Segregation as a Driver of Subprime Lending and the Ensuing Economic Fallout

Gregory D. Squires (squires@gwu.edu)
Professor of Sociology and Public Policy and Public Administration
George Washington University

Comments before the Joint Economic Committee

Predatory Lending and Reverse Redlining: Are Low-income, Minority and Senior Borrowers Targets for Higher Cost Loans?

June 25, 2009

Segregation as a Driver of Subprime Lending and the Ensuing Economic Fallout

Few issues have posed the range and severity of challenges to the nation as have recent developments in financial services. I want to thank the Joint Economic Committee for conducting this hearing, for taking on these difficult challenges, and for inviting me to participate.

Dramatic changes have taken place in the nation's mortgage lending markets in recent years. Passage of the Community Reinvestment Act (CRA) in 1977, enforcement of the federal Fair Housing Act (FHA), and compliance with a range of local, state, and national fair lending rules have increased access to credit for many households and communities long denied conventional financial services. But within the past decade the rise in subprime and predatory lending has put many families and neighborhoods in financial jeopardy as default and foreclosure rates are skyrocketing, particularly in minority and low-income areas. Fingers are pointed in several directions: greed on the part of families trying to buy homes they could not afford, lax underwriting by originators, inaccurate appraisals, fraudulent practices by investment bankers, inattention by regulators, and more. Community groups, elected officials, bank regulators and mortgage lenders themselves are debating over how the nation should respond.

Lost amidst recent debates is the central role that surging economic inequality and persistent racial segregation have played. The concentration of income and wealth at the top coupled with the concentration of poverty and persisting levels of segregation and hypersegregation have nurtured significant increases in subprime and predatory lending among vulnerable communities. Reforming the regulation of financial services is a necessary but insufficient step for ameliorating the crises created by recent lending practices. Broader, macro-economic policies that directly address various trajectories of economic inequality and dynamics of discrimination and segregation must complement progressive banking and bank regulatory reforms if emerging challenges are to be met.[1] This comment examines the impact of inequality on subprime and predatory lending and offers a range of policy responses to the emerging problems confronting metropolitan areas across the country.

Surging Inequality

By virtually any measure economic inequality has increased in recent decades. Between 1967 and 2007, the share of income in the U.S. going to the top quintile of all households increased from 43.6% to 49.7%, while the share going to the bottom fifth dropped from 4.0% to 3.4%.[2]

[1] GREGORY D. SQUIRES, *URBAN DEVELOPMENT AND UNEQUAL ACCESS TO HOUSING FINANCE SERVICES*, NEW YORK LAW SCHOOL LAW REVIEW 53(2): 255-268 (2008/9).

[2] CARMEN WALT-DENAVAS, BERNADETTE D. PROCTOR, AND JESSICA C. SMITH, U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS, P60-235, /INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN THE UNITED STATES: 2007/, TABLE A-3.. SELECTED MEASURES OF HOUSEHOLD INCOME DISPERSION: 1967-2007, U.S. GOVERNMENT PRINTING OFFICE, WASHINGTON, DC, 2008.

Since the mid 1970s, compensation for the 100 highest paid chief executive officers increased from $1.3 million, or thirty-nine times the pay of the average worker, to $37.5 million, or more than 1,000 times the pay of a typical worker.[3] In 2004, those in the top one percent enjoyed a 12.5% increase in their incomes compared to 1.5% for the remaining 99%.[4]

Wealth, of course, has long been much more unequally distributed than income, and that inequality has increased over time. Between 1983 and 2001, the share of wealth going to the top five percent grew from 56.1% to 59.2%. While African Americans and Hispanics earn approximately two-thirds of what whites earn, wealth holdings for the typical non-white family are approximately one-tenth that of the typical white family.[5]

City residents have been falling behind their suburban counterparts, and non-white neighborhoods have been falling behind white communities. In 1960, per capita income in cities was 105% that of suburbanites, but in 2000, urban residents were earning just 84% of those in the suburbs.[6] The median census tract income for the typical black household in 1990 was $27,808 compared to $45,486 for whites, a gap of $17,679. A similar pattern holds for Hispanics.[7]

Between 1970 and 2000, the number of high poverty census tracts (those where 40 percent or more of the population is poor) grew from 1177 to 2510, and the number of people living in those tracts grew from 4.1 million to 7.9 million.[8] The isolation of rich and poor families is also reflected by the declining number of middle income communities.[9] Between 1970 and 2000, the number of middle income neighborhoods (census tracts where the median family income is between 80% and 120% of the median family income for the metropolitan area) dropped from

---

[3]PAUL KRUGMAN, *FOR RICHER*, N.Y. TIMES MAG., OCT. 20, 2002, AT 62, 64.

[4]PAUL KRUGMAN, EDITORIAL, *LEFT BEHIND ECONOMICS*, N.Y. TIMES, JULY 14, 2006, AT A19.

[5]THOMAS M. SHAPIRO, THE HIDDEN COST OF BEING AFRICAN AMERICAN 48–49 (2006); *see also* NAT'L CMTY REINVESTMENT COAL. & WOODSTOCK INSTIT., A LIFETIME OF ASSETS (2006).

[6]INTERWOVEN DESTINIES: CITIES AND THE NATION 25 (Henry G. Cisneros ed. 1993); JOHN R. LOGAN, LEWIS MUMFORD CTR. FOR COMPARATIVE URBAN AND REGIONAL RESEARCH, UNIV. AT ALBANY, THE SUBURBAN ADVANTAGE: NEW CENSUS DATA SHOW UNYIELDING CITY-SUBURB ECONOMIC GAP, AND SURPRISING SHIFTS IN SOME PLACES (2002).

[7]JOHN R. LOGAN, LEWIS MUMFORD CTR. FOR COMPARATIVE URBAN REGIONAL RESEARCH, UNIV. AT ALBANY, SEPARATE AND UNEQUAL: THE NEIGHBORHOOD GAP FOR BLACKS AND HISPANICS IN METROPOLITAN AMERICA tbl. 1 (2002).

[8]*Compare* PAUL A. JARGOWSKY, POVERTY AND PLACE: GHETTOS, BARRIOS, AND THE AMERICAN CITY 34 (1998) (reporting 1970 figures), *with* PAUL A. JARGOWSKY, BROOKINGS INST., STUNNING PROGRESS, HIDDEN PROBLEMS: THE DRAMATIC DECLINE OF CONCENTRATED POVERTY IN THE 1990s 20 (2003).

[9]JASON C. BOOZA, JACKIE CUTSINGER & GEORGE GALSTER, BROOKINGS INST., WHERE DID THEY GO? THE DECLINE OF MIDDLE-INCOME NEIGHBORHOODS IN METROPOLITAN AMERICA 1 (2006).

58% to 41% of all metropolitan area neighborhoods.[10] And whereas more than half of lower-income families lived in middle income neighborhoods in 1970, only 37% of such families did so in 2000.[11] The share of low-income families in low-income areas grew from 36% to 48%.[12]

Even longer standing patterns of racial segregation persist. Nationwide, the black/white index of dissimilarity declined from .73 to .64 between 1980 and 2000.[13] Scores above .60 are widely viewed as reflecting high levels of segregation. But in the large metropolitan areas where the black population is most concentrated, segregation levels persist at high levels reaching at or near .80 in New York, Chicago, Detroit, Milwaukee, and many other urban communities. Lower levels exist primarily in western and southwestern communities with small black populations. For Hispanics and Asians, segregation levels are much lower, approximately .4 and .5, but they have remained at that level or actually increased slightly between 1980 and 2000.[14]

Inequality and Subprime Lending

A wealth of research has documented the concentration of subprime loans in low-income and minority communities.[15] HMDA reports reveal, for example, that for 2006, when subprime lending was at its peak, for first lean conventional home purchase loans 46 percent of borrowers in low-income areas compared to 16 percent in upper income areas received a high-priced loan. Among borrowers in predominantly non-white communities 49 percent received such loans compared to 18 percent in predominantly white areas. In that year 53 percent of African Americans, 46 percent of Hispanics, and 22 percent of whites received high-priced loans.

---

[10] *Id*.

[11] *Id*.

[12] *Id*. at 7.

[13] JOHN ICELAND, DANIEL H. WEINBERG & ERIKA STEINMETZ, U.S. CENSUS BUREAU, RACIAL AND ETHNIC RESIDENTIAL SEGREGATION IN THE UNITED STATES: 1980–2000 tbl. 1 (2002). This index varies from 0 to 1, where a score of 0 would indicate that each neighborhood had the same racial composition of the metropolitan area as a whole and a score of 1 would represent total segregation meaning every neighborhood was either all African American or all white. *Id.* at 5. For a more complete discussion of the index of dissimilarity, see Jeffrey M. Timberlake & John Iceland, *Change in Racial and Ethnic Residential Inequality in American Cities, 1970–2000*, 6 CITY & COMMUNITY 335–65 (2007).

[14] ICELAND, WEINBERG & STEINMETZ, *supra* note 14, at tbls. 3 & 5; *see also* John E. Farley & Gregory D. Squires, *Fences and Neighbors: Segregation in 21st Century America*, 4 CONTEXTS 33, 34–35 (2005).

[15] GREGORY D. SQUIRES, DEREK S. HYRA, AND ROBERT N. RENNER, *SEGREGATION AND THE SUBPRIME LENDING CRISIS*, PAPER PRESENTED AT THE FEDERAL RESERVE BOARD'S COMMUNITY AFFAIRS RESEARCH CONFERENCE, (APRIL 16, 2009).

Subsequent research revealed that even after controlling on credit rating, income, and other financial characteristics, racial disparities persist.[16]

Such patterns are no accident. The City of Baltimore recently sued Wells Fargo Bank for racially discriminatory predatory lending patterns in that community leading to high foreclosure rates and the heavy costs associated with those foreclosures. Plaintiffs found, for example, that the foreclosure rate for Wells Fargo loans was twice the city-wide average in African American communities while the rate in white neighborhoods was half the city-wide average (Mayor and City Council of Baltimore v. Wells Fargo Bank, U.S. District Court for the District of Maryland, Baltimore Division Case Number 1:2008v00062, January 8, 2008). Subsequent investigation revealed that Wells Fargo loan officers were provided financial incentives to steer borrowers from lower-cost prime loans to higher-cost subprime loans, referring to them as "ghetto loans" and to the borrowers as "mud people."[17]

And racial segregation has an effect above and beyond that of race alone. Table 1 shows that the share of loans that are high-priced is considerably higher in highly segregated than in less segregated communities. The average share of such loans in the nation's ten most segregated communities is 31 percent compared to 20 percent in the ten least segregated.

Table 1: Top 10 Most and Least Segregated Metro Areas and Percent of High-Cost Loans

10 Most Segregated Metropolitan Regions	Black Segregation Index	% High-Cost Loans
Detroit-Warren-Livonia, MI	84	34
Milwaukee-Waukesha-West Allis, WI	81	29
Chicago-Naperville-Joliet, IL-IN-WI	78	31
Cleveland-Elyria-Mentor, OH	77	28
Flint, MI	76	37
Muskegon-Norton Shores, MI	76	38
Buffalo-Niagara Falls, NY	76	25
Niles-Benton Harbor, MI	73	30
St. Louis, MO-IL	73	31
Cincinnati-Middletown, OH-KY-IN	73	25

[16] P. CALEM, K. GILLEN, AND S. WACHTER, *THE NEIGHBORHOOD DISTRIBUTION OF SUBPRIME MORTGAGE LENDING*, JOURNAL OF REAL ESTATE FINANCE AND ECONOMICS 29: 393-410 (2004).

[17] MICHAEL POWELL, *BANK ACCUSED OF PUSHING MORTGAGE DEALS ON BLACKS*, THE NEW YORK TIMES, (JUNE 7, 2009): A-15.

Average	77	31
10 Least Segregated Metropolitan Regions		
Coeur d'Alene, ID	16	24
Hinesville-Fort Stewart, GA	18	39
Santa Fe, NM	21	17
Prescott, AZ	21	21
Bellingham, WA	22	16
Boulder, CO	23	10
Jacksonville, NC	24	22
Blacksburg-Christiansburg-Radford, VA	24	20
Santa Cruz-Watsonville, CA	24	14
Missoula, MT	24	15
Average	22	20

Source: Gregory D. Squires, Derek S. Hyra, and Robert N. Renner, *Segregation and the Subprime Lending Crisis*, paper presented at the Federal Reserve Board's Community Affairs Research Conference, (April 16, 2009).

Far more significant, however, is that racial and ethnic segregation remain statistically significant predictors of the level of high-priced loans even after controlling for credit rating, poverty level, percent minority, and education (see Tables 2 and 3). These data show, for example, that a ten percent increase in black/white segregation (measured by the index of dissimilarity) is associated with an increase of 1.4 percent in high-cost lending. Every ten percent increase in Hispanic/white segregation is associated with an increase of 0.6 percent in high-cost lending.

Table 2: Black Segregation

Variables	Coefficients	Standard Errors
Percent in Poverty	-0.00	0.67
Percent Minority	0.13*	0.02
Median Home Value	-0.11*	0.03
Black Segregation	0.14*	0.02
Percent Low Credit Score	0.23*	0.06
Percent with BA or Higher	-0.48*	0.04

N=354, R-Squared=0.6943, *p<.01.

Table 3: Model II: Hispanic Segregation

Variables	Coefficients	Standard Errors
Percent in Poverty	-0.05	0.07
Percent Minority	0.12*	0.02
Median Home Value	-0.14*	0.03
Hispanic Segregation	0.06*	0.02
Percent Low Credit Score	0.25*	0.07
Percent with BA or Higher	-0.48*	0.04

N=354, R-Squared=0.6312, *p<.01

Policy Responses

Many proposals have been offered to change the way banks do business and the way they are regulated. Clearly, such reforms are necessary. But if the problems generated by subprime and predatory lending along with the foreclosures and other economic costs that followed require new policies to change lending practices of financial institutions and regulatory actions of enforcement agencies, the broader context of inequality and segregation must also be addressed.

Several politically feasible tools are available to respond to the overall surge in inequality. For example, the federal minimum wage should be indexed to take into consideration the cost of living so that the recent increase that was approved in May 2007 does not continue to lose buying power as it has since the moment it went into effect in July 2007.[18] Living wage ordinances, which mandate even higher wages, generally $8 to $10 per hour, frequently with fringe benefits, have been enacted in more than 100 jurisdictions with these rules applying to government contractors and recipients of economic development subsidies.[19] More jurisdictions should follow this lead The Earned Income Tax Credit could be expanded to lift more working families out of poverty.[20] Enacting the Employee Free Choice Act, which allows workers to form a union when more than 50% of workers sign a card indicating their desire to do so in lieu of secret elections, would strengthen the role of unions in the U.S. and their positive impact on wage inequality.[21] A more provocative proposal, the Income Equity Act, has been offered by former Minnesota Representative Martin Sabo that would deny corporations tax deductions on any executive compensation exceeding twenty-five times the pay of the firm's lowest paid workers.[22]

Expansion of several housing and land use policies would also reduce inequality. Inclusionary zoning laws that require developers to set aside a specific share of housing units to meet affordable housing objectives have been implemented in dozens of cities.[23] Tax-based revenue sharing, whereby a portion of the increasing property tax revenues in prosperous neighborhoods is used to invest in housing and other community development initiatives in distressed areas, has been implemented in Minnesota.[24] Mobility programs have enabled thousands of families to leave ghettos and barrios for more prosperous outlying urban and suburban communities where they found safer neighborhoods, better schools, and better job prospects.[25]

---

[18] *See generally* John Atlas & Peter Dreier, *Waging Victory*, AM. PROSPECT, Nov. 10, 2006, http://www.prospect.org/cs/articles?article=waging_victory; Neal Peirce, *Congress' Minimum Wage Vote: Prelude to a Better Politics?*, STATELINE.ORG, Jan. 25, 2007, http://www.stateline.org/live/details/story?contentID=174954.

[19] PETER DREIER,COMMUNITY ORGANIZING FOR WHAT? PROGRESSIVE POLITICS AND MOVEMENT BUILDING IN AMERICA, *in* TRANSFORMING THE CITY: COMMUNITY ORGANIZING AND THE CHALLENGE OF POLITICAL CHANGE 237 (Marion Orr ed., 2007).

[20] *See* LAWRENCE MISHEL, JARED BERNSTEIN & SYLVIA ALLEGRETTO, THE STATE OF WORKING AMERICA, 2004/2005 13 (2005).

[21] *See* THOMAS KOCHAN & BETH SHULMAN, ECON. POLICY INST., A NEW SOCIAL CONTRACT: RESTORING DIGNITY AND BALANCE TO THE ECONOMY 14, 15–16 (2007).

[22] PEIRCE, *SUPRA* NOTE 46.

[23] RUSK, *supra* note 45 (arguing that state legislatures must set new "rules of the game" requiring housing policies to ensure that all new developments have their fair share of low- and moderate-income housing).

[24] MYRON ORFIELD, AMERICAN METROPOLITICS: THE NEW SUBURBAN REALITY (2002).

[25] JOHN GOERING & JUDITH D. FEINS, CHOOSING A BETTER LIFE?: EVALUATING THE MOVING TO OPPORTUNITY SOCIAL EXPERIMENT (2003); ALEXANDER POLIKOFF, WAITING FOR GAUTREAUX: A STORY OF SEGREGATION,

Housing policies of the past have been linked with the concentration of minorities, particularly African Americans, in extremely segregated and impoverished communities.[26] Today, much of the distressed public housing that once segregated minorities in inner city neighborhoods is being razed.[27] Residents of these demolished buildings are receiving housing vouchers, a rent subsidy, to obtain private market rental units. Evidence suggests that voucher holders are ending up in other highly segregated communities.[28] To prevent the continuing concentration of poverty and racial disadvantage, the U.S. Department of Housing and Urban Development's Housing Choice Voucher program must be reformed to provide greater opportunities for recipients to find units in less segregated and impoverished neighborhoods.

The Low Income Housing Tax Credit (LIHTC) program and inclusionary zoning laws are two other mechanisms for increasing the number of affordable rental units in non-poverty neighborhoods for voucher recipients. Traditionally, housing developments in low-income communities are given preferences for LIHTCs. This circumstance may indirectly increase or sustain prior levels of segregation by placing low-income residents and units in an already low-income community. To open up housing opportunities for low-income families, affordable housing developments in middle- and upper-income communities should be given priority for LIHTCs. Inclusionary zoning laws can also increase the stock of affordable housing in low-poverty areas. These local laws require new developments to set aside a certain percentage of units for affordable housing. The federal government could provide financial incentives for municipalities to adopt zoning laws that promote the construction and redevelopment of affordable units.

Housing market discrimination clearly contributes to segregation. To more effectively enforce fair housing laws already in place, the proposed Housing Fairness Act of 2009 (H.R. 476) should be enacted. This bill would increase funding for the Fair Housing Initiatives Program to $52 million and would fund a $20 million nationwide paired testing program providing for 5,000 tests, approximately 50 in each of the nation's 100 largest metropolitan areas. In paired-testing

---

HOUSING, AND THE BLACK GHETTO (2006); LEONARD S. RUBINOWITZ & JAMES E. ROSENBAUM, CROSSING THE CLASS AND COLOR LINES: FROM PUBLIC HOUSING TO WHITE SUBURBIA (2000).

[26] JAMES H. CARR AND NANDINEE K. KUTTY, SEGREGATION: THE RISING COSTS FOR AMERICA, NEW YORK: ROUTLEDGE, (2008). DOUGLAS S. MASSEY AND NANCY DENTON, AMERICAN APARTHEID: SEGREGATION AND THE MAKING OF THE UNDERCLASS, CAMBRIDGE, MA: HARVARD UNIVERSITY PRESS (1993). DOUGLAS S. MASSEY AND SHAWN M. KANAIAUPUNI, *PUBLIC HOUSING AND THE CONCENTRATION OF POVERTY,* SOCIAL SCIENCE QUARTERLY 74(1): 109-122, (1993).

[27] EDWARD GOETZ, CLEARING THE WAY: DECONCENTRATING THE POOR IN URBAN AMERICA, WASHINGNTON, D.C.: THE URBAN INSTITUTE PRESS (2003). DEREK S. HYRA, THE NEW URBAN RENEWAL: THE ECONOMIC TRANSFORMATION OF HARLEM AND BRONZEVILLE, CHICAGO: UNIVERSITY OF CHICAGO PRESS (2008).

[28] PAUL FISCHER, WHERE ARE PUBLIC HOUSING FAMILIES GOING? AN UPDATE, CHICAGO: WOODS FUND OF CHICAGO (2003). JOHN M. HARTUNG AND JEFFREY R. HENIG, *HOUSINGVOUCHERS AND CERTIFICATES AS A VEHICLE FOR DECONCENTRATING THE POOR,* URBAN AFFAIRS REVIEW 32(3): 403-419 (1997).

investigations, equally qualified white and non-white auditors posing as homebuyers or renters approach housing providers, such as real estate and rental agents, mortgage lenders, and insurance agents, and inquire about the availability of the same or similar housing units or housing related services like home insurance or mortgage loans. Any differences in treatment they receive likely reflect discrimination since these auditors or testers are assigned identical qualifications and interests. Such investigations have routinely revealed discrimination in approximately one out of every five initial visits to real estate or rental agents. Discrimination in insurance and mortgage lending has also been documented using similar investigative techniques[29] If the real estate, mortgage and insurance industries knew these investigations were occurring more frequently, incidents of discrimination and levels of segregation might be reduced.

In addition to these general economic reforms and housing proposals, there are specific changes in the regulation of financial services that should be included in any reorganization of that regulatory function. For example, prepayment penalties and introductory teaser rates should be limited in all mortgage lending including the prime and subprime markets. Prepayment penalties make it more difficult for those that get behind in their payments to refinance or sell their homes. Even though these penalties provide banks with risk protection against early payment, it increases the likelihood that borrowers will default. Teaser rates (for example, 2/28 and 3/27 adjustable rate mortgages) frequently lead to late payments, defaults, and foreclosure.[30] Only when carefully underwritten and when there is a clear economic benefit for the borrower should these types of loans be permitted. These simple product restrictions might reduce the extent of subprime loans, defaults, and foreclosures throughout the country. The National Mortgage Reform and Anti Predatory Lending Act (H.R. 1728) would reduce substantially the provision of inappropriate products in the mortgage market.

State and local governments that receive federal funding for housing and community development are required to “affirmatively further fair housing” in the utilization of those funds. Recipients of TARP, bailout, or any other federal financial support should be required to pursue this objective as well.

To ensure that these regulations and restrictions are followed, federal oversight is needed over the independent mortgage companies, the unregulated entities who originated the bulk of

[29] SHANNA SMITH AND CATHY CLOUD, *DOCUMENTING DISCRIMINATION BY HOMEOWNERS INSURANCE COMPANIES THROUGH TESTING* IN GREGORY D. SQUIRES (ED) INSURANCE REDLINING: DISINVESTMENT, REINVESTMENT, AND THE EVOLVING ROLE OF FINANCIAL INSTITUTIONS, WASHINGTON, D.C.: THE URBAN INSTITUTE PRESS (1997). MARGERY T. TURNER AND FELICITY SKIDMORE, MORTGAGE LENDING DISCRIMINATION: A REVIEW OF EXISTING EVIDENCE, WASHINGTON, D.C.: THE URBAN INSTITUTE (1999). MARGERY TURNER, FRED FREIBERG, ERIN GODFREY, CARLA HERBIG, DIANE LEVY, AND ROBIN SMITH, ALL OTHER THINGS BEING EQUAL: A PAIRED TESTING STUDY OF MORTGAGE LENDING INSTITUTIONS, WASHINGTON, D.C.: THE URBAN INSTITUTE (2002).

[30]ROBERT G. QUERCIA, MICHAEL A. STEGMAN, AND WALTER R. DAVIS, *THE IMPACT OF PREDATORY LOAN TERMS ON SUBPRIME FORECLOSURES: THE SPECIAL CASE OF PREPAYMENT PENALTIES AND BALLOON PAYMENTS*, HOUSING PJOLICY DEBATE 18(2): 311-346 (2007).

subprime mortgages and the affiliated institutions that are involved in the trading of mortgage-backed securities.[31] Currently, the CRA applies only to depository institutions but passage of the CRA Modernization Act of 2009 (H.R. 1749) would bring unregulated mortgage lenders under its purview. Having greater oversight over independent mortgage companies, might help decrease the number of high-cost loans.

It has been argued that the CRA and related fair lending laws contributed to the foreclosure and related problems. But as the Federal Reserve Board and others have documented, this is simply not the case. CRA lenders made approximately 6% of all high-cost loans to low-income markets. Altogether just 5 % of loans made by CRA lenders were high-cost compared to 34% for non-CRA lenders. In fact, the Fed and others have found that the CRA is responsible for significant increases in the level of good loans in traditionally underserved markets.[32]

A promising step in this direction is the President's proposal for the creation of a Consumer Financial Protection Agency.[33] If given the tools to write and enforce strong regulations, this independent agency should prove far more effective in protecting the rights of consumers under the CRA and other consumer protection laws.

Conclusion

The housing and related economic crises that disproportionately impact poor and minority communities, but which are clearly now threatening many middle income families as well, are inextricably linked to specific financial industry practice as well as broader forces of inequality and uneven development. The policies and practices that have generated these patterns are no great secret. Neither are at least some of the remedies.

---

[31] ROBERT B. AVERY, KENNETH P. BREVOORT, AND GLENN B. CANNER, *THE 2006 HMDA DATA*, FEDERAL RESERVE BULLETIN 93: 73-109 (2007).

[32] GOVERNOR RANDALL S. KROSZNER, THE COMMUNITY REINVESTMENT ACT AND THE RECENT MORTGAGE CRISIS, SPEECH DELIVERED TO CONFRONTING CONCENTRATED POVERTY POLICY FORUM, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON DC (DECEMBER 3, 2008). NEW YORK TIMES, *MORTGAGES AND MINORITIES* EDITORIAL, (DECEMBER 9, 2008). GREGORY D. SQUIRES, *SCAPEGOATING BLACKS FOR THE ECONOMIC CRISIS*, POVERTY & RACE 17(6): 3,4 (2008).

[33] U.S. DEPARTMENT OF THE TREASURE, *FINANCIAL REGULATORY REFORM* WASHINGTON, D.C.: U.S. DEPARTMENT OF THE TREASURY (2009).