

From the office of

Senator Paul Sarbanes

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SENATORS INTRODUCE LEGISLATION TO COMBAT ABUSIVE PREDATORY LENDING PRACTICES

In an effort to address the many on-going abuses, Senator Paul S. Sarbanes (D-MD), the Ranking member on the Senate Banking, Housing, and Urban Affairs, joined by 14 of his Senate colleagues have introduced legislation to restrict abusive predatory lending practices, expand consumer protections, and strengthen enforcement of existing protections in current law by enhancing civil remedies and statutory penalties.

Predatory lenders typically target vulnerable people with equity in their homes. They underwrite the property without establishing a borrower's ability to repay the loan. The brokers or lenders typically make their money by charging extremely high points and origination fees, and by "packing" other products into the loan, including up-front premiums for credit insurance, for which they get significant commissions. The financing of these fees greatly increases the balance of the loan and leaves the borrower with exorbitant monthly payments, in many instances leading to the loss of the home.

"Homeownership is the opportunity for Americans to put down roots and start creating equity for themselves and their families," said Sarbanes. "Homeownership has been the path to building wealth for generations of Americans. Homeownership has been the key to ensuring stable communities, good schools, and safe streets. Common sense tells us, and the evidence confirms, that homeowners are more engaged citizens and more active their communities. Little wonder, then, that so many Americans aspire to achieve this dream."

"The predatory lending industry plays on these hopes and dreams to cynically cheat people out of their wealth in their homes," Sarbanes added. "These lenders target lower income, elderly, and often, uneducated homeowners for their abusive practices. They overwhelmingly target minorities, driving a wedge between these families and the hope of a productive life in the economic and financial mainstream of America."

"We cannot extol the virtues of homeownership without seeking at the same time to

preserve this benefit for so many elderly, minority, and unsophisticated Americans who are the targets of unscrupulous lenders and brokers. This legislation will help achieve this important goal," he concluded.

The legislation was endorsed by the Leadership Conference on Civil Rights, the U.S. Conference of Mayors, the National Council of La Raza, the National Consumer Law Center, ACORN, National Consumer Reinvestment Coalition, Consumer Federation of America, the NAACP, the Self-Help Credit Union, the National Association of Local Housing Finance Agencies, the National Community Development Association, the National Association of Consumer Advocates, and the National Leagues of Cities, among others.

Joining Sarbanes in sponsoring the legislation were 14 of his colleagues, all Democrats: Senators Chris Dodd (CT), Chuck Schumer (NY), Debbie Stabenow (MI), Jon Corzine (NJ), Edward Kennedy (MA), John Kerry (MA), Barbara Mikulski (MD), Richard Durbin (IL), Hillary Rodham Clinton (NY), Mark Dayton (MN), Carl Levin (MI), Frank Lautenberg (NJ), Patrick Leahy (VT), and Daniel Akaka (HI).

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S.1928

Title: A bill to amend the Truth in Lending Act to protect consumers against predatory practices in connection with high cost mortgage transactions, to strengthen the civil remedies available to consumers under existing law, and for other purposes.

Sponsor: Sen Sarbanes, Paul S. [MD] (introduced 11/21/2003) **Cosponsors:** 14

Latest Major Action: 11/21/2003 Referred to Senate committee. Status: Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.