

**Fannie Mae Ends Its Role  
In Shaping Some Loan Laws**

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Fannie Mae responding to complaints that it has sought to obstruct efforts against predatory lending in some states, said it will no longer "take an active role" in shaping state predatory-lending legislation, and pledged to help housing advocates promote tough standards that weed out the practice.

The pledge was made in a statement released to coincide with an announcement by Democratic Sen. Paul Sarbanes of Maryland Wednesday that he is introducing a new federal anti-predatory-lending law in Congress. The law would restrict certain practices -- such as balloon payments or prepayment penalties -- on loans with unusually high interest rates. Fannie Mae, a government-chartered company that buys mortgage loans, didn't take a position on the bill because it hadn't fully reviewed it. But, it said, "we support the adoption of a strong, federal anti-predatory-lending law." The statement went on to say the company will continue to "monitor" state legislation, but "not take an active role in shaping such legislation" as before. The statement came a week after The Wall Street Journal reported that Fannie Mae had sought to be excluded from some predatory lending laws, angering housing advocates who believe Fannie Mae, the largest source of mortgage financing in America, has a special responsibility to enforce tough rules against unfair lending.

In one case, Fannie Mae wrote a letter to Georgia Gov. Roy Barnes saying an exemption would allow it to advance "market-based solutions" to predatory lending; it later rescinded the letter after complaints from advocates. In another case in California, the company said its loans didn't need to be covered by a separate statewide law; the company was then exempted. The company has maintained that it already has its own tough rules against predatory loans -- something many housing advocates give the company credit for -- and reiterated that point in its statement Wednesday.

The statement heartened housing advocates who feared Fannie Mae would possibly undermine efforts in other states that are currently considering anti-predatory-lending laws. After receiving heavy criticism for its involvement in Georgia and elsewhere, "they want to cut their losses and stay out of the fight," said Bruce Marks, chief of Neighborhood Assistance Corp. of America, a Boston mortgage firm and advocacy group. "This is a victory."

Separately, Rep. Jan Schakowsky, an Illinois Democrat, who earlier criticized Fannie Mae on the predatory-lending issue, released a statement Wednesday saying she had met with Fannie Mae Vice Chair Jamie Gorelick on Tuesday, and is "pleased" the company won't seek to influence state legislation.