

110TH CONGRESS  
2D SESSION

# H. CON. RES. 391

Recognizing the disparities that are associated with predatory lending abuses in minority communities and expressing the sense of the Congress that as new abuses continue to emerge, such laws should ensure that all those responsible for representing and protecting families have the authority to act to address these new problems.

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IN THE HOUSE OF REPRESENTATIVES

JULY 17, 2008

Ms. CLARKE (for herself and Mr. TOWNS) submitted the following concurrent resolution; which was referred to the Committee on Financial Services

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## CONCURRENT RESOLUTION

Recognizing the disparities that are associated with predatory lending abuses in minority communities and expressing the sense of the Congress that as new abuses continue to emerge, such laws should ensure that all those responsible for representing and protecting families have the authority to act to address these new problems.

Whereas minorities have a long history of rejection by prime-rate lenders;

Whereas subprime mortgages are typically offered to borrowers who do not meet the credit standards for borrowing in the prime market and these loans cater to people with blemished credit records or little experience with debt;

Whereas inadequate attention has been paid to the concentration of these mortgages in neighborhoods that are largely African-American, Latino, or both;

Whereas some of the biggest lenders in minority neighborhoods are mortgage companies that provide only subprime mortgages, not full-service banks that do a range of lending;

Whereas a 2006 study by the Center for Responsible Lending (CRL), a nonprofit home ownership research group, concludes that African-Americans and Latinos are more likely to be steered into high-risk subprime mortgages;

Whereas advocacy groups say poor and minority borrowers who qualify for traditional mortgages are frequently nevertheless steered into mortgages that reset automatically to much higher interest rates after a short “teaser” period resulting in payment increases of hundreds of dollars each month;

Whereas these subprime mortgages are characterized by low “introductory” interest rates, usually for the first 2 or 3 years and these rates frequently rise rapidly in subsequent years;

Whereas African-Americans and Latinos are getting charged for more expensive mortgage loans than White borrowers, even when they have equal credit histories;

Whereas a nonprofit organization dedicated to eliminating abusive financial practices examined 50,000 mortgages and discovered that the two minority groups were almost a third more likely to pay more for a loan than similarly situated White borrowers;

Whereas the Center for Community Change reports that African-American and Latino borrowers are more likely to receive subprime loans than White borrowers;

Whereas Harvard Law School Professor Howell Jackson has conducted research demonstrating racial disparities in loan costs due to yield-spread premiums;

Whereas Professor Jackson's research has concluded that African-Americans pay an additional up front charge averaging \$474 per loan, while Latinos pay an average additional \$580 per loan on average;

Whereas other causes of pricing disparities may include the inconsistent application of objective pricing criteria, targeting of families of color by higher rate lenders or brokers, and lack of investment by lower cost lenders in minority communities;

Whereas information from the United States Federal Reserve demonstrates that African-Americans are 3.2 times more likely to receive a subprime loan than White borrowers;

Whereas in 2007, the number of homeowners defaulting on subprime mortgages began to soar;

Whereas it is estimated that as many as 2,200,000 households are at risk of defaulting on their subprime loans and losing their homes;

Whereas minorities are facing foreclosure or losing their homes disproportionately; and

Whereas Latino civil rights organizations say that this discrimination affects the large wave of first-time and first-generation Latino home buyers who are showing up in the housing market: Now, therefore, be it

1       *Resolved by the House of Representatives (the Senate*  
 2 *concurring), That the Congress—*

3           (1) recognizes that for most types of subprime  
 4       mortgages, borrowers of color are more likely to re-  
 5       ceive higher rate loans and there are many factors  
 6       that have played roles in making these mortgages  
 7       more costly to these borrowers;

8           (2) encourages fair pricing of home mortgages  
 9       that is based only on legitimate risk factors and fa-  
 10       cilitates economic progress for all borrowers;

11          (3) encourages lenders to eliminate discre-  
 12       tionary pricing in the subprime mortgage market  
 13       and prompts them to adopt transparent, market-  
 14       driven prices for mortgages representing similar  
 15       risks;

16          (4) encourages more transparency by—

17               (A) addressing yield-spread premiums in  
 18       laws designed to protect homeowners from abu-  
 19       sive lending practices;

20               (B) prohibiting yield-spread premiums  
 21       subprime and nontraditional home loans;

22               (C) improving transparency of yield-spread  
 23       premiums by requiring brokers to explain to ap-  
 24       plicants what the rate, payment, and fees on

1 the loan could be with and without the yield-  
2 spread premium;

3 (D) following the trends of the securities  
4 industry, holding lenders and brokers respon-  
5 sible for providing loans that are suitable for a  
6 given borrower; and

7 (E) prohibiting prepayment penalties in  
8 subprime loans;

9 (5) encourages preventing pricing discrimina-  
10 tion by requiring subprime lenders to disclose more  
11 detailed pricing and underwriting information in  
12 their Home Mortgage Disclosure Act data;

13 (6) encourages regulators to report annually on  
14 the number of fair lending examinations performed  
15 and for each examination provide publicly available  
16 information, including—

17 (A) identifying the indicators of potential  
18 discriminatory activity, if any; and

19 (B) identifying the protected class or class-  
20 es believed to be potentially disadvantaged by  
21 such activity, and the outcome of each review;

22 (7) encourages public and private partnerships  
23 to ensure responsible investments are made in un-  
24 derserved communities;

1           (8) recognizes that policymakers should review  
2           whether lower cost lenders need additional incentives  
3           to help meet the credit needs of communities of  
4           color;

5           (9) upholds the laws and regulations that pro-  
6           hibit predatory, irresponsible subprime lending and  
7           have proven effective in reducing the number of abu-  
8           sive loans while maintaining a vibrant market for  
9           subprime home loans;

10          (10) urges policymakers to endorse legislation  
11          that builds on the proven methods for protecting  
12          families from abusive lending while retaining access  
13          to subprime credit; and

14          (11) urges policy makers to oppose pre-emption  
15          of State and local laws designed to protect home-  
16          owners.

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