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**Consumer Group Denounces “Responsible Lending Act” as  
Industry-Backed Attempt to Legalize Predatory Lending**

**-- Ney (R-OH) Bill Would Overturn State Mortgage Laws  
And Roll Back Federal Protections --**

Washington, DC- U.S. PIRG condemned federal legislation introduced today by Representative Bob Ney (R-OH), chairman of the House’s Housing Subcommittee, as “nothing more than an industry-backed attempt to legalize predatory lending and overturn recent landmark consumer laws in several states, including PIRG-backed laws in New York, North Carolina and Georgia.” The group also released a letter from leading consumer, civil rights and minority groups and unions opposing the bill.

“Congress has failed to protect consumers from predatory lending practices, so states and cities have stepped in and enacted tough, but fair, laws to prevent consumers from losing their hard-earned homes to shifty lenders,” said Christopher Peterson, a consumer attorney with the U.S. Public Interest Research Group (USPIRG). “Now, the chairman of the Housing Subcommittee wants to eliminate those laws and, even worse, roll back the remaining modest federal protections. That’s wrong.”

Peterson released a letter from a broad coalition including the NAACP, the United Auto Workers (UAW), ACORN, the National Community Reinvestment Coalition and the National Consumer Law Center denouncing the bill. The letter explained that Representative Ney’s bill will “exacerbate some of the predatory lending problems facing our nation” and “wipe out the only anti-predatory lending laws that exist at the present time.”

The most qualified loan customers pay the best, or prime, rates, and higher-risk customers may pay higher, but legitimate, sub-prime rates, Peterson said. “But states and even cities have enacted laws in the last several years to address the growth in predatory practices targeted at minorities and the elderly that often result in unfair foreclosures. The new laws have focused on stopping the worst predatory practices, which include the following:

- “Packing” or adding deceptive fees, points and closing costs into loans, then stripping the consumer’s existing equity by foreclosing when high monthly payments are missed;
- Packing the loan with overpriced, commission-based single premium-financed credit life, disability and unemployment insurance, which vastly increases the cost of the loan;

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- Including inappropriate balloon payments in loans to consumers on fixed incomes to artificially deflate monthly payments and deceive customers about the true cost of the loan;
- Imposing high prepayment penalties to prevent use of legitimate refinancing options;
- Using scam home improvement companies to generate originations and paying kickbacks to mortgage brokers to generate those loan originations.

“The Ney bill fails to prevent financing of high points and fees, creates loopholes which will allow lenders to ignore the law, and effectively eliminates liability for assignees, or companies that purchase predatory loans from the original lender,” Peterson added, based on his review of a assignee liability guts the strongest protection consumers have against predatory practices.”

Peterson noted that even real estate professionals may fall victim to predatory practices. Sandy Barklow, a Realtor from Representative Ney’s home state of Ohio, told U.S. PIRG she is a victim of predatory lending. “No one is safe from it,” explains Barklow. Five years ago Barklow unknowingly signed a sub-prime home mortgage even though she had a perfect credit history. Although her broker later lost his license for predatory lending practices, Barklow was still stuck with the loan. She argues predatory lending is “a systematic business plan designed to take people’s life savings.”

“Instead of undercutting strong state laws and weakening federal laws, Congress should give consumers across the nation the same protections recently granted by lawmakers in New York, Georgia, North Carolina and other states,” concluded Peterson.

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See <http://www.pirg.org/consumer/#new> for a copy of the coalition letter opposing Ney bill from ACORN, Center for Community Change, Center for Responsible Lending, Consumer Federation of America, Consumers Union, International Union - UAW, Leadership Conference on Civil Rights, NAACP, National Association of Consumer Advocates, National Community Reinvestment Coalition, National Council of La Raza , National Consumer Law Center, and USPIRG.

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