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## ISSUE UPDATE / ACTION ALERT

**DATE:** November 19, 2007  
**TO:** Concerned Parties  
**FROM:** Hilary O. Shelton, Director, Washington Bureau

### **U.S. House of Representatives Passes Flawed, Inadequate Bill to Address Predatory Lending Crisis** *SENATE MUST NOW ACT TO STRENGTHEN LEGISLATION TO PROTECT HOME BUYERS & HOMEOWNERS*

#### **THE ISSUE:**

“Predatory Lending” occurs when a financial institution charges home-buyers or homeowners more for loans than is the norm for someone with their credit rating. Predatory lending increases the cost of home-buying or home repair for individual families; as a result, homeowners almost always lose much of the financial benefits and security they had hoped to gain by buying a home, and sometimes the home is foreclosed and all is lost. Predatory lending almost always occurs in the “subprime market.” “Subprime loans” are those that are intended to serve people who do not qualify for traditional loans, including those with blemished credit histories or without a traditional credit history. While not all subprime loans are predatory, most predatory loans are subprime. Predatory lending is especially prevalent in the refinancing market.

Predatory lending is clearly a civil rights issue: predatory lenders target African Americans, Latinos, and Asians or Pacific Islanders as well as the elderly and households headed by females. According to several reports, subprime loans are 5 times more likely in black neighborhoods than in white neighborhoods. Furthermore, disparities in lending between minority and white families actually increase as income increases, refuting arguments that subprime lending and predatory features are introduced solely to mitigate risk. High concentrations of subprime lending in racial and ethnic minority neighborhoods and racial disparities in subprime lending exist in all regions of the nation.

To address the recent crisis across our Nation of homes being lost to foreclosure as a result of various types of predatory lending, Congressman Barney Frank (MA), the Chairman of the House Financial Services Committee, along with Congressmen Brad Miller (NC) and Mel Watt (NC) introduced legislation (H.R. 3915) intended to stop predatory lending and ensure that borrowers could afford the loans they received and were not charged rates higher than those for which they qualified. While the legislation, when combined with a series of strengthening amendments, would have been sufficient the bill was unfortunately weakened substantially during the legislative process to the point where the final version of the bill, which passed the House on Thursday, November 15 2007, is inadequate and does not address the scope of the predatory lending problem. Thus, we must now convince Senators to not only move on this issue, but to also do more than the House has done. Specifically, the Senate needs to pass a bill that establishes higher standards for loan originators, provides tougher penalties for lenders who break the law as well as stronger remedies for victims. We also need to ensure that steering, yield spread premiums and prepayment penalties are eliminated from the subprime market. Finally, we need to demand that there be no federal preemption of state laws, among other provisions that will provide protections to home owners and homebuyers across the Nation.

*More...*

## THE ACTION WE NEED YOU TO TAKE:

Contact both your Senators and ask them **TO SUPPORT STRONG LEGISLATION THAT ADDRESSES PREDATORY LENDING**. To contact your Senators you may:

✓ **Make a Phone Call:**

Call your Senators in Washington by dialing the Capitol Switchboard and asking to be transferred to your Senators' offices. The switchboard phone number is **(202) 224-3121**.

✓ **Write a Letter:**

To write letters to your Senators, send them to:

The Honorable (name of Senator)  
U.S. Senate  
Washington, D.C. 20510

✓ **Send a Fax**

If you would like to send a fax, call your Senators' offices (through the Capitol switchboard) and ask for their fax numbers (you can use either the attached sample letter or the message box, below).

✓ **Send an E-Mail**

To send an e-mail to your Senators, simply go to [www.senate.gov](http://www.senate.gov), click on Senators, and then click on Contacting Senators (by name or by state). This selection will also help you to identify your two Senators.

**A Sample  
Letter is  
Attached**

### THE MESSAGE:

- ❖ Predatory lending is not only unfair and immoral, but it is destroying individual lives, families, and whole communities. Estimates are that American borrowers lose more than \$9 billion annually to predatory lenders.
- ❖ Predatory lending is also clearly a civil rights issue: according to several private as well as governmental reports, predatory lenders target predominantly African American, Latino, and Asian or Pacific Islander neighborhoods as well as the elderly and households headed by females. As a result, homeownership can be far more costly for blacks and poor families than for whites and middle-class families.
- ❖ Even upper income African Americans are not safe: a HUD study showed that home-owners in high-income African American neighborhoods are twice as likely as homeowners in low-income white neighborhoods to have subprime loans.
- ❖ The U.S. Senate needs to pass a stronger bill that does more to address the predatory lending crisis than the bill that passed the House (H.R. 3915) in mid-November 2007. Specifically, the Senate needs to pass a bill that establishes higher standards for loan originators, provides tougher penalties for lenders who break the law as well as stronger remedies for victims. We also need to ensure that steering, yield spread premiums and prepayment penalties are eliminated from the subprime market. This would eliminate the incentive for many loan originators to put people into loans they cannot afford or are charged a higher rate than that for which they qualify and would easily enable borrowers who are in high-cost loans to refinance at a more reasonable rate.
- ❖ Finally, we need to demand that there be no federal preemption of state laws, as states must be able to respond to local or regional anomalies which may adversely affect their residents, as well as new predatory practices which may threaten legitimate homeownership after enactment of the federal law.

**THANK YOU FOR YOUR ATTENTION TO THIS IMPORTANT MATTER!!!**

If you have any questions, call Hilary Shelton at the Washington Bureau at (202) 463-2940.

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## Sample Letter

(date)

The Honorable \_\_\_\_\_  
United State Senate  
Washington, D.C. 20510

### RE: ANTI-PREDATORY LENDING LEGISLATION

Dear Senator \_\_\_\_\_;

As your constituent, I am writing to urge you to support strong, aggressive anti-predatory lending legislation to address the very serious problems facing our Nation today. Predatory lending is not only unfair and immoral, but it is destroying individual lives, families, and whole communities. Estimates are that American borrowers lose more than \$9 billion annually to predatory lenders.

Predatory lending is also clearly a civil rights issue: according to several private as well as governmental reports, predatory lenders target predominantly African American, Latino, and Asian or Pacific Islander neighborhoods as well as the elderly and households headed by females. Even upper income African Americans are not safe: a HUD study showed that home-owners in high-income African American neighborhoods are twice as likely as homeowners in low-income white neighborhoods to have subprime loans. As a result, homeownership can be far more costly for blacks and poor families than for whites and middle-class families.

Specifically, I would like you to support legislation in the Senate that is stronger than the bill that passed the US House of Representatives (H.R. 3915) in November 2007. Specifically, the Senate needs to pass a bill that establishes higher standards for loan originators, provides tougher penalties for lenders who break the law as well as stronger remedies for victims. We also need to ensure that steering, yield spread premiums and prepayment penalties are eliminated from the subprime market. Finally, we need to demand that there be no federal preemption of state laws, as states must be able to respond to local or regional anomalies which may adversely affect their residents, as well as new predatory practices which may threaten legitimate homeownership after enactment of the federal law.

It is imperative that all credit be provided in a transparent and non-exploitive manner. Thus I urge you to do all that you can to see that the scourge of predatory lending is erased and the hope of homeownership can again be the American dream for all Americans, regardless of their race, ethnic origin, age, or where they live. Please contact me soon to let me know what you are doing to address the very real problem of predatory lending.

Sincerely,

(sign and print your name  
and address)

Remember to contact  
BOTH of your Senators!