



Department of Social Development and World Peace
Office of Domestic Social Development

Background on Predatory Mortgage Lending
February 2007

Issue

Some unscrupulous lenders target minorities, the elderly and the poor with high priced loans. Predatory mortgage lending, as the name implies, is the practice whereby lenders offer unsuspecting homeowners loans with high interest rates and fees. Predatory practices vary from community to community. Usually these particular lenders or mortgage brokers: charge borrowers excessive, often hidden fees; successively refinance loans (i.e., flipping) at no benefit to the borrower; make loans with little regard to a borrower's ability to repay; and engage in high pressure sales tactics or outright fraud and deception. The population groups that are most affected by these practices include the elderly and low income individuals, African Americans and other minorities.

Background

Predatory lending has received considerable attention in the news media, largely because of the efforts of local and national community and consumer organizations, many supported by the Catholic Campaign for Human Development. In response, high profile enforcement actions were taken against some of the more notorious predators and several states have adopted new consumer protection measures. The Department of Housing and Urban Development, the Treasury Department, the Federal Reserve Board, and the Office of the Comptroller of the Currency have all used their regulatory authority to bring additional homeowners under existing consumer protections and to gather more and better data about these practices. The Senate Banking Committee has announced it will hold hearing on the problem and is expected to consider legislation later in this Congress.

USCCB Position

The United States Conference of Catholic Bishops wrote to Congress insisting that “Efforts to revitalize neighborhoods and to expand homeownership among low income families are being threatened by abusive lending practices. These practices, termed predatory lending, trap far too many unsophisticated and vulnerable people, often the elderly, into high cost loans that frequently lead to foreclosure after stripping any equity from the home. The Catechism of the Catholic Church condemns this sort of speculation, this usury, as morally illicit.” (2409)

What You Can Do

- Contact your Representative and Senators and urge them to oppose federal preemption of stronger state and local anti-predatory lending laws.
- Also urge them to tighten existing loopholes and provide stronger protections for homeowners who are vulnerable to predatory lenders.

For More Information

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