

July 26, 2001

Opening Statement of Senator
Wayne Allard, R-CO

I would like to thank Chairman Sarbanes for holding this hearing. This is an important topic, and I am glad that this Committee will have an opportunity to examine it more closely. I know that predatory lending is an issue that Chairman Sarbanes has followed very closely, as the so-called "flipping" form of predatory lending has been a particular problem in Baltimore.

In the various Housing and Transportation Subcommittee hearings over the last three years, predatory lending came up on several occasions. It is an abhorrent practice, and as Ranking Member of the Subcommittee I am particularly concerned about predatory lending that involves FHA loans. The fraud perpetrated in those cases not only victimizes the individual family, but also robs the taxpayers, who are responsible for backing the loan through FHA.

During my years as Chairman, and now as Ranking Member of the Housing Subcommittee, I have seen firsthand how important homeownership is to Americans, after all, it is the American dream. It is reprehensible that a small number of individuals prey upon those hopes and dreams, turning the dream into a nightmare.

I am pleased that this Committee will have an opportunity to examine some of the issues surrounding predatory lending. While we hear a great deal about predatory lending, much of what we know seems to come from anecdotes. I believe it is important that we examine the problem in a careful, reasoned way. In this manner we can first get a clear idea of exactly what constitutes predatory lending, and how great the scope of the problem is. Next, we can consider whether current laws are adequate or whether we need additional laws.

I particularly wish to focus on the matter of enforcement. While predatory lending is obviously occurring under the current laws, it may very well be that the current laws are adequate, but simply not well enforced. Similarly, any additional laws that this Committee may pass would be of little value if they are not enforced.

As important as it is to curb predatory lending, any actions considered by Congress, the states, or regulatory bodies must be made with caution. While predatory lending is by its nature deceptive and fraudulent and should be stopped, there is certainly room for a legitimate subprime lending market. Subprime lending expands homeownership opportunities for those families that may have experienced credit problems or who have not had an opportunity to establish credit. The subprime market gives them access to financing that allows them to experience the dream of homeownership.

Without access to this market, far fewer people would own a home. It is no coincidence that subprime lending has greatly expanded as the country is experiencing record homeownership rates. If we are not careful with any legislation, we could end up hurting the very people that we are trying to help.

We also can't lose sight of the fact that laws can't solve all problems. Because there will always be those who disregard the laws, we must also find ways to promote personal protection and responsibility. I believe that we need to find a better way to educate and empower consumers. I believe that knowledge

can be a very powerful weapon, and this is particularly true for financial matters. Survey after survey has found that Americans lack basic financial knowledge. This lack of information can lead to financial disaster. Better consumer and financial knowledge will leave consumers better protected- regardless of what the laws may be.

Again, I would like to thank the Chairman for holding this hearing. While today's cases are genuine tragedies, I hope that we will be able to learn from their situations to help stem predatory lending in America. I thank the witnesses for being willing to come forward to share their stories. Welcome, I look forward to your testimony.