



PREDATORY LENDING WORKSHOP



AGENDA

- What is the Financial Empowerment Center
- What is predatory lending?
- Examples of predatory lending
- Common Traps & Red Flags
- The impact of being a victim of predatory lending
- Final tips & takeaways



FINANCIAL EMPOWERMENT CENTER

FEC Counselors can help you:

- Take control of your debt
- Deal with debt collectors
- Improve your credit
- Build your savings
- Create a budget and create a plan to stick to it
- Find safe and affordable financial products
- Other services based on your needs



WHAT IS PREDATORY LENDING



WHAT IS PREDATORY LENDING

- Excessive fees
- Higher interest rates
- Creating an urgency
- Deceptive practices
- Trap borrowers in a cycle of debt



EXAMPLES OF PREDATORY LENDING

- Pay Day Loan
- Rent to Own Contracts
- Hard Money Lenders
- Mailers offering you personal loans
- Callers saying you are approved for a loan
- Adjustable rate mortgages (in my opinion)



HOW THEY OPERATE

- Elderly
- People who need cash
- Create Urgency
- Uninformed
- Very deceptive



WHO ARE THE VILLIANS

- Mortgage companies
- Improvement contractors
- Window Companies
- Lawyers
- Some credit card companies
- Pay day loan companies



WHY ARE PAYDAY LOANS LEGAL

- Payday loans are legal in many U.S. states because they are authorized by specific state statutes, which often create exceptions to traditional usury laws to allow for high-fee, short-term lending. Proponents argue they provide necessary, immediate access to credit for consumers with limited options, despite often resulting in triple-digit APRs.
- These loans are driven by economic instability and demand for alternative credit



COMMON TRAPS

- **Payday Loans**: Short-term loans with high fees that often require borrowers to take out new loans to pay off the old one, creating a cycle of debt.



COMMON TRAPS- CONTINUED

Auto Title Loans: Using your car as collateral. If you cannot repay, the lender can repossess your vehicle, which is a major, high-risk,, and common trap.



COMMON TRAPS

Balloon Payments: Loans with low initial payments that lead to one massive, unaffordable payment at the end.



COMMON TRAPS

Hidden Fees and Terms: Terms are buried, making the actual cost of borrowing unclear, or loans include exorbitant fees that add up quickly.



COMMON TRAPS

Loan Flipping: Lenders push borrowers to refinance their loans repeatedly, generating new fees each time without offering any real benefit to the borrower.



COMMON TRAPS

Aggressive Sales Tactics: Pressuring borrowers to sign immediately without reading, or targeting individuals with poor credit using "no credit check" promises



HOW TO AVOID THESE TRAPS

- **Shop Around:** Compare rates and terms from multiple lenders, including local banks or credit unions.
- **Read the Fine Print:** Never sign a loan document without fully understanding the terms, interest rates, and all fees.



HOW TO AVOID TRAPS

- **Watch for "No Credit Check":** Be skeptical of lenders who do not check your credit, as they often target borrowers with few options.
- **Avoid Upfront Fees:** Reputable lenders do not ask for fees before you receive the loan.



WHY IT MATTERS

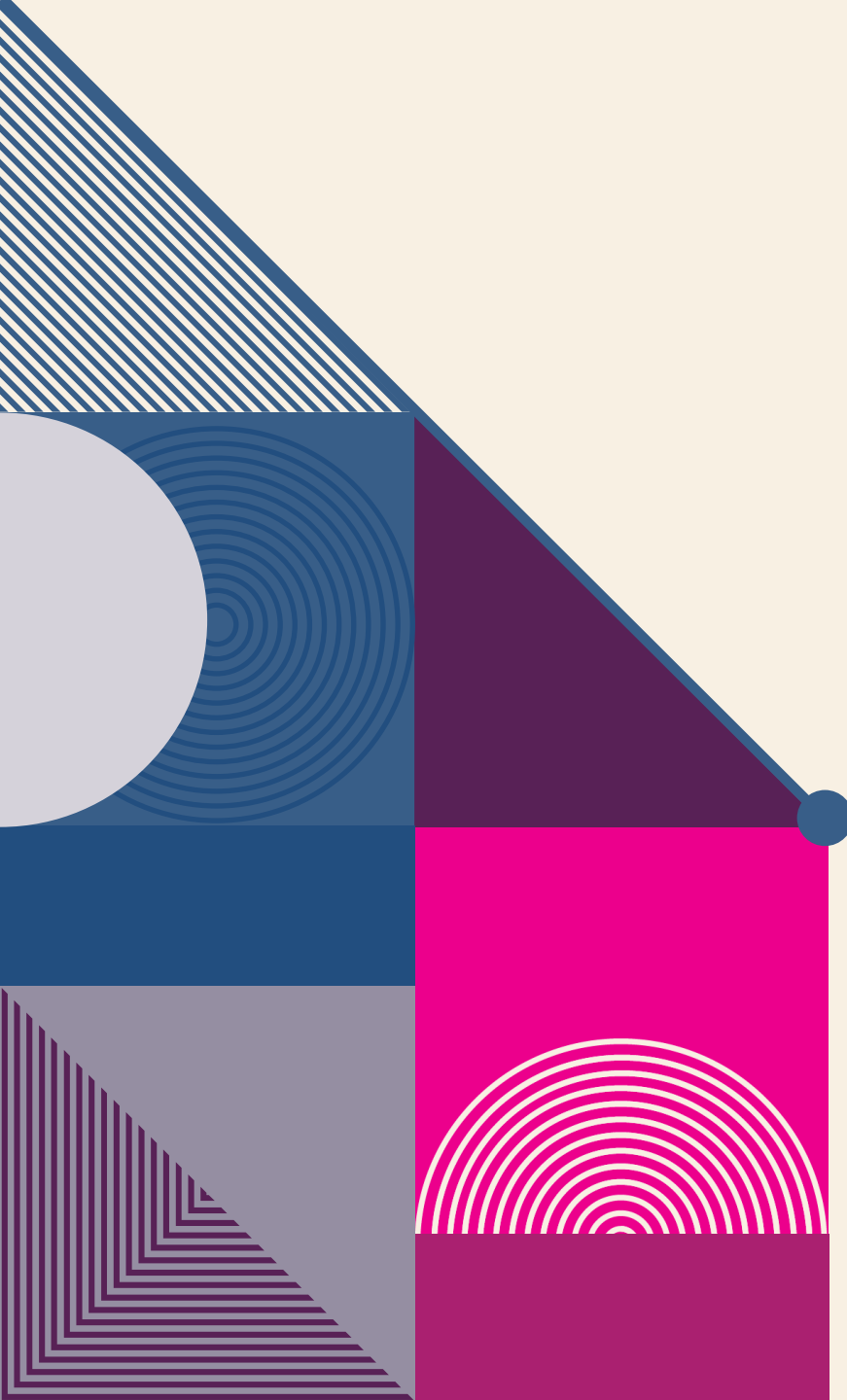
High interest debt effects:

- Financial health
- Mental health
- Relationships
- Physical health



FINANCIAL HEALTH EFFECTS

- Keeps you stuck in a cycle
- Damages credit score if 1 payment is late
- Limits ability to save or invest
- Delays big goals (home, travel or investing)
- Reduces job flexibility (you can't afford risk)
- High interest doesn't just cost money-it steals future options



EMOTIONAL & PSYCHOLOGICAL IMPACT

Research consistently links debt to:

- Anxiety
- Depression
- Insomnia
- Shame
- Relationship conflict
- Lower life satisfaction
- **THE BRAIN INTERPRETS FINANCIAL INSECURITY AS A SURVIVAL THREAT!!**



RELATIONSHIP IMPACT

The Honey acts funny, when there ain't no money!

High Interest debt often causes:

- Secrecy between partners
- Arguments about spending
- Power imbalance (if one partner earns more)
- Delays lift plans (marriage, kids, moving)
- **FINANCIAL STRESS IS ONE OF THE TOP REASONS COUPLES ARGUE!!!**

THE WELL BEING CONNECTION

Overall well-being includes:

- Emotional security
- Physical health
- Freedom of choice
- Sense of control
- Hope for the future

High Interest Debt attacks all five. When debt is high:

- Stress drops
- Confidence rises
- Decision-making improves
- Sleep improves
- Relationship stabilize
- FINANCIAL STABILITY ISN'T ABOUT LUXURY. IT'S ABOUT NERVOUS SYSTEME REGULATION.

The background features a diagonal line from the top-left to the bottom-right. The area above and to the right of this line is a solid dark blue. The area below and to the left is divided into several geometric sections: a dark purple triangle at the top-left; a blue square containing a grey semi-circle and concentric circles; a pink square with diagonal lines; a pink square with a white line pattern; a grey triangle; and a pink triangle at the bottom-right. A white dot is located on the diagonal line in the top-left corner.

QUESTIONS



THANK YOU

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<https://www.washtenaw.org/3792/Schedule-An-Appointment>