



Avoiding Loan Sharks

Twenty five or thirty years ago, we called them loan sharks. Everyone knew exactly who “they” were and what practices were being described. Loan sharks have not only survived, but thrived because they serve a need. Then, as now, there were a substantial number of consumers who needed money for the everyday necessities who could not qualify for a loan with reasonable terms from one of the traditional prime lenders. These prime lenders did not make loans to people unless they had blemished credit, stable and substantial employment and a savings account. It was frequently stated (and frequently true) that you couldn’t qualify for a loan unless you didn’t need the money.

That was then and this is now. Now we have email, internet, and predatory lenders. The name is so fancy that most people don’t realize it’s the modern name for an old practice: loan sharking. The approach today is ultra modern, offering the ultimate in direct marketing and customer service. For an added touch, many add the spectra of religion, either by their name or the off-quoted “God wants us to prosper.” They conveniently drop the rest of that verse which states, “As our souls prosper.” We can sometimes identify who the modern day “loan sharks” are, but unfortunately, many times we cannot. Many of them have on business suits or business dresses. They all have business cards. Many of them have very nice offices. In a modern twist, the company name will sometimes be a subsidiary of a prime lender whose name you recognize and know has been in business for a long time. (An increasingly large number of prime lenders have created sub-prime lending affiliates who participate in modern loan sharking a.k.a. predatory lending. They are very savvy business entities. They have attorneys and lobbyists; they contribute lots of money to political campaigns. They have survived and thrived at the expense of consumers who did not understand the loan terms they agreed to, frequently did not realize they stood to lose their home.

There are the direct victims; they took out the loan. At the least their finances are now more stretched than before; at the worst, they lose their house to foreclosure. There are thousands of these victims in any state. A much larger group of people are the indirect victims; they just happen to live in a neighborhood with increased foreclosure rates and resulting vacant houses. These indirect victims are left to deal with rate, roaches, and higher incidences of vandalism and violence. Most homeowners have experienced increased costs in their homeowner’s policies because of losses incurred by the insurance companies.

Increased numbers of foreclosures directly translate into lower property values for home in the immediate vicinity. Equity is eroding while frustration increases when homes stay on the market for extended periods of time.

Buyer BEWARE!
“We’re really in this thing together”