

UPDATE 2-Bear Stearns asked for data in FTC lending probe

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(Adds FTC comment, background, byline)

By Chris Sanders

NEW YORK, Dec 30 (Reuters) - Bear Stearns Cos. <BSC.N> said on Friday that a federal regulator asked its EMC Mortgage Corp. unit to provide documents in connection with an investigation into sub prime lending.

The Federal Trade Commission sent a civil investigative demand -- similar to a subpoena -- seeking documents and data relating to EMC's business practices, Bear Stearns said in a regulatory filing.

An FTC official confirmed that the agency was investigating EMC, but declined to provide additional details.

Sub prime lending, or lending to borrowers with imperfect credit histories, has been one of the fastest-growing segments of the mortgage industry over the last decade.

EMC is a mortgage banking company specializing in the acquisition, securitization, servicing and sale of home loans. Mortgage servicers collect payments from borrowers and give them to lenders.

Bear Stearns said the FTC issued the investigative demand as part of an investigation into sub prime lenders, loan servicers and loan brokers to determine whether they have broken consumer protection laws.

Sub prime lending has been the source of several regulatory investigations into unfair lending practices that have often victimized poor borrowers.

EMC is cooperating with the FTC inquiry, Bear Stearns said.

A Bear Stearns representative was not immediately available to comment and an EMC official referred calls back to Bear Stearns.

Sub prime lending has surged in recent years, and in 2004 accounted for 19 percent of U.S. mortgages worth some \$530 billion, up from 5 percent of mortgage originations amounting to \$35 billion 10 years earlier.

That has led housing, tax and law enforcement authorities at both the federal and state levels to investigate potential abuses. Among actions by other federal agencies, the FTC has brought more than a dozen cases against lenders since 1998.

The Federal Bureau of Investigation also has investigated abuses in sub prime lending, noting that minorities are disproportionately represented in the market. The Federal Reserve, too, has cited data showing blacks and Hispanics are more likely to take out high-priced loans than whites.

Standards against predatory lending, however, vary among states, and despite urgings from some mortgage market participants, Congress has not advanced legislation that would create a federal standard to preempt states' laws. (Additional reporting by Kristin Roberts and Jeremy Pelofsky in Washington)

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