

## Principles of Fairness in Lending

*Lending is necessary in our society and can be helpful in building and preserving community and individual assets. Our laws, however, allow lenders to encourage and profit enormously from personal debt. Discrimination and the selling of unaffordable and abusive loans is rampant. Practices that used to be called 'loan-sharking' are now legal. Borrower protections cannot be left to the lenders. We propose these six components of fair lending against which all credit practices and products must be tested – across the life of the loan and its collection.*

### AFFIL'S SIX PRINCIPLES OF FAIRNESS IN LENDING

**RESPONSIBILITY:** Lenders must gauge ability to repay and offer borrowers the most affordable and well-suited products for which they qualify. Lenders should demonstrate commitment to the building of personal assets.

**JUSTICE:** All participants in the making, collecting, holding and buying of debt have a duty to deal fairly with the borrower. It is unjust to prey upon anyone, particularly on those who are vulnerable due to age, health, language, education or other socioeconomic circumstances. It is unjust to charge exorbitant interest rates and fees, to change terms once agreed, and to deny anyone their day in court.

**EQUALITY:** We all must have equal access to appropriate and fair products and services regardless of race, gender, language, national origin, physical/mental well-being, education, lifestyle or socioeconomic status. All discriminatory lending practices must be abolished.

**INFORMATION:** We require full disclosure of all costs, fees, loan terms, penalties and collection practices in language that is clearly understood by the borrower. Although information is a necessary component to a fair marketplace, it is not a substitute for fair terms, fair treatment and effective regulation.

**ACCOUNTABILITY:** Lenders must track and report their lending activity. Only with comprehensive reporting can we ensure that the marketplace is free from illegal and unethical practices and that consumers are safe to shop for credit products without risk of being overcharged or directed to inappropriate loans.

**LAW & ENFORCEMENT:** Our government must establish essential consumer safeguards in the lending marketplace with laws that hold all members of the lending industry liable for activities throughout the life of the loan and its collection. There must be mechanisms for reporting abusers, and compensation for victims of lending abuse.