

The Columbus Dispatch

Don't foreclose on fairness

Changes to predatory lending bill undercut measure's original intent

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Lobbyists for the mortgage-lending industry are determined to sabotage a proposed law to shield Ohioans from devastating predatory-lending practices. But the House-Senate conference committee that will take the matter up in May should ensure that the law protects borrowers, not abusive lenders.

Legislation to curb Ohio's nation leading rate of home-mortgage foreclosure seemed close at hand in February, when the Senate overwhelmingly passed Senate Bill 185. The measure put mortgage lending under the auspices of the Consumer Sales Practices Act, giving the state attorney general the authority to sue brokers who use deception to lure people into loans they can't afford.

It also imposed a fiduciary duty on brokers and lenders to act in the best interest of consumers and required mortgage brokers and appraisers to be licensed by the state.

Observers expected industry lobbyists to have better luck watering the bill down in the House. At first, the House seemed poised to surprise, with a bill that maintained most of the Senate bill's provisions and even strengthened some. Eventually, though, the lending lobby prevailed, and the House bill passed just before the primary-election recess contained changes that mock the original bill's intent.

Instead of simply stating that Ohio's consumer-protection law applies to mortgage brokers, it limits the law's application by naming a few specific practices to be prohibited.

This has the effect of exempting countless other manipulations and deceptions, including those that unethical brokers haven't yet dreamed up.

It also removes the prohibition of penalties for paying off a mortgage early. Prepayment penalties line lenders' pockets and make it harder for people trapped in unwise loans to get out by refinancing.

Perhaps the most egregious change made by the House is a provision allowing lenders to raise the interest rate of a mortgage if the borrower has fallen behind on a credit card or other loan, even if the borrower hasn't missed a single mortgage payment.

Clearly, the lending lobby is not ashamed of the fact that Ohioans are more likely than people in any other state to lose their homes to foreclosure, but Ohio's lawmakers should be.

According to a new report by Policy Matters Ohio, a Cleveland-based research organization, the number of Ohio foreclosures in 2005 was nearly 64,000 — 8.5 percent higher than in 2004. The number has quadrupled in 10 years.

Although a weak economy surely contributed to that number, deceptive loans to people with shaky credit are a prime factor.

When lawmakers return in May, they should solve the problem with a strong law that puts fairness first.