



Congressman José E. Serrano

Chairman, House Appropriations Subcommittee on Financial Services and General Government

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Chairman Serrano: “We Must Do More to Prevent Predatory Lending Practices”

Washington, DC –February 28, 2008 – Today, during a hearing on consumer protection in financial services, Congressman José E. Serrano issued a call for more aggressive action to be taken to prevent foreclosures and end predatory lending schemes. Serrano chairs the House Appropriations Subcommittee on Financial Services and General Government—which oversees the budgets of the Treasury Department, the Federal Trade Commission and other agencies that have a hand in protecting consumers from financial fraud.

“We must take swift and decisive action to stem the wave of foreclosures related to the subprime lending issue,” Serrano said. “Today’s hearing convinced me further of that as our witnesses outlined the scope and impact of this financial tsunami.

“My district is being hit hard by the subprime crisis, as well as the effects of other predatory financial schemes aimed at consumers. High interest ‘refund anticipation loans’ and other shady lending practices are rampant. It must end.

“I intend to do everything possible within the scope of my Financial Services Appropriations bill to make sure that these practices are reduced and that consumers are better protected. I will take this action not just to benefit my constituents and those like them across the country, but also because these financial schemes, especially questionable subprime mortgages, can threaten our whole economy. We now know that what’s good for Bronx consumers is good for America’s consumers.”

The level of the foreclosure crisis in the Bronx alone was outlined by Michael D. Calhoun, President, Center for Responsible Lending, when he said “in the 16th District of New York, the risk [of significant damage from foreclosures] is even more severe given that subprime lending rose to 42% of all mortgages made in ’05 and ’06. The result will be a high level of home losses, with more than one in five subprime loans in the district ultimately ending in foreclosure.”

Calhoun’s statistics were backed up by the on-the-ground experience of Gregory Lobo Jost, Deputy Director of University Neighborhood Housing Program in the Bronx. Lobo Jost said in his testimony that “The Bronx is entirely too familiar with redlining, as this practice led to the borough’s notorious incendiary reputation. While the Community Reinvestment Act has helped immensely to turn around the fortunes of places like the Bronx, the residual effects of redlining have led to abusive lending practices, often referred to as ‘reverse-redlining.’ Traditional banks

continue to have a relatively small branch presence in our neighborhoods, opening up the door to fringe financial institutions such as payday lenders and check cashers who often double as mortgage brokers pushing subprime products.”

The problem is not limited to the Bronx, however, and it strikes across many demographic groups. Janet Murguía, President and CEO of the National Council of La Raza, mentioned in her statement that Latinos are particularly vulnerable. “Research shows that Latinos are 30 percent more likely than whites to receive a high-cost loan when purchasing their home.” She added that the problem is not limited to mortgage lending, saying that “overwhelming evidence shows that minority borrowers pay more to access credit than similarly situated white borrowers.”

Congressman Serrano concluded that “the time to act on subprime mortgages is now. We must take action to prevent people who are achieving the American dream of owning a home from being pushed out. This hearing brought up the larger issue of predatory lending—which happens far too much across the nation. Congress and the Executive Branch agencies must take steps to end these harmful practices. I pledge to do all I can do in my Appropriations bill to address this crisis.”

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Congressman José E. Serrano has represented the Bronx in Congress since 1990. He is the Chairman of the House Appropriations Subcommittee on Financial Services and General Government, which oversees the budget of the Treasury Department and the FTC, among other agencies.