

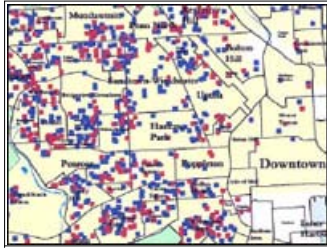
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Economy

**Baltimore Blames Lender for Wave of Foreclosures**

by Libby Lewis

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Courtesy Baltimore Housing

*Morning Edition*, January 11, 2008 · Walk around parts of Baltimore's Reservoir Hill and you can see the mortgage credit crisis up close and personal.

A year ago, you had to dodge the construction crews that were bringing the neighborhood back to life. But now it's like a movie set, says city housing chief Paul Graziano: "You know, where you walk through and some horrible event occurred and all of a sudden there's nothing. There's no life. There's just nothingness."

Nothing but empty houses and for-sale signs. The people who bought these houses can't afford to finish or keep them.

The leaders of Baltimore are so mad, they're going to try to hold one of those subprime lenders responsible for the mess.

What the city's mayor and city council are doing is suing Wells Fargo, one of the biggest lenders in Baltimore. They say the wave of foreclosures has cost the city millions in lost property taxes and public investment.

They're alleging that the company discriminated against black borrowers and helped bring about those foreclosures. This isn't about lenders discriminating by denying credit to borrowers because they are black.

Mayor Sheila Dixon believes that Wells Fargo has been doing just the opposite in Baltimore – that lenders have been targeting borrowers for credit on unfair terms because they are black.

"You know, years ago we talked about redlining. ...Now we're talking about reverse redlining," Dixon says.

In its lawsuit filed in federal court, the city alleges that Wells Fargo charged black borrowers higher fees and higher rates than it charged white borrowers. A city analysis found that in 2006, 65 percent of Wells Fargo's black borrowers got high-rate loans, compared with 15 percent of white borrowers.

And in Baltimore, Wells Fargo's black customers have filed for foreclosure at a rate nearly four times that of its white borrowers in the city, the lawsuit says.

"We're talking about a pattern of conduct," says John Relman, a fair-housing advocate and lawyer helping represent the city. "With a foreclosure rate that is four times greater in the minority community — that doesn't happen unless something is going terribly wrong."

Wells Fargo spokesman Kevin Waetke says the city's charges are not true.

"Race is not a factor in our pricing," Waetke says. "We do not tolerate discrimination against or unfair treatment of any consumer. Our loan pricing is based on credit risk. We are committed to serving all customers fairly — our continued growth depends on it."

Larry Platt is skeptical about the city's lawsuit, to put it mildly. He's a lawyer who represents other lenders who face similar lawsuits.

"They're just throwing mud against the wall to see if it sticks," Platt says.

He says the only way to tell if a lender is discriminating against borrowers based on race is to dig through every file of every borrower of that lender.

"We're finding in some of the cases we're working now, there are explanations all over the board as to why a particular borrower received a particular price for a particular loan product," Platt says, adding that those reasons usually boil down to credit risk and don't have to do with race.

There's only one way to find out for sure, according to Gary Klein, and that is to let the city of Baltimore see Wells Fargo's files.

Klein is a lawyer representing minority borrowers in similar lawsuits against lenders, including Wells Fargo.

"We believe the data will show that after you control for credit risk, there is still discrimination here," Klein says.

For now, the question is: Will the city of Baltimore get a judge who will allow them to see those files?

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