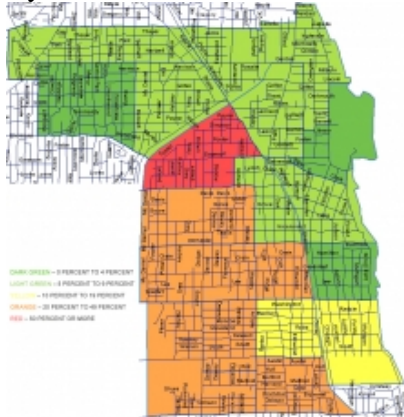


Suburban Mortgage Gap

By: Matt Miller



In 2006, about 57 percent of all mortgages granted in west central Evanston, the heart of the city's black community, were high-cost loans. With a black population of 81 percent, that area is the city's lone predominantly black census tract. It was also the only census tract where more than 50 percent of the mortgages granted were high-cost.

Note: Percentages are rounded to the nearest whole number.

Source: Federal Financial Institutions Examination Council; analyzed by The Chicago Reporter.

African Americans were nearly five times as likely as white borrowers to receive high-cost home loans in Evanston in 2006, making it the municipality with the greatest high-cost lending rate disparity out of 52 Chicagoland suburbs included in an analysis of federal mortgage lending data by *The Chicago Reporter*.

Of the 368 home purchase, home improvement or refinance loans acquired by black homeowners, around 48 percent of them were considered high-cost or subprime, according to the Reporter's analysis. In contrast, of the 1,529 home loans acquired by white homeowners, only about 10 percent were high-cost.

The racial gap was even wider among the wealthiest Evanston homeowners. African Americans who earned at least \$100,000 annually were nearly six times as likely as their white counterparts to receive high-cost loans.

In Evanston, JP Morgan Chase Bank had the widest racial disparity of any lender with about 43 percent of African Americans receiving high-cost loans compared with just 3 percent of white borrowers. Among customers of both Washington Mutual and

Countrywide Financial, African Americans were about four times as likely as their white counterparts to get high-cost loans.

But African Americans were also more likely to get mortgages from companies that specialize in high-cost lending. About 33 percent of the high-cost loans to black homeowners in Evanston came from such lenders compared with just 6.5 percent of white homeowners.

Wide racial gaps were also found in north suburban Wilmette and west suburban Oak Park. In both villages, African Americans were more than three times as likely as their white counterparts to get high-cost loans.

“All of that ‘truth in lending’ and ‘equal access’ talk in real estate is garbage,” said William Sterling, a realtor who lives in the 2200 block of Greenwood Street. “We see segregation and racial steering in practice everywhere, despite what is said.”

Sterling is one of the black Evanston residents who got a prime-rate loan when he bought his home in 2006 for \$275,000.

Sterling advises his clients to never accept adjustable-rate loans and to always get lending terms up-front and in writing in case of potential foreclosure proceedings.

“I tell people to wait a couple of years until their credit goes up so that they can get a prime-rate mortgage,” Sterling said. “It’s just not worth it otherwise, and I’m as bad as the trickster lenders who trap people if I set them up in that kind of situation.”

Robert Compton, a white Evanston resident living in the 1400 block of Ashland Avenue, bought his home in 2006 for \$330,000. He said he had no difficulty in acquiring a 30-year, fixed-rate mortgage at a prime interest rate. “It was a really quick, simple process for me,” said Compton, who had a friend in a lending company who helped set up the mortgage. “I would never go for those adjustable-rate loans. It’s a mistake to take those.”

Jasmine Brewer of the Interfaith Housing Center in north suburban Wilmette said that high-cost loans are becoming an increasingly severe issue as borrowers reach the elevated interest portions of their adjustable-rate loans, which became more common several years ago. “The big problem is that people are either not educated [about refinancing] or they’re just hoping they’ll be making more money later so they’ll be able to pay the loan,” said Brewer, who leads the Evanston Foreclosure Task Force, which includes representatives from the City of Evanston, the office of the Cook County 13th District Commissioner and the Community and Economic Development Association of Cook County—known as CEDA.

Several other programs in Evanston combat predatory and high-cost lending as well as its corollary, home foreclosure.

The Evanston Housing Corporation is a city-run program which allows first-time

homebuyers to take out mortgages at prime or near-prime rates. The nonprofit corporation administers loans between participating lending institutions and Evanston residents who make no more than the Chicago metropolitan area's median income. Stan Janice, the housing corporation's assistant director, said the program has been a general success since its founding as one of the first initiatives of its kind in 1989. The corporation does not have any strict credit criteria for borrowers.

Evanston is also seeking to implement a new down-payment assistance program in which residents are given grants of up to \$30,000 for down payments to buy homes. The loans are forgivable if the borrowers continue to reside in the homes they buy for a certain number of years without selling.

Brewer advocates a community-wide approach to combating high-cost lending in which multiple components of the phenomenon—real estate values, borrower salaries, lender responsibility—are addressed holistically. She works with the Chicago-based National Training and Information Center in an attempt to compel high-cost lenders to renegotiate loan terms with borrowers in danger of foreclosure. The organization also engages in lender oversight. “If you’re lending in these communities,” Brewer said, “you have the responsibility of issuing loans that are reasonable—loans that people are realistically going to be able to pay back.”

[http://www.chicagoreporter.com/index.php/c/Web_Extras/d/Suburban Mortgage Gap](http://www.chicagoreporter.com/index.php/c/Web_Extras/d/Suburban_Mortgage_Gap)