

## Ellison, Klobuchar introduce legislation to combat predatory lending

Written by

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WASHINGTON, D.C. – US Rep. Keith Ellison (D-MN) and Sen. Amy Klobuchar (D-MN) introduced important legislation to combat mortgage lending abuses. The Homeowner Fairness Act is comprehensive housing reform legislation that proposes tough new national standards based on the successes of the Minnesota mortgage lending law passed in 2007. Ellison, a Member of the House Financial Services Committee, introduced similar legislation in the previous session of Congress.

“My home state of Minnesota has led the nation with some of the toughest laws to crack down on predatory mortgage lending,” Ellison stated. “Protecting vulnerable homeowners from predatory lenders is essential to bringing our economy out this recession,” Ellison said.

“As the nation struggles to deal with the fallout from subprime lending and the credit crunch, it is critical that families have access to safe, fair and affordable mortgages,” said Klobuchar. “Borrower protections – like those we have in Minnesota should be national policy to help safeguard families across the nation.”

Over the past few years, state governments in Georgia, Illinois, Maine, Massachusetts, New Jersey, North Carolina and Ohio, among many others, have enacted strong anti-predatory lending laws. The Homeowner Fairness Act would level the playing field by establishing national standards for mortgage lending.

The bill would put in place a number of key reforms. It would require all mortgage originators to verify a borrower’s ability to repay a mortgage before giving loan approval. In addition, the bill would require mortgage brokers to have a minimum net worth of \$500,000 while also subjecting them to fiduciary duties obligating them to act in the best interest of their clients. It further bans pre-payment penalties and limits up-front fees to no more than 5% of the initial principal of the loan. Importantly, the bill prohibits “steering,” which is the act of approving a loan at a higher

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rate than that for which a borrower qualifies. Finally, any loan sought by a borrower to re-finance a low or no-interest loan (such as a loan through a non-profit community organization or governmental entity like the Veteran's Administration) would need to first be reviewed by an independent, HUD-certified loan counselor.

"We need to make sure that abusive and exploitative mortgage practices come to an end," said Klobuchar. "For far too long, subprime lenders have put the homes and home equity of Americans at unnecessary risk. These protections are essential to restoring our economy and preventing a future crisis in the housing market."

"These reforms would address the predatory mortgage practices that are root causes of our current financial crisis. They would help to ensure that borrowers get fair loans that can actually help them finance the American dream of home ownership instead of ones that inevitably set them up for failure," Ellison concluded.