

**WOMEN'S
POLICY
GROUP**

*Focus
Series*

Foreclosure is a Women's Issue: Prohibit Predatory

Practices

Women are more than twice as likely as men to be the victims of subprime loans – the heart of the foreclosure crisis.

Georgia's Foreclosure Crisis is Deepening

Several years of dramatically rising foreclosure rates were topped by an 81% increase in foreclosures nationwide last year. Georgia has consistently remained among the top ten states with the highest rates of foreclosure. Next month, there are more than 10,000 foreclosures scheduled for sale in the 13 county metro Atlanta area – a new record high. Much of this crisis is fueled by foreclosures of subprime loans. In Georgia, subprime loans increased from 11,000 in 1998 to more than 200,000 by the middle of 2007, many based on loans made without documentation of income and without an assessment of the person's ability to pay. Profits were being taken every time a loan was closed, without regard to whether the person would ever be able to repay. In 2008, Georgia ranked fourth in the nation in the rate of mortgage fraud.

Women More Often Victims of Predatory Loans

Home ownership is a key to wealth accumulation and financial stability. Prior to enactment of the Fair Housing Act in 1968, most women could not get a mortgage on her own. Today, gender discrimination in lending has a new face. An analysis of 10 million mortgages in 2007 found that female borrowers were almost twice as likely to hold subprime loans as male borrowers. A 2005 study confirmed that women are 32-41% more likely than men with the same income levels to receive a subprime or high cost loan. As women's incomes increase, the likelihood they will have a subprime loan compared to a similarly situated male increases dramatically.

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Support SB 57

The House Judiciary Committee version of SB 57 addresses origination abuses by brokers:

- Bans pre-payment penalties.
- Prohibits negative amortization loans.
- Bars yield spread premiums - kickbacks for steering borrowers to more expensive loans.
- Requires consideration of a borrower's ability to pay based on income, debt and finances (beyond their equity in the home).
- Mandates mortgage brokers act in good faith and with fair dealing, use reasonable skill, care and diligence, and provide material disclosures.
- Remedies under the Fair Business Practices Act remain available to borrowers.

However, SB 57 does not provide assignee liability, a much-needed remedy, as most loans are quickly resold after they are concluded.

Other Foreclosure Measures Needed

- **Notice to innocent tenants** prior to foreclosure with the right to remain for 60 days after foreclosure occurs (**SB 140**).
- **Relief from unscrupulous foreclosure rescue scams** that rob consumers of the equity remaining in their home (**SB 139**).
- Borrowers should have the right to **judicial foreclosure**.
- **Neighborhoods need effective code enforcement and remedies** from foreclosures that result in deteriorating property and declining home values.

Georgia should adopt measures to address the ravages of the foreclosure crisis at its roots.

Sources: Women's E-News "Senate Bill Could Help Women Keep Homes" March 23 2009; Carrie Teegarden, "Metro's Mortgage Woes 'Will Get Worse'" *Atlanta Journal Constitution*, Feb. 7, 2008. Margaret Newkirk, "Georgia Ranked Fourth in Nation for Mortgage Fraud" *Atlanta Journal Constitution*, March 17, 2009; Kevin Duffy, "Foreclosures Reach New Record High" *Atlanta Journal Constitution*, March 17, 2009; Consumer Federation of America, "Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High Cost Mortgage Market" Dec. 2006; "Women's Credit Profiling Called Costly, Ignored" March 3, 2008 by Allison Stevens, Women's E News; Sandra Guy, March 5, 2007 "Women Help Explain Sub-Prime Mortgage Jitters"; Realty Trac data on Home Foreclosure Trends by State, March 2009.

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