



Helping Latino Families Weather the Financial Fallout

2009 Wealth-Building Policy Agenda

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Advocating for wealth and asset issues is critical to helping Latino¹ families become members of the middle class. Today's financial market is harrowing to navigate, and many low-income and Latino families are left in the cold. Latinos, like most Americans, rely on financial products and tools to obtain assets that will provide them with a long-term financial safety net. However, many Latinos and immigrants have little experience with the mainstream credit system; they may have thin credit records and are not always considered desirable customers by banks.ⁱ As a result, many Latino families are steered into expensive credit cards, car loans, and mortgages. Some families even turn to shoddy products such as payday and car title loans to make ends meet between paychecks. We must help low-income and Latino families acquire affordable credit to build up their wealth, progressing beyond paycheck-to-paycheck living and into the middle class.

Homeownership and Foreclosures

Homeownership has long been touted as the primary way that low- and moderate-income families build assets and provide for their children's education and their own retirement. This is especially true for Latino households; the majority of their net worth comes from the equity in their home. Foreclosure rates are reaching historic levels, though. Half of Latino adults are homeowners.ⁱⁱ Of this group, nearly one in ten (9%) said they missed a mortgage payment in 2008.ⁱⁱⁱ Absent major intervention, high foreclosure rates are expected to rise well into 2011. On top of these troubling numbers, Hispanic families are the frequent target of dishonest mortgage lenders and foreclosure rescue scams. Rather than build wealth, predatory mortgage lending threatens to erode the gains promised by home equity.

The National Council of La Raza (NCLR) supports:

- **Strong anti-predatory lending laws.** New laws are needed to keep up with our evolving mortgage system. NCLR supports laws that will hold all players in the mortgage market, including investors, lenders, and brokers, accountable for providing fair and affordable loans to Latinos.
- **A comprehensive strategy to reduce foreclosures.** The new administration and Congress are coordinating a national response to the foreclosure crisis. We hope to see a systemic loan modification program, greater transparency, and increased accountability for financial institutions that accept federal funding.

What you can do:

- Ask your representative to support the "Systematic Foreclosure Prevention and Mortgage Modification Act" (H.R. 37 and S. 73).
- Ask your representative to support strong, comprehensive anti-predatory lending legislation.
- Ask your representative to support legislation that would require loan servicers to work with struggling homeowners. They should secure affordable and sustainable mortgage payments before beginning the foreclosure process.

¹ The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

- Ask your representative to support legislation that provides funding for housing counseling agencies.

Fair Housing

According to the *2008 Fair Housing Trends Report*, an excess of four million incidences of housing discrimination occur annually. Latinos are often provided different terms, conditions, or privileges for sale or rental of a home from their White counterparts, but few actually report violations of the Fair Housing Act. In some cases, a family may not be aware that they have been discriminated against. For many others, rising anti-immigrant sentiments intimidate families from coming forward to report abuse, even when their immigration status is not in question. As a result, many Hispanic families accept poorer housing conditions, are less likely than others to complain or request repairs, and may be steered toward predatory home loans.

NCLR supports:

- **More resources to enforce the Fair Housing Act.** A significant portion of this increase should go toward building capacity among Hispanic and immigrant-serving community-based organizations (CBOs). CBOs can deliver fair housing materials and conduct enforcement activities using linguistically and culturally competent methods.

What you can do:

- Ask your representative to support increased funding for fair housing enforcement and capacity-building among Latino and immigrant-serving CBOs.

Credit Cards

Today, more and more Americans rely on credit cards to make ends meet in times of financial emergency, such as car repairs or a trip to the doctor. A card with high rates and fees can have a devastating impact on a family's budget. In addition, many Latinos and immigrants are likely to have thin credit histories. As a result, some banks do not offer their best credit card deals to them. This leaves Latinos vulnerable to predatory lenders. Predatory credit practices trap families in debt and jeopardize the market. Affordable and safe credit sources are vital to building credit history and greater long-term financial security.

NCLR supports:

- **Credit card reform and access to fair and affordable credit cards.** Congress must improve regulatory oversight and consumer protections.

What you can do:

- Ask your representative to cosponsor the following bills, which offer strong regulations and increased transparency: "Credit Cardholder's Bill of Rights Act" (H.R. 627), "Credit Card Reform Act" (S. 392), and "Credit Card Accountability, Responsibility, and Disclosure (CARD) Act" (S. 414).

Auto Ownership and Financing

For many Americans, auto ownership can mean the difference between gainful employment and poverty. Places with viable jobs are often distant from low-income neighborhoods and can be difficult to access by public transportation. Owning a reliable car clears a path to better employment that can help low-income families advance into financial stability. Unfortunately, when families do decide to make this substantial purchase, they are confronted with a confusing and often distressing experience. By its very nature, the auto industry breeds inconsistencies, making a fair deal nearly impossible to distinguish. For example, most consumers pay a price for markups—hidden kickbacks to dealers for securing higher interest rates; however, according to a study by the Consumer Federation of America, hidden markups result in discrimination against Blacks and Latinos.^{iv}

NCLR supports:

- **Community-based car ownership programs that help low-income families purchase reliable cars fairly and without inflated interest rates.** Community-based counselors offer objective advice, helping low-income families make informed purchases and avoid transactions that could cause lasting damage to their credit.
- **Innovative financing models that ensure equitable lending.** Such models should help low-income, minority consumers get their foot in the door through alternative means of verifying creditworthiness. Without proper knowledge and a system of checks and balances that protect against deceptive auto market practices, some families may never escape the poverty cycle.

What you can do:

- Ask your representative for a hearing on troublesome and predatory auto financing practices.
- Ask your representative to support programs that provide free or low-cost financial advice, such as a financial counseling program.

Financial Counseling

Low-income families have nowhere to turn when they have questions on financial matters. With millions facing foreclosure and even more facing damage to their credit, the need for low-cost financial advice is only growing. Since families cannot rely on lenders or dealers for objective information, financial counseling can help identify sustainable bank products and loans and determine whether they will help establish financial solvency in a household or erode it. An evaluation by the NCLR Homeownership Network, which provides one-on-one housing counseling to potential homebuyers, found that individualized advice provided by homeownership counselors was critical to the client's ability to purchase their first home.^v Unfortunately, Latinos and other low-income families often lack access to quality financial counseling.

NCLR supports:

- **Individualized financial counseling.** NCLR is championing a program modeled after the highly effective U.S. Department of Housing and Urban Development (HUD) Housing Counseling Program. The program would provide financial advice to the unbanked, those without a traditional credit history, individuals rebuilding after a foreclosure or a bankruptcy, and those saving for retirement.

What you can do:

- Ask your representative to support Senator Menendez's (D-NJ) financial counseling bill, which he is expected to reintroduce in 2009.

Regulatory Reform

Today's financial market is almost entirely void of transparency and effective regulatory oversight. Our system needs restructuring with an eye keen to consumer protections. By reinstating regulations that were once strong but gradually eroded since 1980,^{vi} risk of future fallout could be minimized. The alternative is an unstable, poorly regulated market that waffles under the whims of those who have a sophisticated understanding of loopholes. Thoughtfully designed regulations can establish better market safety for large firms and consumers alike.

NCLR supports:

- **Rethinking regulatory oversight.** Rogue behavior can no longer be allowed in the market. Excessively risky financial institutions should be prevented from hiding in the shadows. Standards of credit and the credit rating system should also be reformed so consumers and lenders can enter into apt loan agreements.
- **Expanding Community Reinvestment Act (CRA).** An upgrade could help CRA evolve with consumer needs. If expanded, CRA could also help reduce further reckless lending.

What you can do:

- Ask your representative to support severely needed market reform.
- Ask your representative to upgrade CRA.

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Endnotes

ⁱ Approximately 22% of Latinos have a “thin” credit file or no credit history at all, which usually results in a credit score of zero, compared to only 4% of Whites. Michael Stegman et al., “Automated Underwriting: Getting to ‘Yes’ for More Low-Income Applicants” (2001 Conference on Housing Opportunity Research Institute for Housing America Center for Community Capitalism, Chapel Hill, University of North Carolina, April 2001).

ⁱⁱ Mark Hugo Lopez, Gretchen Livingston, and Rakesh Kochhar, *Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts* (Washington, DC: Pew Hispanic Center, 2009).

ⁱⁱⁱ Mark Hugo Lopez, Gretchen Livingston, and Rakesh Kochhar, *Hispanics and the Economic Downturn*.

^{iv} Mark Cohen, *Preliminary Report on the Racial Impact of Primus' Finance Charge Markup Policy, in the Matter of Latonya Claybrooks, et al. v. Primus Automotive Financial Services, Inc. and Primus Financial Services (PRIMUS)*, September 20, 2004.

^v Ryan Johnson and Elsa Macias, *Home to Own: A New Model for Community-Based Low-Income Mortgage Lending* (Tempe, AZ: Morrison Institute for Public Policy, 1995).

^{vi} “Modernizing the American Financial Regulatory System: Recommendations for Improving Oversight, Protecting Consumers, and Ensuring Stability” (Washington, DC: Congressional Oversight Panel, January 2009).