

Bank abandonment of low-income neighborhoods

A. The level of subprime activity is associated with a lack of banks in the neighborhood. (*Subprime Lending and Neighborhood Conditions in the City of Los Angeles*, p.11)

B. The report *Stolen Wealth* found that in Los Angeles, Oakland, Sacramento and San Diego, prime lenders are not adequately serving low-income communities, communities of color, and seniors, as about three fourths of the study participants chose not to approach a bank or thrift for their loan. (H&CD Hearing, 4/17/02, p. 11, lines 16-24.)

C. Banks, thrifts and prime lenders are doing a poor job of making loans to vulnerable communities. (CRC Letter, 2/20/02, p. 2.)

D. Subprime lending occurs most frequently in areas of the City with few mainstream banks. (Testimony by Rosemarie Ibañez, H&CD Hearing, 4/17/02, p. 19, lines 16-17.)

E. Lena Jones, ACORN member and victim of predatory lending, stated that Beneficial sent her literature and she trusted them because they had been in the neighborhood since she was a child. (H&CD Hearing, 2/21/02, p. 11, lines 23-24 and p. 12, lines 18-21.)

F. The missing services of mainstream banks in certain communities are demonstrated by the types of approaches used by predatory lenders: telephone solicitations, direct mail solicitations, “live checks” offered along with loan consolidation. (H&CD Hearings, testimony by Willie Solomon, 2/21/02, p. 35, lines 1-13; testimony by Dorothy Herrera-Settlage, 2/21/02, p.39, lines15-17.)

G. Ameer Elahee, from Los Angeles Neighborhood Housing Services (LANHS), a non-profit organization that specializes in homebuyer education as well as community development, testified that one source of these predatory loans comes from contractors who make minor and major home repairs (such as fixing fences in driveways, cabinets, roofers) who go door-to-door. (H&CD Hearing, 2/21/02, p. 40, lines 7-9 and lines 15-16)

H. A map from *Subprime Lending and Neighborhood Conditions in the City of Los Angeles* shows that mainstream banks are not located in the areas of the City with the greatest concentrations of subprime lending. (Testimony of Rosemarie Ibañez, H&CD Hearing, 4/17/02, p. 19, lines 13-17)

I. Joy Simmons, Directing Attorney, LAFLA, testified that many of the communities served by LAFLA are low-income and minority, where there are few or no financial institutions, so homeowners fall victim to the door-to-door broker or telemarketer, because they are unable to engage in comparison loan shopping. (H&CD Hearing, 9/12/02, p. 17, lines 11-14.)