



**TESTIMONY OF
THE HONORABLE MARC H. MORIAL
PRESIDENT AND CEO
NATIONAL URBAN LEAGUE
BEFORE FOR THE
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
THURSDAY, OCTOBER 16, 2008**

Chairman Dodd, Ranking Member Shelby, thank you for this opportunity to testify today to set the record straight about what I call the Financial Weapon of Mass Deception: the ugly and insidious and concerted effort to blame minority borrowers for the nation's current economic straits.

This Financial Weapon of Mass Deception – as false and outrageous as it is – has taken hold, thanks to constant and organized repetition and dissemination throughout the media and political circles.

This is not a harmless lie, an innocuous stretching of the truth for some fleeting political advantage. It is an enormously damaging and far-reaching smear designed to shift the blame for this crisis from Wall Street and Washington, where it belongs, onto middle class families on Main Street and Martin Luther King Boulevard who are most victimized by their excesses.

For years, the National Urban League and others in the civil rights community have raised the red flag and urged Congress and the Administration to address the predatory lending practices that were plaguing our communities. For example, in March of 2007, I issued the Homebuyers Bill of Rights in which I called upon government to clamp down on predatory lending and other practices that were undermining minority homebuyer. Unfortunately, my call went unheeded until disaster struck.

Now that disaster has struck, many of those who caused it are trying to blame the minority community and measures that helped to clear the way for qualified minorities to purchase homes – most notably the Community Reinvestment Act (CRA). In fact, it was the failure of regulatory policy and oversight that led to this debacle.

Let's start with the plain and simple facts:

1. **Wall Street investors – not Fannie Mae and Freddie Mac - were the major purchasers/investors of subprime loans** between 2004 and 2007, the period for which this data is available.
2. While minorities and low-income borrowers received a disproportionate share of subprime loans, **the vast majority of subprime loans went to white and middle and**

upper income borrowers. The true racial dimensions of the housing crisis have been reported in a number of outlets, including the New York Times.

3. **African-Americans and Hispanics were given subprime loans disproportionately compared to whites**, according to ComplianceTech, leading experts in lending to financial services companies. Also, African-American borrowers are more than twice as likely to receive subprime loans as white borrowers.

Furthermore, according to a detailed analysis by ComplianceTech:

- In each year between 2004-2007, non-Hispanic whites had more subprime rate loans **than all minorities combined**;
- In 2007, 37.3% of African American borrowers were given subprime loans, versus 14.21% of whites, according to ComplianceTech. More than 53% of African-American borrowers were given subprime loans compared with 21% of whites, according to the National Urban League's *Equality Index* published in our 2008 *State of Black America* report,
- The vast majority of subprime rate loans were originated in **largely white census tracts**, i.e., census tracts less than 30% minority;
- The volume of **subprime rate loans made to non-Hispanic whites dwarfs** the volume of **subprime rate loans made to minorities**;
- In each year, **the white proportion of subprime rate loans was lower than all minorities**, except Asians;
- **Upper income borrowers had the highest share** of subprime rate loans during each year except 2004, where middle income borrowers had the highest share;
- Contrary to popular belief, **low income borrowers had the lowest share of subprime rate loans**.
- It is becoming clearer everyday that a large number of people who ended up with subprime loans could have qualified for a prime loan. That's where the abuse lies;
- **Non-CRA financial services companies were major originators of subprime loans** between 2004 and 2007, the period for which data is available.

These facts are unequivocal. They are clear. They are indisputable.

Yet these facts are being buried in an avalanche of false accusations, scapegoating and downright lies being spread by the purveyors of the Financial Weapon of Mass Deception. Conservative commentators from Fox News commentator Neil Cavuto to ABC News analyst George Will to Washington Post columnist Charles Krauthammer have fanned out across the

airwaves, talking points in hand, telling the world that this crisis is NOT the result of a failure of regulation but the fault of minority borrowers who bit off more than they could chew.

Charles Krauthammer tells us that “[f]or decades, starting with Jimmy Carter’s Community Reinvestment Act of 1977 . . . led to tremendous pressure to . . . extend mortgages to people who were borrowing over their heads. That’s called subprime lending. It lies at the root of our current calamity.”

George Will tells us that regulation: “criminalize[d] as racism and discrimination if you didn’t lend to unproductive borrowers. Fannie Mae and Freddie Mac existed to gibber – to rig the housing market because the market would not have put people into homes they could not afford.”

And even right here in the halls of Congress, echoes this same, false refrain, as we heard from Rep. Michele Bachman of Minnesota (R-Minn), who added Congressional weight to this myth when she quoted an Investor’s Business Daily article from the floor of the House that said banks made loans “on the basis of race and little else.”

As seen in the attached internet blogs from highly trafficked sites, this baseless blame game has turned into vicious attacks on African-Americans, Hispanics, Jews and Gays and Lesbians.

In the last few weeks, I have undertaken an aggressive campaign directed at the nation’s financial leaders to dispel this myth. In letters to Treasury Secretary Henry Paulson and Federal Reserve Chairman, Benjamin Bernanke, I have asked that they both publicly refute claims by some conservative pundits and politicians that most of the defaulted subprime loans at the root of the crisis were made to African-Americans, Hispanics and other so-called “unproductive borrowers.”

On the basis of hearsay, rumors and misinformation, seeds of division are being sown all across the United States in a volatile political environment where Americans are terrified by the economic situation. History provides too many lessons on the consequences of singling out only certain segments of the population as culprits for a country’s woes for us not to do all within our power to stop this ugly and insidious smear campaign in its tracks.

I urge you, in the strongest possible terms, to join me in standing up to this big lie, this Financial Weapon of Mass Deception. It is your duty to stop the precious waste of time and energy being spent on blaming the victims and force a healthy debate on what must be done to curb too much Wall Street greed and too little Washington oversight. This hearing is an important step toward that end and I applaud you for holding it.

I call upon you to join with me to ensure that innocent people in our community who look to you for protection are not further scapegoated, victimized and exploited by unscrupulous and greedy players and those who do their bidding.

I call upon you to not allow yourselves to be distracted by the attempts to undercut the Community Reinvestment Act and undermine regulatory reform.

I call upon you to stay focused and to take strong and positive steps to strengthen our communities and the nation's financial foundation through regulatory reform.

I call upon you to do your part to disarm this false and dangerous Financial Weapon of Mass Deception.

In this time of global crisis, we must bring Americans together and not continue to divide ourselves with false racial arguments.

Please enter my testimony into the record.

Thank you.