December 31, 2000

William Darr
Commissioner
Office of Banks and Real Estate
310 S. Michigan, Suite 2130
Chicago, IL 60604

Sarah Vega
Director
Department of Financial Institutions
100 W. Randolp Street, Suite 15-700
Chicago, IL 60601

Dear Commissioner Darr and Director Vega:

I am writing to ask you to submit Governor Ryan's proposed predatory lending regulations to the Joint Committee on Administrative Rules (JCAR) as introduced in December, 2000. It is important that these rules are not weakened due to pressure from industry lobbyists. We are also calling on all JCAR members to support these rules as introduced by the Governor.

Over the last five years, there has been an explosion of abusive home loans occurring across Illinois. The most vulnerable across Illinois – including the elderly and working families -- are having their hard-earned home equity stripped away by predatory lenders, with many victims losing their homes entirely. In the Chicago area alone, foreclosures by subprime lenders were conservatively measured at more than 5,000 in 1999, up from less than 150 in 1993. Foreclosures have also increased dramatically in communities such as Kankakee, Normal, Springfield, Danville, Rockford, and Decatur. Beyond foreclosures, many homeowners are seeing the equity in their homes stripped out by exorbitant up-front fees and repeated refinancings.

This problem can only be solved by reducing the huge and excessive profits made possible by outrageous fees and abusive loan terms. The scale of the problem requires a regulatory approach. Governor Ryan's proposal -- which must not be weakened -- will do the following:

- It will define a segment of the subprime loan sector as "high-cost loans." Loans over this threshold are not prohibited. Rather they are subject to certain consumer protections.
- For high-cost loans only, it will limit the financing of more than 6 percent of the loan amount in up-front fees. Excessive up-front fees strip out homeowners' equity and encourage high delinquencies and foreclosures because lenders are less concerned with the ability of the borrower to repay the loan.

- For high-cost loans only, it will:

--Prohibit lump-sum financed credit life insurance
--Require lenders to document that the borrower can repay the loan
--Limit prepayment penalties that can trap borrowers in high-cost debt
--Prohibit balloon payments of less than 15 years that are used to compel repeated refinancing and are unnecessary in the making of these loans

It is clear that responsible loans to those with imperfect credit can be made under these guidelines. The regulations contain no limit on interest rates, thereby allowing lenders to price the loans for risk appropriately.

Please stand with us in supporting these regulations.

Sincereley,

cc:

Representative Tom Ryder, JCAR Co-Chair,314 Capitol, Springfield IL 62706
Senator Barack Obama, JCAR Co-Chair, 105B Capitol
Senator J. Bradley Burzynski, JCAR, 121B Capitol
Senator Doris Karpiel, JCAR, 123 Capitol
Senator Lisa Madigan, JCAR, 105C Capitol
Senator William O'Daniel, JCAR, 103B Capitol
Senator Steven Rauschenberger, JCAR, 615A Capitol
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