



## WAMB Position Paper

### **ABUSIVE LENDING PRACTICES AND MORTGAGE REFORM**

WAMB will continue to support bipartisan efforts that seek to create effective and appropriate consumer protection standards, improve consumer education and disclosures, and strengthen the expertise and education of all mortgage originators. WAMB will:

- Call for a long-term, independent, government-sponsored study of the causes of foreclosures, including any abusive lending practices that may lead to foreclosures, in an effort to work towards a well-designed solution that will be effective in addressing abusive lending practices without restricting access to affordable credit;
- Seek to educate consumers on how to avoid “payment shock” (see payment shock disclosure position paper [http://www.wambrokers.com/pdf/Payment%20Shock%20Disclosure%20White%20Paper%20\\_2\\_.pdf](http://www.wambrokers.com/pdf/Payment%20Shock%20Disclosure%20White%20Paper%20_2_.pdf)) by advocating for a mandatory payment disclosure sheet that will communicate payment and interest rate variations in addition to key loan features such as prepayment penalties and negative amortization. All mortgage originators will be required to give consumers this disclosure, which should first be consumer tested by an independent third-party, at the time of application and again at the time of funding;
- Support and protect the right of the consumer to be the decision-maker throughout the loan financing process. We remain skeptical that any suitability standard can be crafted in a manner that ensures the consumer will remain the ultimate decision maker throughout the loan financing process;
- Support the establishment of uniform standards for all mortgage originators who sign a 1003 residential mortgage loan application that will mandate minimum pre-licensure and continuing education, and complete criminal background checks; and
- Promote consumer education and financial literacy for borrowers prior to the loan shopping stage and support increased enforcement of existing laws designed to curb abusive lending practices through increased federal or state funding.