

Minorities targeted for subprime home loans-study

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A U.S. senator, citing a new study saying minorities are saddled with a disproportionate share of high-interest home loans, said Wednesday he plans to introduce legislation clamping down on abusive lending practices.

The report, issued by the Center for Community Change, an advocacy group for low and moderate income people and neighborhoods, said subprime lending, targeted at those with bad credit, has resulted in a "wave" of foreclosures, suggesting that many of these loans are being targeted at borrowers who cannot repay them.

"The predatory lending industry preys on these people to cynically cheat them out of their wealth," said Maryland Democratic Sen. Paul Sarbanes, who said he would introduce the legislation.

The report also said there was strong evidence that lenders target minorities, particularly blacks, for loans with high interest rates and fees.

Sarbanes would rein in those lending practices by raising the thresholds for loans that are covered under existing legal protections against excessively high rates or fees. New York Democratic Rep. John LaFalce has offered a similar measure in the House.

The study said El Paso, Texas, is the national capital for subprime lending. Of the loans made there, 47.28 percent were subprime. The national norm is 25.31 percent, the study added. Seven of the top 10 localities by level of subprime lending were in Texas. Iowa City, Iowa was the locality with the lowest ratio of subprime loans, and seven of the ten localities with the least proportion of subprime loans were in Wisconsin.

RACIAL DISPARITIES

The study also said even high-income blacks and Hispanics have higher rates of subprime loans than lower-income whites, suggesting that racial discrimination exists in lending patterns. Of home loans made to whites across the country, 17 percent were subprime, according to the study. For blacks the level was more than 50 percent, while for Hispanics it was 30 percent. "Risk alone does not explain these racial disparities," the report's authors said.

The study acknowledges its findings are not proof of discrimination but says they raise public policy questions.

Meanwhile, the nation's largest mortgage finance firm, Fannie Mae on Wednesday responded to questions from lawmakers and advocacy groups about its lobbying for state predatory lending laws by saying it will no longer actively seek to shape state legislation restricting predatory lending.

"We will monitor anti-predatory lending legislative efforts at the state level, but will not take an active role in shaping such legislation," the company said in a statement.

One lawmaker, Illinois Democratic Rep. Jan Schakowsky, said she had expressed concern that Fannie Mae might seek exemptions to state predatory lending laws.

"Fannie Mae, in no uncertain terms, has made it clear to me that they are not seeking exemptions and will not seek to influence state legislation on predatory lending," Schakowsky said.

Fannie Mae has expressed support for strong, federal anti-predatory lending legislation. Representatives of a subprime lending trade association were not immediately available for comment.

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