

APRIL 26, 2000

OP-ED BY REPRESENTATIVE SCHAKOWSKY ON PREDATORY LENDING - *CHICAGO SUN-TIMES*

BAR THE DOOR AGAINST PREDATORS LURKING OUTSIDE

What you are about to read is disturbing, even alarming. It is also a true story. It may have happened already in your neighborhood, and it could happen to you. A sixty-two year old disabled widow on fixed income is smooth-talked into refinancing her home at an interest rate of almost 13%. In a blink of an eye, a contract is shoved in her face with little or no explanation. It contains thousands of dollars in hidden finance charges that will raise the interest rate even higher. Someone representing a lender and claiming to be there to "help" charged this widow credit card high interest rates. This predator knew from the start that there was no way she would be able to afford the monthly mortgage payments. Her only income is \$448 in monthly SSI benefits; yet under the new contract, she will have to pay \$558 per month or lose her home.

You don't have to be an economist to figure this one out. This con man was after her house and the equity she had built up over many years. Now, she is praying for a miracle. She is praying that they won't come and take away her home. And she's not alone.

Predatory lenders are preying on the elderly, homeowners in financial distress, and low-income families. They charge credit card high rates and steal from Chicagoans their most precious possession - their homes. These robbers 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. As a result, the number of foreclosures has doubled in Chicagoland since 1993, and thousands of families are left homeless. These robbers don't end up in jail because what they are doing is completely legal under current law.

Fortunately, Mayor Daley has launched a crusade to get these scam artists out of our neighborhoods, and he is supporting my legislation that would put them out of business forever. I introduced HR 3901, the Anti-Predatory Lending Act of 2000, for that reason. It sets national standards and changes current laws to protect consumers from these lending practices. 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, so that predators would face penalties if they charge homeowners a fee for paying back the loan early or coerce clients into refinancing a loan that brings them no financial benefit. And it broadens the authority of State Attorney Generals to go after

those lenders.

Other members of Congress have introduced legislation on this very timely problem. Fed Chairman Allan Greenspan, in a major speech, spoke on the issue of predatory lending and federal agencies are taking regulatory actions to combat the problem. But Congress has the authority and responsibility to act. That is why I am hopeful that the House would take action on my bill this year before more Chicagoans are hurt. We need to offer real protections to homeowners and consumers.

My two-year old granddaughter Isabel is fearful of the "Big Bad Wolf" who "huffed and puffed and blew the house down" in the Three Little Pigs. This fiction is a reality for too many of our most vulnerable residents - the old, the poor and the struggling. We can and should protect them from the wolf at their door.