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## DeKalb's restrictions go too far to police lending

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In recent years, banks and other legitimate lending institutions have made tremendous gains in extending credit to low and moderate-income Americans. The federal Community Reinvestment Act has set a high standard for community responsiveness and access to loans. Highly publicized cases of perceived inequities have shone a light on the need for all Americans to have access to loans.

Yet with new access to credit have come new issues and challenges. Some now charge that abusive lending practices are targeted at the poor, the elderly and minorities for high-cost loans they cannot possibly repay. These abuses need to be stopped. But some public officials have gone so far in trying to curb them that they are hurting access to loans from legitimate lenders and threatening to reverse the gains we've made.

The ordinance recently approved in DeKalb County is a prime example. The ordinance seeks to punish lenders who extend "high-cost" loans by precluding the county from doing business with lenders who would extend such a loan.

For DeKalb, a high-cost loan is any loan more than 4 points above the comparable Treasury interest rate. This, coupled with provisions in the loan such as a prepayment penalty or wrapping closing costs into a loan, would trigger the high-cost classification, precluding the lender from doing business with county government.

Yet while there should be no preying on anyone and no lender should ever extend a loan without an ability of the borrower to repay, the marketplace ought to provide as many kinds of loans as there are people seeking loans.

Borrowers with spotty credit histories could very well be deserving of a loan - but because the risk of lending is greater, so is the interest rate. Such loans are called subprime, and they exist to help those who don't have pristine credit get the funds they need.

There are many people who fall into the subprime category, and they still deserve access to loans. But the DeKalb County Commission's ordinance dries up that possibility for thousands. It encourages legitimate lenders to stop making subprime loans and to extend loans only for prime borrowers.

There are other provisions of the DeKalb ordinance that are counterproductive. Adding points or other closing costs to a loan balance, for instance, is one of the triggers that, coupled with a higher interest rate, would set off the predatory alarm. But even the federal Community Reinvestment Act encourages lenders to wrap points and other closing costs into loans to make homeownership more affordable for low- and moderate-income homebuyers.

DeKalb County and others – a similar ordinance is under consideration in Atlanta – are right to seek ways to protect people from predatory lenders. The best way, however, is to help educate their constituents. Borrowers who know what to look for in a loan are not going to get trapped by unscrupulous lenders who are out to steal their property.

Predators are easy to identify. They are disreputable operators whose intent is to foreclose on a borrower's home and end up owning it. No reputable bank has any desire to own a borrower's home through foreclosure.

Moreover, shady operators are not affected by a ban on doing business with local governments. That's because predatory lenders don't take deposits, and they aren't in a position to do business with government. Such ordinances, then, won't stop the predators.

Cities, counties, civic groups and community organizations should do all they can to shield vulnerable borrowers. But a "solution" that has the effect of drying up lending opportunities for those who need it to improve their homes, to send a child to college or to dig themselves out of consumer debt, is plainly wrong.