Most of us have heard the pitch, whether by spam in your e-mail inbox or by virtue of the constant white noise around homeownership in this most unaffordable of counties. That pitch is: Anyone can own a home. There’s a mortgage out there for everyone. There’s 100 percent financing. There’s 103 percent financing. There are loans where you don’t have to have a job or any visible means of income.

But most of these loans are sub-prime loans -- that means that they don’t adhere to the much vaunted low interest rates around right now. They can be 8, 9 or even 15 percent interest, sometimes more. The rationale is that lenders are taking a bigger risk floating a mortgage for someone with bad credit, lower earning power or no down payment, so they should be compensated at a higher rate.

All this is true, but there’s a hazy line between taking a risk and taking the homeowner for a ride. In the world of housing advocacy, it’s the difference between simply a sub-prime lender and a predatory lender.

Predatory lending, according to the federal mortgage buying giant Freddie Mac, looks something like this: extremely high interest rates, mortgages that carry single-premium credit life insurance; loans that require monthly credit information on the borrower; loans with annual percentage rates or points and fees that exceed federal standards; or loans that carry pre-payment penalties past the first three years.

Now Freddie Mac has announced a new layer to the predatory lending scheme: loans that include clauses that require any disputes go to an arbitrator instead of allowing differences to be fought out in court. In other words, if you agree to one of these mortgages, you can never sue your lender.

Everything stays behind closed doors.

"Normally, a few years ago, if you had problems with a mortgage, you had the option to go to court, which is a transparent system, with a democratic judge, in a system where documents are available to the public," said Paul Bland, spokesman for the Trial Lawyers for Public Justice, a national advocacy group. "But mandatory arbitration is a funny market. It has secrecy provisions, gag orders. What happens in the disputes doesn’t get out to the public."

The Trial Lawyers for Public Justice and a number of other advocacy groups, such as the Association for the Advancement of Retired Persons, the Association of Community Organizations for Reform Now, the Public Interest Research Group and the Consumer Federation of America, gathered last week to cheer Freddie Mac’s decision, hoping it would set a new standard in the lending industry.

But whether it will — and whether that standard will have any affect of Santa Cruz County home buyers is another question entirely.

First of all, whether predatory lending exists in Santa Cruz County is something that’s almost impossible to track. There have been a smattering of lawsuits to point to some concerns, but once again, we come up against the problem of spotty statistics.
The Association of Community Organizations For Reform Now, which puts out the most definitive survey on the issue, completely omits Santa Cruz County, concentrating instead on San Jose and Salinas.

There’s the larger question of whether what Freddie Mac does will have any influence. Peter Boutell, a mortgage lender at Santa Cruz Home Finance, said Freddie Mac is only one of many mortgage purchasers in Santa Cruz County. In fact, he doesn’t deal with Freddie Mac at all.

"I can’t see (Freddie Mac’s policy change) having a big effect here," he said.

But what about you? What have your experiences been in this county? Whether you’re a mortgage broker or a home buyer, I want to hear from you. I’ll print replies in a later column.

Contact Heather Boerner at hboerner@santacruzsentinel.com.