



FOR IMMEDIATE RELEASE

November 4, 2004

Contact: Erica Harrold, Communications Director
(510) 599-6874

**OAKLAND'S LANDMARK ANTI-PREDATORY LENDING ORDINANCE
GOES BEFORE CALIFORNIA SUPREME COURT**

(Sacramento, CA)-Today Oakland City Attorney John Russo gave the oral arguments before the California Supreme Court defending the City of Oakland's landmark anti-predatory lending ordinance. Predatory lending imposes unfair and abusive loan terms on borrowers, often through aggressive sales tactics, taking advantage of the borrower's lack of understanding of extremely complicated transactions, and outright deception.

"Predatory lending is an unethical and malicious tactic that targets the most vulnerable people in our community," said Oakland City Attorney John Russo. "We have a moral and legal responsibility to protect our citizens from unscrupulous mortgage lending practices."

For the past three years the Courts have successfully upheld Oakland's anti-predatory lending ordinance against challenges by the subprime lending industry. Subprime loans are loans with higher fees and interest rates made to borrowers with previous credit problems. Not all subprime loans are abusive, but predatory lending is concentrated in the subprime market. The American Financial Services Association (AFSA), a trade group for the subprime lending industry, filed suit in 2001 against Oakland's ordinance in Alameda County Superior Court, where the ordinance was upheld. The California Court of Appeal unanimously upheld the ordinance in 2003.

"The industry is worried about losing a lucrative portion of their market," said Steven Williams of Cotchett, Pitre, Simon & McCarthy, the law firm hired by Oakland to defend the ordinance. "Predatory lenders make tens of millions off elderly, minority and low-income borrowers," added Williams. According to the Coalition for Responsible Lending, in 1994 subprime lending totaled \$34 billion nationwide. By 2002 the lending practice had increased to \$213 billion annually. Losses from predatory lending are calculated at \$9.1 billion per year nationwide.

National, state and local consumer and community groups have joined an amicus brief with the City of Oakland in addressing predatory home mortgage lending. Bob Harvey, Executive Committeemember for AARP, was present for the oral arguments. "AARP worked hard for the passage of the Oakland anti-predatory lending ordinance because we feel strongly that cities and counties have a right to defend their residents against unscrupulous business

(continued)

practices. We urge the Supreme Court to protect the rights of consumers by upholding this important law," said Mr. Harvey.

Until the state Court of Appeal decision in 2003, the trade organization had been able to challenge and tie up in the courts anti-predatory lending ordinances in a number of cities across the country, including New York, Minneapolis, Cleveland, Dayton, Toledo and Los Angeles.

"Local ordinances, like Oakland's, provide important protections to limit predatory lending and give cities the authority to send the predators packing," said Norma Garcia, Senior Attorney for the Consumers Union West Coast Regional office. "A favorable decision by this Court will send a message to cities throughout California about their ability to defend homeowners from unethical business practices."

Oakland's predatory lending ordinance was unanimously passed by the Oakland City Council on October 2, 2001. It was the first local law in California to address the growing problem of predatory home mortgage lending.

The ordinance prohibits a number of abusive lending terms and practices for home mortgage loans made in Oakland, particularly high-cost home loans that charge high interest rates or points and fees. One of its most important aspects requires borrowers to receive independent loan counseling prior to closing a high-cost home loan.

The City Council enacted the ordinance after hearing testimony from consumer groups and predatory lending victims on how unscrupulous lenders were targeting elderly homeowners living alone in Oakland's low-income and minority communities for these unfair loans.

###