

## Press Releases

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February 23, 2000

### OTS 00-22 - 'Responsible Competition' is the Weapon to Fight Predatory Lenders; Seidman Says

#### Office of Thrift Supervision

FOR RELEASE at 5:00 P.M. EST

For further information

Wednesday, February 23, 2000

Contact: William Fulwider

OTS 00-22

202/906-6913

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### **'Responsible Competition' is the Weapon to Fight Predatory Lenders; Seidman Says**

WASHINGTON, D.C., Feb. 23, 2000 - The most important place to fight predatory lenders is in the marketplace, and the weapon to combat them is "responsible competition," Director Ellen Seidman of the Office of Thrift Supervision (OTS) declared today. "It's a fight we can win, and one that our communities can't afford to lose."

In a speech to the Neighborhood Reinvestment Training Institute in Atlanta, Ms. Seidman said, "One of the reasons predatory lenders are so successful is the absence of competition. To combat predatory lending successfully, lenders must create responsible credit and financial service alternatives for customers, and they must market these products and services in ways that actually reach those for whom they are intended - just like the predatory lenders are doing."

Community leaders and organizations have an important role because bridging the gap between bankers and financially challenged families "is key to helping eliminate the opening that predatory creditors use to drive a wedge between legitimate needs and community stability.

"This should be a matter of enlightened self-interest for financial institutions," she said. "Not only are there good customers out there, but existing portfolios are at risk when the communities in which they are located become targets for predatory lending."

While the government can and is taking enforcement actions against predatory lenders, "positive responses to real need are what will protect our communities and keep them growing." Ms. Seidman identified three approaches community organizations can actively take to foster the competitive market in under-served neighborhoods:

1. Identify reliable home improvement contractors and home equity lenders and make them known to the community; and, conversely, set up early warning networks and intervention game plans to thwart unscrupulous contractors and lenders.

2. Help consumers in lower-income communities develop banking relationships through education, first-time homebuyer programs, Electronic Benefits Transfer programs, first-time investor programs and other means.
3. Educate, and thereby arm, potential victims of predatory lenders with the information they need to make sound financial choices.

"An informed consumer, and one with options, is less likely to fall victim to loan scams. The key to success, as with most things in life, is to work together. Work with financial institutions to provide alternatives to the credit being offered by predatory lenders. Create a referral network. Contact state and federal regulatory agencies when you hear about unscrupulous contractors pursuing a neighborhood," Ms. Seidman said.

"Together we can successfully close the doors to the fast money that predatory lenders seek in these communities. And we must. Credit delivered irresponsibly - particularly to those who can least afford to lose - is worse than no credit at all. The consequences to the borrower are most certainly devastating, and the ultimate implications for our communities, if left unchecked, may be equally disastrous," she warned. As for OTS-regulated institutions doing predatory lending, they "shouldn't even think about getting into this part of the business," she declare.

Neighborhood Reinvestment Training Institute in Atlanta - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2000-22a.pdf>

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The Office of Thrift Supervision (OTS), an office of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).