

July 25, 2001

The Honorable Paul Sarbanes  
Chairman, Senate Banking Committee  
534 Dirksen Senate Office Building  
Washington, D.C. 22510

Dear Mr. Chairman:

On behalf of the NATIONAL ASSOCIATION OF REALTORS® I want to take this opportunity to applaud your efforts to address abusive and predatory lending practices. The hearings your committee will be conducting are important ones. We are well aware of your longstanding concern about abusive, predatory or fraudulent lending practices. NAR shares your concern and supports your efforts to assure that consumers are protected and fully armed with the knowledge to empower them to use mortgage credit wisely and protect homeowner equity.

The NATIONAL ASSOCIATION OF REALTORS® opposes abusive or predatory lending practices that deceive homeowners about the true nature of the loan and result in the stripping of equity, diminished personal credit standing, or violations of federal or state consumer protection statutes and regulations. The majority of predatory lending victims are women, the elderly and minorities. As an association, NAR is working hard to break down the barriers to homeownership, especially those facing minority populations. Minority homebuyers are significantly more likely than white homebuyers to use an FHA or higher-cost subprime loans when buying a home. This underscores the need for a healthy subprime market. Taking steps to tighten the lending rules for these loans in order to protect the consumer is an admirable goal. The challenge will be to craft a solution that will successfully decrease the opportunities for unscrupulous behavior while at the same time preserve the availability of credit for subprime borrowers. We look forward to working with you to find that necessary balance.

Seeking solutions to predatory lending is consistent with NAR's overall public policy priorities. Every day, REALTORS® work hard to build strong communities and a better America by assisting families and individuals in their pursuit of the American Dream of homeownership. We are committed to preserving and promoting federal mortgage finance and assisted housing programs to help close the gap in homeownership rates for minorities and to meet the demand for

affordable rental housing. As advocates for consumers, we have dedicated ourselves to defeating the proposed Federal Reserve Board and Treasury Department rule that would allow banks to engage in real estate brokerage and management activities.

We also proudly support legislation recently introduced by Senators Charles Schumer and Wayne Allard that would require the disclosure of credit scores to consumers, along with the key factors that were used to determine those scores and additional information that puts the credit score into context. Consumers would know their score and thus increase their opportunities to qualify for the most cost effective mortgage. It will keep consumers from being swept into needlessly expensive mortgage products with unsuitable terms. Consumers are best protected with the most comprehensive and clear disclosures prescribed by law and regulation.

There is no doubt that additional regulation of the mortgage lending industry will be met with much resistance. Lenders argue that simply enforcing current laws will rid the marketplace of those who act in bad faith. They instead offer a proposal to reform RESPA and TILA, two key consumer disclosure statutes as a solution to predatory lending. It is not that simple. Daily news headlines report increasing incidents of abusive and deceptive lending practices, consumer privacy violations and other questionable actions by financial institutions. There is no doubt this is a widespread problem. We are greatly troubled because these are the same entities seeking additional powers to enter the real estate brokerage business. We strongly encourage you not to be distracted by their objections and to continue to move forward in the manner you have laid out to address this very important issue.

REALTORS<sup>®</sup> spend countless hours putting people in homes. We would like to see them stay there and not be the victims of actions that ultimately result in foreclosure and financial ruin. We congratulate you again for holding these hearings on the growing problem of abusive and predatory lending and look forward to being part of the solution.

Sincerely,  
Richard Mendenhall  
President  
NATIONAL ASSOCIATION OF REALTORS<sup>®</sup>