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Comptroller Criticizes Subprime Lenders Who
Fail To Report Borrower Payment Histories

NEW YORK, N.Y. -- Comptroller of the Currency John D. Hawke Jr., in a speech today to Neighborhood Housing Services of New York, expressed concern that a growing number of subprime lenders are not reporting borrower payment histories to credit bureaus, because good customers that pay subprime rates are too valuable to lose to their competitors. "The failure to report is unfair to customers, unfair to competitors who play by the rules, and ultimately inconsistent with the values of our national economy," said Comptroller Hawke.

The Comptroller cautioned that this practice denies borrowers recognition for good payment histories, and could have safety and soundness implications. "Lenders who continue to rely on full and reliable credit bureau information, as most still do, will no longer have it. This must inevitably skew lending decisions and could ultimately compromise the integrity of those lenders' risk management processes," he added.

Comptroller Hawke also criticized certain subprime lending practices that hurt vulnerable borrowers, saying, "Sunshine is the best antidote. That means full, complete and conspicuous disclosure of terms to potential borrowers."

Despite concerns about some poor practices, Comptroller Hawke acknowledged the value of subprime credit for many consumers. "Subprime loans give first-time borrowers a chance to build a credit history, and repeat borrowers a chance to rehabilitate a blemished history. Under the right conditions, subprime loans can become springboards into the financial mainstream," he said. The Comptroller also offered praise for lenders who are taking the lead in developing programs that reward good payment performance with gradually lowered rates, noting, "That's the way efficient markets should work."

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