

**Remarks of Orson Aguilar, The Greenlining Institute
Federal Reserve Board Hearing on Potential Revisions to Regulation C**

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A Growing Homeownership and Wealth Gap: Communities of Color More Likely to Be Underwater

The Greenlining Institute thanks the Federal Reserve for this timely review of the Home Mortgage Disclosure Act (HMDA). Thank you for inviting Greenlining to address this panel on such an important issue. I also want to congratulate our very own Janet Yellen for being nominated to be the Vice Chair of the Federal Reserve. Congratulations Vice Chairman Yellen.

As I speak, we are witnessing a great loss of wealth in communities of color. A leading reason for this loss of wealth is the growing loss of home equity. According to the Center for Responsible Lending, widespread foreclosures have drained an estimated \$350 billion from communities of color. For every 100 African-American homeowners, 11 have either lost their homes or at risk of foreclosure. For Latino families, the figures are worse – 17 of every 100 Latino homeowners are touched by foreclosures (Center for Responsible Lending).

If we had better data for Asian Americans, there would be similar findings for certain ethnic groups.

Given the crisis facing our communities, I am recommending that urgent action be taken immediately by the Federal Reserve. As we know, HMDA has unfortunately been used as a tool to analyze the past. We know now that our current crisis could have been prevented had we used HMDA proactively. Unfortunately, the responsibility to use HMDA largely fell on community advocates who were the first to sound the foreclosure alarm. Unfortunately, every time we did sound the alarm, nobody listened or excuses were made. For example, the common excuse we would hear from the Federal Reserve was, “there isn’t enough evidence to make a conclusion as to why certain communities receive higher rate loans.”

Recommendations

Given the magnitude of the crisis facing communities today, Greenlining recommends that the Federal Reserve immediately engage in the following activities:

- 1. Immediately obtain and release HMDA lending for the first half of 2010 and for all of 2009.** We feel that the pendulum has swung too far in home lending to communities of color. Too many individuals and families that should be provided the opportunity of homeownership are being denied this opportunity, even as we see low home prices coupled with low interest rates. Greenlining’s soon to be released report on HMDA entitled “*Good Enough for Subprime but Not Good Enough for Prime?*” shows a large drop in home-lending to African-Americans and Latinos. Reports by the California

Reinvestment Coalition (CRC), and others also point to a lack of prime lending to people of color.

We strongly encourage the Federal Reserve to conduct an immediate study of recent home lending data. In this examination we might uncover and remove possible artificial barriers to homeownership that might be impeding current homeownership efforts. Our entire economy will suffer if we allow too many Americans to become permanent renters and if we are unable to turn the tide on foreclosures.

- 2. Immediately release information on underwater mortgages by region, race, and ethnicity.** We know that California leads the nation with the number of mortgages that are underwater. It is currently estimated that 35% percent of mortgages in California are underwater with some regions such as Riverside being as high as 90%. Greenlining estimates that a disproportionate number of underwater mortgages are held by Asians, Latinos, and African Americans. In California, Latinos are likely to be over represented by underwater mortgages especially given the high rates of subprime loans they received from 2004-2007 and their high levels of purchase in the Central Valley and the Inland Empire. According to Greenlining's soon to be released report on HMDA, Latino home lending in 2007 actually continued to increase despite drops for other groups. Given the proximity of this increased lending to the height of the housing bubble, it is likely that a very large percentage of Latinos are severely underwater.

We hesitate to call someone with massive negative equity a homeowner. Some would even say that severe underwater mortgage holders are worse off than renters.

The biggest victims of this crash are seniors who may not have time to rebuild their equity. The crash in home values has left many seniors (especially seniors of color) who planned to live off the equity of their house at risk.

We encourage the Federal Reserve to release this data soon so that the public and private sector can better prepare for what could be a new large wave of foreclosures.

- 3. We highly recommend that the Federal Reserve begin a system to disaggregate Asian American data to better determine the housing situation for the diverse Asian American community.** There are currently about 15 million Asian Americans, Native Hawaiians, and Pacific Islanders in the United States, 33% of which live in California. The Asian American, Native American, Native Hawaiian, and Pacific Islander population is very diverse with over 50 different race/ethnicities (such as East Asians, South Asians, Southeast Asians, Native Hawaiians, Micronesians, Polynesians, and so forth) who speak over 100 different languages.

Breaking down aggregate (or average) data into specific subgroups is needed for a number of reasons. Some Asian American, Native Hawaiian, and Pacific Islander groups have a high proportion of educated people, while other groups have high school drop out rates. For example, a staggering 39% of Hmong, 38% of Laotian, and 35% of

Cambodian populations do not complete high school; as compared to 14% of Asian Americans who do not complete high school.

HMDA today is of little to no use for the diverse Asian American community.

- 4. Make HMDA data matter during the Community Reinvestment Act (CRA) examination process.** Previous Greenlining reports on HMDA demonstrate that banks can continue to get satisfactory and outstanding grades even when little to no loans were provided to people of color. HMDA must be an instrumental process of the CRA examination process and irregularities in HMDA data should be made available to the public in a transparent way.

- 5. We recommend that the Federal Reserve work with the new Consumer Protection Bureau to obtain new data fields, especially data related to loan modification, home refinances, and lines of credit.** We specifically request data on:
 - a. The collection and public reporting of all loan modification applications, denials, and modification terms, broken out by race, ethnicity and gender of applicants and census tract.
 - b. The disclosure of all Home Equity Lines of Credit (HELOCs).
 - c. The reporting on reverse mortgages, including the age of loan applicants and whether a reverse mortgage was sold with an annuity.
 - d. Detailed reporting on multifamily lending that identifies whether the loan was a construction loan or a permanent loan, and whether the housing units for multifamily dwelling in question are deed restricted for affordable housing. (See CRC letter.)

Greenling supports all of the recommendations made by the California Reinvestment Committee on this issue and has signed to their comment letter.

Conclusion

We agree that more data is necessary to better fulfill the three purposes of HMDA. However, given the crisis facing us today, we urge the Federal Reserve to take immediate action on today's HMDA data to ensure that we stop the bleeding of wealth in communities of color.

Thank you.