

**Invited Testimony of  
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**Committee on Banking, Housing, and Urban Affairs  
United States Senate**

**Wednesday, February 7, 2007  
“Greenlining Redlined America”**

Thank you Chairman Dodd for your vision in calling today’s hearing as well as your insightful comments at the 10<sup>th</sup> Anniversary of the Rainbow PUSH Wall Street Project Economic Summit, established to democratize capital in the financial services industry and remove the walls on Wall Street for people of color and women. We look forward to joining with you in a working group on the issue of predatory lending, and other issues which will form the basis of a new national urban policy of America. On Thursday, January 25, this same committee held hearings on the practices of the credit card industry. What we will see here today is that several of the issues prevalent in the credit card industry apply to the issue of predatory lending.

Also, I would like to thank Senators Allard and Bunning who held hearings last year on Interest Only Mortgages. After all, in a true democracy, money is not red or blue or white; it should be green for all citizens.

As we gather for this hearing in the month of the year designated for the commemoration of Black History we do so through two lenses of history—triumph and tragedy. While NFL coaches who are Black are recent triumphs in breaking down walls of exclusion in athletics the tragedy of Wall Street’s targeting of people of color for high-rate home mortgages continues.

What is the American creed? The American creed promises equal opportunity, equal access, equal protection under the law, and fair share for all. Forty years after the passage of the Civil Rights Act of 1964, and the Voting Rights Act of 1965, we must level the playing field for all citizens and identify incentives for financial institutions to invest—

not exploit and oppress—hard-working Americans. Far beyond the idea of freedom is the reality of equity and parity. We must break the syndrome where the poor pay more; from automobile financing to insurance.

Today's terms of credit for African American (Black) and Latino (Brown) borrowers are un-American. The cost of money for Black and Brown people is not based on equal opportunity, equal access, or equal protection under the law. In the home mortgage industry—like other industries—people of color are economically exploited, resulting in a home-owning rate of fewer than 50%. For example:

- In 2005, 52% of mortgage loans to Blacks were high-rate
- In 2005, 40% of mortgage loans to Browns were high-rate
- By contrast, in the same year only 19% of mortgage loans to Whites were high-rate
- In Chicago alone, foreclosures for Black and Brown borrowers exceeds 598 million dollars annually
- In Boston, 70% of MIDDLE-CLASS (not the poor) home loans were high-rate
- Nevada has the highest foreclosure rate in the nation

IN SHORT, THE TERMS OF CREDIT IN MORTGAGE LENDING MUST MATCH AMERICA'S CREED !

Rather, many players in the home mortgage industry are given a “green light” to engage in predatory schemes to “red line” against the poor and people of color. Predatory lending practices such as sub-prime loans are the largest threat to wealth accumulation. Some such practices include:

- **Steering** – placing borrowers into higher-priced loans than those for which they qualify
- **Steering of prime** – placing Black and Brown borrower into high-cost sub-prime loans
- **Pre-Payment Penalties** – Fees incurred by borrowers for paying a loan off early

- **Yield-Spread Premium** – Broker kickbacks for steering borrowers into high-priced loans
- **No Thought to Repayment Ability** – Failure to escrow for property and taxes low-documentation loans

Today, I pray the Senate Banking Committee does not...

- Blame the victims; or
- Suggest a mere increase in disclosure forms

I respectfully suggest:

**1. The Industry is not functioning properly**

Lenders and brokers have financial incentives to place borrowers in more expensive loans. It puts responsible lenders at a competitive disadvantage with the irresponsible lenders allowing unscrupulous predatory lenders to control the market. Currently, brokers get paid more by putting borrowers in more expensive loans for which they qualify. And, lenders have incentives to place borrowers in loans that are unsustainable for more than a year or two. THIS MUST CHANGE

**2. GSE's must be held accountable**

Rainbow PUSH has worked with GSE, Fannie Mae, to develop predatory lending practice guidelines, which have been adopted. Currently, evidence reveals that Fannie Mae is purchasing securities that include the very loans that are stripping working-class people of their precious home equity. The federal government subsidizes Fannie Mae to increase homeownership opportunities for working people. In purchasing such securities—and profiting from predatory loans—Fannie Mae is violating its public mission and the “ABILITY TO REPAY STANDARD”. I also have learned that Fannie Mae received “HUD Goals Credit” while investing in high-rate loans that produce massive foreclosures. In short, Fannie Mae and other GSE's are doing through the back door what the law prohibits through the front door. THIS MUST CHANGE.

### **3. Borrowers should not shoulder the blame**

I am very discouraged by the industry response to necessary change. What I hear from the industry is “Educate the borrower. Increase disclosure”. Rainbow PUSH, through our 1000 Churches Program teaches financial literacy to member churches across the nation. And there are other organizations doing the same to provide borrowers with information to make good financial choices. To think that more forms, bigger font and more “1-800” numbers is a remedy is to view the issue through a key hole and not the entire door. “Duty to read” standards for the public must be matched by “duty to behave” for predatory lenders.

Federal law requires banking regulators to protect citizens, regardless of race. What we fight for is one set of rules, evenly applied to all Americans—whether Native American, African American, Latino American, Asian American, or European American. Red, Black, Brown, Yellow or White, we are all precious in God’s sight.

Thank you, and keep hope alive!