



CIN NEWS ANALYSIS - NCRC STUDY SHOWS MINORITIES RECEIVE MORE FAULTY LOANS, REGARDLESS OF INCOME

August 8, 2008 10:03 AM Age: 2 yrs
BY: CIN NEWS ROOM

User Toolbox

[email](#) [print](#)

[pdf](#)

Bookmark/Share



[\(What is this?\)](#)



Minority homeowners continue to shoulder a disproportionate share of poorly underwritten high cost loans according to a new study just released by the National Community Investment Network (NCRC) and now posted on the CIN.

The study also indicates that this disparity cuts across all income levels. High-cost loans represent the riskiest and most poorly underwritten home mortgages, millions of which have fallen into foreclosure in the last two years. The NCRC study, which examined loans from over 200 metropolitan areas, verified that many of these loans were given to African-American or Hispanic homeowners. The negative impact such a discrepancy can have on minority homeowners is palpable. When minorities receive such a disproportionate amount of high cost loans, they lose substantial amounts of equity through higher payments to their lenders. They are also more exposed to irresponsibly underwritten ARM loans that are likely to result in default and foreclosure. Couple this with the economic downturn and resultant job losses, and you've got a recipe for the perfect storm of trouble we see unraveling across many American communities today.

The report also identified the twenty Metro areas with the most significant racial disparities. Contrary to popular belief, most of the areas are not on either coast, but are rather spread throughout the middle of the country, with three out of the top five in Midwestern states.



Unlike many other reports which detail troubling findings but offer no solutions, NCRC accompanies their report with a cogent 10 point plan-of-action which includes some key recommendations:

- Banks, community organizations, and public agencies should work together to establish programs for refinancing ARM high-cost loans into lower-cost fixed rate loans.
- NCRC urges policy-makers to adopt a foreclosure prevention bill that provides funding for foreclosure prevention counseling.
- Enhance the Quality of HMDA Data
- Federal Reserve Board Must Step Up Anti-Discrimination and Fair Lending Oversight
- Strengthen CRA by Applying It to Minority Neighborhoods and All Geographical Areas Lenders Serve
- CRA Must be Expanded to Non-Bank Lending Institutions
- CRA Exams Must Scrutinize Subprime Lending More Rigorously
- GSEs Must Abide by Anti-Predatory Safeguards

A summary of this informative report, entitled *Income Is No Shield Against Racial Differences in Lending II* has been posted in the CIN's NCRC section, which can be accessed by scrolling down on the left side of our home page. The summary also includes a link where readers can download the entire report. This report should be required reading for every institution and individual involved in the mortgage industry, as well as all of our elected officials. Click here for posting:

<http://www.communityinvestmentnetwork.org/nc/single-news-item-states/article/no-shield-against-racial-differences-i>

[Click here to tip a friend about this page!](#)