



Urban Renewal on “to do” list of next U.S. leader

By Nick Carey

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CHICAGO (Reuters) - No matter who wins the U.S. presidential election in November, their "to do" list will probably include urban renewal.

For while the subprime crisis may force the U.S. economy into recession, it has already brought boarded-up homes and broken dreams to thousands of minority families inner cities.

"Whoever wins the race to the White House will preside over the crumbling of the American dream," said Dennis Talbert, president of Detroit-based non-profit Michigan Neighborhood Partnership, a credit and mortgage counseling service.

During the U.S. property boom, Latino and African American borrowers were nearly four times more likely than their white counterparts to receive a high-cost subprime loan. As a result, many foreclosures are concentrated in minority neighborhoods, pushing property values down and creating a magnet for crime.

"In some of these neighborhoods it's going to look like a bomb went off," said Geoff Smith, vice president of community development group The Woodstock Institute in Chicago on expectations for 2008, adding: "It will be worse than 2007."

In Chicago Lawn, not far from where Democratic presidential candidate [Barack Obama](#) once worked as a community organizer, it looks like the bomb has already hit.

From the corner of West 64th Street and South Maplewood Ave in this mostly African American and Hispanic neighborhood on Chicago's blue-collar South Side, you can see 10 small red-brick homes boarded up -- about one in five homes on the two blocks -- after owners couldn't pay their mortgages.

"The people who bought here thought they were living the American dream, but they could never afford the loans they were given," said Livia Villareal, counseling services director at the Greater Southwest Development Corp., a local non-profit.

A December report from National Training and Information Center (NTIC) showed Chicago Lawn had 69 foreclosures per square mile in the first half of 2007. Foreclosures were up 66 percent from same period in 2006. West Englewood, a minority neighborhood immediately to the east of Chicago Lawn, had 111 per square mile, the highest in Chicago.

"I'm scared for this community's future," said Villareal. "Who would want to buy here now?"

PREDATORS BALL?

Non-profits and community lenders in large cities across the country say that many banks and mortgage brokers for years targeted poor, uneducated minorities for high-cost loans.

"People of color have been targeted with abusive, higher cost loans they couldn't afford," said Josh Zinner, co-director of New York-based non-profit the Neighborhood Economic Development Advocacy Project (NEDAP). "So there is a very heavy concentration of foreclosures in (New York's) minority areas."

Debt counselors and non-profit groups say that worse is yet to come, as borrowers in minority communities struggle in 2008 with spiking payments on adjustable rate mortgages (ARMs).

"We have not yet crested the wave of foreclosures," said Tom Callahan, executive director of the Massachusetts Affordable Housing Alliance (MAHA).

Chicago hospital worker Emma Henry, 68, an African American who lives near Chicago Lawn, found herself with an ARM where her monthly payments jumped from \$700 to \$1,000.

"Nobody ever said anything about the rates changing, I was told it was a fixed (rate mortgage)," Henry said. "I couldn't handle the payments anymore."

So Henry tried Chicago-based community development bank ShoreBank Corp, which gave her a 30-year fixed rate mortgage that lowered her overall monthly payment.

Michelle Collins, ShoreBank vice president for mortgage lending, said the bank aims to refinance at least 2,500 high-cost mortgages like Emma Henry's in the next 18 months using traditional, affordable rates and criteria.

"Minority borrowers are far more likely to get a high-cost loan," Collins said. "We've had borrowers come in with good credit that would easily qualify for a prime loan, but had been given high-cost loans by unscrupulous brokers."

REDLINING

Overall, minority borrowers have rarely had good luck. For decades, whole U.S. inner-city neighborhoods fell victim to "redlining," where banks would draw a red line around communities where they wouldn't lend on the basis of race.

"The sad thing is these communities have had it tough for a long, long time," said NTIC research director David Rose.

A March 2007 report from six community groups including Woodstock, MAHA and NEDAP documented how prevalent predatory lending practices were during the property boom.

Entitled "Paying More for the American Dream" the report covered six cities including New York, Los Angeles, Chicago and Boston, using 2005 federal data. African American borrowers were 3.8 times more likely to receive a high-cost loan than whites. For Latinos the figure was 3.6 times.

"Even in minority neighborhoods where credit scores are higher than similar white working class neighborhoods, you'll find more high-cost loans," NEDAP's Zinner said.

What happens to communities blighted by mass foreclosures?

"We don't yet have research estimating what dozens of foreclosed homes in a small area does to property values," said Woodstock's Smith said. "But it does have a snowball effect."

Empty, boarded-up homes also attract criminal elements.

"There is a downward spiral effect when you have a foreclosure," said Kevin Stein, associate director of the California Reinvestment Coalition. "Apart from falling property prices, foreclosed homes are a magnet for crime."

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