



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

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Contact: Robert M. Garsson  
(202) 874-5770

## **Comptroller Hawke Outlines Program to Combat Predatory Lending**

WASHINGTON -- Comptroller of the Currency John D. Hawke Jr. told Congress today that the OCC will use the supervisory process to combat predatory and abusive lending at any national banks found to engage in such practices.

Mr. Hawke said the Office of the Comptroller of the Currency will deter such activity through safety and soundness, fair lending and consumer compliance examinations; the licensing and chartering process; and individual enforcement actions.

“One common characteristic of predatory lending that we can address through our supervisory process is the practice of making home equity loans under circumstances where the lender cannot reasonably expect repayment other than through a foreclosure sale of the borrower’s home,” Mr. Hawke said in testimony before the House Committee on Banking and Financial Services. “This is a classic type of unsafe and unsound lending.”

To address the problem, the Office of the Comptroller of the Currency plans to issue guidance directing examiners to carefully review bank lending policies and practices to ensure they would not permit loans to be made without a reasonable expectation of repayment without resort to the borrower’s collateral. If examiners find problems, they will be directed to take further action, Mr. Hawke said.

“Loans predicated on home equity where the borrower does not demonstrate the capacity to repay the loan as structured would be adversely classified and further accrual of interest may be disallowed,” the Comptroller added.

Mr. Hawke said the OCC plans to issue guidance in the near future emphasizing that abusive lending practices can involve unlawful discrimination. “This guidance will help set the scope and focus for our fair lending examinations and may lead to targeted fair lending investigations,” he said.

The Comptroller also said that abusive lending practices have been viewed as inconsistent with the Community Reinvestment Act’s mandate to meet the credit needs of an institution’s entire community. The bank supervisory agencies should address on an interagency basis how

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predatory loans might be identified in a CRA exam and whether an institution should receive no -- or even negative -- CRA credit for such loans.

Mr. Hawke commended the banking committee for beginning work on predatory lending and said that because of the limitations in existing law, it is important that Congress review this issue.

The Comptroller said it is also important that any reform measures be carefully crafted to avoid unintended consequences.

“While we clearly need to address real abuses that exist, particularly in connection with home-secured loans, any changes in law or regulation should preserve and encourage consumer access to credit, meaningful consumer choice, and competition in the provision of financial services to low- and moderate-income families,” he said.

“Determining how to draw the line between predatory and legitimate credit practices in a way that will both combat abuses and advance these other objectives is a major challenge,” Mr. Hawke added.

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The OCC charters, regulates and examines approximately 2,400 national banks and 58 federal branches of foreign banks in the U.S., accounting for more than 57 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.