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# **annual report on mortgage lending to communities of color in California**

An Analysis of the Lending Performance of the Top 9 Banks in California in  
Lending to Potential Latino and African American Homebuyers, Based on  
2007 HMDA Data

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# Introduction: The Best and the Worst in SBA Lending to Minorities

Americans are facing a jarringly new economic reality that threatens the conventional wisdom of wealth-building and middle class security that has counseled us for the past half-century. The American Dream that any middle-class person can own a home and a car and build wealth to ensure the future of their families began as an institution with great promise to increase the economic power of the United States, but that was closed to racial and ethnic minorities. The Great White American Dream proved to be a nightmare for Black and Brown America, which deprived of the powerful new wealth-creating capabilities of the majority, quickly slipped even further into the growing ranks of the underclass.

Only 25% of the subprime mortgages that are now causing the collapse of the credit markets were originated by CRA-regulated institutions.

## Disinvestment in Racial and Ethnic Minority Communities

Black and Brown America watched as the tax base in their communities dried up as those with the financial means and the proper skin tone left the cities for the newly-built car suburbs, cruising on the newly-paved road to the middle class provided for them by the federal government.

By 1968, the widening gap in standard of living between people of color and the White majority became stark enough in the public imagination to prompt the Lyndon B. Johnson-appointed National Advisory Commission on Civil Disorders (also known as the Kerner Commission) to declare that, "our nation is moving toward two societies, one black, one white--separate and unequal." Indeed, residential segregation was at its highest levels in US history, and many major cities, particularly those in the Rust Belt of the Northeastern and upper Midwestern part of the United States were nearly financially insolvent due to their declining tax base and their increasing need for social services for the growing

urban underclass of disenfranchised communities.

Ten years later, Congress acted on the redlining that was diverting investment from the inner cities by passing the Community Reinvestment Act, which required commercial banks to extend investment to the communities in which they own market share, and in lower-income neighborhoods. By tying a satisfactory CRA standing to a bank's ability to merge with and acquire other banks, regulators created leverage for community investment organizations to use to work with banks to make such investments.

## The Community Reinvestment Act and the Credit Crisis

In Greenlining's previous report on minority homelending, published in January 2008, we provided a brief overview of how the credit crisis came to be: mortgage brokers, securities dealers, and aspiring homeowners became increasingly enmeshed in an increasingly global system of risk hedging and specious asset valuation that ultimately folded in upon itself when the asset values could no longer be substantiated.

Financial innovations, like the various subprime mortgages, that were intended to make more money available to expand credit, instead opened wide the market for unscrupulous mortgage brokers that took advantage of reduced accountability and high commissions to make loans that homebuyers could not repay.

While home prices were rising as quickly as they had been in earlier years, a homeowner could always escape a bad loan by refinancing their home or selling it. However, once the housing bubble burst and the inflated value of homes began to sink, that exit strategy became moot, and as a result two million homeowners have lost their homes to date.

It is clear from this analysis of the situation that the mortgage crisis is a result of excessive investment in Level 3 assets, insufficient regulation over mortgage brokers, and unacceptably low accountability standards that together weakened the very foundations of our global financial system. As Paul Krugman, the Nobel

Prize-winning economist put it, “we have a globalized financial system in which a crisis that began with a bubble in Florida condos and California McMansions has caused monetary catastrophe in Iceland.”

### **CRA is Wrongfully Blamed for Credit Crisis**

However, the right wing media seems eager to deflect responsibility from the top echelons of the financial world, and instead place the blame at the feet of lower-income aspiring homeowners, many of whom are racial and ethnic minorities. They claim that CRA policies “forced” banks to lend to poor people. They also claim that poor people, and people of color, have no business wanting to participate in President Bush’s Ownership Society. Charles Krauthammer of the *Washington Post* wrote in his September 26, 2008 column that CRA, “led to tremendous pressure on Fannie Mae and Freddie Mac -- which in turn pressured banks and other lenders -- to extend mortgages to people who were borrowing over their heads.” Neil Cavuto, a Fox News anchor, was much more explicit, saying that, “[l]oaning to minorities and risky folks is a disaster.” However, these claims are completely false, show a complete disregard for the facts, and especially in Cavuto’s case, are overtly racist.

Analysis of federal mortgage records shows that only 25% of the subprime mortgages that are now causing the collapse of the credit markets were originated by CRA-regulated institutions, which include all institutions also regulated under the FDIC. The remaining 75% of subprime mortgages were originated by independent mortgage brokers such as Countrywide, Ameriquest, and Argent, or by lightly-regulated subsidiaries of regulated banks. What this fact uncovers is that the subprime crisis is not a result of too much regulation, but rather the result of nonexistent regulation over the activities of independent mortgage brokers.

In addition, many of the top players in the mortgage crisis that have gone bankrupt or received a government bailout: Bear Stearns, AIG, Lehman, Merrill Lynch, and IndyMac, as well as the failed hedge funds, are not bound by CRA regulations.

A January 2008 report by Traiger & Hinckley LLP, a corporate law firm that specializes in CRA compliance, demonstrates the extent to which the mortgage market had been given over to unregulated brokers, it is important to note that CRA-regulated banks held only 22.8% of the mortgage market in the 15 most populous

metropolitan areas in the country. In addition, CRA-regulated banks held only 9.2% of the market for high-cost loans, defined as those loans where the rate spread with the Treasury yield is threepercent points or greater. Overall, CRA-regulated banks were 66% less likely to originate high-cost loans than non-regulated banks. The same holds true for low- and moderate-income borrowers; CRA-regulated banks were 58% less likely to originate high cost loans to such borrowers.

**The Community Reinvestment Act rates large financial institutions based on three practices: their lending, their investments, and their services. Financial institutions must demonstrate to regulators that its activities in each of these three sectors are adequately serving the communities in which they have market presence.**

The Community Reinvestment Act rates large financial institutions based on three practices: their lending, their investments, and their services. Financial institutions must demonstrate to regulators that its activities in each of these three sectors are adequately serving the communities in which they have market presence. In lower-income communities, many banks have invested in Community Development Financial Institutions (CDFI), which remain one of the strongest instruments for economic development in underserved communities, creating jobs and building affordable housing. The 1995 revisions to the CRA greatly spurred further bank investment into CDFI by explicitly recognizing such investments as part of the bank’s CRA portfolio.



# Executive Summary and Methodology

The Greenlining Institute produces this report each year to compare California's top banks in terms of their lending to our state's Latino potential homebuyers. The data for the banks are based on figures submitted to us by the banks studied, which are in turn based on publicly-reported HMDA disclosure data available from the Federal Financial Institutions Examination Council (FFIEC). Industry averages and data for metropolitan statistical areas (MSA) are from the HMDA aggregate reports, also available from the FFIEC.

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 to bring transparency to the private mortgage origination industry. A 1989 revision to Regulation C, the section that mandates the production of disclosure reports, mandated the disaggregation of the data by race, ethnicity and gender. A further revision to Regulation C in 2002 mandated that financial institutions report the rate spread for their loans. Since the passage of this Act, the number and share of loans originated to people of color have increased significantly, making this law one of the most significant for helping Americans of color gain equitable access to wealth.

For this report, Greenlining tabulated only prime-rate, conventional (Type 1) loans originated for home purchase (Purpose 1). In addition, we limit the loan tallies to only those loans that were originated (Action 1). We present this data for all Latinos and African Americans in California, as well as separately for moderate-income and for lower-income Latinos and

African Americans statewide. We include a separate section for loans originated to Latinos and African Americans in the Los Angeles/Long Beach/Glendale metropolitan area, as well as an overview of housing and race statistics for all metropolitan areas in the state.

## **Lending Dropped Significantly For Communities of Color and Lower-Income Communities**

Home Mortgage Disclosure Act (HMDA) data show that in fiscal year 2007, Latino borrowers received 23.3% of all home loans originated by the mortgage industry as a whole, which is down from 28.4% in fiscal year 2006. African American borrowers received slightly lower percentage of loans in 2007 than in 2006; 3.2% in 2007 versus 3.7% in 2006.

In terms of the number of loans originated to African American and Latino potential homebuyers in 2007 versus 2006, the decreases in credit extended were more dramatic. The mortgage industry as a whole originated 39.3% less loans to Latinos this fiscal year, and 34.1% less loans to African Americans.

However, the lending decreases in terms of number of loans originated were not as dramatic among the top nine institutions in California when compared to the industry as a whole. The number of loans originated to Latino homebuyers by these nine banks decreased by 8% since 2006, while the number to African Americans actually increased by 18.6%!

However, lower-income Latinos and African Americans suffered the most from the credit crunch; loan

### **Lending Has Dropped Significantly From Fiscal Year 2006 to 2007**

<b>The Number of Loans Originated to...</b>	<b>Has Decreased by...</b>
Lower-Income African Americans	72.4%
Latinos — Industry Average	39.3%
Lower-Income Latinos	35.5%
African Americans — Industry Average	34.1%
Moderate Income Latinos	29.3%
<i>Industry Average</i>	25.8%
Latinos	8.0%
<i>Total Loans by the 9 Major Banks</i>	2.9%
Moderate Income African Americans	0.4%
African Americans	-18.6%

originations to lower-income Latinos dropped 35.5% since 2006, and originations to lower-income African Americans dropped 72.4%.

In comparison, all mortgage originations by the top nine banks dropped 2.9% from 2006 to 2007.

Summary of Ranks in Lending to Latinos in California						
Institution	Rank in % of Prime-Rate Loans to Latinos in California (Table 1.1)	Rank in Number of Prime-Rate Loans to Latinos in California (Table 1.1)	Rank in % of Prime-Rate Loans to Moderate-Income Latinos in California (Table 2.1)	Rank in Number of Prime-Rate Loans to Moderate-Income Latinos in California (Table 2.1)	Rank in % of Prime-Rate Loans to Lower-Income Latinos in California (Table 3.1)	Rank in Number of Prime-Rate Loans to Lower-Income Latinos in California (Table 3.1)
Bank of America	3	2	1	1	3	1
Wachovia	2	5	2	4	2	3
Wells Fargo & Co.	6	1	5	2	5	2
Citigroup	7	4	4	3	4	4
Washington Mutual	4	3	6	5	6	5
JP Morgan Chase	1	6	7	6	7	7
United Commercial Bank	5	9	3	8	8	8
Bank of the West	8	8	9	9	1	6
Union Bank of California	9	7	8	7	8	8

Summary of Ranks in Lending to African Americans in California						
Institution	Rank in % of Prime-Rate Loans to African Americans in California (Table 1.1)	Rank in Number of Prime-Rate Loans to African Americans in California (Table 1.1)	Rank in % of Prime-Rate Loans to Moderate-Income African Americans in California (Table 2.1)	Rank in Number of Prime-Rate Loans to Moderate-Income African Americans in California (Table 2.1)	Rank in % of Prime-Rate Loans to Lower-Income African Americans in California (Table 3.1)	Rank in Number of Prime-Rate Loans to Lower-Income African Americans in California (Table 3.1)
Wells Fargo & Co.	5	1	2	1	3	2
JP Morgan Chase	4	2	5	2	1	1
Citigroup	1	3	7	4	4	4
United Commercial Bank	7	5	6	5	2	3
Washington Mutual	3	7	1	7	6	6
Wachovia	9	6	3	3	5	5
Bank of America	2	4	8	6	6	6
Bank of the West	8	9	4	8	6	6
Union Bank of California	6	8	9	9	6	6

### Individual Financial Institution Performance

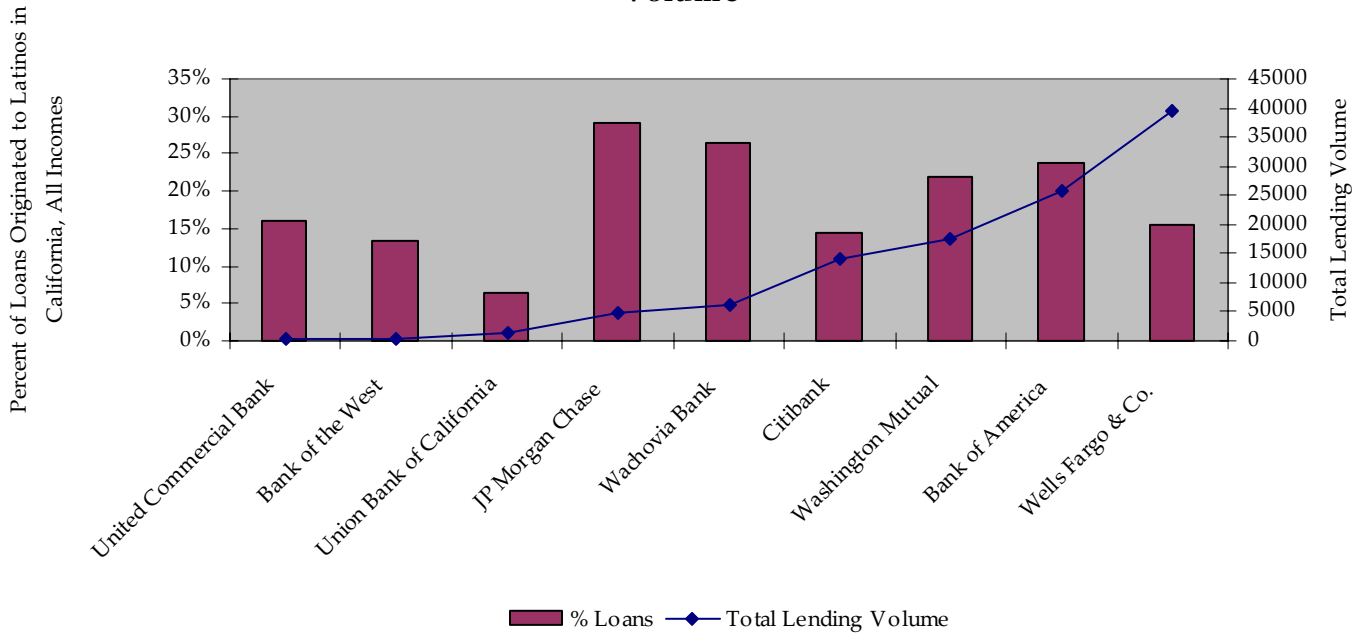
The charts below summarize the ranks of each of California's top nine banks in terms of the share of prime-rate loans originated to Latinos and African Americans of all incomes.

While this report does not contend that the disparities among the banks in loan originations to Latinos are a result of overt discrimination, there are, in fact very large disparities in their lending performance, as this report will show. Most tellingly, there is a weak relationship between

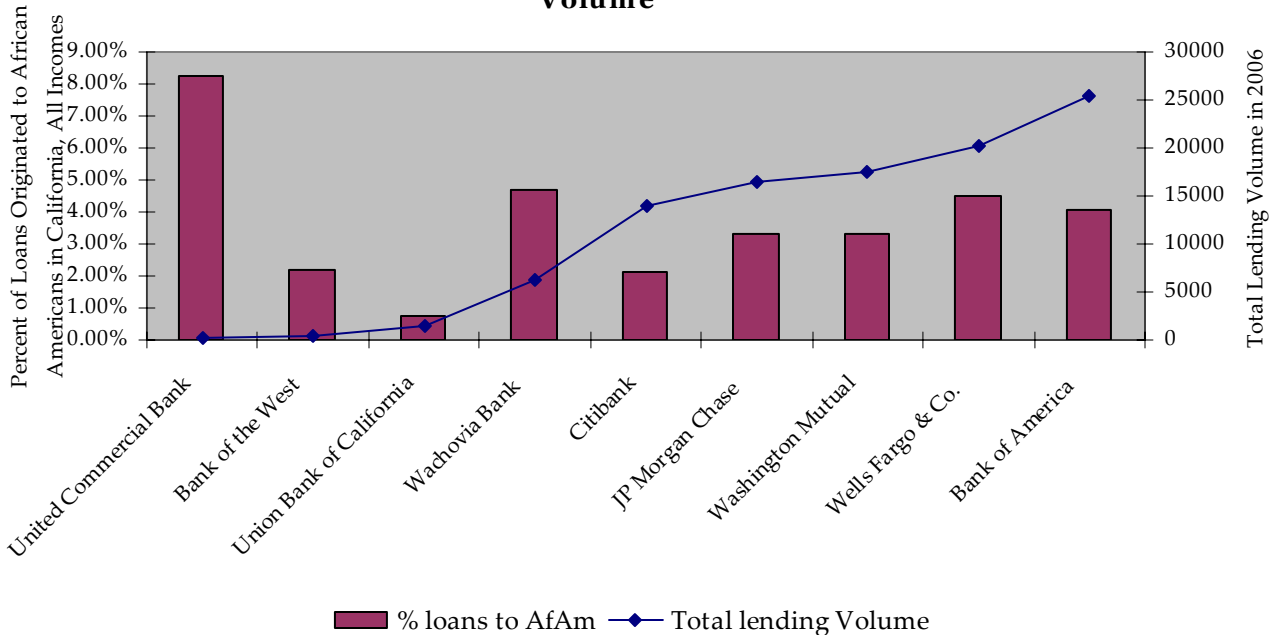
a bank's total lending volume and the percent of loans it originates to Latinos, as presented in the chart below. In this example we see that **JP Morgan Chase** which produced only 12% as many loans as **Wells Fargo**, actually made a 449% larger share of its loans to Latinos than its competitor.

For African Americans, **United Commercial Bank** which produced only 2% as many loans as **Bank of America** actually made an 8533.3% larger share of its loans to Latinos than its competitor.

**Percent of Loans Originated to Latinos in California versus Total Lending Volume**



**Percent of Loans to African Americans in California versus Total Lending Volume**



These results indicate that it is a financial institution's commitment to serving traditionally underserved communities that determines its lending performance, not the size of its mortgage origination output.

Among the other findings presented in this report are the following:

### Latinos

- The nine major financial institutions originated **21,375** prime-rate home loans (**19.45%** of all prime loans originated in 2007) to Latinos of all incomes in California. This number of loans represents a **drop of 43% since 2006**.
- **1,239** prime-rate home loans (**1.13%** of all prime loans originated in 2007) were originated to moderate-income Latinos (those earning between \$26,814 and \$42,903) in California. This income represents 50 to 80% of the state median income. This number of loans represents a **drop of 77.9% since 2006**.
- **127** prime-rate home loans (**0.12%** of all prime loans made in 2007) were originated to low-income Latinos (those earning less than \$26,814) in California. This income represents less than 50% of the state median income. This number of loans represents a **drop of 82.3% since 2006**.
- Only **5 out of the 9** banks studied originated any loans at all to low-income Latinos in the Los Angeles metropolitan area.
- While Latinos represent 36% of the population of California, the mortgage industry as a whole originated only **23.3%** of all home loans in 2007 to this ethnic group. In contrast, Whites represent **46%** of the state's population and received **74.0%** of all home loans.
- The nine financial institutions studied originated **32.4%** of their FHA loans to Latinos of all incomes.
- **3.16%** of their FHA loans were originated to moderate-income Latinos.
- **0.99%** of their FHA loans were originated to lower-income Latinos.
- **No** FHA loans were originated by the nine financial institutions studied to lower-income Latinos in the Los Angeles metropolitan area.

### African Americans

- The nine major financial institutions originated **3,693** prime-rate home loans (**3.62%** of all prime loans originated in 2007) to African Americans of all incomes in California. This number of loans represents a **drop of 19.7% since 2006**.
- **279** prime-rate home loans (**0.27%** of all prime loans originated in 2007) were originated to moderate-income African Americans (those earning between \$26,814 and \$42,903) in California. This income represents 50 to 80% of the state median income. This number of loans represents a **drop of 52.7% since 2006**.
- **24** prime-rate home loans (**0.02%** of all prime loans made in 2007) were originated to low-income African Americans (those earning less than \$26,814) in California. This income represents less than 50% of the state median income. This number of loans represents a **drop of 86.2% since 2006**.
- **None** of the banks studied originated **any loans at all** to low-income African Americans in the Los Angeles metropolitan area.
- While African Americans represent **6%** of the population of California, the mortgage industry as a whole originated only **3.2%** of all home loans in 2007 to this racial group. In contrast, Whites represent **46%** of the state's population and received **74.0%** of all home loans.
- The nine financial institutions studied originated **6.43%** of their FHA loans to African Americans of all incomes.
- **0.99%** of their FHA loans were originated to moderate-income African Americans.
- **0.59%** of their FHA loans were originated to lower-income African Americans.
- **Only one** FHA loan was originated by one of the nine financial institutions studied (**Citibank**) to lower-income Latinos in the Los Angeles metropolitan area.



# SECTION ONE

## HOMELENDING TO LATINOS AND AFRICAN AMERICANS IN CALIFORNIA

The data below illustrate the disparity between the proportion of Latinos and African Americans in the population of California and their representation in the pool of home loan borrowers. While Latinos represent 36% of the state population, they received an average of only 19.45% of all prime-rate home loans from the top 9 banks. This has fallen since last year, when Latinos received 24% of all prime-rate home loans.

### LATINOS

**JP Morgan Chase**, which has recently greatly expanded its market share in California through the acquisition of Washington Mutual, has taken the top place in percent of prime-rate home loans originated to Latinos of all incomes, as presented in Table 1.1. In terms of number of loans, **Wells Fargo** originated the greatest number of loans to this demographic, closely followed by **Bank of America**.

Table 1.1 Percent of Conventional Home Loans Originated to Latinos in California in 2007				
Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (total)
1	JP Morgan Chase	29.04%	1,372	4,725
2	Wachovia Bank	26.43%	1,679	6352
3	Bank of America	23.83%	6099	25,597
4	Washington Mutual	21.96%	3,884	17,687
5	United Commercial Bank	15.98%	35	219
6	Wells Fargo & Co.	15.62%	6,160	39,444
7	Citibank	14.30%	2007	14,037
8	Bank of the West	13.35%	43	322
9	Union Bank of California	6.37%	96	1506
Total for Top 9 Banks		19.45%	21,375	109,889
Industry Average and Totals		23.3%	47,788	205,538

Unfortunately the average percent of prime-rate loans originated to Latinos by all top 10 banks in California combined is 3.85 percentage points below the industry average. However, **JP Morgan**, **Wachovia**, and **Bank of America** originated prime-rate mortgages to Latinos in proportions above the industry average.

## AFRICAN AMERICANS

Table 1.2 presents the percent and number of loans originated to African Americans of all incomes in California by the state's largest mortgage originating financial institutions. These top nine institutions' performance is slightly above the industry average, exceeding it by a little over a third of a percent (0.38%).

<b>Table 1.2</b> <b>Percent of Conventional Home Loans Originated to African Americans in California in 2007</b>				
Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ race indicated (total)
1	United Commercial Bank	8.22%	18	219
2	Wachovia Bank	4.66%	296	6,354
3	Wells Fargo & Co.	4.52%	916	20,277
4	Bank of America	4.04%	1,024	25,323
5	JP Morgan Chase	3.32%	545	16,407
6	Washington Mutual	3.28%	576	17,536
7	Bank of the West	2.18%	7	321
8	Citibank	2.13%	299	14,037
9	Union Bank of California	0.78%	12	1,545
<b>Totals for Top 10 Banks</b>		<b>3.62%</b>	<b>3,693</b>	<b>102,019</b>
<i>Industry Average and Totals</i>		<i>3.24%</i>	<i>6,580</i>	<i>202,876</i>

# SECTION TWO

## HOMELENDING TO MODERATE-INCOME LATINOS AND AFRICAN AMERICANS IN CALIFORNIA

This section reports the number and the proportion of loans going to moderate-income Latinos and African Americans, which at 50-80% of the area median income (AMI), earn between \$29,268 and \$46,826 annually.<sup>6</sup> Latino households represent 35% of all moderate income households in the state, and 30% of all Latino households earn a moderate income. In comparison, 20% of Whites and 25% of Blacks earn a moderate income.<sup>7</sup> African Americans represent 7.1% of all moderate-income households in the state, and 25.6% of all African American households are moderate-income earners. In comparison, 4.6% of Whites and 32.4% of Blacks are low-income earners.<sup>8</sup>

### LATINOS

**Bank of America** and **Wachovia** are ahead of their competitors in lending to moderate-income Latinos, respectively originating 2.62 % and 1.42% of all their loans in fiscal year 2007 to this demographic (Table 2.1). This is a sharp drop from last year, where the leaders originated up to 9% of all their loans to this demographic.

<b>Table 2.1</b> <b>Percent of Conventional Home Loans Originated to MODERATE-INCOME</b> <b>(between 50 and 79% AMI) Latinos in California in 2007</b>				
Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Bank of America	2.62%	671	25,597
2	Wachovia Bank	1.42%	90	6,352
3	United Commercial Bank	0.91%	2	219
4	Citibank	0.81%	113	14,037
5	Wells Fargo & Co.	0.66%	260	39,444
6	Washington Mutual	0.50%	88	17,687
7	JP Morgan Chase	0.25%	12	4,725
8	Union Bank of California	0.20%	3	1,506
9	Bank of the West	0.00%	0	322
<b>Total for Top 9 Banks</b>		<b>1.13%</b>	<b>1,239</b>	<b>109,889</b>

<sup>6</sup> AMI thresholds are based on Housing and Urban Development guidelines, and the dollar values are this author's calculations based on income information from the US Census American Community Survey, 2006.

<sup>7</sup> Author's calculations based on US Census American Community Survey, 2006.

<sup>8</sup> Author's calculations based on US Census American Community Survey, 2006.

## AFRICAN AMERICANS

**United Commercial Bank** leads all of its competitors in lending to moderate-income African Americans as well, originating 2.74% of all their loans in fiscal year 2007 to this demographic (Table 2.2).

<b>Table 2.2</b> <b>Percent of Conventional Home Loans Originated to MODERATE-INCOME</b> <b>(between 50 and 79% AMI) African Americans in California in 2007</b>				
Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	United Commercial Bank	2.74%	6	219
2	Bank of America	0.61%	154	25,323
3	Wachovia Bank	0.38%	24	6,354
4	Bank of the West	0.31%	1	321
5	Wells Fargo & Co.	0.31%	62	20,277
6	Citibank	0.10%	14	14,037
7	Washington Mutual	0.10%	17	17,536
8	JP Morgan Chase	0.04%	7	16,407
9	Union Bank of California	0.00%	0	1,545
<b>Totals for Top 9 Banks</b>		<b>0.27%</b>	<b>279</b>	<b>101,800</b>

# SECTION THREE

## HOMELENDING TO LOWER-INCOME LATINOS AND AFRICAN AMERICANS IN CALIFORNIA

Low-income Californians face the greatest challenge in obtaining housing, whether rental or ownership. This section reports the number and the proportion of loans going to low-income Latinos and African Americans, which at 50% or less of the area median income (AMI), earn less than \$29,268 annually.<sup>9</sup> Latino households represent 14.9% of all low-income households in the state, and 12% of all Latino households are low-income earners. African Americans represent 9.7% of all low-income households in the state, and a staggering 32.4% of all African American households are lower-income earners. In comparison, 4.6% of Whites in areas for which ACS data are available (geographies with a population of 65,000 or greater) are low-income earners.<sup>10</sup>

### LATINOS

**Bank of the West** occupies the top position in percent of loans originated to low-income Latinos, but **Bank of America** leads in number of loans originated to low-income Latinos.

<b>Table 3.1</b> <b>Percent of Conventional Home Loans Originated to LOW-INCOME</b> <b>(less than 50% AMI) Latinos in California in 2007</b>				
Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Bank of the West	0.93%	3	322
2	Wachovia Bank	0.24%	15	6,352
3	Bank of America	0.21%	53	25,597
4	Citibank	0.10%	14	14,037
5	Wells Fargo & Co.	0.08%	30	39,444
6	Washington Mutual	0.06%	11	17,687
7	JP Morgan Chase	0.02%	1	4,725
8	United Commercial Bank	0.00%	0	219
8	Union Bank of California	0.00%	0	1,506
<b>Total for Top 9 Banks</b>		<b>0.12%</b>	<b>127</b>	<b>109,889</b>

<sup>9</sup> AMI thresholds are based on Housing and Urban Development guidelines, and the dollar values are this author's calculations based on income information from the US Census American Community Survey, 2006.

<sup>10</sup> Author's calculations based on US Census American Community Survey, 2006.



## AFRICAN AMERICANS

**Wells Fargo** leads in both number and percentage of loans to low-income African Americans with only 0.04% of all loans going to low-income African Americans. Note that of the top 9 banks, 4 did not originate ANY loans to this demographic.

<b>Table 3.1</b> <b>Percent of Conventional Home Loans Originated to LOW-INCOME</b> <b>(less than 50% AMI) African Americans in California in 2007</b>				
Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Wells Fargo & Co.	0.04%	9	20,277
2	Citibank	0.03%	4	14,037
3	Bank of America	0.03%	7	25,323
4	Washington Mutual	0.02%	3	17,536
5	Wachovia Bank	0.02%	1	6,354
6	JP Morgan Chase	0.00%	0	16,407
6	United Commercial Bank	0.00%	0	219
6	Union Bank of California	0.00%	0	1,545
6	Bank of the West	0.00%	0	321
<b>Totals for Top 9 Banks</b>		<b>0.02%</b>	<b>24</b>	<b>102,019</b>

# SECTION FOUR

## HOMELENDING TO LATINOS AND AFRICAN AMERICANS LIVING IN THE LOS ANGELES/LONG BEACH/GLENDALE MSA

### LATINOS

Tables 4.1 to 4.3 present data on conventional prime-rate home loans originated to all Latinos, moderate-income Latinos, and lower-income Latinos, respectively.

<b>Table 4.1</b> <b>Conventional Home Loans Originated to Latinos in Los Angeles/Long Beach/Glendale MSA (2007)</b>				
Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated
1	JP Morgan Chase	33.28%	1,372	4,123
2	Wachovia	31.98%	377	1,179
3	Washington Mutual	31.64%	1,365	4,314
4	Bank of America	26.75%	1,127	4,213
5	Wells Fargo & Co.	20.27%	1,451	7,159
6	United Commercial Bank	19.51%	8	41
7	Citibank	19.24%	781	4,060
8	Bank of the West	16.67%	9	54
9	Union Bank of California	6.85%	34	496
<b>Totals for Top 9 Banks</b>		<b>25.45%</b>	<b>6,524</b>	<b>25,639</b>

<b>Table 4.2</b> <b>Conventional Home Loans Originated to Latinos earning between \$41,459 and \$25,912 in the Los Angeles/Long Beach/Glendale Metropolitan Area (2006)</b>				
Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Bank of America	0.55%	23	4,213
2	JP Morgan Chase	0.29%	12	4,123
3	Washington Mutual	0.28%	12	4,314
4	Wachovia	0.25%	3	1,179
5	Citibank	0.17%	7	4,060

6	Wells Fargo & Co.	0.10%	7	7,159
7	United Commercial Bank	0.00%	0	41
8	Union Bank of California	0.00%	0	496
9	Bank of the West	0.00%	0	54
<b>Totals for Top 9 Banks</b>		<b>0.25%</b>	<b>64</b>	<b>25,585</b>

**Table 4.3**  
**Conventional Home Loans Originated to Latinos earning less than \$25,912 in the Los Angeles/Long Beach/Glendale Metropolitan Area (2006)**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Bank of America	0.12%	5	4,213
2	Citibank	0.10%	4	4,060
3	Washington Mutual	0.05%	2	4,314
4	JP Morgan Chase	0.02%	1	4,123
5	Wells Fargo & Co.	0.01%	1	7,159
6	United Commercial Bank	0.00%	0	41
7	Union Bank of California	0.00%	0	496
8	Bank of the West	0.00%	0	54
9	Wachovia	0.00%	0	1,179
<b>Totals for Top 9 Banks</b>		<b>0.05%</b>	<b>13</b>	<b>24,460</b>

## AFRICAN AMERICANS

Tables 4.4 to 4.6 present data on conventional prime-rate home loans originated to all African Americans, moderate-income African Americans, and lower-income African Americans, respectively.

**Table 4.4**  
**Conventional Home Loans Originated to African Americans in Los Angeles/Long Beach/Glendale MSA (2007)**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated
1	United Commercial Bank	31.71%	13	41
2	Wachovia	7.61%	90	1,182
3	Washington Mutual	4.69%	200	4,260

4	Bank of America	4.28%	178	4,158
5	JP Morgan Chase	4.12%	170	4,123
6	Wells Fargo & Co.	3.57%	254	7,120
7	Citibank	2.83%	115	4,060
8	Union Bank of California	1.17%	6	512
9	Bank of the West	0.00%	0	54
<b>Totals for Top 9 Banks</b>		4.02%	1026	25,510

**Table 4.5**  
**Conventional Home Loans Originated to African Americans earning between \$41,459 and \$25,912 in the Los Angeles/Long Beach/Glendale Metropolitan Area (2006)**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	United Commercial Bank	9.76%	4	41
2	Bank of America	0.12%	5	4,158
3	Citibank	0.07%	3	4,060
4	JP Morgan Chase	0.07%	3	4,123
5	Wells Fargo & Co.	0.01%	1	7,120
6	Washington Mutual	0.02%	1	4,260
7	Union Bank of California	0.00%	0	512
8	Bank of the West	0.00%	0	54
9	Wachovia	0.00%	0	1,182
<b>Totals for Top 9 Banks</b>		0.07%	17	24,328

**Table 4.6**  
**Conventional Home Loans Originated to African Americans earning less than \$25,912 in the Los Angeles/Long Beach/Glendale Metropolitan Area (2006)**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	JP Morgan Chase	0.00%	0	4,123
2	United Commercial Bank	0.00%	0	41
3	Wells Fargo & Co.	0.00%	0	7,120
4	Bank of America	0.00%	0	4,158
5	Union Bank of California	0.00%	0	512
6	Citibank	0.00%	0	4,060
7	Bank of the West	0.00%	0	54
8	Washington Mutual	0.00%	0	4,260
9	Wachovia	0.00%	0	1,182
<b>Totals for Top 9 Banks</b>		0.00%	0	24,328

# **SECTION FIVE**

## **HOMELENDING TO LATINOS AND AFRICAN AMERICAN BY METROPOLITAN AREA**

Housing affordability in California is no longer a problem limited to lower- and moderate-income families, although it is these families that are most affected by the rising cost of homeownership. During the housing boom the problem lay in the rising cost of homes, which created a situation in which only 1 out of every 20 potential Latino and African American homebuyers could afford a home in California.

In the wake of the mortgage and credit crisis the median home price in California has dropped almost 30% since January 2008, yet access to credit has been restricted to such an extent that groups traditionally underserved by the financial services industry find themselves in an even more precarious position. The most recent Census figures show that 1 out of 5 households in the United States spend more than 38% of their pretax income on their mortgage payments, property taxes, and home insurance.<sup>11</sup>

However, among Latino households in the United States, 1 out of 3 pays more than 38% of their income for home payments, compared to 1 out of 4 for African Americans and Asian Americans, and just 16% of Whites. This is yet another indication that Latinos have been most severely affected by the housing downturn and credit crunch.<sup>12</sup>

In California the percent of homeowners who overpay for housing is even greater, with 40% of African American, 30% of Asian American, and fully half of Latino households paying more than 38% of their pretax income on housing.<sup>13</sup>

The cost and availability of capital have a profound effect on housing prices and housing demand, and inequitable access to either of these will produce glaring disparities in the ability of different groups to be full, active participants in the market. Table 5.2 presents the percentage of loans originated to Latinos in each metropolitan area in California relative to their representation in the metropolitan area.

### **LATINOS**

The column marked, “Disparity” in Table 5.2 shows that in all but one metropolitan area in California, financial institutions are originating a lower percent of home loans to

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<sup>11</sup> Zibel, Alan. “Latino, Black homeownership rates falling,” *San Francisco Chronicle* (originally from AP), January 25, 2009.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.



Latinos than their representation in the metropolitan area. Throughout the state, Latinos are receiving 12.5% less loans that they would if all financial institutions originated loans at parity with Latinos' representation in the total population. This disparity has increased significantly since last year, when it was 7.4%.

**Table 5.2**  
**Conventional Home Loans Originated to Latinos of All Incomes, by MSA, 2007**

MSA	Percent of all Loans Originated to Latinos in MSA	Latinos as % of Total Population in MSA <sup>14</sup>	Disparity	Total Number of Loans Originated to Latinos in MSA <sup>15</sup>	Total Number of Loans Originated in MSA
CALIFORNIA	23.3%	35.7%	-12.5%	47,788	205,538
Bakersfield	40.5%	45.1%	-4.6%	2,044	5,044
Chico	8.9%	12.3%	-3.4%	109	1,218
El Centro	74.7%	75.5%	-0.9%	436	584
Fresno	36.6%	47.6%	-11.1%	1,904	5,209
Hanford	39.2%	47.4%	-8.2%	262	668
Los Angeles	29.2%	47.1%	-17.9%	12,552	42,981
Madera	50.2%	49.3%	0.8%	328	654
Merced	49.9%	51.7%	-1.8%	552	1,107
Modesto	33.7%	38.2%	-4.4%	947	2,806
Napa	19.6%	28.6%	-9.0%	127	648
Oakland	13.1%	21.4%	-8.2%	2,444	18,599
Oxnard	25.6%	36.7%	-11.1%	1,321	5,158
Redding	5.6%	7.5%	-1.8%	67	1,190
Riverside	36.3%	43.9%	-7.6%	9,568	26,326
Sacramento	12.3%	18.1%	-5.8%	1,824	14,846
Salinas	38.7%	51.4%	-12.8%	532	1,375
San Diego	19.1%	29.9%	-10.8%	3,692	19,353
San Francisco	8.0%	17.5%	-9.5%	914	11,469
San Jose	12.4%	28.8%	-16.4%	1,692	13,674
SLO	9.5%	18.4%	-8.9%	153	1,606
Santa Ana	16.4%	33.0%	-16.7%	2,556	15,617
Santa Barbara	26.0%	38.0%	-12.0%	470	1,806
Santa Cruz	15.3%	28.5%	-13.1%	194	1,266
Santa Rosa	13.6%	21.9%	-8.3%	375	2,757
Stockton	27.5%	35.7%	-8.2%	1,033	3,752
Vallejo	18.2%	21.5%	-3.3%	409	2,249

<sup>14</sup> Author's calculations based on data from US Census, American Community Survey, 2006.

<sup>15</sup> Data from publicly-available HMDA disclosure tables. Available at <http://www.ffiec.gov>.

Visalia	45.3%	55.9%	-10.6%	1,062	2,342
Yuba	17.9%	24.4%	-6.5%	221	1,234

## AFRICAN AMERICANS

Table 5.3 demonstrates that African Americans received only 3.2% of all prime-rate, conventional home loans originated in California in 2007, despite comprising 6.1% of the population of the state. This proportion is down slightly from last year, when 3.66% of all prime-rate, conventional home loans went to African Americans.

<b>Table 5.3</b> <b>Conventional Home Loans Originated to African Americans of All Incomes, by MSA, 2007</b>					
MSA	Percent of all Loans Originated to African Americans in MSA	African Americans as % of Total Population in MSA <sup>16</sup>	Disparity	Total Number of Loans Originated to African Americans in MSA <sup>17</sup>	Total Number of Loans Originated in MSA
CALIFORNIA	3.2%	6.1%	-2.8%	6,580	202,876
Bakersfield	2.9%	5.6%	-2.7%	145	4,985
Chico	0.8%	1.4%	-0.5%	10	1,224
El Centro	1.1%	3.3%	-2.2%	6	550
Fresno	2.5%	4.9%	-2.4%	130	5,165
Hanford	2.9%	7.5%	-4.6%	19	653
Los Angeles	4.6%	8.7%	-4.1%	1,963	42,380
Madera	1.4%	3.8%	-2.4%	9	646
Merced	1.4%	3.5%	-2.1%	15	1,085
Modesto	2.2%	2.7%	-0.5%	61	2,736
Napa	1.1%	1.8%	-0.7%	7	638
Oakland	5.3%	11.4%	-6.1%	974	18,438
Oxnard	1.1%	1.7%	-0.6%	56	5,104
Redding	0.4%	0.9%	-0.5%	5	1,187
Riverside	5.1%	7.2%	-2.1%	1,305	25,532
Sacramento	3.7%	7.0%	-3.3%	553	14,748
Salinas	1.2%	3.1%	-1.9%	17	1,363
San Diego	2.2%	5.0%	-2.8%	416	19,116
San Francisco	0.9%	4.7%	-3.8%	105	11,445
San Jose	0.9%	2.5%	-1.5%	124	13,601
SLO	0.7%	1.9%	-1.2%	12	1,602

<sup>16</sup> Author's calculations based on data from US Census, American Community Survey, 2006.

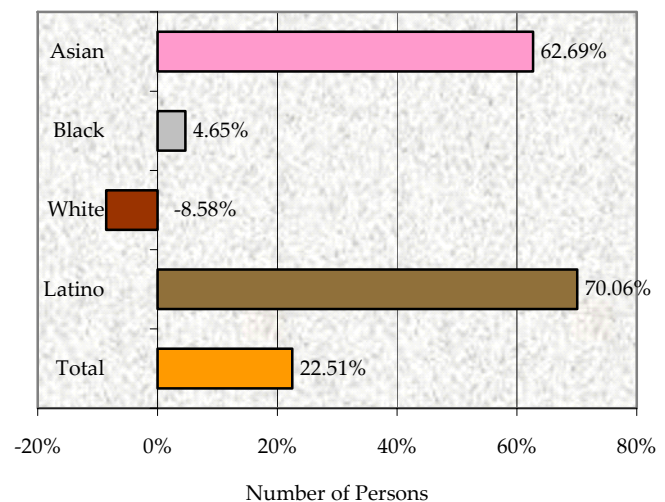
<sup>17</sup> Data from publicly-available HMDA disclosure tables. Available at <http://www.ffiec.gov>.

Santa Ana	0.8%	1.6%	-0.8%	131	15,455
Santa Barbara	0.7%	1.7%	-1.0%	13	1,803
Santa Cruz	0.3%	0.8%	-0.5%	4	1,259
Santa Rosa	1.1%	1.3%	-0.2%	30	2,759
Stockton	4.9%	7.0%	-2.0%	181	3,662
Vallejo	10.2%	14.7%	-4.5%	227	2,224
Visalia	0.9%	1.4%	-0.6%	20	2,306
Yuba	3.5%	1.9%	1.5%	42	1,210

In contrast, in only one California metropolitan area (San Jose) did financial institutions originate fewer loans to non-Hispanic Whites than their representation in the metropolitan area. Statewide, non-Hispanic Whites received 74% of all prime-rate, conventional home loans, a *very* significant increase from 49.1% in 2006. This means that Latinos, especially, lost significant access to the mortgage markets as a result of the foreclosure crisis.

Why is this significant? Non-Hispanic Whites represent a shrinking demographic in the state of California. Not only are they the only racial/ethnic group in the state that is *leaving* the state at a faster rate than they are arriving or reproducing, but they are also being overtaken as a share of the total population by the large increase in the state's Latino population. While the non-Hispanic White population has *decreased* by 8.58% over the past 16 years, the Latino population is *increased* by 70.06%, and the African American population has increased 4.65% over the same time period.<sup>18</sup>

**Change in California's Population by Race, 1990-2006**



At the more local level, a large increase in the Latino population is accompanied by a similar decrease in the non-Hispanic White population. It should therefore follow that if the proportion of loans going to Latinos does not change in relation to their increasing

<sup>18</sup> Author's calculations based on population data from California Department of Finance and US Census American Community Surveys 2001-2006.

share of the population, then Latinos are being denied the opportunity for homeownership and are therefore renting.

For this reason, financial institutions should set a goal of matching the percent of loans originated to Latinos to their increasing representation in the state.

# SECTION SIX

## FHA LOANS TO LATINOS AND AFRICAN AMERICANS IN CALIFORNIA

The Federal Housing Administration (FHA) was created in 1934 in order to increase home ownership opportunities, especially for people living in lower income brackets. FHA loans require a lower down-payment in order to qualify for a mortgage, and provide mortgage insurance in the event that the borrower defaults on the loan.

### LATINOS

Tables 7.1 to 7.3 present the percent of FHA loans originated by the top six banks in California to all Latino, moderate-income Latino, and lower-income Latino households, respectively. The three banks not present in these tables for which data had been presented in earlier sections did not originate FHA loans.

**Table 6.1**  
**Percent of FHA Home Loans Originated to Latinos in California in 2007**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	JP Morgan Chase	43.75%	7	16
2	Wells Fargo & Co.	35.09%	133	379
3	Bank of America	25.00%	19	76
4	Citibank	25.00%	5	20
5	Bank of the West	0.00%	0	0
6	Wachovia Bank	0.00%	0	15
<b>Total for Top 6 Banks</b>		<b>32.41%</b>	<b>164</b>	<b>506</b>

**Table 6.2**  
**Percent of FHA Home Loans Originated to MODERATE-INCOME (between 50 and 79% AMI) Latinos in California in 2007**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Citibank	15.00%	3	20
2	Wells Fargo & Co.	3.43%	13	379
3	JP Morgan Chase	0.00%	0	16
4	Bank of America	0.00%	0	76



5	Bank of the West	0.00%	0	0
6	Wachovia Bank	0.00%	0	15
<b>Total for Top 6 Banks</b>		<b>3.16%</b>	<b>16</b>	<b>506</b>

**Table 6.3**  
**Percent of FHA Home Loans Originated to LOW-INCOME**  
**(< 50% AMI) Latinos in California in 2007**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Citibank	10.00%	2	20
2	Bank of America	1.32%	1	76
3	Wells Fargo & Co.	0.53%	2	379
4	JP Morgan Chase	0.00%	0	16
5	Bank of the West	0.00%	0	0
6	Wachovia Bank	0.00%	0	15
<b>Total for Top 6 Banks</b>		<b>0.99%</b>	<b>5</b>	<b>506</b>

## AFRICAN AMERICANS

Tables 7.1 to 7.3 present the percent of FHA loans originated by the top six banks in California to all African American, moderate-income African American, and lower-income African American households, respectively. The three banks not present in these tables for which data had been presented in earlier sections did not originate FHA loans.

**Table 6.4**  
**Percent of FHA Home Loans Originated to African Americans in California in 2007**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Citibank	35.00%	7	20
2	Wells Fargo & Co.	6.33%	24	379
3	JP Morgan Chase	6.25%	1	16
4	Bank of America	4.00%	3	75
5	Bank of the West	0.00%	0	0
6	Wachovia Bank	0.00%	0	15
<b>Totals for Top 6 Banks</b>		<b>6.93%</b>	<b>35</b>	<b>505</b>

**Table 6.5**  
**Percent of FHA Home Loans Originated to MODERATE-INCOME**  
**(between 50 and 79% AMI) African Americans in California in 2007**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Citibank	20.00%	4	20
2	Wells Fargo & Co.	0.26%	1	379
3	JP Morgan Chase	0.00%	0	16
4	Bank of America	0.00%	0	75
5	Bank of the West	0.00%	0	0
6	Wachovia Bank	0.00%	0	15
<b>Totals for Top 6 Banks</b>		<b>0.99%</b>	<b>5</b>	<b>505</b>

**Table 6.6**  
**Percent of FHA Home Loans Originated to LOW-INCOME**  
**(< 50% AMI) African Americans in California in 2007**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Citibank	15.00%	3	20
2	JP Morgan Chase	0.00%	0	16
3	Wells Fargo & Co.	0.00%	0	379
4	Bank of America	0.00%	0	75
5	Bank of the West	0.00%	0	0
6	Wachovia Bank	0.00%	0	15
<b>Totals for Top 6 Banks</b>		<b>0.59%</b>	<b>3</b>	<b>505</b>

# SECTION SEVEN

## FHA LOANS TO LATINOS AND AFRICAN AMERICANS LIVING IN THE LOS ANGELES/LONG BEACH/GLENDALE MSA

### LATINOS

Tables 7.1 to 7.3 present the percent of FHA loans originated by the top six banks in California to all Latino, moderate-income Latino, and lower-income Latino households living in the Los Angeles/Long Beach/Glendale metropolitan area, respectively. The three banks not present in these tables for which data had been presented in earlier sections did not originate FHA loans in this metropolitan area.

**Table 7.1**  
**Percent of FHA Home Loans Originated to Latinos in the**  
**Los Angeles/Long Beach/Glendale MSA in 2007**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	JP Morgan Chase	75.00%	3	4
2	Wells Fargo & Co.	46.15%	6	13
3	Citibank	33.33%	2	6
4	Bank of America	0.00%	0	0
5	Bank of the West	0.00%	0	0
<b>Total for Top 5 Banks</b>		<b>47.83%</b>	<b>11</b>	<b>23</b>

**Table 7.2**  
**Percent of FHA Home Loans Originated to MODERATE INCOME Latinos in the**  
**Los Angeles/Long Beach/Glendale MSA in 2007**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	Citibank	33.33%	2	6
2	JP Morgan Chase	0.00%	0	4
3	Wells Fargo & Co.	0.00%	0	13
4	Bank of America	0.00%	0	0
5	Bank of the West	0.00%	0	0
<b>Total for Top 5 Banks</b>		<b>8.70%</b>	<b>2</b>	<b>23</b>

**Table 7.3**  
**Percent of FHA Home Loans Originated to LOW INCOME Latinos in the**  
**Los Angeles/Long Beach/Glendale MSA in 2007**

Rank	Bank	% loans to Latinos	# loans to Latinos	# loans w/ ethnicity indicated (all incomes)
1	JP Morgan Chase	0.00%	0	4
2	Wells Fargo & Co.	0.00%	0	13
3	Bank of America	0.00%	0	0
4	Citibank	0.00%	0	6
5	Bank of the West	0.00%	0	0
<b>Total for Top 5 Banks</b>		<b>0.00%</b>	<b>0</b>	<b>23</b>

## AFRICAN AMERICANS

Tables 7.4 to 7.6 present the percent of FHA loans originated by the top six banks in California to all African American, moderate-income African American, and lower-income African American households living in the Los Angeles/Long Beach/Glendale metropolitan area, respectively. The three banks not present in these tables for which data had been presented in earlier sections did not originate FHA loans in this metropolitan area.

**Table 7.4**  
**Percent of FHA Home Loans Originated to African Americans in the**  
**Los Angeles/Long Beach/Glendale MSA in 2007**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Citibank	50.00%	3	6
2	Wells Fargo & Co.	14.29%	2	14
3	JP Morgan Chase	0.00%	0	4
4	Bank of America	0.00%	0	0
5	Bank of the West	0.00%	0	0
<b>Total for Top 5 Banks</b>		<b>20.83%</b>	<b>5</b>	<b>24</b>

**Table 7.5**  
**Percent of FHA Home Loans Originated to MODERATE INCOME**  
**African Americans in the Los Angeles/Long Beach/Glendale MSA in 2007**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Citibank	33.33%	2	6
2	JP Morgan Chase	0.00%	0	4
3	Wells Fargo & Co.	0.00%	0	14
4	Bank of America	0.00%	0	0
5	Bank of the West	0.00%	0	0
<b>Total for Top 5 Banks</b>		<b>8.33%</b>	<b>2</b>	<b>24</b>

**Table 7.6**  
**Percent of FHA Home Loans Originated to LOW INCOME African Americans**  
**in the Los Angeles/Long Beach/Glendale MSA in 2007**

Rank	Bank	% loans to African Americans	# loans to African Americans	# loans w/ ethnicity indicated (all incomes)
1	Citibank	16.67%	1	6
2	JP Morgan Chase	0.00%	0	4
3	Wells Fargo & Co.	0.00%	0	14
4	Bank of America	0.00%	0	0
5	Bank of the West	0.00%	0	0
<b>Total for Top 5 Banks</b>		<b>4.17%</b>	<b>1</b>	<b>24</b>

# RECOMMENDATIONS

Greenlining recommends the following best practices to revive and reform the mortgage industry into a sustainable enterprise that will yield positive results for homeownership and wealth building in traditionally underserved communities.

- Expand CRA to all financial institutions.
- Support a 30-year, government-guaranteed mortgage available for all families at 120% or below the median income, with a maximum fixed rate of 4.5%. These loans should be available only for up to the median regional home price.
- Develop new alternative credit scoring models to ensure that communities of color have access to capital and credit.
- Eliminate mortgage insurance to first-time homebuyers at 120% or below median income.
- Ensure that the proper safeguards are in place during the home appraisal process.
- Continue to enact measures to protect homeowners who are currently in or in danger of foreclosure, including moratoria.
- Develop new and creative products and marketing to serve and build trust with the unbanked, immigrants, and the poor.
- Provide mortgage terms in plain language to all borrowers before signing.
- Ensure that banks uphold their fiduciary duty to borrowers with each mortgage origination.