

# The Responsible Home Buying Act

Senate Bill 1090

Contact: Office of Senator Ben Westlund 503-986-1727  
[www.ResponsibleHomeBuying.com](http://www.ResponsibleHomeBuying.com)

Owning a home should be a path to building a family's wealth, not a quick trip to the poor house.

Fiscally risky practices have put homeownership at risk for millions of Americans and thousands of Oregon families and the large numbers of national foreclosures are threatening our economy. There is plenty of blame to go around.

Although the national mortgage lending crisis hasn't hit Oregon as badly as other states, foreclosures on subprime loans in Oregon for the first half of 2007 are double what they were in the first half of 2006. Foreclosure rates on prime loans during this period are up 13 percent. Serious delinquencies on subprime loans are also nearly double.

**The Responsible Home Buying Act, SB 1090 will restore trust between lender and borrower.** Brokers are managing the most important financial transaction most families will ever make. As mortgage products have become more complex, borrowers must be able to rely on the expertise and advice of the lender.

- **Limiting pre-payment penalties**

Many borrowers who accept low introductory terms don't realize refinancing or selling the home will be more expensive when their contract includes prepayment penalties.

Homeowners may believe that they will be able to refinance to a better rate as their credit score improves, but the prepayment penalty fee acts as an exit tax, trapping people in high interest loans even after they improve their credit score.

- **Clear disclosure of all costs and fees**

The lending industry pays a bonus called a "Yield Spread Premium" (YSP) for making loans with higher interest rates than what the borrower would ordinarily qualify for. Some lenders use these funds to help the borrower pay down fees or refinancing costs, but unscrupulous lenders can simply pocket these as kickbacks.

By requiring clear RESPA-type disclosure on all fees, payments, and YSPs, we ensure that lenders aren't rewarded for steering someone into a higher-cost loan than what the borrower actually qualifies for.

- **Extending the best rate as an option**

The Responsible Home Buying Act restores trust between lender and borrower by requiring lenders to offer borrowers the best loan for which they qualify through that particular lender. The borrower is free to explore different loan options with the lender, but this ensures that no one is "suckered" in to a higher-cost loan at no benefit to them.

- **Ensuring ability to repay the actual loan**

Lenders should consider the borrowers' ability to pay the real cost of the loan with insurance and taxes, not just the introductory "teaser" rate. Too many borrowers accepted terms with the hopes of refinancing before the higher rate kicked in and got trapped in mortgages they can't afford.

The Responsible Home Buying Act requires lenders to verify income, assets or other financial resources and protects responsible lenders who properly use automated underwriting systems.