum amount for a Single Family property improvement loan for the alteration, repair or improvement of an existing single family structure is \$25,000 and the maximum term is 20 years.

The maximum loan amount for a manufactured (Mobile) Home that qualifies as real property is \$25,090 and the maximum term is 15 years.

For additional information regarding fixing up your home and how to finance it, you can visit, [www.HUD.gov](http://www.HUD.gov) or [www.bankrate.com](http://www.bankrate.com)

## Planning a Home Improvement Project? Steps to Consider in the Process

The month of May has been recognized as National Home Improvement Month. Listed below are the 10 most important steps homeowners should take before the remodeling project starts.

The planning and researching phases of a project are the most critical steps in the remodeling process. The more knowledgeable and prepared a homeowner is, the more they protect themselves.

What can a homeowner do to prepare for a remodel?

**Research your project.** Taking time to research projects on the Internet will provide a good sense of what is involved such as price, scope of work, return on investment and new product/material options. Also, research property values in your neighborhood to make sure your project is in line with other homes in the area.

**Plan project around the long-term.** How long do you plan to stay in your home? How might your family structure

change over time? These questions should be answered early on to ensure your project will fit your lifestyle long after it's complete.

**Set your budget.** Deciding on a realistic budget and arranging finances to support your project are essential. This number needs to include every-



thing- the project, products, contingencies, etc. Don't be afraid to share this with your remodeler; professionals are respectful of a client's budget and will create a plan around it, not over it.

**Use advanced search for professionals.** Ask friends, family and neighbors for referrals and then spend time researching that person online.

Professional remodelers take their reputation seriously and hold credentials beyond licensing, such as certifications, memberships in trade associations and additional training. Check online reviews and social media to see how they interact with past clients and peers.

**Ask the right questions.** Time and cost are important, but getting the right information requires the right questions. Ask your professional remodeler about their educational background, training, specialties or past issues with clients. Ask about how the remodeling process will work.

**Verify your remodeler.** Don't take their word for it. Check the information given to you such as references, license numbers, insurance information and certifications by calling providers to verify. Request a visit to an active client's jobsite. Make it known that you are checking on them.

# Planning a Home Improvement Project? Steps to Consider in the Process

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## Review contracts word-by-word.

A remodeling contract protects you and your remodeler. Homeowners should review this carefully. Professional remodelers have done this before, and know what should go in a contract. Be sure and ask about terms you don't understand. Pay attention to details about change orders, payment, additional fees, timeline and responsibilities. If it's not in the contract, it doesn't exist.

**Keep design in mind.** Your design guides the entire project. Think about what you dislike about your current space and the intended use of the new

space. Make sure you can articulate specifically what you like about a design when talking to your designer. Professionals don't recreate a photo—they incorporate accessibility, functionality, ease of modification, style and value into your design.

**Make your selections.** Deciding on products and materials is a large process with so many options to choose from. Product selections are one of the primary reasons for project timelines to get extended. Base decisions on quality, function, price, style and availability. Include selections in the contract to lock down pricing and keep your budget intact.

**Create a communication plan.** A common downfall in remodel-

ing is lack of communication between homeowners and remodelers. A communication plan should be laid out at the beginning of the project. If not, ask the remodeler to do so. This plan should clarify roles of everyone involved, communication methods, availability, and frequency of communication that is expected.

A good resource such as The National Association of the Remodeling Industry (NARI) connects homeowners with its professional members and provides tips and tricks so that the consumer has a positive remodeling experience. To learn more, visit [www.NARI.org](http://www.NARI.org)



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