



WASHINGTON BUREAU · NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
1156 15TH STREET, NW SUITE 915 · WASHINGTON, DC 20005 · P (202) 463-2940 · F (202) 463-2953
E-MAIL: WASHINGTONBUREAU@NAACPNET.ORG · WEB ADDRESS WWW.NAACP.ORG

**STATEMENT OF MR. HILARY O. SHELTON
DIRECTOR, NAACP WASHINGTON BUREAU
ON “ROOTING OUT DISCRIMINATION IN MORTGAGE LENDING: USING
HMDA AS A TOOL FOR FAIR LENDING ENFORCEMENT”
BEFORE THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS**

July 25, 2007

Thank you. My name is Hilary Shelton and I am the Director of the NAACP Washington Bureau, the federal public policy advocacy arm of our Nation’s oldest, largest and most widely recognized grassroots civil rights organization.

I am very pleased to be here today to talk to you about the Home Mortgage Disclosure Act, HMDA, and its use in uncovering trends of discrimination in home lending. It is especially an honor to speak before Chairman Watt, who is indisputably one of the Congressional leaders in the fight against predatory lending, and a champion of civil rights for all Americans. I would like to thank you, Chairman Watt, as well as all the distinguished members of this panel, for all you are doing to eradicate the plague of predatory lending.

Predatory lending is unequivocally a major civil rights issue of our time.

As study after study has conclusively shown, predatory lenders target African Americans, Latinos, Asians and Pacific Islanders, Native Americans the elderly and women at such a disproportionate rate that the effect is devastating to not only individuals and families, but whole communities as well. Predatory lending stymies families’ attempts at wealth building, ruins people’s lives and, given the disproportionate number of minority homeowners who are targeted by predatory lenders, decimates whole communities.

High concentrations of subprime lending in predominantly racial and ethnic minority neighborhoods and racial disparities in subprime lending exist in all regions of the nation. And, while not all subprime loans are predatory (indeed the NAACP recognizes the benefits of the subprime market to an informed constituency which includes many without a strong traditional credit history), it is estimated that the vast majority of predatory loans, or those with onerous fees and / or conditions, exist in the subprime market.

And while many of the facts that I have just shared with you are common knowledge in our communities, they are also, thanks to the Home Mortgage Disclosure Act, verifiable facts.

First enacted in 1975, HMDA was enacted to provide the public with data on mortgage lending patterns. Since that time, HMDA has become an invaluable tool in helping the NAACP and other civil rights and consumer rights organizations in the fight to eliminate discrimination in mortgage lending.

As a result of HMDA, we have several seminal reports, including the Center for Responsible Lending's 2006 report, "*Unfair Lending, the Effect of Race and Ethnicity on the Price of Subprime Mortgages*" which used the 2004 HMDA data, "*Stubborn and Persistent*" and "*Stubborn and Persistent II*" an analysis of the 2004 and 2005 HMDA data by the National Community Reinvestment Coalition and "*Risk or Race*", the 2003 report by Calvin Bradford for the Center for Community Change to name a few.

As a result of these reports, and their analysis of HMDA data, we can say conclusively that African American and Latino borrowers received a disproportionate share of higher cost home loans, even when controlling for factors such as borrower income and property location and that this disparity rises as income rises.

And while it offers little solace to know that the anecdotal stories we have heard all along from our communities about unfair lending are true, it does help us deal with the problem.

Specifically, in addition to civil rights groups using HMDA data to focus national attention on lending discrimination issues, HMDA data is used by local municipalities when developing fair housing programs, and should be used by federal banking regulatory agencies, the US Department of Housing and Urban Development (HUD), the Department of Justice (DoJ) and the Federal Trade Commission (FTC) to boost enforcement of fair lending laws.

HMDA data is also proving useful in litigation against unfair lenders, and is a key component in the case recently filed by the NAACP alleging systematic, institutionalized racism in sub-prime home mortgage lending.

Like most good laws, however, HMDA could be improved upon. Specifically, the NAACP feels that the data would be greatly improved if the age of borrowers were included, as well as the type of credit. The purpose of this second request is to determine if a mortgage broker was used, as steering is an especially prevalent problem in our communities.

The NAACP, in collaboration with some of our allies who do some of the most in-depth analysis of the HMDA data, would also like to see more detailed pricing and underwriting information for subprime lenders in their HMDA data. Not only would this provide us with more detailed information, it would also help to discourage pricing discrimination.

Specifically, knowing the incidence and rate of up-front fees, yield spread premiums and prepayment penalties would be significantly helpful in assessing the full breadth of subprime loans and who is receiving them.

Finally, the NAACP would like to see more enforcement on the part of the federal government as a result of the HMDA data. Despite the clear evidence of discrimination, which is illegal, the federal agencies that regulate insured depository institutions, have done little or nothing to eliminate discrimination in the mortgage market. Furthermore, the NAACP calls upon HUD and DoJ to enforce our Nation's fair lending laws; enforcement activity which has come to almost a stand-still since 2000.

In closing, HMDA is an invaluable tool for many civil and consumer rights organizations, as well as federal, state and local regulators in identifying and fighting discriminatory lending practices, and the NAACP is pleased to testify in support of this crucial law.

I would now welcome any questions you may have.