



Crisis Cut US Minority Mortgage Access: Study

May 13, 2010

Reuters

America's financial crisis disproportionately cut access to conventional mortgage loans for minority communities compared to predominantly white neighborhoods, according to a study released Thursday.



CNBC.com

Reckless subprime mortgage lending during the recent economic boom sparked the worst housing crisis and downturn since the 1930s, wiping out trillions of dollars of home equity and retirement savings.

Borrowers in minority neighborhoods received many of the most reckless, unaffordable subprime loans that caused the subprime crisis.

Prior to the housing bubble, banks did little lending in low-income minority neighborhoods but stepped up lending during the real estate boom with encouragement from the U.S.

government and Congress.

"Paying More for the American Dream IV" was compiled by seven non-profit groups including the California Reinvestment Coalition, the New York-based Neighborhood Economic Development Advocacy Project and the Chicago-based Woodstock Institute using data for 2006 to 2008 provided by lenders under the Home Mortgage Disclosure Act.

The report covers seven cities: Boston, New York, Chicago, Los Angeles, Charlotte, North Carolina, Cleveland, Ohio and Rochester, New York.

According to the study, prime lending in communities of color from 2006 when the foreclosure crisis began to 2008 — the most recent year for which data are available — decreased 60.3 percent compared to 28.4 percent in largely white areas.

"The financial crisis has led to significantly reduced access to mortgage credit for all borrowers and communities," the report states. "In neighborhoods of color, however, where the foreclosure

crisis has taken an especially severe toll, access to prime, conventional mortgage loans has declined precipitously — to a much greater degree than in predominantly white neighborhoods."

The report also examines the lending patterns of America's four top banks: **Bank of America [BAC 16.87 ▼ -0.20 (-1.17%)]**, **Citigroup [C 4.09 ▼ -0.09 (-2.15%)]**, **JPMorgan Chase [JPM 40.81 ▼ -0.88 (-2.11%)]**, and **Wells Fargo [WFC 33.08 ▼ -0.58 (-1.72%)]**.

While all four banking groups increased their prime refinance lending to white neighborhoods from 2006 to 2008, the report found that only Citigroup increased lending to minority communities — though by far less than to white areas.

"The explosion of unaffordable, destabilizing credit in more recent times and the ensuing foreclosure crisis have served to magnify existing obstacles to fair credit access for millions of homeowners who now find their credit ruined," the report said.

"Systemic change is needed to address the major discrepancies... to ensure that families and communities can recover from the foreclosure crisis and have equal access going forward."

To address these issues, the report recommends creating a strong consumer protection agency, expanding the Home Mortgage Disclosure Act to help identify discrimination in mortgage lending and that U.S. authorities should enforce fair lending violations.

This document is provided for "fair use" not-for-profit, educational purposes (and other related purposes). If you wish to use this copyrighted material for purposes of your own that go beyond "fair use," you must obtain permission from the copyright owner.