

Statement of Senator Larry E. Craig
Senate Special Committee on Aging
“Predatory Lending: Are Federal
Agencies Protecting Older Americans
from Financial Heartbreak?”

Good Morning. Thank you for attending the Senate Special Committee on Aging hearing this morning. Four years ago this committee held a hearing on equity predators which treated this type of lending fraud in a very broad context. However, since then we felt this subject merited further sustained and comprehensive inquiry particularly in the context of home real estate assets belonging to our nation’s seniors. To that end, in the fall of 2002, we commissioned a bipartisan study by the General Accounting Office into the problems presented by this type of fraud, the federal and state efforts in enforcement and education in this area, and the effectiveness of such efforts in general and on seniors in particular. This study has taken a year to complete and represents but the initial step in this oversight endeavor. Accordingly, today we narrow the focus on a particular impact of this fraud. We look at the context of the ruthless stripping seniors of their lifelong hard earned equity in home ownership by unscrupulous brokers and lenders.

Seniors seek to live comfortably in their advancing years, but also must meet the rising financial costs of medical care and everyday living expenses. To meet these costs our seniors, who are often on very limited incomes, tap into the equity of their homes. In so doing, all too often they are taken advantage of by those persons with dishonest motives. Today we explore the types Federal Agency efforts as well as state efforts and their effectiveness in addressing this problem under the myriad of laws already in place.

Today we will begin with witnesses from the General Accounting Office and two of the Federal Agencies involved in the noble combat of this fraud. Our first witness will be David Wood, Director, Financial Markets and Community Investment, of the General Accounting Offices. He will be joined by Mr. John Weicher, Assistant Secretary for Housing-Federal Housing Commissioner, at HUD and Mr. Howard E. Beales, Director, FTC’s Bureau of Consumer Protection.

Our second panel will be Mr. Gavin Gee, Past President of the National Association of State Bank Examiners, Ms. Lavada E. DeSalles, Member of the board of Directors, AARP and Ms. Veronica Harding of Philadelphia, Pennsylvania.

I want to thank all of our witnesses for being here today. This is a most important inquiry and I look forward to hearing your views and recommendations in this matter.