



# NEWS RELEASE

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Comptroller of the Currency  
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## **OCC Chief Counsel Julie L. Williams Calls For Greater Cooperation to Combat Predatory Lending**

CLEVELAND – Julie L. Williams, Chief Counsel and First Senior Deputy Comptroller for the Office of the Comptroller of the Currency, urged community groups, financial institutions and federal and state regulators to form new partnerships to provide housing finance to underserved communities and combat abusive and predatory lending practices.

Ms. Williams said a number of factors, including the growth of secondary markets and the increasing importance of nonbank mortgage brokers, have led to more competition and better rates and services for prime mortgage customers in a [speech](#) before the annual meeting of the Cleveland Neighborhood Housing Services (NHS). However, subprime borrowers have not shared those benefits.

“Indeed, some observers have described a dual mortgage delivery system, where some individuals—mostly poorer, older, or less sophisticated, and disproportionately minority—often pay more for mortgages than their actual credit profile would warrant, do not so much “shop” for loans as they are “sold” loans, and who are therefore inordinately vulnerable to a range of abusive practices,” Ms. Williams stated.

Ms. Williams noted that there is nothing inherently more abusive about broker-originated loans than any other kind.

“But, we need to recognize that there are a combination of ingredients at work here that can make for a toxic brew: subprime borrowers who may have limited credit options available and less sophistication about how to pursue these options, and a dominant distribution network where mortgage originators are compensated, up front, through a share of fees charged the borrower, and where those originators have little or no expectation of any ongoing relationship with the borrower, such as by holding or servicing the loan,” Ms. Williams said. “Recent studies do indicate that brokers have competing interests in getting loans funded and on collecting fees for their services, on the one hand, and in matching borrowers with the best available mortgage, with the best prospect for long term performance, on the other.”

Ms. Williams pointed out that community organizations all across the country are stepping up to meet the challenge of eradicating predatory and abusive lending. For example, under the NeighborWorks Campaign for Home Ownership, thousands of

homeowners are receiving help in managing their property and their finances, making it significantly less likely that they'll wind up as victims of predatory lending.

Ms. Williams told attendees that more needs to be done and urged bankers to play their part.

“On the first point, we expect national bankers to be following the formal guidance the OCC issued last year on the steps they should take and the factors they should consider to avoid becoming involved in abusive, predatory, unfair or deceptive lending practices,” Ms. Williams said. “With respect to purchase and brokered loans in particular, we emphasized that banks should have criteria for entering into and continuing relationships with intermediaries and originators, including due diligence requirements, and standards related to total compensation, including compensation of intermediaries, such as maximum rates, points and other charges.”

Ms. Williams asked attendees to help in monitoring the behavior of mortgage originators and exposing those few who are responsible for soiling the reputation of many.

“You who work with victims of abusive lending know who these lenders are,” Ms. Williams noted. “And no one is in a better position than you to get that information out, to the state and federal agencies that regulate mortgage brokers and lenders, to mortgage industry data exchanges, and to regulated financial institutions, which need that information to ensure that they don't become unwitting accomplices of the abusive lenders by purchasing loans they have originated.”

Ms. Williams suggested that community organizations reach out, like the brokers do, to identify prospective borrowers, giving them a realistic reading of their credit risk profile, and helping locate the best available loan for them.

“This requires community organizations to have accurate, dependable information on prospective borrowers, access to the automated tools used to evaluate their risk profile, and loan pricing information similar to the information that mortgage brokers receive,” Ms. Williams said. “It means competing effectively to reach potential borrowers and get them the best deal available—which may be a subprime loan that reflects subprime rates, but which will not be a predatory loan.”

Ms. Williams pointed out that some community organizations have outsourced the origination and servicing operations of their loan programs to third parties saving overhead expenses while others have chosen to create in-house state-of-the art servicing operations of their own.

“So if I leave you with any one message, let it be a message of partnership,” Ms. Williams concluded. “Community organizations, bankers, and bank regulators, don't always see eye-to-eye. But when the task is to restore and reinvigorate America's communities, we are shoulder-to-shoulder.”

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The OCC charters, regulates and examines approximately 2,000 national banks and 51 federal branches of foreign banks in the U.S., accounting for more than 56 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the

United States.