

*“Is not this the kind of fasting [the Lord has] chosen: to loose the chains of injustice and untie the cords of the yoke, to set the oppressed free and break every yoke?” - Isaiah 58:6*

Today, a family doesn't need much money to get access to credit, especially working families that own a home. A new and growing mortgage market – called “the subprime” market – is aimed at families who might have had trouble getting credit only a few years ago. This type of lending can be helpful, allowing low-income families more opportunity to borrow money to finance emergencies or improve their long-term financial prospects. However, too many unethical lenders are aggressively marketing loans with excessive fees that strip hard-earned equity and trap borrowers in an overwhelming burden of debt. This is called predatory lending, and it's on the rise.

Not all subprime loans are predatory, but most predatory loans are subprime. Under current laws, some forms of predatory lending are perfectly legal. However, faith-based communities can take the lead in asserting that predatory lending isn't only a legal issue: it is a moral issue.

### ***Biblical Perspectives on Abusive Lending***

Predatory lending is not new. During biblical times, abusive lending practices were addressed by instituting standards even more strict than those commonly promoted by responsible lending advocates today. Throughout the Bible, abusive lending is associated with evil and corruption, while responsible lending is associated with virtue. Recognizing the predatory nature of excessively charging for a loan – particularly when exploiting the weak and vulnerable – Biblical tradition bans both charging interest to the poor and foreclosing on property mortgaged under abusive loan terms. (See Exodus 22:25-27, Nehemiah 5:3-11.)

Jesus affirms this standard of economic justice in many instances, including in the story of Zacchaeus the tax collector, whom Jesus commended for promising to repay the excessive fees he had exacted from the oppressed (Luke 19:8-9). Based upon passages such as these, the early church completely forbade charging interest until reformists such as Martin Luther and John Calvin advanced a relaxation of the blanket ban to more precisely condemn *excessive* interest.

### **How Faith Communities Can Help**

#### **Education**

Educate your members about predatory practices. A number of resources are available to help, including:

- The Center for Responsible Lending
- The National Consumer Law Center
- The Consumer Federation of America
- Associations of Community Organizations for Reform Now
- Ecumenical councils and credit counselors

#### **Advocacy**

Contact the Center for Responsible Lending for suggestions on how you can influence public policy in support of strong responsible lending legislation.

#### **Divestment**

Make unscrupulous lenders aware of your disapproval by demonstrating your unwillingness to invest in unprincipled activities.

### ***Excessive Fees - Even Worse than Excessive Interest***

Today's champions of principled lending practices generally agree that hidden and excessive *fees* are even more exploitative than excessive interest. Interest rates are highly visible, and most borrowers can reasonably assess whether a rate is high or low by market standards. Moreover, if a lender charges an interest rate that is too high, other lenders will compete to correct the situation by offering to refinance at a more reasonable rate.

However, other loan terms are less visible and harder to understand. For example, some loans may contain hidden costs and fees, including kickbacks to the mortgage broker or substantial penalties for paying off the loan early. While fees may seem painless at closing, they represent savings that are lost forever. Even if borrowers are able to refinance with a responsible lender in the future, their wealth has already been permanently stripped away. For this reason, efforts to combat modern predatory lending practices most effectively focus on stopping abusive terms such as excessive fees, penalties for early payoff, and refinances that provide no net tangible benefit to the borrower.

### ***Adverse Impact on American Families***

When homeowners lose equity or become mired in debt, the consequences can be devastating and lasting. For most families, home equity represents the greatest part of savings. Losing these savings means lost opportunities – for example, the chance to send children to college and pass resources along to the next generation. With added financial stress, divorces are more likely to occur, while entire neighborhoods are further harmed as houses go into foreclosure and property values decline. The result can be a continuing chain of misery as neighborhoods deteriorate and families struggle with no real hope, repeatedly relying upon faith-based organizations for refuge.

**Predatory lending costs American households at least an estimated \$9.1 billion every year, but many of the costs go beyond dollars. Abusive lending practices:**

- Devour the hard-earned fruits of trusting Americans
- Contribute to the erosion of the strong nuclear family
- Exacerbate needs in communities of faith while siphoning away membership giving

Homeownership has traditionally been a hallmark of the American dream that contributes to stronger families and communities. Let's not allow predatory lending to tear down progress that so many have worked hard to achieve.

#### **About the Center for Responsible Lending**

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

For additional information, please visit our website at [www.responsiblelending.org](http://www.responsiblelending.org).