

November 5, 2003

Opening Statement by Congressman Paul E. Gillmor  
House Financial Services Committee  
Subcommittee on Housing and Community Opportunity  
Subcommittee on Financial Institutions and Consumer Credit  
Joint Hearing entitled, "Protecting Homeowners: Preventing Abusive Lending While Preserving Access to Credit"

I would like to thank our Subcommittee Chairmen for calling this important hearing and allowing us the opportunity to discuss issues related to the subprime mortgage lending market. Since the early 1990s the subprime market has greatly expanded with just \$34 billion in subprime mortgages originated in 1994 and \$213 billion in 2002.

The subprime market is compromised of millions of Americans with less than perfect credit or that cannot meet some of the tougher underwriting requirements of the prime market for reasons such as inadequate income documentation, limited down payment or cash reserves, or the desire to take more cash out in a refinancing than conventional loans allow. These borrowers rely on subprime lenders for access to the mortgage market.

While subprime lending has increased access to credit for many worthy Americans it has also, in some cases, enabled vulnerable populations to be targeted by abusive or "predatory" lenders. In response to such practices many states and localities have enacted "predatory lending" laws requiring new consumer disclosures, prohibiting certain terms, and creating new legal protections for borrowers who are victims of abusive lending practices.

In my home state of Ohio, the city of Cleveland passed a law restricting high loan rates and other subprime practices intended to prohibit "predatory" activities. However, as was detailed in a recent Cleveland Plain Dealer article, this law only served to drive lenders out of Cleveland during the 14 months before it was found unconstitutional. Residents who had less than perfect credit found it almost impossible to find a home loan in the city of Cleveland.

I am happy to be an original cosponsor of HR 833, the Responsible Lending Act of 2003, legislation to establish a federal standard to combat unfair and deceptive practices in the high-cost mortgage market, establish a consumer mortgage protection board, and establish licensing and minimum standards for mortgage brokers. Establishing a balanced federal standard to combat “predatory” lending practices would allow us to address problems in the market while doing just what the title of this hearing states, “preserving [consumer] access to credit.”

Thank you again, Mr. Chairman, for calling this important hearing and I hope it is only the first of many on this issue.