

Martinez Defends Study Decision

by STEVE BOUSQUET - St. Petersburg Times

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As he runs for the U.S. Senate, Mel Martinez promotes his record as a former housing secretary who helped many Hispanics and African-Americans realize the American dream of home ownership.

But before he resigned from HUD last year, Martinez blocked release of a study of whether the nation's two biggest mortgage lenders discriminated against minorities.

The taxpayer-funded study, still secret, is now at the center of a federal lawsuit filed on behalf of thousands of consumers who claim they were refused credit or charged higher interest rates because of automated credit-scoring systems used by Fannie Mae and Freddie Mac.

Martinez said the disparity study took nearly five years, so the results were outdated. He also questioned the methodology.

"It just seemed like the study was skewed and would have resulted in a real disruption of the marketplace, while at the same time not revealing much that would be helpful," Martinez said Thursday.

In his three years as HUD secretary, Martinez pushed Fannie Mae and Freddie Mac to raise their goals for minority home ownership. Blacks and Hispanics have traditionally lagged behind the U.S. average in homeownership rates.

Appearing on CNN last week, Martinez said: "Today, more Hispanics in America own a home than at any other time in our history. I was connected to that as HUD secretary."

Census data through June shows 49.7 percent of blacks and 47.4 percent of Hispanics owned homes, compared with 69.2 percent for the overall population.

One year after Martinez's decision to shelve the study, housing advocates say they wonder what was in the report and why Martinez kept it secret after initially saying he would release it.

"We would love to see it, and America's consumers really deserve to understand how these automated underwriting systems work," said Beneva Schulte of FM Policy Watch, a Washington

group funded by private lenders that acts as a watchdog over Fannie Mae.

"No one knows how these black box AU (automated underwriting) systems work," Schulte said. "We should know about it."

Schulte and other housing advocates were encouraged when Martinez, in 2002, pushed the two giants to do a better job of helping poor people get mortgages. That fall, he said the report would be made public.

"I think you'll have it in the near future. It was a study that was done and it should have been released," Martinez told Reuters after he spoke to a mortgage bankers meeting in Chicago in October 2002.

A year later, Martinez said the study would not be released. He told the Dow Jones news service that he was troubled by the methodology and that some of the contents were proprietary and confidential.

In early November, Martinez was rounding up support for a Senate race.

In an interview last week, Martinez said the perception he shelved the study shortly before entering the Senate race was "convenient" but untrue. He said he decided to keep the study secret long before it was first reported.

He also said the politically advantageous decision for him would have been to release the study, not keep it quiet.

"From a political standpoint, it would have been stupid for me not to release it," he said. "I was once again doing the right thing, not the political thing."

U.S. Rep. Jan Schakowsky, D-III., criticized Martinez's decision, calling it "surprising and questionable" that Martinez allowed Fannie Mae and Freddie Mac to review the study while keeping it secret from the public and Congress.

Martinez said this week he had no choice, because federal regulations provide a comment period for the target of a review to comment on the findings.

At the time Martinez blocked release of the study, one of Fannie Mae's lobbyists was Al Cardenas, former chairman of the Republican Party of Florida. Cardenas is a fund-raiser for President Bush and a supporter of Martinez's Senate candidacy.

"This is a dangerous statement to make, but I don't recall a single time that Al Cardenas talked to me about Fannie Mae, or this issue," Martinez said.

Cardenas, a Miami lawyer and lobbyist, said: "I never represented Fannie Mae in front of Mel Martinez."

The study was started by Martinez's predecessor, Democrat Andrew Cuomo, in 1999. It continued through Martinez's three-year tenure at the Department of Housing and Urban Development.

The investigation concerns Desktop Underwriter, used by Fannie Mae to decide mortgage applications. People applying for mortgages are assigned a three-digit number, or credit score, based on their credit history. A black single mother from Wilson, N.C., Safiyyah Rahman, who was denied a loan, is named as the plaintiff.

No longer can a customer face a lender face-to-face and clear up "spots" on a credit report in order to qualify for a loan.

The lawsuit, filed in Washington by several firms, including James, Hoyer, Newcomer and Smiljanich of Tampa, says Fannie Mae "slams doors in the faces of minority home buyers and perpetuates the discrimination it is supposed to help cure."

HUD denied the law firm's Freedom of Information Act request for the study in 2003, saying it was not finished. When it is done, HUD attorneys said, it is exempt from disclosure because it contains trade secrets and confidential financial information.

Fannie Mae spokesman Alfred King declined comment on the study's status.

The study is now fading from public consciousness - even of those who monitor housing issues for a living.

"I've stopped inquiring about it," said housing columnist Ken Harney of Bethesda, Md., whose work appears in the St. Petersburg Times, Washington Post and other papers. "Last time I checked, I was told that Fannie and Freddie were shown the study and their critiques of the methodology were so scathing that the department decided the study was methodologically inadequate."

As for why the study was never released, Harney said: "I've never been able to crack that . . . It was fairly clear that the study came up with critical conclusions."

Martinez won't discuss the conclusions in the study, or whether it proved racial or ethnic bias in automated underwriting.

"I don't think, as a former HUD secretary, having been where I was, that I should comment on that," Martinez said.