

# Survey Finds Racial Disparities Under Anti-Foreclosure Program

## Blacks Are 50 Percent Less Likely to Receive Mortgage Modifications

     By [MIKE LILLIS](#) 3/30/10 6:00 AM



A foreclosed home in Winchester, Va. (Jay Mallin/ZUMA Press)

Black homeowners are roughly 50 percent less likely than whites to receive help under the largest of the administration's anti-foreclosure programs, according to a [new survey](#) of qualified families.

The findings have raised questions on Capitol Hill about the fairness of the program, led housing advocates to reiterate calls for a more aggressive foreclosure prevention initiative, and put the White House on the defensive just as it steps up its multi-pronged strategy to stabilize the troubled housing market.



Image by: Matt Mahurin

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Launched by the Obama administration 13 months ago, the \$75 billion [Home Affordable Modification Program](#) provides financial incentives to mortgage lenders and servicers who agree

to reduce monthly payments for struggling homeowners. Candidates for the program must live in the home in question, and their mortgage payments must exceed 31 percent of the family's income. The program, designed to reach between 3 million and 4 million homeowners by 2012, has led to [roughly 116,000 permanent modifications](#) thus far.

Yet just 24 percent of black respondents eligible for mortgage modifications under the HAMP have received one, according to a survey conducted over the last two months by the National Community Reinvestment Coalition, an advocacy group. By contrast, roughly 36 percent of HAMP-eligible whites benefited from a modification under the program. The disparity surrounding modifications, NCRC President John Taylor said last week, should compel the White House to take a closer look at the participating banks to ensure that they're complying with the nation's fairness-in-lending laws.

"Not only is the program really just not making the dent in the [foreclosure] problem," Taylor told lawmakers on the House Oversight Committee on Thursday, "it's not really being administered in a way that's fair across the board."

It didn't take long for committee members to take notice, particularly those in the Congressional Black Caucus. At the Thursday hearing, Reps. Danny Davis (D-Ill.) and Elijah Cummings (D-Md.) were quick to press White House officials about their efforts to close the gap. Rep. Diane Watson (D-Calif.) blasted the subprime lenders who targeted minority communities for using tactics "bordering on the illegal." And Rep. William Lacy Clay (D-Mo.) accused the mortgage lending industry of "racial insensitivity." Clay wondered out loud what the administration is doing to repair what he called the "wanton, onward aggression that was displayed towards a class of people."

"It's going to take some aggressive actions on the part of the Treasury to really crack down on these abuses and eliminate [them] from the marketplace," Clay said.

Government officials have long acknowledged that minorities were targeted by subprime lenders as the housing bubble inflated over the last decade. And that trend shines through in the NCRC survey. Indeed, although black respondents to the survey claimed higher income levels than their white counterparts, 47 percent of them said that problematic loan terms were a factor in their difficulties making monthly payments, versus 26 percent for white respondents.

It's no coincidence, then, that those same borrowers are having the toughest time getting mortgage modifications under the HAMP, experts say.

"They started out with disproportionately bad loans," Gene Dodaro, who heads the Government Accountability Office, told lawmakers Thursday. "They're starting with just a more difficult problem in terms of having to modify those loans."

Herbert Allison, Jr., the Treasury official charged with monitoring the HAMP, echoed that message. Acknowledging the "widespread predatory lending practices" in recent years, Allison vowed to "take action" if officials "find any type of discrimination" among lenders and servicers participating in the program. The administration, he said, is compiling race- and gender-specific data surrounding the HAMP, to be published "as soon as we have enough statistically valid data." The target date for that release, he added, is June.

"If it's found that ... people did not get a modification who deserved one under our rules, we go back and rectify that," Allison said.

But there's another reason that blacks are likely benefiting less than others from the HAMP: They're losing their jobs at a faster clip. While the nation's unemployment rate was 9.7 percent in February, that figure **jumps** to 15.8 percent for black workers, according to the Labor Department. And no amount of mortgage reduction will help those without an income.

"The HAMP program does not really help you if you've lost your job," Mark Calabria, a financial expert at the conservative Cato Institute, testified last week. "[There is] absolutely no way we can address the foreclosure situation without addressing the jobs situation."

There's good indication that the administration is catching on. Indeed, the White House last week **launched** a program that provides financial incentives for banks to write down principal balances, rather than reducing payments by simply altering interest rates. More important for the unemployed, the program also puts a three- to six-month moratorium on foreclosures for homeowners who have been laid off.

On Monday, the administration **announced** \$600 million in emergency housing aid for high-unemployment states. That move follows the arrival of **a similar program** that allocates \$1.5 billion to states where home values dropped more than 20 percent amid the recession.

Housing advocates have applauded those changes every step of the way. Many, however, contend that no program relying on the voluntary compliance of the banks — which can often profit more from a foreclosure than a modification — will ever be as successful as a program that forces the lenders to participate.

"We now know it's really not working, and the fundamental reason it's not working is because it is voluntary," Taylor, of the NCRC, said of the HAMP. "It's not that the program design is bad. It's that participation is bad."