

MAY 24, 2000

STATEMENT OF U.S. REPRESENTATIVE JAN SCHAKOWSKY,
AUTHOR OF H.R. 3901, THE ANTI PREDATORY LENDING ACT

HOUSE BANKING COMMITTEE HEARING ON PREDATORY LENDING PRACTICES

WASHINGTON, D.C. - The House Banking Committee today held a hearing on predatory lending practices. Federal officials, consumer advocates, and victims testified during today's hearing. U.S. Representative Jan Schakowsky (D-IL), a member of the Committee and author of H.R. 3901, the Anti-Predatory Lending Act of 2000, made the following statement.

"Thank you, Mr. Chairman for holding this hearing on this very important issue. I also wish to commend Mr. LaFalce for his commitment to protecting consumers from financial predators and am proud to cosponsor his bill. I have also introduced my own legislation, H.R. 3901, the Anti-Predatory Lending Act of 2000."

"In addition to Mr. LaFalce's legislation and my bill, our colleague on the other side of the aisle, Mr. Ney, has also introduced a bill on this subject. Furthermore, members of the other body have introduced similar proposals. All this action surrounding this issue is a cause for cautious optimism. It is apparent that with today's hearing and the bills that have been introduced, both Democrats and Republicans will be working toward a solution that will protect American consumers from predatory lenders."

"Predatory lenders and brokers are out to make a fast buck on the backs of the elderly, homeowners in financial distress, low-income families and people of color. They charge consumers credit card high interest rates and steal the equity that consumers have built in their homes, no matter the cost or consequences to the individual."

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"Predatory lenders and brokers practice their craft freely in the subprime market, and they are now aggressively pursuing consumers in the conventional market. Their handy work is directly responsible for the soaring number of foreclosures in the Chicagoland area since 1993. According to a report prepared by the National Training and Information Center, the number of home-loan foreclosures doubled, increasing from about 2,000 in 1993 to 4,000 in 1998. During that same time, the number of subprime loans increased from 3,137 to 50,953."

"Predatory lenders are shameless. In Chicago, a sixty-three-year-old disabled widow, on a monthly fixed income of \$448, was one of their many victims. She was smooth-talked into refinancing her home at 13%. And after thousands of dollars in hidden finance charges, the interest rate was even higher. Now, she has to pay \$558 a month just to keep her home. At a time when she thought she was signing a contract to secure her financial future, she was actually signing her eviction notice."

"Chicago Mayor Daley has launched a crusade to get these scam artists out of our neighborhoods. And the Chicago City Council, under the Mayor's leadership, is preparing to take a powerful stand against predatory lenders doing business in the city of Chicago. The Illinois State Legislature has also taken some important first steps.

"Unfortunately Mr. Chairman, this problem exists in every city. It exists today because predatory lenders and brokers, under current law, are not held responsible for their practices. That is why we must be prepared to act on a national level to offer consumers real protections and peace of mind.

"I have introduced the Anti Predatory Lending Act or H.R. 3901, which is supported by Mayor Daley, consumer groups, and others. It sets national standards and changes current laws to protect consumers from these con men. Any lender who charges more than 5% above the interest rate on U.S. Treasury issued bonds, which is now around 6%, would have to answer to the courts. Predatory lenders would be prosecuted if they charge exorbitant fees, hide costs in fine print, and then misrepresent those costs. Such lenders would be prosecuted if they force borrowers into loans that they could obviously not pay back. My bill gives teeth to current law. It does not just regulate lenders, but also brokers and Wall Street, as well. Moreover, it prohibits flipping, additional and unnecessary insurance products, pre-payment penalties and appraisal coercion.

"Predatory lenders don't wear ski masks or hold a gun to your head. They come knocking on your door with neckties and loan papers, and their numbers are increasing by the day. These robbers don't end up in jail because what they are doing is completely legal under current law. That is why I look forward to working with my colleagues to find a solution to put these thieves out of business and to offer the American people real protection."