

Senate passes "home loan fairness act" targeting predatory lending

by Bend_Weekly_News_Sources

Home Loan Fairness Act will protect homebuyers, target predatory lending practices, head off mortgage crisis

The Oregon Senate passed Senate Bill 965 Friday, legislation that sets new standards for lenders who make nontraditional home loans. Known as the Home Loan Fairness Act, the bill comes in response to the recent crisis in the subprime lending market that has led to record foreclosures across the country. Senate Bill 965 will protect consumers and put Oregon in a unique position to prevent a foreclosure crisis.

"Investing in a home is one of the most important and best financial decisions a person can make," said Senator Brad Avakian (D-Portland/Beaverton). "This bill is designed to ensure fair lending practices for families who are working hard to achieve the dream of home ownership."

Senate Bill 965 is a direct response to the national mortgage meltdown, which has seen a dramatic increase in foreclosures for borrowers with nontraditional mortgage products such as "interest only" loans, "payment option" loans, "no documentation" loans, and "teaser rate" adjustable loans.

“The recent massive round of foreclosures across the country is now well documented,” said Senator Rick Metsger (D-Mt. Hood). “With this bill, Oregon can avoid this crisis in the subprime market.”

Under Senate Bill 965, a lender who makes a nontraditional loan will be required to determine in advance a borrower’s ability to repay a loan based on the full terms of the loan, not just the introductory terms at the front end of the loan. In addition, the bill limits the circumstances in which loans can be made without proof of income or assets, and it requires lenders to adopt detailed risk management practices and abide by a series of detailed consumer protection standards.

“Senate Bill 965 is a clear case of consumer protection,” said Senator Laurie Monnes Anderson (D-Gresham). “No person should be subject to such blatantly poor lending practices.”

Senate Bill 965 will now move to the House for consideration.

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