DECEMBER 13, 2000

SCHAKOWSKY HAILS ACTION BY CHAIRMAN GREENSPAN ON PREDATORY LENDING

SCHAKOWSKY IS AUTHOR OF FIRST BILL IN CONGRESS TO PROTECT CONSUMERS FROM PREDATORY LENDERS

CHICAGO, IL - U.S. Representative Jan Schakowsky (D-IL) today hailed the action by the Federal Reserve to combat predatory lending. The Federal Reserve Board of Governors adopted many anti-predatory lending policies that Schakowsky called for in her bill, H.R. 3901, the Anti-Predatory Lending Act of 2000.

Schakowsky and Rep. Carolyn Maloney had organized a letter signed by 26 members of the Congressional Caucus for Women's Issues calling on the Federal Reserve and Chairman Alan Greenspan to use regulatory powers to curtail predatory lending.

"I am very pleased that Chairman Greenspan has responded to our requests and has taken action to give homeowners and potential buyers a measure of protection from predatory lenders. While there is more yet to do, I am looking forward to Congress following the lead of the Federal Reserve and passing tough federal legislation and stronger protections," said Schakowsky, a member of the House Banking Subcommittee on Housing and Community Opportunity.

The Fed action encompassed three areas: lowering and expanding Home Ownership and Equity Protection Act (HOEPA) triggers, requiring important new disclosure, and stopping flipping and other notorious predatory lending practices.

The Fed lowered and expanded HOEPA triggers, thus bringing more loans within HOEPA. Specifically, it lowered the HOEPA APR trigger by 2 percentage points. It also expanded the HOEPA fee trigger to define more items as fees. The Fed also required an important new disclosure. Three days before closing, lenders must disclose the difference between what amount the borrower wanted and the actual amount that the borrower is borrowing.

In addition, the Fed took steps to combat loan flipping and churning. Specifically, it will prohibit refinancing a HOEPA loan within a year unless it can be demonstrated that the loan is in the best interest of the borrower (ie-lower monthly payments).

Schakowsky's bill attacked the high triggers, single premium insurance products, loan flipping and churning, unilateral call provisions, and loans made without regard to the borrower's ability to pay.