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TESTIMONY – AB 284
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR
WEDNESDAY, APRIL 2, 2003

GOOD AFTERNOON MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. FOR THE RECORD MY NAME IS LARRY SPITLER AND I'M THE ASSOCIATE STATE DIRECTOR FOR ADVOCACY AT AARP NEVADA. WE ARE A NONPROFIT, NONPARTISAN MEMBERSHIP ORGANIZATION DEDICATED TO MAKING LIFE BETTER FOR PEOPLE 50 AND OVER. WE PROVIDE INFORMATION AND RESOURCES; ENGAGE IN LEGISLATIVE, REGULATORY AND LEGAL ADVOCACY; ASSIST MEMBERS IN SERVING THEIR COMMUNITIES; AND OFFER A WIDE RANGE OF UNIQUE BENEFITS, SPECIAL PRODUCTS AND SERVICES FOR OUR MEMBERS. IN NEVADA THERE ARE OVER 258,000 AARP MEMBERS.

WE ARE HERE TODAY TO SUPPORT AB 284.

SINCE 2002, THE NUMBER OF AARP STATE ISSUE CAMPAIGNS ON PREDATORY MORTGAGE LENDING HAS NEARLY TRIPLED. THIS HAS BEEN BROUGHT ABOUT BY THE PHENOMENAL GROWTH IN THE SUBPRIME LENDING MARKET.

RECENT INCREASES IN HOMEOWNERSHIP HAVE BEEN FUELED PARTLY BY "SUBPRIME" LENDERS WHO OFFER CREDIT TO CONSUMERS WHO AREN'T ABLE TO QUALIFY FOR A PRIME

ASSEMBLY COMMERCE & LABOR
DATE: 4/2/03 ROOM: 4100 EXHIBIT K
SUBMITTED BY: LARRY SPITLER

LOAN. MOST SUBPRIME LENDERS ARE MORTGAGE OR FINANCE COMPANIES, ALTHOUGH THEY ALSO MAY BE THRIFTS, BANKS, OR AFFILIATES OF BANKS. SOME LENDERS OFTEN WILL TARGET PEOPLE WITH BLEMISHED CREDIT RECORDS, FEW ASSETS, AND NO WAGE INCOME - TYPICALLY THOSE WHO ARE UNABLE TO QUALIFY FOR A STANDARD LOAN. THESE SUBPRIME LENDERS MAY USE PREDATORY PRACTICES TO STRIP EQUITY FROM HOMES AND MAKE LOANS THE BORROWER CANNOT REPAY - LEADING TO A GROWING NUMBER OF FORECLOSURES.

NOT SURPRISINGLY, MARKETING OF SUBPRIME LOANS OFTEN TARGETS THE ELDERLY. A 2000 STUDY FOUND THAT BORROWERS 65 YEARS OF AGE OR OLDER WERE THREE TIMES MORE LIKELY TO HOLD A SUBPRIME MORTGAGE THAN BORROWERS 35 YEARS OF AGE. MARKETING OF SUBPRIME LOANS ALSO ROUTINELY TARGETS BOTH YOUNG AND OLDER BORROWERS IN LOW AND MODERATE INCOME COMMUNITIES AND IN MINORITY NEIGHBORHOODS.

THESE ARE JUST A FEW OF THE REASONS THAT WE SUPPORT AB 284. OVERALL, AARP SUPPORTS LAWS THAT RESTRICT LENDERS FROM:

1. PROVIDING UNAFFORDABLE LOANS BASED ON THE BORROWER'S ASSETS RATHER THAN ON THE ABILITY TO PAY;
2. INDUCING A BORROWER TO REPEATEDLY REFINANCE IN ORDER TO STRIP THE EQUITY FOR THE HOME (FLIPPING); AND,

3. "PACKAGING" CREDIT AND NON-CREDIT INSURANCE PRODUCTS AND EXCESSIVE COSTS AND FEES IN THE AMOUNT OF THE LOAN.

WITH THE ENACTMENT OF AB 284, WE FEEL FEWER PEOPLE WILL FALL VICTIM TO PREDATORY LENDING PRACTICES.

THANK YOU FOR THE OPPORTUNITY TO SHARE THESE THOUGHTS ON AB 284 WITH YOU TODAY.