
Home loan fix: A long time coming

Finally, action on the housing front: Consumer advocates have battled for a decade to halt abuses that the feds ignored.

By Staff Reports

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All over America today one can hear the sound of one hand clapping -- consumer advocates reacting to the news that the federal government might do something about foreclosures.

Not even the Bush administration can continue to ignore this problem, now that it's contributing to the trauma on Wall Street.

All across the government, there has been an awakening to issues that non-government agencies that help poor people have been laboring over for the past decade.

The latest to enter the fray was Ben S. Bernanke, the chairman of the Federal Reserve, who said Tuesday that the Fed next week will issue new rules restricting the issuance of high-cost loans aimed at people with weak credit.

At the Federal Housing Administration, efforts are being redoubled to help more troubled homeowners to refinance adjustable mortgages.

Meanwhile, Congress is working on legislation to help families whose necks are exposed to the foreclosure ax.

Of course, financial institutions that invested in high-risk mortgages are being rescued from the brink of collapse through programs created by the the Fed last March. Something had to be done to stabilize the market in securities sold by Fannie Mae and Freddie Mac, the federally chartered mortgage-finance companies that have been hit by the current wave of foreclosures.

Of course, it's better to be late to the party than never to show up, but it's difficult to excuse the absence of federal and state interest in an affair that has been jumping for a decade.

Dragging state governments into the fray hasn't been easy, either. After a lengthy campaign by consumer advocates, Tennessee in 2006 finally passed the Home Loan Protection Act. To get that law passed, advocates had to overcome the objections not only of well-heeled industry lobbyists but also state government officials who believed that federally chartered banks and subsidiaries couldn't be held accountable at the state level.

Some of its provisions are still being violated by some lenders, who have to be threatened with lawsuits in order to be persuaded to refinance blatantly illegal loans, according to Webb Brewer of Memphis Area Legal Services.

And predatory lenders are still making the kinds of new home and renovation loans that are structured in such a way that one can't escape the conclusion that the lender's objective is to trick homeowners out of their property through foreclosure.

As Commercial Appeal reporter Trevor Aaronson illustrated in Wednesday's editions of The Commercial Appeal, low-income African-Americans have become the favorite target of issuers of high-fee home-equity loans that can lead to financial ruin for unaware borrowers.

So today in Washington the Bush administration is said to be looking for ways to prevent as many home foreclosures as possible -- there could be as many as 2.5 million this year, up from 1.5 million in 2007 -- but acknowledging that many are "not preventable."

Ten years ago, many of them could have been prevented. At that time, scam loans were just a problem of the poor.



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