



Coalition on Homelessness
and Housing in Ohio
COHHIO

STATEMENT TO THE PRESS

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APRIL 3, 2006

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Last week, members of the House of Representatives voted to pass a bill they believed would result in increased protection against predatory lending in Ohio. They were misled by intense, 11-th hour industry lobbying techniques. In fact, this bill resembles a predatory loan: at first glance, things look really good, but read the fine print and you discover you're in serious trouble. According to volunteer attorneys across the state who have been reading the fine print, this bill is serious trouble for Ohio consumers.

We're not here to point blame; we're here to point out the bill's deficiencies so that we can get it right in Conference committee. And we're here to publicly pledge our commitment to House leadership, to our allies on both sides of the aisles in the Senate, and to well-intentioned House members on both sides of the aisle who want to pass a strong bill that honestly protects homeowners.

Last week, lawmakers were under pressure and up against a voting deadline of March 30. That made it impossible for the details of the positive new framework in this bill to emerge. But the framework is there, and with more time it will become clearer. It started in the Senate bill with strong fiduciary duties and coverage under the CSPA. The House began to build the third component. It can be likened to a three-legged stool:

- One leg supports establishing **fiduciary duties for brokers**;
- One leg provides coverage of **mortgage lending under Ohio's Consumer Sales Practices Act – or CSPA**;
- One leg establishes **“bright-line” protections** for all mortgages, plus high-cost loan triggers that provide private rights of action and strong deterrence.

Right now, that stool is weak and wobbly because of changes, omissions and additions to language in the original SB 185. In its current form it is not a dependable structure for Ohio's homeowners.

COHHIO's list of the House bill's problems spans 12 pages, but for example, the bill:

- Completely guts **fiduciary duties for brokers**. It allows mortgage brokers to meet their duty requirements through disclosure, so the broker can still harm the borrower as long as the broker is able to urge the borrower to sign disclosure papers releasing the borrower of all liability. Also, it limits the liability to the person in the brokerage company who has contact with the homeowner, even if that person is carrying out company policy.
- Omits "unconscionability" in the CSPA as it applies to mortgage lending, instead outlining **unfair and deceptive acts**. In effect, it limits unfair and deceptive trade practices to an industry-generated list of specific acts; then legalizes certain loopholes. Also, it gives future rule-making power to the Department of Commerce.
- Seriously weakens **bright-line prohibitions** – including: Prepayment penalty has no private right of action, so there's little disincentive to stop lender bad behavior. Plus, a provision was added that allows the lender to set *any* prepayment penalty as long as the borrower agrees.

Over the last five days COHHIO representatives have worked around the clock to analyze the bill and offer alternative perspectives. The Speaker of the House also has spent a great deal of time on this issue. After a number of conversations, COHHIO understands the Speaker and House leaders are committed to finding a real solution to the problem of predatory lending in Ohio and working out the problems with this bill in Conference committee. COHHIO looks forward to helping develop a bill that can make both chambers proud.