Privileged Places

Race, Residence, and the Structure of Opportunity

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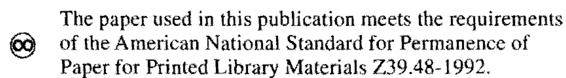
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5. We focus on metropolitan areas as defined by the Office of Management and Budget in 1999, the same definitions used in tabulations of Census 2000 on American FactFinder. Specifically, we focus on primary metropolitan statistical areas, metropolitan statistical areas, and New England county equivalent metropolitan areas. Because we merge census and HMDA data, we must aggregate the HMDA data first to the counties that form the basis of these metropolitan areas and then up to the metropolitan-area level.

6. Predominantly white tracts are those in which non-Hispanic whites comprised at least 90 percent of the population in 2000. Racially integrated neighborhoods are those in which: (1) non-Hispanic whites comprised more than 50 percent but less than 90 percent of the population in *both* 1990 and 2000 *and* there was no more than a 10 percentage point decrease in the percent white over the decade; and (2) non-Hispanic whites comprised more than 90 percent of the population in 1990 and between 50 and 90 percent of the population in 2000 *and* there was no more than a 10 percentage point decrease in the percent white over the decade. By using data from both censuses, our definition of racial integration reflects integration that is more stable. Moreover, recent research has used both the aggregate racial/ethnic mix and level of change over time to identify stable integration (Nyden et al. 1998). Predominantly minority neighborhoods are tracts in which non-Hispanic whites comprised 50 percent or less of the population in 2000.

7. Because this is the entire population of cases—and not a sample—the use of inferential statistics for our analysis will be unnecessary.

8. We log this variable to correct for skewness.

9. As with income, we log this variable to correct for skewness.

10. We adopted the methodology used by the Lewis Mumford Center (2001a). Blacks here refer to all blacks; whites refer to non-Hispanic whites. For a complete discussion of the dissimilarity index and other measures of segregation, see White (1986) and Massey and Denton (1988).

11. We do not use statistical significance tests here because we are dealing with total population rather than sample data for all conventional home purchase loans originated to these groups.

12. Because we do not know the racial/ethnic composition of the neighborhoods in which blacks and Latinos lived before they acquired their home mortgage loan, we cannot necessarily say that this is the first access they have had to predominantly white neighborhoods. Nevertheless, the finding that minorities have more access to such neighborhoods in metropolitan areas with relatively more CRA-covered lending is substantively significant because it suggests a force potentially contributing to the wealth potential of these households.

13. It should be noted that in other analyses not shown here, we found that CRA coverage is *positively* related to the proportion of loans made to Latinos and blacks in minority neighborhoods. Therefore, in addition to opening up minority access to predominantly white neighborhoods, the CRA is having its intended impact.

3

Predatory Lending: The New Redlining

It is clear that we need to focus a spotlight on predatory lenders whose sole purpose is to hijack the American dream from unsuspecting borrowers. We should leave no stone unturned to find and crack down on predatory lenders and Congress must pass the strongest legislation possible to end this pernicious practice.

—Senator Charles Schumer (D-NY)
(quoted in National Community Reinvestment Coalition 2002a: 5)

The proverbial American dream of owning a home has become an all-too-real nightmare for a growing number of families. Take the case of Florence McKnight, an eighty-four-year-old Rochester widow who, while heavily sedated in a hospital bed, signed a $50,000 loan secured by her home for only $10,000 in new windows and other home repairs. The terms of the loan called for $72,000 in payments over fifteen years, at which point she would still owe a $40,000 balloon payment. Her home is now in foreclosure.

And there is the case of Mason and Josie, an elderly African American couple with excellent credit and a primary source of income from Mason's veteran benefits. A broker convinced them to consolidate their 7 percent mortgage with some credit card debt. The first mortgage for $99,000 was at 8.4 percent, but the broker added a second mortgage for $17,000 at 13 percent. The initial loan financed almost $6,000 in broker and third-party fees, and both loans contained prepayment penalties for three and five years, respectively. In addition, after fifteen years, both loans had balloon payments, which require borrowers to pay off the entire balance of the loan by making a substantial payment after a period of time during which they have

been making regular monthly payments. After making monthly payments of almost $950 for fifteen years, they will face a payment of $93,000.

Other examples include a West Virginia widow who refinanced her mortgage seven times in fifteen months, only to lose it in foreclosure. A disabled Portland, Oregon, woman was charged more than 30 percent of the amount of her home loan to cover credit life insurance and other financing fees. A sixty-eight-year-old Chicago woman refinanced her loan three times in five years and found her monthly payments exceeded her income (ACORN 2002: 3, 4; LaFalce 2000: 4).

Unfortunately, these are not isolated incidents. Predatory lending has emerged as the most salient public policy issue in financial services today. In this chapter we examine the rise of predatory lending practices and what is being done to combat them. If, as indicated in the previous chapter, progress has been made to sever the ties of residence and race by increasing access to capital, including home mortgage loans, for racial minorities, low-income families and economically distressed communities, that progress has come with great struggle. And it appears there are few, if any, permanent victories. The emergence of predatory lending practices demonstrates that the struggle against redlining has not been won but simply has taken some new turns and that the link between place and race persists.

After decades of redlining that starved many urban communities of credit and denied loans to racial minorities throughout metropolitan areas (Bradbury et al. 1989; Dedman 1988, 1989; Munnell et al. 1996; Squires 2004; Squires and O'Connor 2001; Turner and Skidmore 1999), today a growing number of financial institutions are flooding these same markets with exploitative loan products that drain residents of their wealth. Such "reverse redlining" may be as problematic for minority families and older urban neighborhoods as was the withdrawal of conventional financial services. Instead of contributing to homeownership and community development, predatory lending practices strip the equity homeowners have struggled to build up and deplete the wealth of those communities for the enrichment of distant financial services firms.

Researchers debate the extent to which subprime lending increases access to credit for borrowers with some blemishes on their record, albeit on more expensive terms, or simply exploits vulnerable borrowers. The distinction between subprime and predatory lending, in fact, can be fuzzy. The National Community Reinvestment Coalition (NCRC) recently offered the following definitions to help clarify the differences. NCRC defined subprime lending in the following terms:

> A subprime loan is a loan to a borrower with less than perfect credit. In order to compensate for the added risk associated with subprime loans, lending institutions charge higher interest rates. In contrast, a prime loan is a loan made to a creditworthy borrower at prevailing interest rates. Loans are classified as A, A-, B, C, and D loans. "A" loans are prime loans that are made at the going rate while A- loans are loans made at slightly higher interest rates to borrowers with only a few blemishes on their credit report. So-called B, C, and D loans are made to borrowers with significant imperfections in their credit history. "D" loans carry the highest interest rate because they are made to borrowers with the worst credit histories that include bankruptcy. (National Community Reinvestment Coalition 2002a: 4)

Predatory loans are defined in the following terms:

> A predatory loan is an unsuitable loan designed to exploit vulnerable and unsophisticated borrowers. Predatory loans are a subset of subprime loans. (Not all subprime loans are predatory, but virtually all predatory loans are subprime.) A predatory loan has one or more of the following features: 1) charges more in interest and fees than is required to cover the added risk of lending to borrowers with credit imperfections, 2) contains abusive terms and conditions that trap borrowers and lead to increased indebtedness, 3) does not take into account the borrower's ability to repay the loan, and 4) often violates fair lending laws by targeting women, minorities and communities of color. (National Community Reinvestment Coalition 2002a: 4)

A variety of predatory practices have been identified. They include the following:

- higher interest rates and fees than can be justified by the risk posed by the borrower,
- balloon payments,
- required single premium credit life insurance, where the borrower must pay the entire annual premium at the beginning of the policy period rather than in monthly or quarterly payments and with this cost folded into the loan, the total cost, including interest payments, is higher throughout the life of the loan,
- forced placed homeowners insurance where the lender

requires the borrower to pay for a policy selected by the lender,

- high pre-payment penalties which trap borrowers in the loans,
- fees for services that may or may not actually be provided,
- loans based on the value of the property with no regard for the borrower's ability to make payments,
- loan flipping, whereby lenders use deceptive and high-pressure tactics resulting in the frequent refinancing of loans with additional fees added each time,
- negatively amortized loans and loans for more than the value of the home which result in the borrower owing more money at the end of the loan period than when they started making payments. (ACORN 2002: 31)

There are no precise quantitative estimates of the extent of predatory lending, but the growth of subprime lending in recent years, coupled with growing law enforcement activity in this area, clearly indicates a surge if not resurgence, of a range of exploitative practices with economically most vulnerable populations the most likely to be victimized. The Joint Center for Housing Studies (2002a: 14) at Harvard University reported that mortgage companies specializing in subprime loans increased their share of home purchase mortgage loans from 1 percent to 13 percent between 1993 and 2000. One industry source reported that the volume of subprime home loans grew from $35 billion to over $530 billion between 1994 and 2004 (Inside Mortgage Finance Publications 2005, cited in Avery et al. 2005b: 349). Subprime loans are concentrated in neighborhoods with high unemployment rates and declining housing values (Pennington-Cross 2002). Almost 20 percent of refinance loans to low-income borrowers were made by subprime lenders in 2002, compared to just over 7 percent for upper-income borrowers (ACORN 2004: 1).

The Center for Community Change (Bradford 2002: vii) reported that African Americans are three times as likely as whites to finance their homes with subprime loans, and the racial disparity is larger at higher income levels. The US Department of Housing and Urban Development (2000) found that residents of predominantly African American neighborhoods are five times as likely as those in white neighborhoods to receive subprime refinancing loans. When the 2004 HMDA data were released, the first year in which pricing information was available, researchers with the Federal Reserve Board found that 32.4 percent of blacks, 20.3 percent of Hispanics, and 8.7 percent of

whites received high-priced home purchase loans. (High-priced loans are those with annual percentage rates that were 3 percentage points higher than yields on comparable US Treasury securities for first lien loans and 5 percentage points higher for subordinate liens.) After controlling for borrower income, loan amount, location of property, presence of co-applicant, and sex of applicant, blacks were still three times as likely as whites, and Hispanics twice as likely, to receive high cost loans (Avery et al. 2005b: 376–382). The National Community Reinvestment Coalition reported that even after researchers controlled for credit scores and housing market measures, they found that borrowers from minority neighborhoods and neighborhoods with many elderly households were more likely to purchase or refinance homes with subprime loans. After controlling for housing affordability, they also found subprime lending concentrated among women, minority, and low-income borrowers as well as borrowers from minority and low-income neighborhoods (National Community Reinvestment Coalition 2003; 2005b). Other econometric research has also revealed that race continues to be a factor in the distribution of subprime loans, after other individual and neighborhood factors are taken into consideration (Immergluck 2004; Joint Center for Housing Studies 2004).

The National Training and Information Center traced a surge in foreclosures in the Chicago metropolitan area to an increase in subprime lending. Between 1993 and 1998, home loan foreclosures doubled, while subprime loans grew from just over 3,000 to almost 51,000 nationwide. Subprime lenders were responsible for 1.4 percent of foreclosures in 1993 and 35.7 percent in 1998 (National Training and Information Center 1999: 4). Subsequent research on Chicago found that the rise in subprime lending between 1996 and 2001 was associated with a significant increase in the foreclosure rate in 2002, controlling for family income, unemployment rates, racial composition, owner-occupancy rate, median property value, and other neighborhood characteristics (Immergluck and Smith 2004a, 2004b). The 3,750 foreclosures that occurred in Chicago in 1997 and 1998 reduced area property values by more than $598 million, for an average of $159,000 per foreclosure (Immergluck and Smith 2004a, 2004b). According to William Apgar at Harvard's Joint Center for Housing Studies, borrowers with subprime loans are eight times more likely to default than those with prime conventional loans (Kilborn 2002: sec. 1, p. 30).

Even if most subprime loans serve the useful purpose of enabling high-risk borrowers to access credit for home purchase and refinance

(Gramlich 2002), many of these loans do not serve the best interests of the borrowers. Fannie Mae and Freddie Mac have estimated that between 30 and 50 percent of those receiving subprime loans would, in fact, qualify for prime loans (Engel and McCoy 2002a: 1578). These borrowers are paying more than they should, given the level of risk they actually represent. A case study of Newark, New Jersey, found that the rise in subprime lending could not be explained in terms of borrower characteristics. In fact, among identically qualified borrowers, those taking out home improvement or refinancing loans in 1999 were forty times more likely to be offered subprime loans than in 1993 (Newman and Wyly 2004). Research also has shown that minority borrowers are more likely to receive loans with prepayment penalties (with no interest rate benefit) and that prepayment penalties and balloon payments increased foreclosure rates by 20 to 50 percent, after controlling for income, credit rating, and other risk factors (Quercia et al. 2005; Bocian and Zhai 2005; Ernst 2005). If subprime loans do benefit some consumers, those subjected to predatory practices are clearly not being served.

In sum, targets of predatory lending frequently are older residents who have paid off their homes, particularly those who live in older urban neighborhoods with large minority populations. In other words, many of those families and neighborhoods that have long been underserved by traditional lenders find themselves victimized by what could be considered a form of reverse redlining. They are offered far more in the way of financial "services" than is in the financial interests of such households or communities. These practices perpetuate long-standing disinvestment of and discrimination against such communities and contribute to the uneven development of the nation's metropolitan areas.

Surging Inequality

When Lester Thurow (1987) characterized the 1970s and 1980s as a time of surging inequality, he also, perhaps unwittingly, accurately forecast economic trends into the new millennium. Income, wealth, and other key economic resources have been distributed in increasingly unequal ways, with one outcome being heightened economic segregation of the nation's metropolitan areas. These developments have fueled unequal access to financial services and have prepared the ground for predatory lenders.

A variety of measures point in the same direction. Between 1967 and 2003, the share of income going to the top 5 percent of households grew from 17.5 to 21.7 percent. The share going to the lowest fifth dropped from 4.0 to 3.4 percent. In 1967 households in the top quintile received 10.9 times as much as those in the bottom quintile. This ratio grew to 14.6 in 2001 (DeNavas-Walt 2004; DeNavas-Walt et al. 2004). Since the mid-1970s, compensation for the highest paid 100 chief executive officers went from $1.3 million, or 39 times the pay of an average worker, to $37.5 million, or more than 1,000 times the pay of the typical worker (Krugman 2002: 64). Wealth has long been and continues to be even more unequally distributed than income. The share of wealth held by the top 5 percent increased from 56.1 percent in 1983 to 59.4 percent in 1998. These wealth disparities are the highest in the industrial world (Wolff 2001: 40).

As discussed in Chapter 1, poverty and concentrated poverty, particularly in minority communities, persist at high levels. Suburbs have fared better than cities generally, though many inner-ring suburbs are now experiencing the ills long associated primarily with inner-city neighborhoods. Segregation has declined in some communities, but it remains a central, defining feature of most metropolitan areas. And these patterns reflect disparities that prevailed before subprime and predatory lending took off in the mid-1990s.

These trends translate into very real quality of life barriers for a growing number of people, particularly in the nation's cities. Access to jobs is adversely affected for residents of communities most in need of employment. Health care is more difficult to obtain. The physical environment is more polluted. Food and other consumer goods cost more. And financial services are less readily available (Dreier et al. 2001).

Inequality and the Restructuring of Financial Services

In a climate of surging inequality, bank deregulation has fueled the emergence of a two-tiered banking system featuring predatory lending in a variety of markets (Joint Center for Housing Studies 2004). In central city neighborhoods, the number of mainstream financial institutions has declined while the number of fringe bankers (e.g., check cashers, pawn shops, payday lenders) has grown, particularly where minority households are concentrated.

Another cause and consequence of these developments is the large number of households with no bank accounts. Approximately 10 million households—disproportionately low-income, African American and Hispanic, young adults, and renters—do not have a bank account (Caskey 2002: 1). The primary reasons for not having such banking relationships are economic. The unbanked report that they have virtually no month-to-month financial savings to keep in an account. They also report that bank fees and minimum balances are too high, and some are uncomfortable dealing with banks (Caskey 2002: 2).

But not having a conventional bank account is costly. Such households often use check-cashing businesses to pay bills or cash paychecks, for which they are often charged 2–3 percent of the face value. That adds up to hundreds of dollars annually, precisely for those who can least afford the cost. Some households take out so-called payday loans, which are basically short-term (often two-week) cash advances on paychecks that frequently involve annual interest rates of 1,000 percent (Hudson 1996). And these are not just one-time or occasional transactions. More than half of those who take out payday loans engage in seven or more transactions at one lender in a given year (Community Reinvestment Association–North Carolina et al. 2002). A typical user of check-cashing businesses and payday lenders spends $1,000 more each year than he or she would for comparable services at a mainstream bank (Fisher 2005: 2). Those with regular bank accounts, however, are often offered a range of financial services such as credit counseling and lines of credit for various purposes, including prime home mortgage loans from their banks. Without that banking relationship, households cannot gain access to these services (ACORN 2002: 30).

In some cases, however, conventional lenders have not left the central city. They may have closed their offices, but then they invest in or form partnerships with check cashers, payday lenders, and other fringe bankers. For example, Wells Fargo, the nation's seventh-largest lender at the time, arranged more than $700 million in loans between 1998 and 2002 to three large check-cashing chains: Ace Cash Express, EZ Corporation, and Cash America. In California more than 60 percent of check cashers and payday lenders are supported by major financial institutions, including Wells Fargo, Bank of America, J. P. Morgan Chase, and other household names. Chase Manhattan Bank, Citibank, Fleet Financial, Hong Kong and Shanghai Banking Corporation (HSBC), and other banks have partnered with check cashers in the New York metropolitan area, including parts of Connecticut, New Jersey, and New York (Fisher 2005). Mainstream financial institutions have created the opportunity for fringe institutions to enter the marketplace, ironically often after the former have closed their own offices in the very same neighborhoods.

Even more ironically, some of the steps taken to increase access to credit for traditionally underserved communities have inadvertently created incentives for predatory lending. The Community Reinvestment Act and the Fair Housing Act provided incentives for lenders to serve minority and low-income areas. FHA insurance and securitization of loans (whereby lenders sell loans to the secondary mortgage market, which, in turn, packages them into securities sold to investors) reduce the risk to lenders and increase capital available for mortgage lending. In turn, the federal government established affordable housing goals for the two major secondary mortgage market actors—Fannie Mae and Freddie Mac—whereby 50 percent of the mortgages they purchase must be for low- and moderate-income households (Engel and McCoy 2002b: 1267–1273). Such acts have increased access to capital, but sometimes by predatory lenders.

It is precisely this environment—growing inequality and the restructuring of financial institutions—that has nurtured predatory lending, particularly in minority neighborhoods, reinforcing the linkage between race and place in urban communities. And bank deregulation, discussed below, portends more of the same in the near future. Again, it is not just marginal institutions that are involved. Wall Street has been a major player by securitizing subprime loans. Such involvement of investment banks in subprime lending grew from $18.5 billion in 1997 to $56 billion in 2000 (ACORN 2002: 29, 30).

With passage of the Financial Services Modernization Act of 1999, the consolidation and concentration among financial services that had been occurring for decades—often at the expense of already distressed neighborhoods—received the blessing of the federal government (Leadership Conference on Civil Rights 2002: 43–47). Between 1970 and 1997, the number of banks in the United States dropped from just under 20,000 to 9,100, primarily as a result of mergers among healthy institutions (Bradford and Cincotta 1992: 192; Meyer 1998). The 1999 act removed many post-Depression laws that had provided for greater separation of the worlds of banking, insurance, and securities than now exists. Subsequent to this "reform," it became far easier for financial service providers to enter into each of these lines of business. One consequence is that commer-

cial banks and savings institutions, which formerly made the vast majority of mortgage loans, now make approximately one-third of all home loans (Insurance Information Institute 2002: 29).

A critical implication of deregulation is the declining influence of the Community Reinvestment Act. Concentration and consolidation among financial institutions that have taken place for years reduced the impact of CRA by facilitating the entry into the mortgage market of many financial institutions that are not covered by that 1977 law. The share of mortgage loans subject to intensive review under the CRA dropped from 36.1 percent to 29.5 percent between 1993 and 2000 (Joint Center for Housing Studies 2002b: iii, v). But the 1999 law is not the last word on this debate. In many ways, community-based organizations, fair housing groups, and some elected officials are responding to these developments and the predatory practices that have proliferated.

Reactions to Predatory Lending

Public officials, community organizations, and lenders have begun to respond. Public officials, prodded by aggressive community organizing, have proposed many regulatory and legislative changes. During the 2001–2002 legislative year, five bills were introduced in Congress, thirty-three states considered new legislation, and fourteen cities and counties debated local ordinances. One year later, at least six states (North Carolina, New York, California, New Jersey, New Mexico, and Georgia) and three cities (New York, Los Angeles, and Oakland) enacted anti–predatory lending legislation (Kest 2003). As of the end of 2004, at least thirty-six states, the District of Columbia, three counties, and nine municipalities had passed laws addressing predatory lending (Engel and McCoy 2004). These proposals call for limits on fees, prepayment penalties, and balloon payments; restrictions on practices leading to loan flipping; and prohibitions against loans that do not take into consideration borrowers' ability to repay. They provide for additional disclosures to consumers in the case of high-cost loans, credit counseling, and other consumer protections (National Community Reinvestment Coalition 2002a). The Prohibit Predatory Lending Act (H.R. 1182), introduced in 2005, would have provided similar protections nationwide but would not have preempted stronger protections provided at the state or local levels (Center for Responsible Lending 2005).

In response to information provided and pressure exerted by

Association of Communities Organized for Reform Now (ACORN) and other consumer groups, the Federal Trade Commission (FTC) has taken enforcement actions against nineteen lenders and brokers for predatory practices and negotiated the largest consumer protection settlement in FTC history with Citigroup in 2002 (General Accounting Office 2004: 30–57; Kest and Hurd 2003). Citigroup agreed to pay $215 million to resolve charges against its subsidiary, the Associates, for various deceptive and abusive practices. The suit was aimed primarily at unnecessary credit insurance products the Associates packed into many of its subprime loans (Federal Trade Commission 2002). The Office of the Comptroller of the Currency reached a $300 million settlement with Providian National Bank in California to compensate consumers hurt by its unfair and deceptive lending practices (Gramlich 2003). Despite the scope of the refunds and reductions in loan balances for the victims, some consumer groups maintained the settlement was inadequate, given the resources and extent of abusive practices on the part of the lender (Reddy 2002). A month later, Household International reached a $484 million agreement with a group of states attorneys general in which it agreed to many changes in its consumer loan practices. Household agreed to cap its fees and points, to provide more comprehensive disclosure of loan terms, to provide for an independent monitor to assure compliance with the agreement, and many other changes (Household International 2002). In addition, Household International negotiated a $72 million foreclosure avoidance program with ACORN in which the company agreed to interest rate reductions, waivers of unpaid late charges, loan principal reductions, and other initiatives to help families remain in their homes (ACORN 2003a).

The National Community Reinvestment Coalition, more than thirty of its member organizations, and other nonprofit organizations have developed loan rescue programs to help victims of predatory lending to refinance those loans on terms that do serve the financial interests of the borrowers. Such programs have been initiated in cities in every region of the country, including Atlanta, Baltimore, Cincinnati, Las Vegas, Milwaukee, and Omaha, among others. Many lenders participate in these rescue programs and in related financial literacy programs to educate borrowers about financial services (Gramlich 2003; National Community Reinvestment Coalition 2002a; Wertheim 2002).

Many lenders, often in partnership with community-based organizations, have launched educational and counseling programs to steer consumers away from predatory loans. One example is BorrowSmart

in Richmond, Virginia. Financial service providers Wachovia Corporation and Saxon Capital joined with the fair housing group Housing Opportunities Made Equal (HOME) to launch this counseling effort with several lenders and counseling agencies in that community. To make them more knowledgeable borrowers, consumers will be advised on the types of information they should obtain, as well as what kinds of practices to be wary of (Lewis 2002).

But progress cannot be assumed. Three federal financial regulatory agencies (Comptroller of the Currency, National Credit Union Administration, and Office of Thrift Supervision) have issued opinions that federal laws preempt some state predatory lending laws for the lenders they regulate (General Accounting Office 2004: 68–71). In communities where anti–predatory lending laws have been proposed, lobbyists for financial institutions have introduced state-level bills to preempt or nullify local ordinances or to weaken consumer protections. Legislation also has been introduced in Congress to preempt state efforts to combat predatory lending (ACORN 2003b). The 2005 Responsible Lending Act (H.R. 1295), although described as combating predatory lending, would fail to prevent many exploitative practices and, perhaps most importantly, preempt all state and local initiatives (Center for Responsible Lending 2005a, 2005b).

Preliminary research on the North Carolina anti–predatory lending law—the first statewide ban—suggested that restrictions provided by this statute reduced the supply and increased the cost of credit to low-income borrowers (Elliehausen and Staten 2002, 2003). Subsequent research, however, found that the law had the intended impact; there was a reduction in predatory loans but no change in access to or the cost of credit for high-risk borrowers (Quercia et al. 2003). A more recent study of anti–predatory lending laws in twenty-four states found that many consumers get stronger protections and lower costs in states with laws that exceed protections provided by federal rules. Researchers found that borrowers in those states have abundant access to subprime loans, they pay the same or less for such loans as do borrowers in states without such laws, and the loans they receive have fewer abusive terms (Li and Ernst 2006). Debate continues over the impact of such legislative initiatives (Comptroller of the Currency 2003, 2004), and the fight against redlining, in its traditional or "reverse" forms, remains an ongoing struggle.

The tools that have been used to combat redlining have always emerged from conflict. The Fair Housing Act of 1968 was the product of a long civil rights movement and probably would not have been passed until several years later if it were not for the assassination of Martin Luther King Jr. that year (Massey and Denton 1993: 186–194). Passage of the CRA followed years of demonstrations at bank offices, the homes of bank presidents, and elsewhere (Bradford and Cincotta 1992; Trapp 2004). And recent fights against predatory lending reflect the maturation of several national coalitions of community advocacy and fair housing groups, including ACORN, the National Community Reinvestment Coalition, the National Training and Information Center, the National Fair Housing Alliance, and others (Squires 2003). As Frederick Douglass famously stated in 1857:

> If there is no struggle, there is no progress.
> Those who profess to favor freedom and yet deprecate agitation
> Are men who want crops without plowing the ground.
> They want rain without thunder and lightning.
> They want the ocean without the awful roar of its waters.
> Power concedes nothing without a demand.
> It never did, and it never will. (Blassingame 1985: 204)

Homeownership remains the American dream, though for all too many it is a dream deferred. The predatory practices highlighted in this chapter constitute a major impediment, particularly for residents living in low-income minority neighborhoods. Access to mortgage loans and capital generally is essential for more balanced development, but it must be access on equitable terms. The exploitative practices documented in this chapter simply reinforce traditional patterns of uneven development and racial inequality and undermine the progress that has been made by the community reinvestment movement generally. Progress in responding to predatory practices is critical if progress is to continue.

Before a potential homeowner can even begin shopping for a loan, however, a property insurance policy must be obtained to protect both the borrower and the lender. The policies and practices of the property insurance industry have long constituted another arena of conflict. As the following chapter documents, place and race have been central to long-standing policy debates over the issue of insurance redlining.

Notes

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