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**STATEMENT OF MR. HILARY O. SHELTON  
DIRECTOR, WASHINGTON BUREAU OF THE  
NATIONAL ASSOCIATION FOR THE  
ADVANCEMENT OF COLORED PEOPLE  
ON “ACCELERATING LOAN MODIFICATIONS, IMPROVING FORECLOSURE  
PREVENTION AND ENHANCING ENFORCEMENT”  
BEFORE THE HOUSE COMMITTEE ON FINANCIAL SERVICES**

*December 6, 2007*

Thank you, Chairman Frank, for once again inviting me here today to talk about predatory lending and some of the initiatives your committee is undertaking to help alleviate the problems associated with predatory lending and ensure that we are never again faced with a foreclosure crisis similar to what we are looking at today.

I would also like to take this opportunity to once again thank you, Mr. Chairman, as well as Congressman Miller, Congressman Watt and the other members of this committee who have worked so hard and for so long to address this problem. Your drive, your initiative and your commitment are deeply appreciated.

As many of you know, my name is Hilary Shelton and I am the Director of the NAACP Washington Bureau. We are the public policy and advocacy arm of our Nation's oldest, largest and most widely-recognized grassroots civil rights organization.

As I have said before, predatory lending is unequivocally a major civil rights issue.

As study after study has conclusively demonstrated, predatory lenders target African Americans, Latinos, Asians and Pacific Islanders, Native Americans the elderly and women at such a disproportionate rate that the effect is devastating to not only individuals and families, but entire communities as well. Predatory lending stymies families' attempts at wealth building, ruins people's lives and, given the disproportionate number of minority homeowners who are targeted by predatory lenders, decimates whole communities.

Because predatory lending is so important to the NAACP, our members and the communities we serve, we have been actively involved in the predatory lending debate here on Capitol Hill and throughout our country. As such we worked closely with you, Chairman Frank and Congressman Miller and Congressman Watt among others in the development of H.R. 3915, the *Mortgage Reform and Anti-Predatory Lending Act of 2007*. And while we supported the bill with amendment throughout the process, we were, like most people, disappointed with the final product that passed the full House.

Specifically, we had hoped that the bill would have been improved through the amendment process to provide stronger penalties for lenders who break the law and remedies for the victims of predatory lending. We also need to ensure that any final federal product is the minimum standard, allowing states to continue to be even more aggressive in eliminating predatory lending and protecting home owners.

Thus, we strongly supported amendments offered during floor consideration that would have increased the penalties on individuals or businesses which practice predatory lending. We also opposed amendments that would have weakened key provisions, including the very important anti-steering provisions, the renters' protections, the prohibition on prepayment penalties in the subprime market, and the prohibition on the use of yield spread premiums in the subprime market.

We also ardently opposed, and shall continue to work against any federal preemption of state laws which limits individual state's ability to respond to local or regional anomalies which may adversely affect their residents, as well as new predatory practices which may threaten legitimate homeownership after enactment of the federal law.

We were dismayed to see that many of the amendments we supported were defeated, and hope to work with the Senate to ensure that if and when strong anti-predatory lending legislation becomes law that breaking the law does not become a cost of doing business.

Which brings us to the pattern or practice amendment. As Chairman Frank stated on the House floor during consideration of H.R. 3915, the amendment as offered was developed in a hurry and needed more consideration. We applaud the Chairman for his efforts to bring more accountability to the securitizers and we also appreciate his foresight in withdrawing the amendment and holding this subsequent hearing to look more thoroughly into the issue.

While we support the goals and the premise of the amendment, we do have some concerns about the implementation of any resulting law. First of all, and perhaps most importantly, we do not support allowing this pattern and practice provision to be preemptive. We believe that every individual should be able to

bring a private right of action against anyone and everyone involved in predatory lending.

Secondly, the NAACP has expressed concerns over the last few years about the inaction of several federal agencies to launch investigative or prosecutorial efforts involving civil rights violations. Our concern about a tough pattern and practice provision would be that it must be followed up with action by the regulators, or it is really of little use.

Finally, Mr. Chairman and members of the committee, the NAACP has some concerns about the amount prescribed in the amendment for fining companies found to be in violation of a pattern or practice of predatory lending. To the NAACP, as well as most Americans, I believe that one million dollars plus \$25,000 for each bad loan would be enough to stop us from even considering breaking the law. Yet as we all know, one of the biggest subprime lenders paid \$425 million in a settlement and didn't blink. Thus, we must ask how much will make the industry sit up and take notice. We don't know the answer to that question, but I suspect it is larger than any of us can fathom.

So I want to thank you again, Chairman Frank, Congressman Miller, Congressman Watt and other members of this committee, for your aggressive response to the predatory lending problems facing our Nation and for your continued diligence on this issue. I look forward to continuing to work with you to ensure that more homes are not lost to foreclosure, either in the near future or in years to come.

The attack by subprime lenders on communities of color across this Nation is not only a moral disgrace and ethical shame, but it should clearly be illegal. With your help, we will ensure that it is.

Thank you, and I welcome your questions at this time.