

Seniors Among Favorite Targets of Predatory Lenders

Wikipedia.com defines predatory lending as "the practice of a lender deceptively convincing borrowers to agree to unfair and abusive loan terms, or systematically violating those terms in ways that make it difficult for the borrower to defend against. Other types of lending sometimes also referred to as predatory include payday loans, credit cards or other forms of consumer debt, and overdraft loans, when the interest rates are considered unreasonably high."

Obviously, the sub-prime mortgage mess that this country is currently facing is an example of predatory lending. Sub-prime mortgages involve making mortgage loans to people who do not have the ability to make the payments. Many of these mortgages "ratchet" up their interest rates annually or bi-annually after an initial "teaser" rate. Thus, when the payments "ratchet" up and the lender cannot make the payments, the loans go into default or foreclosure with the borrower losing their house.

Credit cards can be another form of predatory lending. A few years ago the bankruptcy code was changed to make it much harder to discharge debts, especially credit card debts. Thus, bankruptcy no longer offers the "fresh" start for consumers anymore. An additional effect was that credit card companies no longer had to worry about the borrower's ability to pay the debt because they could no longer discharge the debt in bankruptcy court. Thus, credit card companies are now targeting classes of citizens who do not have the ability to pay off the balance on a credit card. Why? Because the credit card company can make much more off of interest and late fees from these folks. This interest can run as high as 30%!

So what does this have to do with seniors? Most seniors that I see live on fixed incomes. Sub-prime mortgage and credit card debt, not to mention the higher costs of fuel, food, and health care, can quickly erode this income. I have seen many seniors that were told to refinance (or take a home equity line) to consolidate debt and lower their payments. Many of these seniors did not realize that these loans were adjustable and that after the initial "teaser" rate, that the interest rates would escalate upward automatically taking the payment amount along with it.

The same can be said for credit card debt. Many seniors have had to rely on credit cards to pay for expenses out of the norm now that their income has been eroded by higher costs. I have clients who have had to put air conditioner repairs, appliance purchases, prescription medications, and even food and utility bills on their credit cards. These seniors have no way to pay off the balance and as the squeeze continues, they end up paying late. Once a few payments are late, interest rates can jump all the way up to 30% in addition to the late fees that quickly start accumulating. These seniors end up paying many times over what the cost of their purchases was. This cycle then repeats itself every month. MSNBC.COM reports "that of the 1 million Americans that filed for bankruptcy last year, nearly a quarter were 55 and up, AARP found. Bankruptcy filings among those ages 75 to 84 skyrocketed by 433 percent from 1991 to 2007."

So what do we do about this problem? The first thing would be to enforce the State usury laws already in the Florida Statutes. A Federal usury law is probably needed to protect seniors and everyone else from these abusive practices. The three major religions of the world, Christianity, Judaism and Islam all prohibit usury, yet as a country we seem to promote it. Second, write your Congressman to tell them to support the current "Credit Card Holders' Bill of Rights" legislation proposed by Rep. Carolyn Maloney. Third, tell your elected officials your concerns about these issues. Right now there are Congressional hearings on these matters. Earlier this year, there were hearings on the erosion of Social Security payments due to bank fees and late charges. Make your voice heard.