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Contact: Patrick Keefe (202) 218-7774
pkeefe@cuna.com

Credit Unions Urge Senate Banking To Proceed Carefully In Restricting "Predatory Lending"

WASHINGTON -- Credit unions "abhor" predatory lending practices, a CUNA witness told the Senate Banking Committee today, but the credit union witness added that Congress should proceed carefully while addressing this complex issue, and not stifle legitimate lending practices that benefit those who are trying to re-build their credit histories.

Lee Williams, CEO of Aviation Associates CU in Wichita, Kansas, said at today's hearing on predatory mortgage lending that any action Congress takes on predatory lenders should not choke off the credit flexibility and options credit unions can offer to consumers.

"The result could be a significant decrease in available credit to borrowers with blemished credit histories," Williams said.

The credit union witness flatly pointed out that credit unions are not predatory lenders. "To participate in any activity that would take advantage of our members, who are also our owners, would be counter-productive to our operations, our structure, and our philosophy," she said.

But she told the committee credit unions urge policy makers to use a scalpel, not an elephant gun, when drafting legislation to eliminate predatory lending practices. "Subprime borrowers need to be served," she said.

In other comments, Williams said as the so-called "fringe" banking industry--such as payday lenders, pawn shops and check cashers--has significantly expanded over the past decade, credit unions have been out in front to combat the devastating effects of these high cost money brokers by offering alternative services at reasonable rates.

Williams pointed to two specific areas in which credit unions, including hers, are taking action against predatory lending on both a local and national basis:

* Locally, Williams outlined her credit union's "Take Control" program, which includes a significant education component (through an on-site consumer credit counselor) to instruct members on how to avoid predatory mortgage lending. "We are convinced that education is a critical tool in our efforts to obtain financial independence for our members," Williams said.

* Nationally, Williams pointed to two programs developed and administered by CUNA:

-- "Mortgage Lending Standards and Ethical Guidelines," which are being adopted by credit unions across the country. The guidelines are designed to emphasize credit unions' concern for consumers and further distinguish credit unions as institutions that care more about people than money.

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-- Youth financial education. Through a partnership with the National Endowment for Financial Education (NEFE) and the Cooperative Extension Service (CES), CUNA works to expand financial education among teens throughout America. The program provides an educational curriculum and materials to high schools across the country to combat financial illiteracy. To date, and through credit union efforts, more than 32,000 high school students have taken part in the program, as well as more than 400 high schools nationwide.

Credit unions are eager to see the abusive practices of predatory lending eliminated," Williams testified. "It is our hope that we will have allies in our efforts to assure that all consumers have access to credit products that do not unfairly take advantage of their circumstances."

With its network of affiliated state credit union leagues, CUNA serves more than 90 percent of America's 10,700 credit unions, which are owned by more than 80 million consumer members. Credit unions are not-for-profit cooperatives providing affordable financial services to people from all walks of life. For more information, visit the CUNA and Affiliates website at <http://www.cuna.org>.

