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AARP'S CANJA PUSHES FIGHT AGAINST PREDATORY MORTGAGE LENDING IN SENATE BANKING TESTIMONY

Washington, DC – AARP President Tess Canja, in Congressional testimony today, urged a two-front federal effort to reduce abusive predatory mortgage lending practices.

Speaking to the Senate Committee on Banking, Housing and Urban Affairs, Canja called for a combination of better federal regulatory enforcement as well as legislative changes to strengthen the existing law on predatory lending.

“While consumer education and counseling programs are necessary, they are not sufficient,” Canja told the committee. Stronger enforcement and new legislative authority are needed, she said.

In recent years, sub-prime mortgage lending has developed as a way to enable individuals with impaired credit history to obtain or refinance home loans or to get home improvement loans.

Predatory lending involves harmful practices used by some sub-prime lenders. Predatory loans take advantage of a borrower's inexperience, vulnerability and lack of information. Predatory lenders manipulate borrowers into taking loans characterized by excessive costs that the homeowner sometimes cannot afford to pay back, and some predatory home loans are clearly fraudulent.

The major federal statute regulating abusive lending practices is the Home Ownership and Equity Protection Act (HOEPA) of 1994, which was enacted in response to a rise in high cost lending.

Canja noted in her statement that AARP has asked the Federal Reserve Board to use its current statutory authority under HOEPA to:

- Lower the annual percentage rate that triggers coverage under HOEPA;
- Expand the definition of points and fees under the law;

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- Prohibit practices such as “riders” that change the terms of a consumer agreement.

Canja also said that, in response to a request from the Federal Reserve Board, AARP has recommended that the Board submit to Congress proposed legislative changes to HOEPA that would include:

- Inclusion of all fees and points in the loan’s finance charges;
- Inclusion of open-ended credit and purchase money loans within HOEPA’s coverage;
- Elimination of the “pattern or practice” requirement for HOEPA’s protection – that is, the borrower would only have to establish that a lender has made an unaffordable loan under the law, not that the lender has engaged in a pattern or practice of such lending.

The AARP President said older American homeowners are particularly attractive targets for predatory lenders. Older homeowners are often targeted for mortgage refinancing and home equity loans because they are more likely to live in older homes in need of repair, are less likely to perform repairs themselves, and are likely to have substantial equity in their homes to draw on, she said.

The Senate Banking, Housing and Urban Affairs Committee, chaired by Senator Paul S. Sarbanes (D-MD), held two days of hearings on “Predatory Mortgage Lending: The Problem, Impact, and Responses.”

In April, AARP launched a national state-based campaign to fight predatory lending. The campaign links advocacy on behalf of older borrowers with a major consumer education initiative. With a theme: “They Didn’t Tell Me I Could Lose My Home,” the campaign offers an AARP toll-free number -- and borrowers’ kit -- for consumers in the states targeted for the campaign. The campaign also will accelerate a drive to win approval by state legislatures of measures to curb predatory lending.

AARP is a nonprofit, nonpartisan membership organization for people 50 and over. It provides information and resources; advocates on legislative, consumer, and legal issues; assists members to serve their communities; and offers a wide range of unique benefits, special products and services for its members. These benefits include *AARP Webplace* at www.aarp.org, *Modern Maturity* and *My Generation* magazines, and the monthly *AARP Bulletin*. Active in every state, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, AARP celebrates the attitude that age is just a number and life is what you make of it.