Don't believe lenders who say good-bye

Why would big, powerful national lobbying groups like the Mortgage Bankers Association worry about an anti-discrimination ordinance in Montgomery County?

The fact is they're not. What they're doing is scoring political points off an ordinance

Commentary

ERIC HALPERIN

that does nothing more than bar predatory lenders from gouging minorities when they buy or refinance a home. And predatory lenders target minorities.

The County Council amended an ordinance to encourage victims of lending discrimination to come to the county for help instead of wading through the federal bureaucracy.

The lenders and brokers claim the law would put them right out of business and have threatened to leave. Their lawyers got a restraining order. And now some council members want to repeal the law.

Let's look at the several ways lenders' claims are silly and dishonest.

First, all lenders are already supposed to be complying with an even more stringent 37-year-old federal fair-housing law. So what's the problem with a similar local law that does nothing more than let county officials investigate di ination cases?

Second, the industry already observes more than 60 similar local laws around the country. Have lenders complained about Seattle or Jacksonville, Fla? No. Have they decamped for cities with no ordinances? No. And what does it tell us if they feel they must leave now?

"If lenders abandon Montgomery County because they are afraid of obeying anti-discrimination laws," says Julian Bond, chairman of the NAACP, "we have to question whether this is an admission of illegal activity."

Third, the amendments raise Montgomery County's discrimination penalty from $5,000 to $500,000. But that's actually less stringent than federal law and many local ordinances, which put no cap on penalties. And the old $5,000 cap kept people from bringing their cases to county officials.

So why are the lenders supposedly in an uproar? The answer is as close to the county as Capitol Hill and as far away as Massachusetts.

A dozen states have passed strong laws against predatory mortgage lenders. The lenders got U.S. Rep. Bob Ney (R-Ohio) to introduce a bill to abolish every single one of these laws.

Lenders like Ameriquest, which just paid $325 million for overcharging customers, argued that these state laws crimp credit to

argued that these state laws crimp credit to borrowers when lenders leave for more lenient states.

Well, that turned out to be just not true. In a massive study, researchers at the Center for Responsible Lending found recently that lenders made the same or more loans – at better rates – in states with laws against predatory lending. (Maryland, incidentally, has one of the weaker laws.)

So the industry lost that argument. Now it says complying with local laws will run lenders out of business, despite another of our studies that shows compliance costs about $1 a loan.

Experts from states with strong laws, like Massachusetts state Rep. John F. Quinn (D), say lenders always threaten to leave when governments pass predatory lending laws. But they wind up staying, which means their contention that Montgomery County's economy is in danger is also not true.

"Our law is tough but fair," Quinn said recently. "We've all heard the myths that helping consumers hurts the market. Well, this study shows that we can put that tired act to bed."

All this ordinance does is make it a little easier to protect Montgomery County's residents from discrimination. It is shameful that lenders would use this as a ploy in a political tussle.

Eric Halperin, a former Justice Department civil-rights lawyer, is a senior policy counsel for the Center for Responsible Lending, a Washington, D.C.-based nonprofit dedicated to ending predatory lending.