

Bad loans pain Evanston

Predatory lending cuts deeply into minority communities, leaving more people fighting to save their homes from foreclosure, experts say

By Lolly Bowean
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By the time most Evanston residents sit down with Carol Johnson Downs in her office at the Interfaith Housing Center of the Northern Suburbs, they are about to lose their homes.

It's her job to help them keep them.

But on many days, Downs says, she feels like David trying to slay Goliath as she negotiates with home lenders and delivers a simple message to homeowners: If the terms of a mortgage loan sound too good to be true, they probably are.

"It's hard to convince people to say no to a loan that will put them

into a house they want or give them money they need," she said. "When everyone else is telling them `no,' they cling to the lender that is saying `yes.'"

Housing experts in Evanston say a growing number of African-American homeowners risk losing their homes because of predatory lending--loans with exorbitant interest rates, excessive fees and hidden costs.

The number of foreclosures related to sub-prime lenders in Evanston skyrocketed from two in 1993 to 120 in 2001, according to the most recent figures from the Chicago-based National Training and Information Center, which compiles reports on the home-loan industry.

African-Americans are targeted by sub-prime lenders because they tend to have a more difficult time qualifying for conventional loans and lack information about lending alternatives, said Gail Schechter, executive director of Interfaith.

The majority of Evanston residents who borrow from sub-prime lenders are African-American, according to the information center. Of the 531 sub-prime loans in Evanston in 2003, the last year with data available, 72 percent went to residents on the predominantly black west side, according to the center.

Not all sub-prime loans are bad, but most predatory loans come from sub-prime lenders, Downs said.

What's happening in Evanston mirrors a national and regional trend. A study released by the Woodstock Institute, which researches housing issues, found that in predominantly minority areas in Chicago, the majority of the houses are bought through sub-prime loans. In minority communities in Waukegan in Lake County and Aurora in Kane County, there is a high percentage of

sub-prime loans, said Geoff Smith, a project director at Woodstock.

"Research does indicate that sub-prime lending is a driver to foreclosure," he said. "Sub-prime loans and predatory loans tend to be concentrated in minority communities, and foreclosures tend to be concentrated there also."

Sub-prime lending is not illegal, and state agencies regulate the industry.

In July a state law was passed that requires more monitoring of sub-prime loans in minority communities with high foreclosure rates.

In addition to counseling homeowners and helping them keep their property, Downs visits churches, community centers, homeowners meetings and other places to teach people to avoid abusive sub-prime loans.

Be wary of door-to-door and telephone solicitations and understand what the monthly note will be, she said. Be cautious of lenders that promise lots of cash back and low monthly payments, she said.

"Life happens and people get into trouble," she said. "Then here's this home loan that looks like it will get you out of the temporary financial situation. But it's a loan that's poison; it's toxic and not going to help."

Her office receives assistance from Evanston officials.

Typically, sub-prime lenders work with people with poor credit scores who have difficulty qualifying for loans elsewhere.

The people she counsels, including many senior citizens, take out the loans to buy a house, finance home improvements or pay medical bills or overdue property taxes, Downs said.

"People's eyes are bigger than their stomachs," Downs said. "They hear a lender say `yes,' and they go for it. They are really being set up to fail."

Schechter said lenders take advantage of a lack of financial sophistication.

"Unfortunately, African-Americans in Evanston tend to not have as good credit, are vulnerable and need money," Schechter said. "Sometimes these are the only lenders they know to go to. They get a loan that doesn't take into account income, tacks on a lot of fees and points and the interest rate keeps jumping up. They fall behind on the payments, and then the lenders take steps to foreclose."

The trend is particularly disturbing in Evanston, long considered a place where minorities could prosper, said Mayor Lorraine Morton, who is African-American.

"It's sad to see so many people losing their homes," Morton said. "A lot of people are talking about affordable housing, but not many see that this is a serious problem. People who have lived in their homes for years are now going into foreclosure."

Downs hears the stories every day.

She shook her head in disgust recently as she sat in the living room of a 72-year-old Evanston woman who could lose her home of more than 30 years.

The woman, who said she didn't want to use her name because she

is embarrassed, signed off on a home-equity loan with a high interest rate and hidden costs. It wasn't until her mortgage bill arrived that she realized she was expected to pay \$605 a month, even though her income is only \$818 a month, she said.

She soon fell behind on her payments and started receiving foreclosure letters.

"Each of these cases are heavy," Downs said. "They have unique issues. But they are similar: These people are frantic. They don't want to lose the homes they raised their children in, the home they've been in all their lives."

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