

## **US Government's Failure to Protect People of Color and American Indians From Racist Practices of Mortgage Bankers in the Minneapolis St. Paul Metropolitan Area, 2008 to 2012**

### **Reporting Organization: Southside Pride**

Southside Pride, a community newspaper in South Minneapolis, has reported on the racist practices of mortgage bankers in making loans to minorities and people living in minority communities as evidenced in "Twin Cities in Crisis: Unequal Treatment of Communities of Color in Mortgage Lending" (hereafter, the Mortgage Lending Report) written for the Institute on Metropolitan Opportunity by Professor Myron Orfield, University of Minnesota Law School. See full report online at:

<http://www.law.umn.edu/uploads/ef/be/efbe0b8fda7508c925b74c7add571f41/IMO-Twin-Cities-Lending-Report-2014-Final.pdf>

To date, no Minnesota governmental agency has reviewed how these practices were allowed to go unchecked for so long, and no Minnesota governmental agency has taken effective remedial and preventive action. However, a small potentially positive step began when Mayor Hodges, after reviewing the Mortgage Lending Report, said, "This report on mortgage lending, refinancing and credit contains stark data. The city and I will need to ask more questions." A City Council Committee on Civil Rights has scheduled a hearing on this Report for July 16.

### **Issue Summary:**

As documented in the Mortgage Lending Report, mortgage bankers cost homeowners and local governments in the Twin Cities area \$20.5 billion through redlining and racist lending practices from 2008 to 2012. Minority areas were targeted for subprime loans—which meant higher rates and higher fees, which meant homeowners were more likely to default on their mortgages. The Report says:

"Between 2008 and 2012, the estimated loss from foreclosures and declining property values in the entire Twin Cities metropolitan area was a staggering \$20.5 billion."

"Communities of color have been hardest hit by the mortgage meltdown. Before the housing crisis, subprime lenders targeted people of color, racially diverse neighborhoods and majority non-white areas. Between 2004 and 2006, exactly half of the mortgage loans received by black homeowners were subprime, compared to 37% for Hispanics, 20% for Asians and just 10% for whites. Majority non-white and racially diverse tracts had subprime lending rates at 1.8 to 2.6 times greater than predominately white tracts (more than 70% white). In these areas, both borrowers that are white and people of color have been affected, regardless of their income. Even high and very high income whites were 1.8 to 2.9 times more likely to receive a subprime loan in

majority non-white areas than their counterparts in predominately white areas.”

## **U. S. Government Report**

Contrary to the illusion of racial harmony presented in the U. S. Government Report: “The United States has always been a multi-racial and multi-ethnic society, and its pluralism is increasing. Indeed, fifty years ago, the idea of having a Black/African American President of the United States would not have seemed possible; today, it is a reality,” (PERIODIC REPORT OF THE UNITED STATES OF AMERICA TO THE UNITED NATIONS COMMITTEE ON THE ELIMINATION OF RACIAL DISCRIMINATION CONCERNING THE INTERNATIONAL CONVENTION ON THE ELIMINATION OF ALL FORMS OF RACIAL DISCRIMINATION, June 12, 2013, Paragraph 2, page 4) incidents of discrimination based on race are intensifying, and the economic divide separating minorities and the dominant white culture is widening.

When the Report says, “Existing U.S. constitutional and statutory law and practice provide strong and effective protections against discrimination on the bases covered by Article 1 of the Convention in all fields of public endeavor, and provide remedies for those who, despite these protections, become victims of discrimination,” (PERIODIC REPORT, Paragraph 7, page 6) it fails to understand that the redress of grievances for victims of discrimination is beyond the capabilities and means of most citizens. How is one discriminated against minority homeowner going to take on the international banking system?

### **Legal Framework:**

The rights established in the ICERD that have been violated would be:

- Article 5 (d)(v) the right to own property alone as well as in association with others;
- Article 5 (e)(3) the right to housing.

Under Article 2 of the International Convention for the Elimination of All Forms of Racial Discrimination, the US at all levels of government has an obligation to review its laws and practices to see if they are sufficient to protect people of color and American Indians from discriminatory treatment and to take effective preventive and remedial action.

### **Recommended Questions to the U. S. Government:**

1. How is it that the federal government has been unable to stop banks from their documented racist lending practices?
2. Is it possible that racist redlining practices are so lucrative that mortgage bankers consider fines and penalties simply a small cost of doing business?

## **Concluding Argument**

The lending practices of these mortgage bankers are in clear violation of federal statutes, state law and local ordinances. As noted in the June editions of Southside Pride: "Late last year the city of Los Angeles filed a lawsuit against Citigroup and Wells Fargo seeking damages for a loss in tax revenue due to discriminatory mortgage lending to the city's minority communities. According to court documents filed in the U.S. Federal Court, LA City Attorney Mike Feuer said that Citigroup and Wells Fargo "engaged in a continuous pattern and practice of mortgage discrimination in Los Angeles since at least 2004 by imposing different terms or conditions on a discriminatory and legally prohibited basis." In 2009 the state of Illinois sued Wells Fargo for discriminating against black and Latino homeowners. In 2012 Wells Fargo agreed to pay \$175 million to resolve allegations by the U.S. Justice Department that it discriminated against qualified African-American and Hispanic borrowers in its mortgage lending." <<http://southsidepride.com/racism-redlining-and-reparations/>>

## **Suggested Concluding Observations and Recommendations:**

In order to put an end to racist redlining practices the U. S. Government must provide realistic means of redress for victims of the bankers' discriminatory practices, and attach criminal penalties to the practices identified in the Mortgage Lending Report.