

Illinois Attorney General Lisa Madigan and The Chicago Reporter Target High-Cost Loan Lenders

By *mark*

Created Nov 30 2009 - 15:03

Posted on Nov 30, 2009.

The Reporter releases new data showing Countrywide Financial Corp. Chicago's biggest high-cost mortgage lender; Illinois Attorney General Lisa Madigan discusses new state program to address persistent problem

FOR IMMEDIATE RELEASE:

THURSDAY, NOVEMBER 29, 2007 - CHICAGO - *The Chicago Reporter* partnered with Illinois Attorney General Lisa Madigan to release new data showing Countrywide Financial Corp. as the biggest high-cost mortgage lender in Chicagoland, while at the same time New York Senator Charles Schumer called for a federal investigation into Countrywide's lending practices.

New data analyzed by the *Reporter* show Chicago as leading the nation in high-cost loans for the past three years, with Black and Latino borrowers and communities bearing the greatest burdens, and Countrywide Financial as the region's top high-cost lender.

High-cost loans are at the heart of the nation's unfolding mortgage crisis. They are defined in federal mortgage lending data as first-lien home purchase loans with interest rates at least three percentage points above the U.S. Treasury standard.

Illinois Attorney General Lisa Madigan addressed the issue of high-cost loans Thursday at *The High Price of Homeownership*, a program sponsored by *The Chicago Reporter*, the Community Renewal Society and The Chicago Urban League and held at the Chicago Regional Council of Carpenters Building in Chicago.

"High-cost, high-risk loans are clearly fueling the current, growing foreclosure crisis," Madigan said, observing that the Center for Responsible Lending projects that over 40,000 homes in the Chicago region will be lost due to foreclosure on subprime loans sold in 2005 and 2006. "This crisis impacts individuals and families most of all, but also has a devastating impact on neighborhoods and our economy. We have worked too hard building up our communities to watch them be destroyed by this crisis."

Countrywide Financial Corp. Chicago Region's Top High-Cost Lender

Among companies responsible for the greatest number of high-cost loans, Countrywide Financial Corp. topped the list with 6,851 high-cost loans. In 2006, 28 percent of the company's loans were high-cost loans, while 72 percent were prime-rate loans. One telling statistic shows that Countrywide made 1,591 high-cost loans to Blacks in 2006 - and only 1,537 Prime-rate loans.

The Chicago region's other top high-cost lenders for 2006 include: **ACC Capital Holdings Corp.**; **National City Corp.**; **Fremont Investment & Loan**; **New Century Financial Corporation**; **GE Money Bank**; **Wells Fargo & Co.**; **Accredited Home Lenders, Inc**; **Washington Mutual**; and **Lehman Brothers Bank**.

- **ACC Capital Holdings Corp.**, through four different companies, focuses on providing high-cost loans to customers in the Chicago area. In 2006, nearly 91 percent of all loans made by ACC Capital Holdings' were high-cost loans. While Latinos received 121 prime-rate loans from the company in 2006, another 1,604 high-cost loans were granted to Latino applicants—more than 13 times the number of prime-rate loans to Latinos.

- **GE Money Bank**, mostly through WMC Mortgage Company, also focuses on high-cost loans, with 98 percent of all loans made in 2006 being high-cost loans. Out of 4,374 home loans made in 2006, 4,267 were high-cost loans and a mere 107 were loans at the prime-rate.

- **New Century Financial Corporation** is another company that emphasizes high-cost loans - about 91 percent of its loans are high-cost loans and 9 percent are prime-rate loans. Eleven Asians received prime-rate home loans from the company in 2006, while 132 received high-cost loans.

Black, Latino Communities Hardest Hit by High-Cost Loans

The Chicago Reporter data also clearly show that high-cost loans are having a disproportionate impact in low-income Black and Latino communities in the Chicago metropolitan area. The newsmagazine looked at offers of high-cost and prime-rate loans made to Asians, Blacks, Latinos, and Whites in the Chicago Metropolitan Statistical Area, including high-cost first-time homebuyer, refinancing, and home-improvement loans.

According to *The Chicago Reporter's* Findings, Chicago-area Black and Latino loan applicants making more than \$100,000 a year were significantly more likely to be offered a high-cost loan than were White loan applicants making less than \$35,000. In 2006, 52.7 percent of area Blacks and 40.2 percent of Latino applicants making more than \$100,000 a year received high-cost loans. Only 19.3 percent of White applicants making less than \$35,000 received such loans. In the same year, more than half of all Black applicants who earned less than \$35,000 received high-cost loans.

As well, certain Chicago communities bear a disproportionate financial burden due to high-cost loans. Figures show the majority of home loans to be high-cost loans in neighborhoods including **Englewood, West Pullman, Greater Grand Crossing, Auburn Gresham, Pullman, Roseland, Austin, and Humboldt Park**, among others.

Earlier this month, the state of Illinois took important action to address the high-cost loan crisis when Governor Rod Blagojevich signed the Illinois Homeownership Preservation Act. The Act, to go into effect June 1, 2008, was drafted by Illinois Attorney General Lisa Madigan and sponsored by **State Senator Jacqueline Collins** (D-Chicago), as well as **State Representatives Karen Yarbrough** (D-Broadview) and **Lou Lang** (D-Skokie). The Act also received support from a diverse range of groups including the AARP, Citizen Action and the Illinois Association of Mortgage Brokers, as well as The Illinois Department of Financial & Professional Regulation.

"While the problems facing homeowners are not unique to our state, Governor Blagojevich has been actively working on solutions that will help Illinois families stay in their homes. These efforts include better education about the mortgage process, increased options for families in financial trouble and aggressive enforcement against predatory lenders. Programs such as the Governor's Homeowner Outreach Days which started last month should improve the odds that families in our state can stay in their homes," said **Secretary Dean Martinez**, Illinois Department of Financial and Professional Regulation.

Illinois Attorney General Madigan has played an important role in protecting consumers from predatory lending over the years, supporting key legislation including the High Risk Home Loan Act of 2003 and drafting the Mortgage Rescue Fraud Act on 2006. Her office has also successfully participated in three multi-state investigations of major subprime lenders in recent years, resulting in settlements yielding more than \$600 million dollars. In addition, Attorney General Madigan has filed numerous lawsuits to protect Illinois homeowners from mortgage fraud.

Many borrowers who receive high-cost loans may not be able to afford them - and do not fully understand why lenders made a high-cost loan to them. The interest rates of these loans go up so quickly - and by so much - that paying for the loan can become a big problem for many borrowers. The Illinois Homeownership Preservation Act will address these problems, supporters say.

"The public has to be better educated about high-cost loans or more and more people are going to get trapped by them," said State Senator Collins. "We believe that the Illinois Homeownership Preservation Act will make a significant difference on this issue. This program will protect consumers from unscrupulous lenders. We hope that it brings the dream of buying a home closer to reality for many people."

Features of the New State Law

The law focuses on providing full information about risky loan features. Among the law's provisions are requirements that brokers must act with good faith toward borrowers and provide them with the best loan options available to each broker. Mortgage brokers must verify that a borrower will be able to pay the costs of the loans, including principal, interest, insurance, and taxes. Borrowers must also be notified of changes in material loan terms before closing, prepayment penalties are limited to three years, and statements suggesting that "low monthly payments" include taxes and insurance may not be made.

According to *The Chicago Reporter*, the new law addresses a problem that has grown in recent years. "It's clear from every angle that this is a hugely critical issue for the public and for lenders," said **Alysia Tate**, Editor and Publisher of *The Chicago Reporter*. "It is not going away. The housing industry is in trouble, and that's affecting a large number of people. By increasing the public's awareness about high-cost loans, hopefully we can ameliorate some of the damage."

That damage is characterized by foreclosure rates that are on track to hit record highs in 2007 and a subprime lending market that is having a major impact on people who wind up paying more for subprime loans than they would for market rate loans they are qualified to receive.

Alden Loury, who co-authored the *Chicago Reporter* story "The High Price of Homeownership" in the November issue of the magazine with **Kimbriell Kelly**, said that data show there is good reason to take a close look at these loans. "Thousands of people in Chicago - especially in predominantly African-American and Latino neighborhoods - are spending much more on these loans than they need to. High-cost loans can have a devastating impact on families and communities."

Cheryle R. Jackson, President and CEO of the Chicago Urban League, said, "Homeownership is a vital stepping stone to the middle class and is an essential part of our projectNEXT economic development agenda. The data presented today underscores our belief that African American homeowners and homebuyers are in need of support, education, and protection."

Tate agreed. "The data show a lot of people don't understand the risks associated with a lot of these loans. Hopefully, many more people will learn about how these loans are impacting families and communities - and that we have the power to do something about it."

In addition to Illinois Attorney General Madigan, State Senator Collins, Dean Martinez, and Cheryle R. Jackson, participants at Thursday's event included: **Illinois Assistant Attorney General Tom James**; **Margaret Wooten**, Director, Chicago Urban League Development Corporation; **Rev. Calvin S. Morris, PhD**, Executive Director, The Community Renewal Society; **Paula Grantt**, Business Development Officer II, ShoreBank; **Alysia Tate**, Editor & Publisher, *The Chicago Reporter*; **Alden Loury**, Senior Editor, *The Chicago Reporter*; **Kimbriell Kelly**, Reporter, *The Chicago Reporter*; and **Kristen Komara**, Director of Financial Services, The Resurrection Project.

Established in 1916, the Chicago Urban League is a civil rights organization that empowers and inspires individuals to reach and exceed their economic potential. The League focuses on growing Chicago's African American workforce and business community. Since 1982, the Chicago Urban League Development Corp has worked to protect Chicago's African-American neighborhoods by protecting homebuyers and homeowners. In a continuing effort to combat the

Illinois Attorney General Lisa Madigan and The Chicago Reporter Target High-Cost Loan Lenders

Published on Community Renewal Society (<http://www.communityrenewalsociety.org>)

growing problems of foreclosures, the League offers foreclosure prevention counseling and counseling to those facing foreclosure, assistance with budgeting, assessment of the factors which can cause default, explanation of various options and alternatives to foreclosure, and assistance in negotiating with lenders. The League serves more than 250 clients each year.

The Chicago Reporter is an award-winning bimonthly print and online news magazine that focuses on race and poverty issues and serves as a watchdog of government and other institutions.

The Community Renewal Society is a progressive, faith-based organization that works to eliminate race and class barriers. Founded in 1882, the Community Renewal Society informs, organizes and trains both communities and individuals to advocate for social and economic justice. Community Renewal publishes *The Chicago Reporter*.

Media Contact:

Laurie R. Glenn

Telephone: 773.252.8672, x301

Cell: 773.704.7246

E-mail: [lrglenn \[at\] lrglenn \[dot\] com](mailto:lrglenn@lrglenn.com)

`var switchTo5x=true; stLight.options({publisher:''});`

Source URL:

<http://www.communityrenewalsociety.org/media-center/illinois-attorney-general-lisa-madigan-and-chicago-reporter-target-high-cost-loan-lenders>