

Latinos: Shaping America's Economic Future
Congressional Hispanic Caucus Institute

Remarks by:

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- I would like to begin by thanking CHCI [the Congressional Hispanic Caucus Institute] and the Annie E. Casey Foundation for allowing me to join this distinguished panel.
- The question of how Latinos will influence America's overall economy could not be timelier. It's no secret that our community is growing. As our demographics expand, so does our role in our national economy:
 - Between 2005 and 2050, 80% of household growth will come from immigrants and their kids.
 - By 2010, our purchasing power will exceed one trillion dollars.
 - By 2050, one in three working age adults will be Hispanic.
- Yet, despite our growth and contributions to the tax base and consumer economy, Latino families lag by most socioeconomic indicators. We are particularly hard hit by the weak economy.
 - The labor statistics were released last Friday and show that Latino unemployment is at a new high of 8%.
 - Household debt and foreclosures are on the rise.
 - And fewer families have health care and pensions.
- This isn't just bad news for Hispanic families; it's bad news for the national economy. The success of our community is critical to our country's economic success.
- In my brief comments today, I want to draw your attention to one of the most urgent economic issues facing Latino families—the credit crunch. As advocates and policymakers, this should be our focus now and in the next Congress.
- It is impossible to escape the news about troubled financial institutions and rising foreclosure rates. I am constantly surprised, though, at the finger-pointing at borrowers. It seems that many people are eager to blame borrowers for this mess. The way some have painted the picture, banks are helpless victims in the situation.
- But playing the blame game really misses the larger problem. Access to fair and affordable credit is a fundamental civil rights issue. Most families rely on some form of credit to purchase assets. And it is the ownership of assets that will move them firmly

into the middle class. Ownership of assets allows families to send their children to college, weather a financial emergency, and save for retirement.

- Unfortunately, not all credit is created equal. The mortgage, credit card, and auto loan markets contain structural barriers that make it unlikely that creditworthy Latinos will be matched to safe and affordable financial products. While innovations have opened the market to more families, it has also created complexity. Moreover, our consumer protections have not kept pace with the changes.
- Let me give you an example. Twenty-two percent of Latinos do not have a credit score. Even though these families can demonstrate that they've paid their rent, phone, cable, and other bills on time, it's not taken into consideration. Families without a credit score are often steered into the riskiest—and therefore most expensive—products. This is true for credit cards, home loans, auto loans, and auto insurance. Other characteristics such as multiple sources of income and coborrowers create similar obstacles.
- When creditors steer families into risky loans because it is easier and more profitable, it's called "predatory lending." Too many of our homeowners, card users, and car owners were victims of poor underwriting and unethical practices. I think we can all agree that borrowers should do their homework and be vigilant when signing documents. However, it is unreasonable to think even the best educated consumer will regulate our credit markets. It's not their job. That is the job of our federal regulatory agencies and Congress.
- What we need is balance in the marketplace and accountability from all parties. Yet some have pointed to the troubled housing market as evidence that investments in low- and moderate-income homeownership and the Community Reinvestment Act were foolish.
- This is simply not true. In fact, now is the time to learn the lessons from those programs. NCLR [the National Council of La Raza] provides homeownership counseling to 30,000 families a year; 90% are below 80% of area median income. Over the last ten years, we've helped thousands of families become homeowners. We worked with banks and credit unions to create and offer affordable loans that met their needs and their timelines. As a result, our families received prime loans and few, if any, have defaulted.
- We know that when you match the right borrower to the right product they can be very successful.
- We must level the playing field between our financial institutions and our families. Without access to fairly priced credit, our families will slip further behind and our economy will continue to struggle. Our families need greater consumer protections, flexible products, and a method of recourse when their rights have been violated. And, we must support the community organizations on the front lines of the credit crisis.
- As we move into another legislative season, this should be a top priority for all of us.