



## Report: Minorities Hit by Foreclosures

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SAN FRANCISCO (AP) — Subprime lenders that went out of business with the industry's collapse targeted minority neighborhoods, leaving them to struggle disproportionately with foreclosures and crumbling home values, according to a new report.

These companies' high-risk loans made up 20% of all loans in predominantly minority communities, compared with 4% of total loans in mostly white areas, according to the report released Thursday by an alliance of policy, research and advocacy organizations.

"These high risk lenders were targeting their loans to particular neighborhoods — to communities of color," said Saara Nifici of the Neighborhood Economic Development Advocacy Project in New York, one of the organizations participating in the study. "That's where they focused their marketing practices."

Part of their growth in those areas can be explained by the lack of other available resources — simply not having another lender in the neighborhood, Nifici said. But researchers believe there's more to the issue.

"It's a question of access and a question of steering," Nifici said. "If you walk into the local subprime office, there's no incentive for them to send you to a different lender where you can qualify for a prime loan. People are steered downward, not upward."

The study analyzed the geographic operating patterns of 35 high-risk lenders that were very active in 2006 but that went bankrupt, were closed or sold in 2007 as the industry imploded. Chief among them were New Century Mortgage Corp., WMC Mortgage Corp., Fremont Investment & Loan, and Argent Mortgage Co.

The survey focused on lending to minority urban markets in New York, Los Angeles, Chicago, Boston, Cleveland, Charlotte, and Rochester, N.Y. In six of these seven urban areas, high-risk lenders' market share in minority neighborhoods was at least three times the share in white neighborhoods.

Many subprime loans to borrowers with blemished credit or low incomes featured low introductory or "teaser" rates. When the adjustable mortgages reset to higher rates, it made the monthly payments unaffordable for many people and put their homes at risk of foreclosure.

Advocacy groups have said poor and minority borrowers who qualified for traditional loans were nevertheless steered into risky adjustable mortgages.

The concentration of subprime loans happened in low-income areas, but also in middle-class minority communities like the predominantly African- and Caribbean-American areas of southeast Queens in New York, Nifici said.

In these cases, "race and ethnicity played a bigger part" in lending decisions than income, she said.

This concentration means these minority communities will shoulder most of the negative impacts of the subprime crisis — foreclosures, sinking property values, lower tax bases, abandoned homes and higher crime.

The report recommended that policymakers protect borrowers and tenants from foreclosures and pass mortgage reform legislation.

The city of Baltimore filed a federal lawsuit against Wells Fargo Bank in January, alleging the bank intentionally sold high-interest mortgages more to blacks than to whites in violation of federal law and targeted black neighborhoods for high-risk and unfairly priced loans.

Wells Fargo has said it does not consider race when making loans.

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