

**Predatory lending practices lead to blighted neighborhoods**

A. Predatory lenders contribute to deterioration of neighborhoods by stripping homeowners of their equity and overcharging those who can least afford it, leading to foreclosures and vacant houses. (*Separate and Unequal: Predatory Lending in America*, p.4.)

B. The study *Subprime Lending and Neighborhood Conditions in the City of Los Angeles* showed that even though subprime lenders claim that they are active in certain neighborhoods because they are meeting the credit needs of low-income residents who represent high financial risk, analysis of 1999 Los Angeles County data suggests that income is not as good an indicator of subprime activity as is property tax delinquency. (H&CD Hearing, 4/17/02, p. 11, lines 9-11.)

C. Three studies, looking at the cities of Atlanta, Baltimore, and Chicago, show a link between foreclosures and subprime lending. There are many similarities that would likely be found in all cities facing this issue. Each study illustrates that Los Angeles's ongoing efforts to combat blighted neighborhoods must include the prevention of predatory lending. (Testimony by Rosemarie Ibañez, H&CD Hearing, 9/12/02, p. 43, lines 1-10.)

- *Analyzing Trends in Sub-Prime Organizations and Foreclosures: A Case Study of the Atlanta Metro Area* (2000). Foreclosures were not only wreaking havoc on the lives of individual borrowers, but also destabilizing low-income and minority communities. (Testimony by Rosemarie Ibañez, H&CD Hearing, 9/12/02, p. 43, lines 11-15.)
- *Preying on Neighborhoods: Sub-Prime Mortgage Lending and Chicago Land Foreclosures* (1999). Sixty-four percent of the abandoned properties had loans originated by subprime lenders with high interest rates. Victimization occurs on two levels: the individual homeowner and the greater community. It leads to blighted conditions, in low-income and minority areas that already suffer from disinvestment. (Testimony by Rosemarie Ibañez, H&CD Hearing, 9/12/02, p. 43, lines 21-26 and p. 44, lines 1-4)
- *Unequal Burden in Baltimore: Income and Racial Disparities in Sub-Prime Lending*. This report repeats many of the points in the previous two studies. (Testimony by Rosemarie Ibañez, H&CD Hearing, 9/12/02, p. 44, lines 4-5.)

D. Robert Cox, of the East Los Angeles Community Corporation (ELACC), which is based in Boyle Heights, testified that predatory lending affects the community fabric as a whole. They get calls to fix up vacant properties. Loans on these houses are usually worth twice the value of the house; the lender is not receiving income from the house, and they do not want to sell it because they would lose money on it, so it is left vacant, essentially destroying the community. (H&CD Hearing, 4/17/02, p. 24, lines 3-5, lines 23-26, p. 25, lines 1-5.)

E. Norma Garcia, Senior Attorney of Consumers Union's West Coast Regional Office in San Francisco (Consumers Union is the publisher of Consumer Reports magazine), stated

that predatory lending undermines the fabric of communities that depend on its homeownership base for solid grounding. When the elderly homeownership base is lost to predatory lending, it eliminates the guidance for the younger people coming up in the neighborhood, it tears apart families that have nowhere else to go for Thanksgiving because Grandma's house was taken away by a predatory lender. (H&CD Hearing, 9/12/02, p. 9, lines 8-13.)

**F.** Joy Simmons, Directing Attorney, LAFLA, testified to the devastating effect these practices can have on neighborhoods and communities. (H&CD Hearing, 9/12/02, p. 17, lines 17-18.)