

Predatory Lending Practices Continue to Weaken Blacks and Hispanics

By Charlene Crowell
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In the first report of its kind, the Center for Responsible Lending has examined consumer lending markets across-the-board and found that despite recent regulatory reforms – predatory lending continues to undermine American households trying to rebuild their finances after the recession.

The State of Lending in America and its Impact on U.S. Households paints a picture of working families struggling to manage debt while coping with stagnant incomes and a substantial decrease in wealth. In fact, the housing crisis has produced the largest documented wealth gap ever between White households and families of color.

From 2000-2010, African-American family wealth dropped 53 percent, and Hispanic families lost 66 percent. By comparison, average White household wealth dropped

only 16 percent. The foreclosure crisis and resulting economic downturn have turned back the clock on previous wealth gains, especially in communities of color.

The report states, “There is significant evidence that African-American and Latino borrowers and their neighborhoods were disproportionately targeted by subprime lenders. Borrowers of color were about 30 percent more likely to receive higher-rate subprime loans than similarly situated white borrowers. Borrowers in non-white neighborhoods were more likely to receive higher-cost loans with risky features such as prepayment penalties.”

CRL’s student loan findings echoed these same lending ills.

“Low-income students and students of color are even

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Everyone can be great and everyone can be seen.

I fill my camera with the power to make a difference in the world.

Thank you, Dr. King.

‘In 2008, 16 percent of African-American graduating seniors owed \$40,000 or more in student loans, compared with 10 percent of whites, eight percent of Hispanics and five percent of Asian-Americans’

more likely to need to rely on student loans and to become saddled with large amounts of debt upon graduation,” the report stated. “In 2008, 16 percent of African-American graduating seniors owed \$40,000 or more in student loans, compared with 10 percent of whites, eight percent of Hispanics and five percent of Asian-Americans.”

Additional findings showed that:

“Spillover” costs of foreclosures have wiped out nearly \$2 trillion in family wealth;

Auto loan interest-rate markups cost consumers nearly \$26 billion each year; and

Borrowers in lower credit tiers pay up to 68 percent higher monthly payments on private student loans than on safer federal loans.

The State of Lending is the first of a three-phased and in-depth view of U.S. households’ income, spending, debt, and wealth. It also outlines predatory practices in mortgage lending, credit cards, student loans, and auto loans that undercut the benefits of these products. Incorporating major

CRL findings in recent years with pertinent research from sources such as the Federal Reserve Board, the Pew Research Center and the Consumer Financial Protection Bureau together provide a broad database for findings.

Despite remaining lending challenges, the report shows that consumers are better off today because of stronger protections on mortgages and credit cards. The Dodd-Frank Wall Street Reform and Consumer Protection Act, which incorporated a number of previous state initiatives to curb abusive mortgage practices, has ended many of the worst practices of the subprime era. And, contrary to industry predictions, the cost of borrowing on credit cards has not increased since the CARD Act passed; transparency has greatly increased and the use of hidden fees has gone down.

The next two State of Lending reports will be released in early 2013. The next release will cover payday loans and other financial products that trap people in long-term debt while portraying themselves as short-term solutions.

The third and final release in the series will examine abusive practices in debt collection and servicing, and conclude with a chapter documenting how lending abuses often target the same households and have a cumulative—and particularly disastrous—impact on low-income households and communities of color.

Former Federal Deposit Insurance Corporation Chair Sheila Bair authored State of Lending’s foreword, noting that predatory lending harms the entire U.S. economy. She warns, “If abusive lending practices are not reformed, we again will all pay dearly.”

Sign *The Skanner News* petition to President Obama, “A Marshall Plan for Black America,” at the “We the People...” website: <https://petitions.whitehouse.gov>

Safeway salutes all the boys and girls who have found themselves, thanks to Dr. King’s belief in equality and brotherhood. We value the importance of his mission, and that is why we embrace equality and diversity throughout our business and support organizations that do the same.

