

Good-Credit Minorities Received 3X More Subprime Loans Than Whites

By JON PRIOR, Housing Wire, November 17, 2011

Blacks and Hispanics with credit scores higher than 660 received subprime and option adjustable-rate mortgages three times as often as white borrowers in similar financial standing between 2004 and 2008, according to a new study from the **Center for Responsible Lending**.

CRL studied the loan quality, borrower characteristics and performance of 27 million mortgages made over that five-year period. Lenders foreclosed on 6.4% of those loans with another 8.3% at "immediate, serious risk" as of February, researchers said.

The study showed foreclosures on 12.8% of loans with a hybrid or option-ARM feature — defined as those that reset within five years, negative amortization or had interest-only payments — compared to 3.3% of standard or fixed-rate loans.

Lenders targeted these products to minority communities, according to the research. Roughly 25% of all black and Hispanic borrowers who took out a loan between 2004 and 2008 lost their home to foreclosure, compared to 12% of white borrowers.

The disparity exists even in the higher-income brackets.

Roughly 10% of blacks and 15% of Hispanics in higher-income brackets went through foreclosure, compared to 4.6% of whites who earned the same amount.

At the **Wolters Kluwer** CRA & Fair Lending colloquium in Baltimore earlier this month, mortgage bankers, regulators and other panelists defended the Community Reinvestment Act and expressed frustration with those who claim it was at the heart of the financial crisis. The act was passed in the 1970s to reduce redlining and meet the credit needs of all neighborhoods, particularly low- and moderate-income communities.

"We are having to fight the great lie put out there that the CRA caused this crisis," said Judith Kennedy, president and CEO of the **National Association of Affordable Housing Lenders**.

Many claim the CRA forced lenders to write loans to borrowers who couldn't afford them. The CRL research and [recent investigations](#)^[1] show that lenders were pushing these risky products onto borrowers who otherwise could have qualified for more standard loans.

Still, more whites went through foreclosure than minorities on a cumulative basis. According to the study, 1.5 million mortgages written to white borrowers between 2004 and 2008 foreclosed, compared to just more than 500,000 Hispanics and roughly 300,000 blacks.

"The findings presented in this report suggest that we are not even halfway through the foreclosure crisis, as millions of additional families are still at risk of losing their home. Meanwhile, Americans of every demographic group — all incomes, races and ethnicities — have been affected," researchers said.