

JOINT ECONOMIC COMMITTEE

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

June 25, 2009 – 11:00 a.m.

Room 2118 Rayburn House Office Building

Statement of Congressman Elijah E. Cummings

Madam Chair,

Thank you for holding this critical hearing to examine the targeted predatory lending practices that have ravaged our communities and our economy.

I requested this hearing following the New York Times report on June 7th detailing new developments in the lawsuit filed by my hometown of Baltimore, against Wells Fargo.

The article described affidavits that were recently filed by the City of Baltimore that included staggering claims about Wells Fargo employees steering African-American citizens toward high-cost loan products to boost company profits and reward employees with monetary bonuses and trips.

The affidavits also claim that the true opinion of the Wells Fargo firm toward their clients was reflected in their use of racist epithets to describe African Americans.

The city’s contention is that the discriminatory lending practices pursued by Wells Fargo promoted high-cost loan instruments which led to foreclosures far in excess of what the rate of foreclosure might otherwise have been.

That in turn has led to declines in property values in many neighborhoods as well as increased crime, increased costs for city services, and lost tax revenues, all on the back of an increasingly burdened city.

With home values still falling, and the national unemployment rate now exceeding 9 percent, there has been a seemingly unending flood of foreclosures that has taken, and continues to take an immeasurable toll on all of our communities, and on the overall economy.

Obviously, the proliferation of subprime and other alternative loan products in communities across this nation contributed significantly to the foreclosure crisis.

So in order to progress toward a complete economic recovery we need to understand exactly what got us where we are today -- and that means that we need to understand both the specific financial transactions and regulatory failures as well as, frankly, the assumptions and **attitudes** that led firms to target certain groups for some of their most questionable transactions.

The subprime loans, which were created to increase homeownership in low and middle income sectors, turned into vehicles for enriching lenders, brokers, and investors.

We also know, from research done by Mr. Carr and the National Community Reinvestment Coalition, that there is a racial and ethnic disparity in the distribution of these high-cost loans.

They found that low- to moderate-income African Americans were *at least twice as likely* as low- to moderate-income whites to receive high-cost loans in 47.3 percent of areas they examined. The disparity continued into the higher income brackets as well.

Dr. Squires has written very eloquently that, “clearly not all subprime loans are predatory, but virtually all predatory loans are in the subprime market”.

That is why it so important for us to ensure the protection of all homebuyers, and President Obama has taken a decisive first step in this direction with the proposed Consumer Financial Protection Agency.

As I say so often, I live in the inner, inner city of Baltimore. And the people on my block are my neighbors, *and* my constituents, *and* my friends. They are struggling, and they need help now.

I am determined to do everything I can for them, from hiring dedicated staff for constituent mortgages to getting people a seat at the table with their lender – as we did recently putting 1000 borrowers together with 19 lenders at our foreclosure prevention workshop.

The witnesses before us have also done their part. I commend all of them for their work protecting the interests of home borrowers and communities.

I am particularly pleased to have Commissioner Raskin with us. She remains vigilant in exercising all the rights she has under Maryland law – and her efforts have led to the enactment of new mortgage fraud protections by the General Assembly.

Again, I want to thank the Chair for holding this hearing and I look forward to the coming discussion.