



Ney-Kanjorski Bill a Threat to Massachusetts Homeowners

Massachusetts has passed a strong anti-predatory lending law that protects its homeowners from abusive lending practices. The Ney-Kanjorski bill (H.R. 1295) would usurp Massachusetts' ability to protect its homeowners. Massachusetts' strong anti-predatory lending law would be gutted by this proposed federal legislation. Further, the sweeping preemption in the Ney-Kanjorski bill would eliminate other mortgage protections under Massachusetts law and tie the hands of the state from acting in the future to protect its residents from lending abuses.

H.R. 1295 Would Preempt Massachusetts Protections Against Equity-Stripping in High-Cost Home Loans. Massachusetts protects its borrowers against equity stripping practices by including costly fees such as prepayment penalties, yield spread premiums (broker kickback fees), and financed single premium credit insurance towards its trigger for high-cost loan protections. While the Ney-Kanjorski bill purports to have the same 5% points and fees trigger for high-cost loans, in reality, the H.R. 1295 points and fees trigger is much weaker as it ignores these costly fees, preventing homeowners from getting the protections they are entitled to under the current Massachusetts anti-predatory lending law.

H.R. 1295 Would Leave Homeowners Vulnerable to Abusive "Flipping" Practices. The Massachusetts law prohibits flipping on all home loans not in the "borrower's interest." The Ney-Kanjorski bill, on the other hand, would rescind this protection except for in high-cost home loans, allowing lenders to flip borrowers as long as the loan's up front fees are only 4.99% of the loan amount each time and only applying the prohibition when a refinance is within two years of the original term.

H.R. 1295 Would Severely Limit Remedies for All Massachusetts Citizens. Massachusetts has a very strong UDAP Act (unfair and deceptive practices - consumer protection act) and well developed common law protecting its consumers. H.R. 1295 would eviscerate these laws, extending its reach far beyond the field of home mortgages.

H.R. 1295 Would Roll Back Massachusetts' Assignee Liability Protection. Massachusetts law contains strong assignee liability provisions. The Ney-Kanjorski bill would dismantle Massachusetts citizens' rights to defend their home in foreclosure if their loan had been sold and severely limited citizens' remedies, including the right to rescind an abusive loan. In addition, H.R. 1295 would replace the Massachusetts Truth in Lending statute of limitations, shortening the time period that a citizen could make a claim from four years to three.

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

For additional information, please visit our website at www.responsiblelending.org.