

APRIL 4, 2000

**STATEMENT OF U.S. REPRESENTATIVE JAN SCHAKOWSKY
IN RESPONSE TO OTS ANNOUNCEMENT ON PREDATORY LENDING**

SCHAKOWSKY IS THE AUTHOR OF H.R. 3901, THE ANTI-PREDATORY LENDING ACT OF 2000

WASHINGTON, D.C. - House Banking Committee member Jan Schakowsky (D-IL) today issued the following statement in reaction to the announcement by the Office of Thrift Supervision (OTS) on predatory lending practices.

Schakowsky is the author of H.R. 3901, the Anti-Predatory Lending Act of 2000. Her legislation would amend current statute to protect consumers from newly developed predatory lending practices.

"I am pleased that the Office of Thrift Supervision has seen fit to examine its policies and to initiate this public review and comment period regarding loan practices in the subprime market. OTS is the first federal banking agency that has formally taken steps to look into the issue of predatory lending. That's an important step in our efforts to shut down financial operations that prey on unwitting victims.

□

"Problems do exist in the subprime market today. Some of these lenders that operate in the underserved and vulnerable communities are 21st century con men. They encourage default, pressure borrowers into loans that they cannot pay back, and charge exorbitant fees and then hide them in the fine print or even lie about them. This should be illegal. My bill would put an end to these practices. H.R. 3901 proposes new limits on lenders, increases financial safeguards for borrowers of high cost loans, expands regulation to mortgage brokers and denies favorable CRA rating for predatory loans.

"Hard working families and older Americans have lost their homes as a result of predatory lending practices. Now, these families are living the American nightmare because some lender was out to make a fast buck. It is common sense that we put an end to those practices. It's also a matter of common decency."

Below is a description of H.R. 3901.

**ANTI-PREDATORY LENDING ACT OF 2000, H.R. 3901
INTRODUCED BY REPRESENTATIVE JAN SCHAKOWSKY (D-IL), 3/9/00**

This bill will amend the Home Ownership and Equity Protection Act, the Truth in Lending Act and the Home Mortgage Disclosure Act to protect consumers from newly developed predatory lending practices.

Section 1.

Title

Section 2.

- **Amends the Home Mortgage Disclosure Act (HMDA) to track the cost of loans so as to identify predatory loans and predatory lenders.** Once identified, those lenders would be denied CRA credit.

Section 3.

Current law prohibits exorbitant interest rates and fees. However, the levels established are so high that rates and fees can be legal and still be predatory. Moreover, lenders and brokers often hide exorbitant fees by financing them. Thus, thousands of dollars in unnecessary fees simply show up a few extra dollars a month.

Amends the Truth in Lending Act (TILA):

- **to lower the allowable rates to reasonable levels and bars financing fees, altogether.**

- **to include mortgage brokers as well as mortgage lenders.**

This section also amends the Home Ownership and Equity Protection Act (HOEPA)

- **to increase the list of prohibited practices designed to encourage numerous but unnecessary loan transactions, which, in turn, generates a lot of opportunities to charge fees.**

This section additionally:

- **Prohibits giving the creditor the sole authority to call the loan.**

- **Prohibits fees for modifying the loan or deferring charges due under the loan.**

- **Prohibits making loans to borrowers who haven't had qualified counseling on mortgage lending.**

- Prohibits structuring the loan to evade the provisions of HOEPA.□

Section 4.

This section amends TILA to extend protections to conventional home loans.□ The bill□

- prohibits fees for paying off the mortgage early;□ □
- prohibits increasing the principle because the regular periodic payment does not cover the interest due;□
- prohibits flipping (refinancing) loans when there is no tangible financial benefit to the borrower;□
- prohibits paying or otherwise coercing appraisers to influence the appraisal of real estate;
- prohibits financing credit, health or life insurance through a home loan;□ □
- designates as invalid any contract that is signed with blanks to be filled out later;
- requires that any loans negotiated primarily in another language must be written in that language.

This section sets allowable damages as the larger of either existing damages (fees and interest in violation of the act plus attorney fees) or up to the principle and finance charges of the offending mortgage.□ This section also prohibits violating mortgages from backing securities.