

April 11, 2005

The Honorable Michael Oxley
Chairman
House Financial Services Committee

The Honorable Barney Frank
Ranking Member
House Financial Services Committee

Dear Chairman Oxley and Ranking Member Frank:

We, the undersigned organizations, write to express our support for H.R.1182, the Prohibit Predatory Lending Act, introduced by Representative Brad Miller. If enacted, the legislation would help protect homeowners from widespread, abusive mortgage lending practices while preserving access to appropriate credit for potential and current homeowners.

Predatory mortgage lending, a term used to describe a set of abusive lending practices that deprive homeowners of hard-earned equity, is estimated to cost U.S. consumers at least \$9.1 billion each year. Abusive lenders frequently target homeowners who are equity-rich but cash poor. Sadly, predatory lending has a disproportionate impact on the elderly and minorities. The Prohibit Predatory Lending Act is modeled on North Carolina's landmark 1999 law, which passed with overwhelming bipartisan support and the endorsement of groups such as the North Carolina Bankers Association, the North Carolina Mortgage Bankers Association, the North Carolina Credit Union Network, the North Carolina Association of Realtors, and the local chapters of the NAACP and Habitat for Humanity. In North Carolina this anti-predatory lending law has proven effective at ending many abusive practices in mortgage lending while the subprime market continues to thrive.

It is clear that state anti-predatory lending laws have not hampered subprime lending's growth; volume and liquidity in the subprime mortgage market are expanding rapidly around the country. Unfortunately, the growth of the subprime market has corresponded with an increase in abusive lending that has become a crisis for American families. For this reason, it is important that Congress focus on ensuring that credit continues to be available on responsible terms and that harmed families are allowed to seek relief in court and hold assignees liable for abuses. Onerous terms and conditions render home mortgage loans and other types of loans harmful rather than wealth-building and empowering. An epidemic of abusive loans has driven an unprecedented loss of home equity, a rise in bankruptcies, and an exploding rate of foreclosures in many communities. According to recent studies, one in five subprime refinance loans ends in foreclosure, ten times the rate for prime mortgages.

To protect homeowners, H.R.1182 would

- **provide meaningful protections** by including the costs of typical abusive practices in the definition of a “high-cost mortgage”;
- **prohibit financing points or fees** as part of any high-cost mortgage, thus ensuring that borrowers who are paying high interest rates are not also losing additional precious home equity;
- **curb abusive broker kickbacks** and anti-competitive prepayment penalties;
- **prohibit refinancing any home loan without a reasonable, tangible net benefit to the borrower**;
- **ban mandatory arbitration** clauses in all home loans;
- **require borrower counseling** before a lender can issue a high-cost mortgage;
- **preserve HOEPA’s assignee liability standard**; and
- **establish a national standard** for mortgage lending **while preserving the flexibility individual states and the Federal Reserve currently have** to implement additional protections for borrowers against new abusive practices or abuses that are specific to a local area.

We look forward to working with you and your colleagues to enact H.R.1182 in order to protect our country’s homeowners and borrowers from unscrupulous lenders and brokers.

Sincerely,

ACORN

AFL-CIO

American Federation of State, County and Municipal Employees (AFSCME)

Bronx Council on the Arts

Center For Community Change

Center for Responsible Lending

Consumer Action

Consumer Federation of America

Consumers Union

Leadership Conference on Civil Rights

National American Indian Housing Council

National Association for the Advancement of Colored People (NAACP)

National Association of Consumer Advocates

National Consumer Law Center

National Community Reinvestment Coalition

National Fair Housing Alliance

National People’s Action

NCB Development Corporation

Poverty and Race Research Action Council

Service Employees International Union, AFL-CIO, CLC

USAction

US PIRG

