

Week of April 6, 2009



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Protecting Missouri Homeowners

Deceptive and predatory lending practices greatly contributed—and continue to contribute—to the nationwide housing crisis that is also affecting many Missourians who are struggling to keep their homes. Losing a home is never the most desired outcome, but losing a home because someone you trusted to help guide you through the home-buying process took advantage of you, or outright deceived you, is absolutely unacceptable.

The Mortgage Asset Research Institute recently released a report placing Missouri among the top 10 states with the most cases of mortgage fraud. The report also revealed that nationwide mortgage fraud increased by a whopping 26 percent from 2007 to 2008 and is at an all-time high.

These disturbing statistics only illustrate the need for the General Assembly to take action. We must protect Missouri homeowners from predatory lenders whose actions can cause Missourians to lose their homes while seriously jeopardizing their financial futures. I am sponsoring a bill this session that takes a decisive stand against deceptive lending practices by establishing the Missouri Homeowners' Protection Act, which regulates the mortgage lending business. This week the Senate Financial and Governmental Organizations and Elections Committee held a hearing on the bill and I expect committee members to vote on the legislation soon.

[Senate Bill 541](#) prohibits certain residential mortgage lending practices, such as:

- Loan flipping, where creditors knowingly give a residential mortgage loan by refinancing an existing loan, but the new loan offers no tangible benefit to the

borrower.

- Not verifying the applicant's reasonable ability to pay the loan back. My bill requires a lender to verify that the applicant is able to make the loan payments, so the new homeowner is not automatically set up to fail.
- Making false or deceptive statements or advertising.
- Charging pre-payment penalties on sub-prime loans.
- Charging points and fees in excess of 5 percent of the total loan amount.
- Financing credit life insurance or other products unrelated to the loan, such as health insurance premiums, debt cancellation agreements or auto club memberships.

The legislation also establishes mortgage broker standards that lay out specific duties brokers must complete to make certain they are acting in the best interests of the borrower—this includes disclosing all information related to the loan that affects the borrower's rights.

The actions of some lenders can put Missouri homeowners at unnecessary risk of mortgage default. My bill ensures that when the time comes to purchase a home, Missourians will be offered the best loan products available to them and that the terms of the mortgage are fully explained to them in an honest and upfront way. This is one step we can take to help reduce the risk of foreclosure and save an unsuspecting borrower from having to clean up a financial mess down the road.

As always, please feel free to contact me or my staff with any questions or concerns at any time. Because we are here to serve you, we look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31st State Senate District.

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