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# Ohio groups attack subprime, predatory lending

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Subprime and sometimes predatory lending are responsible for an "epidemic" of housing foreclosures in the state, two Ohio public advocacy agencies said in separate reports released Oct 4.

Foreclosure cases across the state increased 155 percent to 43,419 between 1994 and 2001, said Columbus-based Policy Matters Ohio. About 24,597 families in Ohio lost their houses in foreclosures last year alone — a 200 percent increase, the organization said.

Cleveland-based Ohio Community Reinvestment Project in its examination that focused mainly on Summit, Lorain and Montgomery counties said those counties typify the state's "epidemic" of foreclosures.

The group said an increasing percentage of those failed mortgages began as so-called subprime loans, made to borrowers with less-than-perfect creditworthiness.

About 546 of the 2,027 foreclosures, or 27 percent, in the three counties in 1997 involved subprime loans, compared with 2,363 of 5,619 loan failures, or 42 percent, in 2001.

Subprime loans serve a purpose, both

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reports acknowledged, because they allow a greater cross-section of the population to buy housing. The studies noted, too, that subprime loans are expected to default more often than regular bank loans because they are made to individuals who are bigger credit risks.

Still, the Ohio Community Project said increased credit risk doesn't fully explain the increase. One part of the problem is predatory lending, said Policy Matters. Predatory lenders often cheat borrowers by including hidden fees, interest rates that balloon in later years, or by forcing them to buy other products such as life insurance.

First on Policy Matters' list of recommendations for improvement is allowing local governments to regulate subprime lending. The state has barred local governments from regulating subprime lending while it compiles its own study.

Policy Matters also recommends Ohio adopt a comprehensive definition of predatory lending and force lenders to abide by laws barring deceptive practices. Individuals should be allowed to sue predatory lenders, the group recommended, and the state should fund a division to watch over predatory lending.

Also an issue, the Ohio Community Reinvestment Project report said, is stiff competition faced by subprime lenders that attempt to gain market share by sending mortgages to less-fit borrowers. It said loan officers who arrange subprime mortgages seldom face repercussions when their loans fail.

"If this report demonstrates nothing else, it shows that market mechanisms have failed Ohioans in regard to subprime lending and our laws are not serving to protect our citizens and their communities," said the Ohio Community Reinvestment Project report.

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