
March 2, 2007

Groups urge crackdown on predatory lending

Dan Wiessner
Albany bureau

ALBANY — Predatory and often illegal lending and debt-collection services target minorities and the lower class, an advocacy coalition said Thursday.

The watchdogs said they want lawmakers to crack down on "abusive" financial practices and ensure equal access to legitimate services. They claim that some lending institutions and debt collectors exploit customers through tax refund loans, "deed theft" resulting from mortgage lending to people whose homes are in foreclosure, and bank-account freezes placed on legally exempt money, such as Social Security.

"The growing array of high-cost and abusive financial services deprive New Yorkers of their hard-earned assets and prevent low-income people from gaining economic ground," said Sarah Ludwig of the Neighborhood Economic Development Advocacy Project, New Yorkers for Responsible Lending's 130 member groups.

Coalition members said that among the most questionable tactics are tax-refund anticipation loans. New Yorkers spent more than \$156 million on the loans in 2005, usually paying higher interest than allowed by state law, according to Russ Haven of the New York Public Interest Research Group.

Under state law, lenders cannot charge more than 25 percent interest on small loans. But companies offering "rapid refunds," or payday and holiday loans, often charge 40 percent or more. They circumvent state statutes by partnering with national banks or independent tax-preparation companies, Ludwig said.

The loans also tend to come with exorbitant processing fees that are revealed after the loan has been granted, Haven said.

More than 20 percent of taxpayers in inner-city Rochester, New York City and Buffalo took out refund loans from 2002 to 2005, the groups said, even though the loans often are paid a week or two before the tax refund arrives. Taxpayers in the 14621 ZIP code — one of the poorest in Rochester — were among the hardest-hit in the state, paying nearly \$3.5 million in such loan fees in that period.

The Assembly is working on legislation to crack down on predatory lending, said its Consumer Protection Committee Chairwoman Audrey Pheffer, D-Queens.

Low-income also have been facing increasingly aggressive debt collection, advocates said. Among the abuses is creditors' freezing of bank accounts containing Social Security and other benefits which are off limits to creditors by law, said AARP volunteer Geneva Conway.

Conway called on the Legislature to enact "new laws that rein in unruly debt collectors" and enforce federal laws to protect people who cannot afford to fight the fees themselves.

DANIEL_WIESSNER@Hotmail.com

This document is provided for "fair use" not-for-profit, educational purposes (and other related purposes). If you wish to use this copyrighted material for purposes of your own that go beyond "fair use," you must obtain permission from the copyright owner. Please contact NEDAP at 212-680-5100, or info@nedap.org, if you have questions.