

Predatory Loans, Foreclosures Still Haunt Black Communities

By Avis Thomas Lester
Urban News Service

Affluence is no antidote to foreclosure. In Prince George's County, Maryland — one of the United States' wealthiest majority-Black jurisdictions — the foreclosure crisis has hammered several solidly middle-class communities. These include Perrywood, a neighborhood of two-story homes near the county seat in Upper Marlboro; Marleigh in Bowie, where the local homeowners association mows the lawns of foreclosed residences that the banks don't maintain; and Fairwood, where the median income is \$170,000, according to the U.S. Census.

blame unscrupulous lenders for the crisis. At a time when many prospective buyers were eager to purchase and as home prices skyrocketed, some lenders took advantage by offering Black buyers discriminatory loans, these observers said.

"They were products that were predatory in nature where the interest rates were inflated, there were prepayment penalties if you tried to pay the loan off or refinance and balloon payments," said Charles R. Lowery Jr., the NAACP's director of Fair Lending and Inclusion. "You wouldn't get a loan that was suited to you, but the broker and the lender would make money because they sold it to you. That was their only

concern."

George Mason University law professor Todd Zywicki attributes the largest proportion of the fraud that occurred during the foreclosure crisis to homeowners and lenders conspiring to "defraud" investors.

"Driven by very low interest rates and a deterioration of underwriting standards catalyzed by government policy, America turned into a nation of real estate speculators," Zywicki, a senior fellow with the F. A. Hayek Program for Advanced Study in Philosophy, Politics and Economics at the university's Mercatus Center, told Urban News Service. "Consumers were essentially living in their investments and rode up the housing appreciation, and everyone wanted to get into the party."

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"They didn't understand what it meant to take out a second mortgage, to refinance or to receive a subprime loan, they just made purchases," said Bob Ross, president of the NAACP chapter in Prince George's County. "So when the bubble burst, they were stuck."

NAACP New York State Conference economic development chair Garry Anthony Johnson calls foreclosures "an epidemic" for people of color.

"It's a troubling reality that African Americans and other minorities continue to experience disproportionately high levels of unemployment, poverty and foreclosures," Johnson said.

Housing counselors and other experts told Urban News Service they

out refinancing, which meant that when housing prices fell, many people fell into negative equity positions, at which point it became rational for them to default and walk away from their homes.

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The foreclosure crisis continues to hammer Black communities, even in wealthy neighborhoods.

This dynamic was no different for minority and non-minority borrowers."

In 2007, the NAACP filed suit against Bank of America, Citibank, HSBC, JPMorgan Chase and Wells Fargo, alleging that these financial institutions had committed unfair lending practices. The NAACP dropped the suit against Wells Fargo after the bank agreed to invest in a "financial freedom center" to assist homebuyers of color. The lawsuit was settled

in 2010 after the banks funded programs to help homebuyers, Lowery said.

In August 2014, then-U.S. Attorney General Eric Holder announced the Department of Justice had reached a \$16.65 billion settlement with Bank of America "to resolve federal and state claims against Bank of America and its former and current subsidiaries," including Countrywide Financial Corporation and Merrill Lynch.

"Under the terms of

this settlement, the bank has agreed to pay \$7 billion in relief to struggling homeowners, borrowers and communities affected by the bank's conduct," a Department of Justice statement said.

Last year, Cook County, Ill., officials sued Bank of America and Wells Fargo in federal court. They claimed the banks had targeted people of color with discriminatory loans that led them to foreclose. The Wells Fargo suit was dismissed earlier this year.

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