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U.S HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

EXAMINING DISCRIMINATION AND OTHER BARRIERS TO CONSUMER CREDIT, HOWEOWNERSHIP, AND FINANCIAL INCLUSION IN TEXAS

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Thank you, Chairman Green, for allowing me to testify about discrimination and other barriers to consumer credit, homeownership, and financial inclusion in Texas. In addition to my current role as President and CEO of the Houston Area Urban League, I had the privilege of serving this community as a member of our city council and as vice mayor pro-tem. I have considerable insight into the barriers that prevent Houstonians from sharing in the great prosperity of our city. A longer version of my testimony has been submitted to the committee, which identifies sources of discrimination and barriers and suggests solutions. I will use my brief time, however, to highlight a few issues of particular concern.

The mission of the Urban League is to enable African Americans and other underserved communities to secure economic self-reliance, parity, power, and civil rights. We help our constituents attain economic self-reliance through homeownership, job training, good jobs, entrepreneurship, and wealth accumulation. Our views and recommendations are based on decades of direct program experience in urban communities across the country and our historic role in documenting and fashioning remedies to address our nation's long and unfortunate history of discrimination against communities of color. The subject of today's hearing falls squarely within the mission of our organization, both nationally and here in Texas.

<u>There is a serious lack of access to affordable credit in communities of color.</u>

The 2008 financial crisis, during which Americans lost more than $19 trillion in household wealth, impacted minorities disproportionately. Perverse incentives in the secondary mortgage market drove unscrupulous brokers and loan officers to target otherwise creditworthy borrowers in communities of color with abusive and predatory loans.

The result of targeting minority borrowers with predatory mortgage products, in effect, set these same borrowers to be disproportionately affected when the housing market crashed. African American and Latinx borrowers were much more likely to receive high interest subprime loans and loans with features that are associated with higher foreclosures.

The lingering effects on communities of color have been devastating. In Texas, low and middle income families are having particular trouble finding affordable apartments to rent or houses for which they can secure a mortgage. Houston has among the nation's most extreme income gap between renters and homeowners; a typical renter's income of $39,500 is 64% of a typical homeowner's income of $61,470. The city's black homeownership is about 32%, far lower than before the 2008 financial crisis. As in many cities, African Americans here are more likely to lose their homes to foreclosure, and they continue to face barriers accessing credit today. Houston residents are also facing the economic hardships brought about by Hurricane Harvey, which increased demand for houses and helped push up real estate prices.

Redlining remains a serious problem.

In 1977, Congress passed the Community Reinvestment Act (CRA) because of concerns that federally-insured banking institutions were not making enough credit available in the communities they served. Disinvestment practices allowed depository institutions to accept deposits from African Americans in the inner-city, and reinvest them in more affluent, suburban areas.

Redlining prevented African Americans and others from securing affordable homes and mortgages in decent neighborhoods, and purposely segregated communities. Segregated into slums, African Americans were concentrated into poverty by intentional discriminatory policies. They were denied credit to purchase homes, start small businesses, and to meet everyday living expenses. Blight, crime, and decreased property values resulted. Cities were left behind, with no adequate tax base for basic services accelerated community deterioration.

To be clear: the CRA is one of the most important civil rights and economic justice laws of the 20th century. In the 21st century, however, the law is in dire need of reform. CRA- regulated institutions have not met the needs of the community, allowing an array of nonbanks to enter the marketplace, many of which provide high-cost and often predatory products. Simply put, CRA can and must do more.

Housing segregation reinforces racism and diminishes us as a nation. Under pressure from the insurance industry, the Department of Housing and Urban Development (HUD) has proposed weakening its regulation of disparate impact claims under the Fair Housing Act. If this rule becomes final, victims of housing discrimination will have very limited judicial remedies; their access to the courts will be all but gutted.

The disparate impact rule, which was formalized by the Obama Administration and upheld by the Supreme Court holds that a practice can constitute discrimination if it has a discriminatory effect on individuals protected under the Fair Housing Act regardless of whether there is intent to discriminate. In doing so, the rule requires that property owners and their agents provide protected classes under the Fair Housing Act an equal opportunity to buy or lease their property lest they face fair housing violations.

Due to the broad reach of the Fair Housing Act, the disparate impact rule has the potential to be an important tool for reducing housing segregation and discrimination in virtually every community in America. HUD Secretary Ben Carson recently announced his intention to eliminate the disparate impact rule as we know it.

PUBLIC HOUSING:

The 1.1 million housing units operated by Public Housing Authorities (PHAs) nationwide are in need of repair and modernization. Funding to address necessary maintenance repairs at PHAs is generally under the purview of Congress through the Public Housing Capital Fund, which aims to help PHAs maintain their operations and address any backlog in capital repairs. However, this program is severely underfunded.

The most recent study by HUD on the public housing capital backlog was published in 2010 and found that the nationwide backlog of deferred maintenance to address needed repairs and improve living conditions at PHAs stood at $26 billion and would grow at a rate of about 8.7%, or $3.4 billion, annually, if not addressed. According to the same study, 10,000 public housing units are lost each year each year due disrepair. The key drivers of the capital backlog in this report were needed household improvements that ensure human health and safety.

This is why Chairman Green's legislation, the Housing Infrastructure Act of 2019, which calls for these type investments should be passed into law.

I want to thank Chairman Green for holding this hearing. I am heartened that in the opening months of your leadership of this committee, there is renewed attention to Congress's responsibility to oversee the financial marketplace, increase access to capital, and protect Americans from the abuses posed by bad actors in the market.