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Equal Credit Opportunity Act

Federal regulators and lenders convened Nov. 6-9 in Baltimore to review and analyze whether the goals of the nation's Community Reinvestment Act (CRA) and fair lending laws are being observed. The annual event, now in its 15th year, attracted sell-out attendance to hear a series of expert presenters' insights and analyses. For Assistant Attorney General Thomas E. Perez, the annual colloquium became the occasion for a keynote address that reminded the audience that for communities of color, fair lending remains elusive. "Regrettably, we have found" said Perez, "that all too often borrowers are judged by the color of their skin rather than the content of their creditworthiness."

As head of the Department of Justice's Civil Rights Division since October 2009, Perez noted that more than half of the 2010 referrals received from other federal lending regulators involved discrimination on race or national origin.

Through the creation of a dedicated Fair Lending Unit at DOJ, over \$30 million in direct compensation for individuals whose rights were violated has been secured. Also in 2010, the unit reached settlements or filed complaints in 10 pattern or practice lending cases. Of these ten cases, nine have been

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settled since last year. Much of this enforcement, according to Perez, is accomplished in collaboration with the President's Financial Fraud Enforcement Task Force. With representatives from DOJ and other federal agencies, as well as state attorneys general and local law enforcement, the task

In an effort to address the devastation of neighborhoods and home values, the Civil Rights Division is including innovative provisions to address the full scope of damage done

force investigates and prosecutes a wide range of financial crimes. "Without a credible enforcement program," said Perez, "we can never achieve full compliance with the law or fully level the playing field between responsible lending institutions and unscrupulous lenders."

In 2011, a record number of cases have been filed under the Equal Credit Opportunity Act. Currently, there are seven authorized lawsuits and more than 20

active investigations involving redlining claims, pricing discrimination, and product steering based on race or national origin. In an effort to address the devastation of neighborhoods and home values, the Civil Rights Division is including innovative provisions to address the full scope of damage done, in addition to settlement terms stipulating more traditional remedies such as a marketing campaign or establishing a physical presence in under-served commu-

nities. that would allow them to remedy the harm done while also reaching new customers.

In cases where African-American and Latino borrowers were charged more than similarly qualified white borrowers, the Civil Rights Division examined loan origination practices, guidelines on how fees or interest rates were set, and whether there was any documentation to explain differences in prices.

Summarizing goals for both current and future efforts, Perez called for transparent transactions, prompt decisions, fair lending, and open communication with all borrowers.

"It is the stubborn persistence of race as a factor in the pricing of loans" concluded Perez, "even after you account for relevant creditworthiness factors that we seek to address through our enforcement actions. The disparity grows as you move up the credit score ladder. All too frequently, equal credit opportunity remains elusive for minorities, even upper-income minorities who are credit-worthy."

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No Supercommittee Deal is the Best Deal

Although automatic cuts in defense spending and domestic programs are scheduled to go into effect as a result of the congressional supercommittee's failure to reach a budget deal by Wednesday, those reductions are far better than what Republicans on the committee were proposing and Democrats were willing to accept.

According to the Congressional Budget Committee, defense spending will be slashed automatically by 10 percent in January 2013 while domestic programs will be reduced by 7.8 percent. Additionally, Medicare spending will be lowered by 2 percent. Exempted from the automatic cuts are Social Security, veteran benefits, Medicaid and certain low-income programs.

"No deficit deal is better than a bad deal, and a bad deal may be the only kind this committee can reach," Orson Aguilar, executive director of the Greenlining Institute, said as it became clear the committee of six Democrats and six Republicans would not come to an agreement. "As we reported this summer in our study, 'Corporate America Untaxed,' nearly all of the deficit reduction goal can be achieved by closing down offshore corporate tax havens and making the richest companies pay their fair share. There is no need to devastate vital programs for the elderly and other vulnerable Americans."

The goal of the supercommittee, formally known as the Joint Select Committee on Deficit Reduction, was to reduce the budget by \$1.2 trillion over the next 10 years. As an incentive to complete a deal, an

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George E. Curry



automatic trigger was set go into effect if the committee failed to reach that goal, slashing an equal amount from military and domestic spending. Under the most progressive GOP proposal, if it can be called that, Sen. Patrick J. Toomey (R-Pa.) offered \$300 billion in

new taxes, a far cry from an equal split between spending reductions and new tax revenue favored by Democrats.

What is more disturbing is that Democrats on the committee were willing to make concessions that would hurt their core constituents. They offered a proposal to reduce deficits by \$3 trillion over 10 years that included \$500 billion of savings in health care programs, higher Medicare premiums, and a new form of indexing inflation that would reduce cost-of-living adjustments for Social Security beneficiaries.

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new taxes, a far cry from an equal split between spending reductions and new tax revenue favored by Democrats.

The compromise deficit propos-

als were to the right of the Simpson-Bowles plan of last year, with minimal revenues and as much as \$600 billion in cuts to Medicare and Medicaid, the Greenlining Institute noted.

Greenlining, a multi-ethnic public policy and advocacy group, wrote to the committee in August stating that simply closing offshore tax havens could reduce the deficit by as much as \$1 trillion. One of its studies showed that by using offshore tax havens, major companies such as Exxon and General Electric pay far less of their income in taxes than the average American, and in some cases no taxes at all.

Unlike Democrats, Republicans have been steadfast in supporting their base, which includes the wealthy and major corporations.

According to Citizens for Tax Justice, 52.5 percent of the Bush tax cuts go to the richest 5 percent of taxpayers. The Treasury Department reports that extending the Bush tax cuts to the top 2 percent of taxpayers will cost \$678 billion over the next decade.

GOP leaders refuse to consider letting the Bush tax cuts expire. In a concession to Republicans last year, President Obama broke a campaign pledge by agreeing to extend the tax cuts beyond their

original expiration date. He made that agreement in exchange for Republicans extending unemployment benefits and the payroll tax cuts.

There is broad public support for requiring the wealthy to shoulder a fairer share of the tax burden.

In an October Washington Post-ABC News poll, three-quarters of Americans backed a tax hike on millionaires. A Washington Post-Bloomberg News poll that same month found that more than two-thirds supported raising taxes on households earning at least \$250,000.

The decision to invoke automatic spending cuts as part of raising the national debt limit in August was intended to pressure Congress into making tough budget cuts. But now that it didn't happen both Republicans and Democrats are looking into ways to come up with another gimmick that will again postpone making tough decisions.

Republicans conveniently ignore that fact that the deficit problem was caused by a combination of two George W. Bush wars, a poor economy and two Bush tax cuts. When Bush assumed office, he had a \$128 billion surplus. Bush, on the other, ran up deficits every year he was in office.