

EXECUTIVE SUMMARY

The City Council directed the City Staff Predatory Lending Work Team to “develop [a] comprehensive City response to the issue of responsible lending that promotes consumer education and emphasizes vigorous enforcement of existing laws.” In order to fulfill its charge, the staff team extensively discussed and analyzed the three major “approaches” to the issue of predatory lending, as well as other proposals that arose during the course of discussions with stakeholders. The City Attorney’s Office previously identified these “approaches” as: 1) consumer education and outreach initiatives, 2) proprietary/divestment policies, and 3) regulatory ordinances.

The City Staff Team recommends a dual response that combines 1) a City-developed consumer education and outreach plan with 2) strong support for state legislation aimed at addressing “gaps” in the law, bolstering enforcement, and increasing available resources. The staff team proposes that the City Council adopt as part of its 2004 legislative program the following:

- Support full funding of the Consumer Education Account so that the Commerce Commissioner may assist and educate consumers to avoid being victimized by unscrupulous lenders
- Support legislation to license or register individual residential mortgage originators
- Support legislation requiring lenders to provide loan applicants with a written statement strongly urging them to discuss their loan paperwork with an independent loan counselor
- Support legislation prohibiting the refinancing of special mortgages provided by the government and nonprofit organizations
- Support legislation prohibiting or limiting the ability of a lender to charge modification and deferral fees
- Support legislation authorizing the Minnesota Attorney General to enforce the current provisions of Minn. Stat. § 58.13, the “Minnesota Residential Mortgage Originator and Servicer Licensing Act” and appropriate sufficient funding therefor