

Slam door on bad loans

Sen. Dodd's got it right: The subprime lending scourge threatens homeowners across America

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At a high-profile hearing in Washington today, Connecticut Sen. Christopher Dodd is expected to grill representatives of the nation's largest so-called subprime lenders - banks and mortgage companies whose greed has crippled millions of American families and triggered a national economic catastrophe.

Dodd, a Democrat mounting a long-shot bid for the White House, needs to read the riot act to these sharks.

In state after state, subprime lenders have spent much of the past decade using unethical and possibly illegal tactics to stick working families with mortgages they can't possibly repay.

In one common version of the subprime racket, brokers and lenders aggressively target low-income communities and persuade retirees to mortgage their homes and use the cash to fund repairs or pay off credit cards. But lost in the fine print, in many cases, is the fact the loan's rate and monthly payments jump substantially after a year or two - leaving consumers saddled with bills they just can't pay.

For years, the unstable nature of these loans was overlooked by subprime lenders, brokers, appraisers and lawyers who made out like bandits, earning most of their profits from fees and selling off the loans within a few months.

The chickens are coming home to roost. More than 13% of all subprime loans are now delinquent, the highest rate in four years. According to Dodd, that translates into 2.2 million homes nationwide that are sliding toward foreclosure. By one estimate, \$164 billion in subprime loans made between 1998 and 2006 could go bellyup.

That kind of economic havoc makes the crisis everybody's problem. So far, 20 subprime lenders have declared bankruptcy, and more are likely to follow, which is one reason the stock market has tanked in recent weeks. **But the fallout goes beyond Wall Street. This week, a national coalition of consumer advocates - including the Manhattan-based Neighborhood Economic Development Advocacy Project - released a report showing subprime loans are heavily concentrated among black and Latino borrowers, meaning these communities will bear the brunt of the coming wave of foreclosures.**

In 2005, for instance, more than 80% of the subprime loans in the New York metro area went to black and Latino borrowers, compared with 9.4% for whites.

The numbers strongly suggest the possibility of illegal loan discrimination. The concentration also means that one of the great national advances of the past decade - the sharp rise in black and Latino homeownership - could crumble in the next few years.

Dodd says he'll draft federal laws to curb the worst practices and help borrowers save their homes. That's a good start. But Dodd should go further, screaming from the rooftops about the orgy of callous greed.

It's the kind of fight that could endear Dodd to millions of Americans who need help, and turn him from a presidential long shot into a contender.

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