

# THE CONSUMER'S GUIDE TO CHOOSING A MORTGAGE COMPANY

*Inside you'll Learn:*

- **5 of the BAIT AND SWITCH and RIP-OFF TACTICS used EVERY DAY in the Mortgage Business**
- **6 Costly Misconceptions that every consumer should know before applying for a loan**
- **5 Questions to ask a Mortgage Broker to avoid getting scammed**
- **Quick Reference Guide that Could Save You Thousands**

*This is an educational service  
provided by Brett Nordin*

# FOREWARD:

A message from the author, Brett Nordin

## **Why did I develop this FREE Consumer Guide for my friends and clients?**

Before I started as a mortgage consultant, I was the victim of a Loan Shark.

Was I the perfect victim? Not by definition.

- It happened on my third home purchase, not my first.
- The mortgage broker was referred to me.
- I was working with an experienced realtor to guide me through the transaction.
- I knew how the industry worked, how much to pay and had strong credit.

## **So how did it happen to me?**

The perfect storm of confidence, trust, pressure and lack of knowledge allowed me to make a bad decision. Frustrated, is probably the best way to describe how I felt. I couldn't ask the right questions because I didn't know what to ask. In the end, I let the momentum of the deal and fear of losing the house to another buyer force me into a mortgage that is still haunting me today.

Because of this experience I'm now on a mission to eliminate loan sharks from the mortgage industry and raise the ethical bar of mortgage professionals through consumer education.

## **What is a Loan Shark?**

The U.S. Government calls them "predatory lenders" and has given consumers rights to protect themselves against bad lending behaviors. But did you know that lenders can charge up to 8% of the loan amount for their services without being classified as a predatory lender? If you were purchasing the average home in Arizona, you could spend over \$20,000 in finance charges and have no legal recourse. You can get ripped-off, and it's perfectly legal!

That's where the Loan Shark swims in. Somewhere in the murky water between what is illegal and what is fair. Preying on what the average consumer doesn't know and using the current of overflowing documents and riptide of fear to mask their approach.

## **Feeding behaviors of the Loan Shark:**

- A Shark charges excessive fees, points and interest rates
- A Shark uses prepayment penalties and adjustable rate mortgages that increase without regards to market conditions
- A Shark uses aggressive or deceptive practices to sell their loans
- Sharks strip equity from homes and lend without considering the borrower's ability to repay the loan
- A Shark mails or calls regarding extraordinary offers to consolidate your bills
- A Shark uses Spanish speakers to gain trust and confidence of Hispanic homebuyers

The Arizona Attorney General, Terry Goddard recently wrote:

“Deceptive lending is an all too common problem for Arizona residents... predatory lenders are ready to take your money and may end up taking your home.”

## **How can you avoid being the victim of a Loan Shark?**

Step 1 is reading this Consumer Guide. Even the best-educated consumer can have trouble understanding all of the numbers and loan application forms. I have designed this guide to serve as a quick reference that you can use during conversations with a mortgage professional. Inside I part the curtain on the mortgage industry and arm you with the knowledge needed to avoid paying too much for your mortgage. Enjoy!

Sincerely,  
Brett Nordin  
Founder, NoSharks.info

# 5 OF THE BAIT AND SWITCH

## Bait and Switch tactic #1

*Rate beaters and unbelievably low rates*

You've heard the saying, "If it seems too good to be true, it probably is". Watch out for lenders that say they will beat all other rates or those that advertise ridiculously low rates. Every week you probably get ads in the mail or see billboards that advertise "rates as low as 1% with zero down". Do these loans exist? Absolutely, however they are not always appropriate programs for most consumers and typically apply to investor situations where the 1% rate only lasts for a few months and then adjusts quickly to higher than average rates. I equate this kind of advertising with the car dealership ads you see in the paper that show a car with a ridiculously low price but

when you get to the dealership you have a hard time finding the car you saw in the ad or it has been mysteriously sold.

*Lenders use this low rate advertising to get you in the door, but 9 times out of 10 the story changes*

Lenders use this low rate advertising to get you in the door, but 9 times out of 10 the story changes and they say "that program is not right for you but I have another that might work". Or even worse, there are unexplained fees that show up at signing. Is this kind of advertising ethical or honest?

It can end up that way, but I believe that transparency and disclosure in every step of a loan transaction is better for everyone involved, especially when you are talking about a large investment like a home. I never print or advertise rates because they can be mis-leading to clients. A loan program should not be judged on interest rate alone and your personal situation has to be considered.

# AND RIP-OFF TACTICS

# THE MORTGAGE BUSINESS

## Bait and Switch tactic #2

### *APR Confusion*

Most consumers don't know how to calculate the APR of a loan and most don't know what it is comprised of. Lenders take advantage of this lack of knowledge. APR is the "Annual Percentage Rate" of the loan and it is the total cost of a loan, which includes the interest rate plus any pre-paid finance charges that are being paid at closing. These pre-paid finance charges are what the mortgage broker, the lender and the title company are charging to complete the loan. These include Loan Origination fees, any discount points you might be paying to reduce the interest rate, handling fees, credit score fees, title fees, underwriting fees, processing fees, wire transfers and whatever else the lender may charge for. APR is the best measurement tool for consumers to use when shopping for a loan. Compare APRs to make sure one lender is not gouging you on the pre-paid finance charges. The APR will always be higher than the interest rate because it is based on the actual amount of the loan, which includes what you are paying in discount points and whatever the lender is charging to complete the loan. As a general rule, if the APR is 2.5% greater than your interest rate, you are getting ripped off.

### **How does the APR confusion tactic work?**

The other day I went to the website of whom I would consider to be a very reputable lender and they had an advertisement for an APR rate, I won't quote the rate because it caught my eye as being exceptionally low, so I clicked on the fine print button they had on the web page to learn more. I discovered that they had pulled out the Loan Origination fees, title fees, broker fees and underwriting fees when they calculated the APR. Imagine your confusion and dismay when you are sitting at the closing table and the APR suddenly jumps 2% points because you didn't read the fine print. An increase of that size could kill your deal and you could lose the chance to buy your dream home. When you are getting pre-qualified for a loan, always ask the loan officer or mortgage consultant for a truth in lending disclosure statement. This is a standard form that all brokers use to disclose the APR and finance charges. Along with the truth in lending document should also be a Good Faith Estimate that shows the breakdown of charges the lender is asking for. APR confusion can be easily avoided if you ask for these disclosures upfront.

# 5 OF THE BAIT AND SWITCH USED EVERY DAY IN

## #3 Rip-off tactic

### *Backside Slaughter*

A broker makes a majority of their money on either the frontside of a loan called an “Origination Fee”, or on the backside of a loan by increasing your interest rate. Some make money on both the frontside and backside, which is why understanding APR is so important. Now, it’s perfectly OK for the broker to make money and I’m not suggesting you shouldn’t pay someone for their valuable services, but you should know if you are paying too much.

Backside slaughter happens when the broker overcharges on the interest rate. If your loan officer sends you a good faith estimate that shows you aren’t paying an origination fee (and you’ll see this advertised as well “no origination fees”), I guarantee you will be paying the origination fees in the interest rate. So, how do you avoid backside slaughter? Research current rates or ask another lender for a competitive quote.

## Rip-off tactic #4

### *Adding Junk Fees to your closing costs*

By law, you should receive a Good Faith Estimate within 3 days of submitting your loan application. A Good Faith Estimate, or GFE, provides a list of all the costs associated with the mortgage program you’ve applied for. Take a look at the pre-paid finance charges listed in the top section of the GFE, you should see things like: Loan Origination Fee, Loan Discount Points, Processing Fees, Appraisal Fees, Credit Report fees, Tax Service Fee, Document Preparation Fee and Flood Certification Fee. Some lenders will also include what are called “junk fees” to unknowing consumers. Junk fees are not related to a real product or service but are included by unethical lenders to squeeze extra money out of you. If any fees seem questionable or vague, ask your mortgage consultant for

# AND RIP-OFF TACTICS THE MORTGAGE BUSINESS

## Rip-off tactic #5

### Overcharging

These are two common overcharging practices - one method is charging more based on the loan amount and the other is charging more for bad credit. Both are equally unethical from my perspective. This is the most important thing to remember in regards to these two rip-off tactics: The amount of work for a lender or mortgage broker does not change because you have bad credit or because you are buying a \$1M house vs. a \$100,000 house. The amount of paperwork doesn't change and the processing effort doesn't change. There may be cases where more consultation is needed by the loan officer but, for the most part, these should not double the fee structure. This is probably one of the most frequently used rip-off tactics because it is the easiest thing for a trusting consumer to rationalize...The loan officer tells you, "Well, I had to do some real negotiating and I was able to get you approved, but your fees will be higher because of your bad credit score". If you hear these words, run away. I have seen this result in doubling the fees paid to the broker.

*The amount of work for a lender or mortgage broker does not change because you have bad credit...*

The best way to avoid these rip-offs is to use a loan officer or mortgage consultant that fully discloses their fees up-front and then works their hardest to find you the best loan program. Also, have an idea of what your credit score is and what a reasonable interest rate is based on that score. There is a website you can visit to find one of these interest rate estimators based on your credit score: <http://www.myfico.com>

# 6 COSTLY MISCONCEPTIONS BEFORE APPLYING

## Costly Misconception #1

*If I choose the best interest rate, I'm going to get the best deal.*

This is completely false. Interest rate is only one component of the loan program. Make sure you fully understand the terms of the loan, especially if it is an adjustable rate mortgage. If you do shop rates, make sure you are comparing APR between loan programs and that the APR includes all of the pre-paid finance charges. Focus equally on the interest rate and the finance charges you are paying to buy the loan. Watch for pre-payment penalties, they can sometimes carry heavy penalties if you sell your home or refinance within 1 to 2 years.

## Costly Misconception #2

*I don't want to use multiple lenders because they will run my credit score multiple times and my credit score will then be negatively impacted.*

There are new credit bureau rules that allow your credit score to be checked as many times as you'd like within a two week period and it will only count as one inquiry. In addition, the score ignores all mortgage inquiries made in the 30 days prior to scoring. So, if you find a loan within 30 days, the inquiries won't affect your score while you're rate shopping. If you do not have a trusted lender or loan officer, get APR estimates from three different lenders.

## Costly Misconception #3

*I'm not being charged a loan origination fee so I'm getting a better deal.*

Remember...APR, APR, APR. The lender is still charging you but the fee may show up somewhere else on the GFE or be buried in your interest rate.



# EVERY CONSUMER SHOULD KNOW FOR A LOAN

## Costly Misconception #4

*I don't want to give out my tax information, income statements or bank statements because the IRS might find out how much money I really make.*

First, lenders don't disclose this type of information to the IRS. Second, as a general rule, the more information and documentation you provide, the better your interest rate will be. There are loans that don't require any documentation, just a credit score, but these will require more money down and have a higher interest rate because the lender is taking more risk.

## Costly Misconception #5

*My friend referred me to this loan officer, so they must be good.*

I am the first to tell you that a referral is by far the best way to find a reputable loan officer, however, don't forget that your friend may have been ripped-off and doesn't even realize it. Make sure you ask them the questions I recommend, it could save you thousands of dollars and countless hours.

## Costly Misconception #6

*Working with a bank is always safe.*

This is not true. Banks are limited to the loan programs their institution offers and the programs may or may not be competitive or may not fit your personal situation. Banks may try to force you into a program simply because they have limited options. I recommend working with a mortgage broker that gives you access to multiple lenders. A broker is paid to ensure you find the best loan program to fit your financial scenario.

# 5 QUESTIONS TO ASK TO AVOID GETTING

## May I have a copy of your State Banking License?

If you are working with a mortgage broker, make sure they are licensed with the State Banking Department. The license number allows you to file a complaint if you have a bad experience. Also, State Banking laws require the mortgage company to follow strict privacy and security policies to prevent identity theft. You can see if any previous complaints have been filed against a licensed mortgage company by visiting [www.azbanking.gov](http://www.azbanking.gov).

## Do you have a referral-based business?

This separates most fly-by-night rip-off artists from the others who are trying to run an ethical and customer service oriented business. If someone has a referral program, they will be more likely to care about your long term satisfaction.

## On average, how much does it cost to refinance or finance a new home?

If they are reluctant to give the information, ask “how much would you charge me?” and have them provide a Good Faith Estimate. The closing costs for an average refinance or home purchase should be between 1 - 2% of the loan amount. This price includes all loan origination, broker fees, processing fees, title fees and other pre-paid finance charges. Some brokers charge much more and others may charge a little less but it is usually based on the value they deliver to their clients.

# A MORTGAGE BROKER SCAMMED

**How and when will you communicate with me during the loan process?**

12% of purchase closings are either delayed or cancelled due to issues that arise in the lending process. This means that a lot of new home dreams are going up in smoke every day. One of the biggest issues during the rush to close a loan is disclosure and communication. If you are buying a new home or refinancing, there are up to five parties involved: You, the loan officer, the buying and selling real estate agents and the title company all working as a team to make sure your transaction is completed on time. Make sure the loan officer has an upfront strategy for communicating and is willing to give you all of his or her contact information. You want an officer that will tell when there is a problem just as quickly as when everything is OK. Playing phone tag is always an issue, so we invested in a web tool that allows clients 24 hour access to the status of their loan. Ask your loan officer if they use a web-based customer service tool that will provide 24/7 loan status reports, it will help your loan fund on time and let you sleep easier during the process.

The last question and probably the most important financial question is,

**May I have a truth in lending disclosure statement and good faith estimate based on the loan program you would recommend?**

These documents, along with your loan status report, which used to be called a prequalification letter, will give you all the information you need to make an educated decision about the loan program the lender is offering.

# QUICK REFERENCE THAT COULD SAVE

Once armed with the Good Faith Estimate and Truth In Lending documents, here is a list of questions to help fully understand the loan program being recommended:

## Money Saving Questions to ask your Mortgage Professional

1. *What is the total amount I am borrowing?*
2. *In addition to that amount, what do I have to pay in points?*
3. *What do I have to pay in fees?*
4. *Are the application fees refundable if I don't get approved?*
5. *What is the interest rate?*
6. *What is the APR?*
7. *Is the interest rate fixed over the length of the loan or does it change?*
8. *If the interest rate will change, when, how often, by how much and how high can it go?*
9. *What is the total monthly payment?*
10. *How many years do I have to repay the loan?*
11. *Are there any pre-payment penalties? If so, what are they?*
12. *Does the interest rate go up if I'm late on a loan payment or miss a payment?*
13. *Do I have to pay a late fee if my payment is late? How much is the fee? When is it charged?*
14. *Do I have to pay interest on late fees?*
15. *Do monthly payments cover property taxes and homeowners insurance?*
16. *Can I refinance the loan with another lender?*

# GUIDE YOU THOUSANDS

## Warning Signs that a deadly Loan Shark is in the water:

1. *Loans are offered through mail solicitation, telephone solicitation or door-to-door sales*
2. *The loan officer promises one set of terms when you apply but gives you another set of terms to sign, with no adequate explanation*
3. *You are told that you will be approved for a loan regardless of your credit rating or history*
4. *You are asked to sign incomplete or blank forms that will be filled in later*
5. *Information is falsified on the loan application to allow you to qualify for a program you can't afford*
6. *You are pressured into applying for a loan or accepting monthly payments you can't afford*
7. *The loan officer hurries you to sign the papers and tells you it's not important to read all the fine print*
8. *Copies of documents aren't offered or provided*

# GETTING STARTED

## 4 steps to a Shark-Free mortgage experience

### **1. Start by gathering your personal information**

- a. Credit score and history, check for any derogatory comments that can be cleared immediately
- b. Understand your income and any debts that you have responsibility for

### **2. List your objectives**

- a. Refinancing to get a better rate or term, debt consolidation
- b. New home purchase
- c. Is cash flow or building equity more important to you?

### **3. Ask questions**

- a. Is there anyone I trust to give advice concerning my financing options?
- b. Does a close friend or relative know of a trusted source?
- c. Follow this Consumer Guide to interview prospective mortgage companies
- d. Investigate the companies by calling the Arizona State Banking Department to see if any complaints have been filed against them

### **4. When you find the right company or companies, ask for a free consultation to determine your financing options**

- a. Ask for a Good Faith Estimate and Truth in Lending Statement to compare loan programs
- b. Follow the questions outlined in this guide to fully understand the recommended loan programs

# CONSUMER RESOURCES

Do you believe you have been  
the victim of a Loan Shark?

1. Get help
2. Let others know if you have been a victim
3. You can help stop someone else from being a victim

Arizona Attorney General's Office: [www.azag.gov](http://www.azag.gov)  
Arizona State Banking Department: [www.azbanking.gov](http://www.azbanking.gov)  
The Better Business Bureau (BBB): [www.phoenixbbb.org](http://www.phoenixbbb.org)  
or [www.tucson.bbb.org](http://www.tucson.bbb.org)

This Consumer Guide was created using information from the FTC, Fannie Mae, The U.S. Department of Housing and Urban Development, The Treasury Department, the National Association of Attorneys General, the Neighborhood Reinvestment Corporation, the Association of Community Organizations for Reform Now, The Arizona School of Real Estate, The Arizona Attorney General's Office and the Home Ownership

# SWIMMING IN THE KIDDIE POOL: MORTGAGE EXPERIENCE

## **No high pressure sales tactics:**

We employ professional mortgage consultants, not salesmen. Clients are expected to ask questions and will receive experienced answers. For most, a home is the biggest investment of a lifetime and the financial commitment can last for years. You will be encouraged to take your time and make comfortable decisions that don't leave you stuck in a mortgage you can't afford.

## **Transparency in all matters:**

As part of our free consultation, we disclose all of the service fees and explain the loan program to your satisfaction. You'll know exactly what you are being charged and feel confident you aren't getting ripped off.

## **Constant Communication:**

With access to our web-based loan status tool, you'll rest easy knowing there won't be any surprises. Having open communication between all parties involved in the transaction dramatically increases the chance of your loan closing on time. Closing on time means you avoid losing earnest monies and don't miss a chance to purchase your dream home.

## **Consumer Education:**

We've dedicated our business to helping consumers understand mortgages, and through education, force other mortgage consultants to raise the quality of service within our industry.

## **Wholesale Broker:**

As a Wholesale Broker we can shop multiple lenders, give you the most options and find you the best rates and terms...banks can't compete with our product offering

## **Consultative Approach:**

We use a consultative approach to consumer financing and provide services for:

- New Purchase
- Refinancing
- Debt Consolidation
- No Doc/Stated Loans



# WHY YOU WANT A SHARK-FREE BY

## Risk Free Services:

- **Free, no obligation mortgage consultation (\$100 value)**  
Assesses your financial situation, gives financing options and gains pre-approval
- **Free Loan Status Report (\$125 value)**  
Pre-qualifies you to purchase a home and allows you to shop with confidence
- **We will do everything possible to complete your mortgage transaction on time. If we can't help you, we will gladly refer you to another honest, competent mortgage consultant.**
- **Our business is referral-based and we rely on clients like you to sustain and grow our livelihood**

Thank you for taking time to read our Consumer's Guide to Choosing a Mortgage Company. I hope you found it to be valuable in making mortgage decisions. We would love to hear how this guide helped you.

If you have any comments, questions or need help with refinancing or purchasing a new home, please feel free to contact me.







# Things you should know about Brett Nordin - Mortgage Consultant



- **I use a consultative approach to consumer financing and provide services for:**
  - New Purchase
  - Refinancing
  - Debt Consolidation
  - Reverse Mortgages
- **As a Wholesale Broker I can shop multiple lenders, give you the most options and find you the best rates and terms... banks can't compete with my product offering**
- **My services are Risk Free**
  - Free, no obligation mortgage consultation (\$100 value)
  - Free Loan Status Report (\$125 value)
  - I fully disclose all fees related to my services

## What people are saying about Brett Nordin

"Dealing with Brett was easy and fun. I never felt pressured and they encouraged me to ask way too many questions...which is what I like to do. We love our new house and feel like we got the best deal possible. I would recommend him to all my family and friends."  
- *Doug and Shari, Chandler*

"I was having trouble qualifying through my bank and Brett was able to get me qualified and saved the day. I couldn't believe how fast my loan was approved. If you are looking for someone you can trust, Brett is your guy."  
- *Steve, Tucson*

"We have bought three homes and have never had such an easy time with the financing and closing. When it's time again, we will be sure to call Brett."  
- *Tobi, Scottsdale*

"I work nights and had a hard time finding someone to work with when I was awake. Brett came to my work to fill out the application. I couldn't believe it! The process went smooth and I'm now remodeling my house."  
- *Katie, Phoenix*

"I shopped a lot of lenders and Mr. Nordin was the most open and honest of the bunch. They were always one step ahead of the process and I was never worried about closing the deal."  
- *Brian, Fountain Hills*

"Brett Nordin is very knowledgeable and made us feel comfortable throughout the entire buying process. It's hard to find good customer service these days and he is definitely one of the exceptions."  
- *Mike and Patty, Yuma*

