

## Legislative Highlights

### *“Oversight Congress” Gets Busy Putting Lenders on the Defensive*

The 110th Congress has wasted little time focusing its oversight powers on the lending industry, particularly as it relates to consumer borrowers. The Senate Banking Committee held a hearing on Feb. 7 on predatory lending practices and home foreclosures, with special emphasis on the subprime market. In the words of committee chairman Sen. Chris Dodd (D-Conn.), “these practices may be eroding the foundation of home-ownership” for minority families, the elderly or unsophisticated borrowers. The committee heard testimony that nearly 20 percent of subprime mortgage loans made in 2005-06 (representing 2.2 million families) will end in foreclosure due to abusive loan terms. Sen. Dodd called upon the industry to

reform its practices and urged more regulatory oversight.

A similar theme was struck during a Banking Committee hearing on Jan. 25 on the billing, marketing and disclosure practices of the credit card industry. The committee expressed concern over the rise in consumer debt attributable to credit card use, which Sen. Dodd fixed at \$9,300 per U.S. household. He targeted high-penalty fees, inadequate disclosures to those who revolve debt each month, and sharp marketing practices to vulnerable groups. Rather than proposing new legislation at this point, Dodd urged the industry to reform from within, while calling for more aggressive oversight by Federal banking regulators.

Across the Capitol, the House Financial Services Committee announced on Feb. 12 that it too will also study consumer complaints with respect to credit cards. The full committee is chaired by Rep. Barney Frank (D-Mass.) and the Subcommittee on Financial Institutions and Consumer Credit is chaired by Rep. Carolyn Maloney (D-N.Y.).

Meanwhile, the Senate’s permanent Subcommittee on Investigations, chaired by Sen. Carl Levin (D-Mich.), has announced plans to continue its oversight of abusive credit card practices. Levin released a GAO report last fall that showed that issuers made more of their money from rising fees, complex interest charges and poor disclosure. ■