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**SUBPRIME AND PREDATORY MORTGAGE REFINANCING:
INFORMATION TECHNOLOGY, CREDIT SCORING AND VULNERABLE BORROWERS**

By

Dennis E. Gale

May 2001

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Subprime and Predatory Mortgage Refinancing :
Information Technology, Credit Scoring and Vulnerable Borrowers

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Over most of the last century those involved in advancing affordable sales and rental housing directed their efforts toward increasing supply, enhancing effective demand or reducing regulatory, discriminatory or other barriers . Since World War II the supply of decent, safe and sanitary housing has increased substantially and the proportions of those who are ill-housed has declined. Federal programs such as FHA- and VA-insured loans have advanced mortgage acquisition among low- and moderate-income households. Through sale of mortgage-backed securities Fannie Mae and Freddie Mac have enhanced the flow of capital into new mortgage financing. A combination of public and private actions has resulted in almost two-thirds of American households now owning their home. While *increasing homeownership* -- especially among racial and ethnic minorities -- remains a key issue, the salience of *homeownership retention* has risen in recent years.

This paper focuses on a significant threat to homeownership retention, especially among racial and ethnic minorities in low- and moderate-income urban neighborhoods. The threat is posed by the rapid expansion of refinance and home equity loans (hereafter referred to as “refinancing” or “refinance loans”) by subprime lenders whose methods are considered “predatory” by some observers of the mortgage lending industry. The paper examines subprime refinancing in the United States, including recent studies of its extent and incidence among low-income and minority neighborhoods. It discusses difficulties encountered by housing policy professionals in reaching consensus on a definition of “predatory” subprime refinancing. The paper probes various explanations for the explosive growth in subprime predatory lending over the past decade. Furthermore, it argues that a key explanation for the rapid rise of the subprime refinancing industry is rooted in advances in information technology linked to the Internet, subsumed by some under the rubric, “automated underwriting.” Among these are data warehousing and mining, geodemographic marketing, the decentralized nature of subprime lending through independent brokers, and the use of credit scoring models. The paper calls for further study on the ways in which information technology contributes to the apparently rising incidence of subprime predatory refinancing.

Prime, Subprime, and Predatory Lending : The Flipside of an Old Dilemma ?

Prime mortgage lenders are those who lend money to borrowers to purchase or refinance a home at *prime* rates. Prime rates are generally the most favorable and least costly to borrowers and they are normally only offered to those whose income, assets and credit record meet certain minimum standards established by prime lenders. Subprime mortgage lenders, on the other hand, lend at higher rates of interest and with more stringent terms to borrowers whose income, assets, and/or credit record are less favorable. While middle- and upper-income households are most likely to qualify for prime loans, personal financial circumstances may propel some of these borrowers into the subprime field. And while some households of lesser means may still be able to qualify for prime loans, many are much more likely to borrow from subprime lenders.

Underlying the rise of subprime mortgage lending in America is a supreme irony: Over the past few decades the federal government and community-based organizations have fought to combat the flip side of this problem – *redlining* by lending institutions. Redlining is the *failure* of these institutions to extend mortgage loans to poor neighborhoods, especially those with predominantly African-American or other minority households. Many of these households were largely prohibited from securing credit to purchase a home or borrow for home improvements. Lending institutions justified their behavior by insisting that the risks of loan delinquency, default and foreclosure were too great in poor and minority neighborhoods. Today, thanks to reform groups and the federal Community Reinvestment and Home Mortgage Disclosure acts, redlining is less prevalent than it was 20 years ago.

Therefore, given the history of redlining in urban America, the expansion of credit access to borrowers who cannot meet prime lending criteria is, *prima facie*, a positive outcome. Stabilizing neighborhoods and improving neighborhood pride are enhanced by increased ownership. To the extent that subprime lenders increase homeownership among minorities and the poor, we have another antidote for redlining. However, many subprime loan originations are not for home purchase, but rather, for home refinancing. In these cases, homeowners seek cash to meet unexpected expenses such as home repairs and medical services, or to finance education costs, pay off credit card and other debt, make home improvements or in some cases, spend on ill-advised purchases. Subprime refinance lenders are attracted to these borrowers because their homes are likely to have accumulated significant equity over several years of ownership. This equity comes both from repayment of principal and interest on the original mortgage, as well as appreciation in the value of the secured property. Nonetheless, even with increased equity, many such homeowners may not be able to qualify for prime lending terms due to credit histories that show greater risk to the lender. One study, based on analysis of Securities and Exchange Commission filings, offers insights. It examined 16 subprime lenders and found that more than 72,000 of their borrowers were in or near foreclosure on their home. Yet, the authors point out, these 16 lenders held fewer than one-half of subprime loans in the nation (White and Mansfield, 2000) They also demonstrate that in the fourth quarter of 1999 1.54 percent of all mortgage loans were in default (ie in foreclosure, 90+ days delinquent, etc.), while 4.65 percent of subprime loans were so (White and Mansfield, 2000, unnumbered graph).

For these reasons lenders will charge higher interest rates and may well impose shorter repayment terms. Most consumer activists seem to recognize that these conditions are the price of expanding credit opportunities to people with risky credit histories. However, the waters of predatory lending grow murkier after this point.

Normally, prime lenders lend primarily to “A paper” borrowers (ie those whose credit histories put them in the lowest risk category in terms of their likelihood of paying off the loan on time). Typically, subprime lenders focus on borrowers whose records place them in the A-, B, C and D categories. Each succeeding category denotes borrowers with increasingly risky credit backgrounds. C and D borrowers, in particular, may have had several late or missed payments on auto or merchandise installment loans, an auto repossession, bankruptcy, real property mortgage foreclosure or other risk-evident events. How great is the risk to subprime lenders ? Another study references data from the Mortgage Information Corporation, a financial database firm. It indicates that the rate of “seriously delinquent loans” rose from 0.53 percent for prime mortgages to 6.8 percent for B rated subprime loans to 20.5 percent for D rated subprime loans (Pennington-Cross, Yezer and Nichols, iv ; www.kwik-link.com/mortgage/credit.htm).

Accordingly, moving from B to C to D paper, the subprime lender will likely impose progressively more stringent terms. One source indicates that A- loans might be

charged one point over prime rates, while D loans are likely to face up to six points over prime (Gramlich, Cascade, 2000) What sets subprime refinance lenders apart from other credit institutions however, is the fact that they target homeowners for their services, recognizing that owners have an asset which provides partial indemnity against the prospect of loan default. Should the homeowner-borrower fail to meet the terms of the loan agreement, the lender has the option of foreclosing on the borrower's home in order to recoup the unpaid portion of the original loan investment. The more equity a subprime borrower has in his or her home, the greater the indemnity to the lender. Nevertheless, somewhere along this spectrum from modest to very risky, predatory lending rears its ugly head. But what, exactly, is it ? How do we know it when we see it ? A reading of the literature on predatory subprime lending suggests that there are three levels of perception on this issue.

Excessive Costs = Predatory Lending : Subprime lenders employ an arsenal of techniques for reducing their own risk on an individual refinance loan by increasing financial liabilities to the borrower (and by definition, increasing the lender's net return). Loan origination fees that are higher than those for prime borrowers are one example. Charging several "points" is another. (A point is a one-time charge at loan origination amounting to one percent of the face amount of the loan). Many subprime lenders require balloon payments, and/or "lump-sum" or single premium credit life insurance. Many impose financial charges for prepayment of the loan. Often, points, fees and insurance costs are included as part of the loan principal such that interest is charged on them, as well as on the amount received by the borrower. Still other subprime lenders will "flip" or refinance a loan several times, increasing fees each time and stripping equity from the property. All of these practices leave the borrower deeper in debt. Some critics charge that these additional expense "strata" layered on top of the loan principal itself are sufficient evidence of predatory lending. Others disagree, marshaling the Latin adage, *caveat emptor* ("Let the buyer beware") ; so long as all terms and conditions are clearly explained to borrowers, it is their responsibility either to decline the loan or sign the loan documents and abide by the specified terms. Under these conditions, they argue, predatory lending has not yet emerged.

Less Than Full and Fair Disclosure = Predatory Lending : Others insist that borrowers often do not have the education or financial experience to fully grasp the implied liabilities in such a loan and can easily become victims (Gramlich, Cascade, 2000, 2,4). Because the subprime lending industry does not generally fall under the same federal or state regulations required of prime lenders, full and fair disclosure requirements are likely to be more haphazard. Gramlich notes that of 239 subprime lenders listed in the 1998 HMDA database nationally, 168 were regulated only by the Federal Trade Commission (Gramlich, 2000, 2). At this point the danger for borrowers lies not so much in *acts of commission*, but rather, in *acts of omission*. Even well-meaning subprime lenders may fail to recognize (or care to remember) the extra care that many of their borrowers require. Some observers are calling for increased "financial literacy" for subprime borrowers (Dan Shah, Cascade, 2000, 13-14; Karen Suter, Testimony, 2/8/01, p 7). Financial literacy includes a full explanation *in non-technical language* of the terms, deadlines, responsibilities, and outcomes associated with each loan. It includes a mandatory rescission or waiting period during which the borrower has the option of declining the loan, even after closing on it. It includes periodic "plain English" reminders to the borrower of the importance of paying loan installments on time. Other borrower protections may also be appropriate. Failure of the subprime lender to provide full and fair disclosure and follow up, some critics argue, constitutes clear evidence of predatory lending behavior.

Deliberate Misbehavior = Predatory Lending : Finally, there are subprime refinance transactions in which lenders deliberately mislead applicants. Borrower liabilities are

ignored or glossed over, or terms are not fully explained. At its extreme, unscrupulous lenders may falsify information about borrowers' income and assets or encourage borrowers, themselves, to misrepresent these items in order to qualify for refinancing. These, of course, are *acts of commission*. It is only at this point, some observers argue, that predatory lending has surfaced.

Because of these definitional inconsistencies among observers of the credit lending industry, there are difficulties in defining subprime predatory refinance lending in operational terms (Litan, 6, 2001). The Social Investment Forum Foundation, for example, defines it largely in terms of excessive costs and deliberate misbehavior (Building Communities, 2001). This leads to difficulties in detecting its occurrence. Added to definitional dilemmas is the problem of borrower guilt or embarrassment. Many borrowers who encounter problems repaying a refinance loan blame themselves for their problems. Many are not likely to recognize that under some circumstances they may be victims of unscrupulous lending practices. Their embarrassment thus, keeps the problem below the surface of public scrutiny and helps to perpetuate predatory lending. Doubtless, it also serves to embolden a relatively small group of subprime lenders, who either assume too much about their borrowers' knowledge of the transaction or use *caveat* as a convenient rationalization for perpetrating knowingly deceptive or fraudulent practices.

Moreover, difficulties in defining and detecting subprime predatory refinancing make it difficult to devise effective regulatory remedies to curb its incidence. Indeed, differences of opinion exist in Washington about the need for further legal remedies. In a paper written on behalf of the American Bankers Association, Brookings Institution economist Robert E. Litan has argued that existing federal regulations are already sufficient to deal with the issue and that calls for additional federal or state sanctions are premature (Litan, 2001, 2, 15).

Thus, the explosive growth in subprime refinancing in America has made capital available to hundreds of thousands of low- and moderate-income and minority borrowers who, a decade earlier, might not have qualified. Many neighborhoods that were once redlined or zoned out by prime lending institutions are now greenlined or zoned in by their subprime counterparts. But this opportunity has come at a price. Anecdotal examples abound of usurious subprime loans (Ress, 2001, 48 ; Zimmerman, 2001). Thus far, however, research has been confined to studies documenting the growth and incidence of subprime lending (rather than its subset, predatory lending), particularly in predominantly minority neighborhoods. The next section reviews the research.

The Differential Incidence of Subprime Lending : Race and Income

Recent studies have documented the differential incidence of subprime lending on racial and income groups in America. To date, the U.S. Department of Housing and Urban Development has conducted one national study, which includes case studies of Atlanta, Los Angeles, Baltimore, Chicago and New York. Additionally, locally-conducted case studies exist of Chicago, New York, and Northern New Jersey. The results of each project are remarkably similar. In all cases data from the Home Mortgage Disclosure Act (HMDA) files were analyzed and in some cases other information sources were plumbed, as well.

National : The HUD study centered on a sample of almost one million home refinance loans extended from 1993 to 1998 (U.S.H.U.D., 2000). It found that:

- Nationally, the number of such loans increased tenfold (to 790,000) and the dollar volume, sevenfold (to \$150 billion).

- In 1998 subprime refinance loans constituted 51 percent in predominantly African-American neighborhoods and only 9 percent in predominantly white neighborhoods.
- In 1998 more than twice as many families in high-income black neighborhoods received subprime refinance loans as families in low-income white neighborhoods. Thus, the racial differential cannot be attributed to income alone.
- Examination of these data in Atlanta, Los Angeles, Philadelphia, New York, Chicago, and Baltimore – all cities with high concentrations of black households -- found consistent trends. Subprime refinancing has increased several times in each city. Plus, it is disproportionately present in black neighborhoods, even when income is controlled. In Baltimore, even at the metropolitan scale, subprime lending among black neighborhoods occurs at a much higher incidence than among white neighborhoods.

Chicago : A study by the nonprofit Woodstock Institute of subprime mortgage refinancing loans in the Chicago area in 1998 examined both income and racial patterns (Immergluck, 2000) In all income ranges, conventional prime loans were in the majority. However, it found a consistent trend : neighborhoods at the lower income ranges tended to have higher shares of subprime loans than those at higher income ranges. In low income neighborhoods (median incomes less than 50 percent of the Metropolitan Statistical Area median) 46.13 percent of all refinancing loans were subprime ; in upper income neighborhoods (120 percent of the median) only 8.97 percent were subprime. Across the four income ranges studied, as median income rose, the share of subprime loans declined (Immergluck, 2000. Table 1, p 11,).

Similarly, such loans in predominantly African-American neighborhoods (75 percent or higher African-American residency) reached 58.3 percent while predominantly white neighborhoods reached only 9.88 percent. Again, as the percentage white population increased across the four categories of study, the share of subprime loans declined (Immergluck, 2000. Table 2, p. 12)

Thirdly, when race was examined across only middle-income neighborhoods (thus controlling for income), the same pattern persisted ; 53.28 percent of loans in predominantly African-American neighborhoods and 12.03 percent of loans in predominantly white neighborhoods were subprime. Therefore, even among households with similar income patterns, African-Americans were more than four times as likely to refinance through a subprime mortgage loan as whites (Table 3, p 13) We would expect then, that *ceteris paribus*, if subprime loan approvals are based entirely on objective income and credit records, that African-American households in middle-income neighborhoods are roughly four times more likely than their white counterparts to pose a higher degree of risk to lenders (due primarily, one would presume, to higher incidences of previous credit problems).

Finally, subprime loans as a proportion of all loans were examined for the period 1993 to 1998. The study found subprime refinance loans increased 2,874 percent in predominantly African-American neighborhoods and 136 percent in predominantly white neighborhoods. In other words, loans in African-American communities in the Chicago area increased 21 times faster than those in white communities over the mid-1990s. Clearly, African-American neighborhoods were targeted by subprime refinanciers and more aggressively marketed than white areas. The authors concluded that the mortgage refinance industry in Chicago had become “hypersegmented.” In effect, they argue, there are “dual mortgage markets.” (Immergluck and Wiles, 1999. pp ii – iii).

New York City : A study of mortgage and refinance loans in 1998 learned that blacks were denied loans at conventional banks at about double the rate that whites were denied them (Schumer Study: Capital Access. Citation pending). Indeed, black families with annual incomes above \$60,000 were more likely to be denied such a loan than white families making incomes below \$40,000. (Capital Access, p 1).

The study compared a predominantly black and a predominantly white neighborhood in each of three boroughs (Queens, Brooklyn and Bronx). It discovered that 55.2 percent of the home mortgage and refinance loans in the three black neighborhoods were issued by subprime lenders ; in the corresponding white neighborhoods, but 9.1 percent of such loans were issued by subprime lenders (Capital Access, p. 2).

Furthermore, the study examined neighborhoods where the median annual household income exceeded \$59,760, comparing them on the basis of mortgage and refinance loan rates. It was found that 46.8 percent of such loans were issued in black neighborhoods compared to only 7.9 percent in white neighborhoods. In other words, about six times as many such loans proportionally were given to blacks as to whites. Again, if lending criteria were entirely equally applied to black and white applicants, we would expect to find that about six times as many blacks as whites had significant credit problems. Otherwise, we would have to find that income variations between blacks and whites explained the difference (indicating that income was not completely controlled in this study). Similar disparities were found among black and white borrowers in neighborhoods with lower median incomes (Capital Access, p. 2)

Northern New Jersey : Recent research in three metropolitan areas (ie Bergen-Passaic County, Jersey City and Newark) uncovered a pattern in which almost two-thirds of subprime home improvement and refinance loans in 1999 were given in predominantly minority neighborhoods ; less than 30 percent of such loans went to predominantly white neighborhoods (Wyley, 2001). Using a methodology comparable to the Chicago study, the Northern New Jersey research found a similar pattern of subprime lending. Looking first at home improvement loans it identified trends in which applications to conventional subprime lenders made up 26 percent of all such applications in predominantly white neighborhoods (white population greater than 75 percent) but 62.2 percent in predominantly minority neighborhoods (white population less than 25 percent) . Similarly, among refinance loans it found that applications to conventional subprime lenders reached 30.6 percent in predominantly white neighborhoods and 66.1 percent among comparable minority neighborhoods. Thus, more than twice the share of black as white applicants occurred among both types of loan applicants (Wyley, 2001, Table 8)

Next, loan applications were compared by stratified neighborhood income levels. In low income neighborhoods (median income less than 50 percent of the metropolitan median) 56.9 percent of applications were for conventional subprime home improvement loans compared to 20.4 percent in upper income neighborhoods (median income 120 percent or more of the metropolitan median). Among conventional refinance applicants, 64.8 percent were from low income neighborhoods versus 23.7 percent from upper income neighborhoods. Among both conventional home improvement and refinance applications, as neighborhood income levels rose (low to moderate to middle to upper), the share of subprime loan applications declined (Wyley, Table 9).

Also noteworthy, the study showed that among applications for FHA-insured (vs conventional) home improvement and refinance subprime loans, the disparities between both white and minority neighborhoods and low and upper income neighborhoods were much smaller. While the same patterns persisted, differences based on income and race

were decidedly narrowed when applicants were able to qualify for FHA insurance (Wyley, Tables 8 and 9).

Finally, the New Jersey study examined the interaction of race and income on lending patterns for both home improvement and refinancing loans. These data demonstrated that even when predominantly white and predominantly minority neighborhoods within the same income range are compared, the consistent result is that minority households are more likely to borrow from subprime lenders than whites. These results were true for all four income ranges examined (Wyley, Table 10)

While the HUD, Chicago, New York and Northern New Jersey research shows that blacks and minorities are much more likely than whites to borrow from subprime lenders, even when income is controlled, they do not establish the reason for the disparity. Without equivalent data on the credit histories of blacks, minorities and whites, we cannot be sure that a pattern of deliberate discrimination by subprime lenders is at work. Nor do disparities in subprime lending patterns by race or ethnicity establish that predatory lending (however defined) is deliberately targeted at these groups. We can surmise however, that because subprime lending is so disproportionately associated with blacks and minorities, predatory lending is also thusly associated.

What Factors Account for the Rise in Subprime and Predatory Lending?

One of the keenest observers of the subprime lending industry suggests several demand and supply side explanations for the substantial increase in subprime lending (and with it, predatory abuses) over the past decade (Immergluck, 2000, 8-9)

Demand Side

- Increases in homeownership among low- and moderate-income households. For many of these people, their home is the first substantial financial investment of their lives. In some cases they are not prepared to manage debt and can easily misjudge the amount of reserves they need for fixed costs such as a mortgage installment. Moreover, they may more easily misunderstand the terms of a subprime loan agreement and be unable to meet obligations on a timely basis. Furthermore, such households are often at greater risk of employment instability and can slip into unemployment or underemployment more easily than households at higher income levels.
- Increase in the number of older households, especially among homeowners. Older citizens are more likely to own a home. But they are more likely to have health problems, as well. Unanticipated health care costs can easily throw household finances into turmoil. One solution is to pay off these debts with cash secured from home mortgage refinancing.
- Increases in the amount of non-mortgage debt, particularly credit card debt. Considerable media attention has been paid to the meteoric rise in household debt in America over the past decade. The Federal Reserve Board indicates that nonmortgage consumer debt increased from \$840 billion in 1993 to \$1.3 trillion in 1998. During the same time period personal bankruptcies grew by more than 70 percent. (Immergluck, 2000, 9). For homeowners, refinancing their mortgage can produce immediate cash to pay off high-interest debt.

Supply Side

- Tax incentives . The federal 1986 Tax Reform Act provides favorable income tax treatment on mortgage loan interest. This feature creates an incentive to encourage paying off credit card and other debt through mortgage refinancing, based on the increased equity in home values (Immergluck, 2000, 9).
- The strong investment market over most of the 1990s increased the demand for mortgage-backed securities, making it possible for subprime lenders to securitize their loan portfolios, sell them to investors, and use the proceeds to make additional loans.
- Industry restructuring. The mortgage lending industry has undergone substantial change over the past two decades. Mortgage lending expanded beyond the traditional entities – depositories, banks and mortgage companies – to include independent lenders, many of which are subsidiaries of holding companies. While the holding companies fall under regulation by the Federal Trade Commission, some of the subsidiaries do not receive the same level of scrutiny (Gramlich, 2000, 2 ; Immergluck, 2000, 8-9).

There is little doubt that each of these conditions in varying degrees has contributed to the rise of subprime lending. Yet, there is another phenomenon which bears scrutiny. In this author's view, it is no accident that subprime and predatory refinancing have become public issues over the same time period that the world has experienced an explosive growth in information technology. The Internet, for example, is bringing profound changes to government, business, the military, and higher education. The speed at which information can be exchanged, the ease of transporting large amounts of data, and the relatively modest costs of doing so, all have contributed to a restructuring of the credit industry. In the last section of this paper I discuss several aspects of this restructuring and suggest how subprime and predatory refinancing have been advanced.

Subprime Lending and the Internet

The mortgage lending industry, while initially slow to adopt some of the opportunities inherent in the information age, are quickly changing their *modus operandi*. (Lebowitz, 1996) Four innovations bear scrutiny here : geodemographic marketing tools, data warehousing and mining, the Internet and the role of independent brokers, and credit review and scoring models.

Geodemographic Marketing Tools : Available first on floppy disks and later, on compact disks, these electronic search tools permit lenders to identify clusters of households by demographic characteristics such as income, age, home value and other variables. Increasingly mortgage lending institutions are able to access services such as Claritas™ on a fee basis through the Internet. One Claritas product, MicroVision, identifies four demographically and behaviorally distinct types or “segments” of households. These are further classified by nine social groups. To quote from Claritas: “...from the affluent executives of “Upper Crust” to the remote rural families of “Trying Rural Times” MicroVision captures the diversity that is America.” Another product allows even greater specificity. PRIZM provides 62 clusters across 15 social groups, including “ ‘ Blue Blood Estates’ to the remote rural families of ‘Blue Highways...’ “ (www.dellvader.claritas.com).

While Claritas may be the most widely used geodemographic search tool, many others exist. For example, there is Experian Marketing Solutions' INSOURCE database, PerformanceData, ACNielsen, Geoscope International, Inc, and AnySite Technologies. The purpose behind these services is to allow businesses to develop targeted marketing of their products. In the case of mortgage lenders, once geographical units such as zip

codes and census tracts are classified according to their inhabitants' primary characteristics (including race/ethnicity and household income), mass mailings and telemarketing solicitations (via call centers) can contact nearly all addresses in the geographic unit. It is not clear to what extent subprime lenders are utilizing geodemographic marketing tools to target specific neighborhoods. But their widespread availability indicates the ease with which minority neighborhoods can now be identified, especially by non-local lenders. (For a similar view, see Engel and McCoy, 2001, 47-48)

Data Warehousing and Mining : Faster computers and servers with larger storage and retrieval capacities, plus the interactive capacities of the Internet for exchanging electronic information, have contributed to the capacity of lending institutions to collect, refine, store, analyze and disseminate data on borrowers and potential borrowers. This "data warehousing" allows lenders to identify the characteristics which best explain credit risk among samples of borrower credit histories. It also allows them to identify the characteristics of greatest profitability. "Data mining" follows and involves analysts in "extrapolating knowledge from the data warehouse." (Lebowitz, 1996, 58)

- "Data mining relies on statistical modeling customer information into rules and patterns that describe good and bad customers." (Lebowitz, 1996, 58)

The ability to sort out "good" from "bad" potential customers is perhaps secondary to the ability to categorize and stratify different levels of risk and assign to each the terms and conditions necessary to reduce lender risk and maximize level of profit to acceptable levels. Once these estimates have been made, lenders can structure loan packages for borrowers at each level of risk and identify tools and strategies to market to each. Although data warehousing and mining makes use of credit histories and credit scoring (see below), it may also utilize data from the U. S. Bureau of the Census, credit bureau files, and private commercial data files such as Claritas .

The Internet, Marketing, Loan Origination and the Independent Broker : There is no doubt that the Internet has contributed to the rise of the subprime lending industry over the past decade. Automated underwriting could not be employed as effectively as it is without the Internet. However, it is not so obvious how the Internet relates to predatory subprime lending. A sizeable share of predatory loans are aimed at low- and moderate-income and minority households. Yet, concerns about the so-called "digital divide" give reason to believe that many predatory loan victims do not have access to a computer, are not familiar with their operation, do not have an Internet account and/or are not fully Internet savvy. The Pew Research Center, for example, estimated that about 82 percent of U.S. households with annual incomes above \$75,000 had Internet access as of the latter half of 2000. This compared to 38 percent of households below \$30,000 and 15 percent of those aged 65 and over who had such access (Pew Research Center, 2001, (www.pewinternet.org) . Moreover, a U.S. Department of Justice official cites 1998 Home Mortgage Disclosure Act data from the two largest Internet lenders which show that less than one percent of their loan applications came from census tracts composed of 80 to 100 percent minority residents (Lee, 2000, 83). Given these disparities, then what role, if any, does information technology, especially the Internet, play?

The Internet has made possible a loan industry that is far more decentralized than in the 1980s. Instead of marketing through branch offices, most subprime lenders appear to reach households primarily through mailings and telemarketing calls. Some companies (e.g. those which offer home improvement services financed through a subprime loan) even distribute flyers on the street in minority neighborhoods. A few advertise on radio, television (e.g. Champion Mortgage, ditech.com) or in newspapers. But the cost savings realized by not maintaining branch offices, allows subprime

lenders to undercut the operating expenses of prime lending institutions. Moreover, the Internet makes it possible for lenders to carry fewer employees on their payroll. Because Internet-assisted credit reviews and loan origination require less manual labor to assemble documentation and to process loans, further savings can be realized.

Thus, the Internet, along with facsimile machines, cell phones and other communication devices, has made possible the “officeless” lender. But if low- and moderate-income and minority borrowers are being targeted by predatory subprime lenders, and these households are not easily reached through the Internet, how then does the Internet contribute to predatory lending? A key ingredient is the independent mortgage loan broker. Most subprime lenders maintain a cadre of intermediaries who are not on the company payroll but instead, work on a commission basis. Brokers contact potential borrowers, meet with them, describe their loan options, and originate loan applications. Much of the broker’s interactions with lenders is transacted over the Internet. As a result, brokers can submit a refinance application to a lender in a matter of hours. The lender or the broker then carries out a credit check via the Internet. One of the credit bureaus is contacted, the borrower’s credit history is assembled and a credit score is computed (see below). The lender then notifies the broker that the loan is denied or authorized, including the terms and conditions. For the broker’s part, a commission is earned on each loan successfully placed. The broker therefore, acts as an Internet-enabled link between the borrower and the lender. Consider the case of Discount Funding Associates, Inc. (DFA) (www.mortgage-branch-office-and-affiliate-program-4-associates.com/faq.html)

DFA currently operates in about 20 states. Their website invites people with as little as two years experience in mortgage lending to become a broker serving DFA. Their brokers contact potential borrowers, help them complete an application, carry out a credit check, secure a score, hire an appraiser and a title company, and collect a check from the applicant to cover loan origination and other fees. DFA notes that brokers earn a fee of 80 percent of the check amount while DFA keeps the remaining 20 percent. DFA’s website elaborates (in somewhat ungrammatical fashion):

- “All funds are sent to our home office. To get your money the quickest, please make sure the title company overnights the funds. We overnight funds the day we receive funds. For example, you close a loan in the amount of \$50,000, with a total fee of \$4,800. The \$4,800 check is overnighted to us by the title company on Wed. We receive the check on Thurs. We take out DFA’s fee (\$960) and overnight you a check for \$3,840, which you will receive on Friday.”
(www.mortgage-branch-office-and-affiliate-program-4-associates.com/faq.html)

DFA makes clear that the bulk of the loan transaction is carried out by independent brokers. They also point out that their brokers do not need a license to secure loans for DFA. Moreover, the company adds that brokers can apply to become a “branch office.” (www.mortgage-branch-office-and-affiliate-program-4-associates.com/faq.html). All of these conditions indicate that DFA, and other subprime lenders like DFA, place a large degree of discretion in the hands of the loan broker. Add to this the fact that many such lenders emphasize speedy transactions. One study by KPMG MorPro found that the time required to originate and process a refinance loan under traditional circumstances was 30 to 40 days; the Internet and other information technology has reduced this time to as little as 30 minutes (Kogler and Lebowitz, 2000, 20). DFA’s website boasts that they offer the “highest payout,” “quickest pay,” and “quickest approval in the industry.” Another subprime lender, Dallas Mortgage Associates, boasts that it can close on a mortgage loan “in 7 days or less.” (www.mortgagedallas.com/fastapp.htm). Fastcash.com, the Internet arm of BLS funding Corporation, also emphasizes speed :

- “We can close loans as quickly as 24 hours after your completed application. The type of loan, amount of home equity, and credit history are factors that effect (sic) how quickly we can get you your money, but loans typically close in 4 to 6 business days.” (www.fastcash.com/faq.htm).

There are concerns that by placing too much authority in the hands of brokers and by emphasizing rapid loan closings, some subprime lenders have relinquished the prudent, cautionary policies associated with the conventional prime lending industry. This difference in cultures and values between prime and subprime are apparent in recent events. For example, Citigroup has recently taken action against some of its subprime mortgage brokers. A mainstream financial services concern, Citigroup acquired Associates First Capital, a subprime lender, in 2000. Since then, Citigroup has weathered a barrage of criticism from consumer organizations. On April 24 of this year Robert B. Willumstad, chairman and chief executive of Citigroup’s consumer business group, announced that the company has stopped doing business with several brokers at Associates Home Equity Services, the renamed subsidiary. Numbering about 1000 brokers, the former affiliates were accused of:

- Holding inadequate or suspended state licenses
- Failing to bring in regular, quality business
- Integrity concerns, and/or
- Generally not meeting Citigroup’s standards of conducting business (Oppel, Jr. and McGeehan, C1, C9)

The New York Times reported that the brokers were responsible for about 20 percent “of Associates’ broker-originated home equity business.” (Oppel, Jr. and McGeehan, C1) By comparison, Citifinancial, the in-house consumer lending division of Citigroup, originates “less than five percent of its loans through brokers.” (Oppel, Jr, and McGeehan C9)

Certainly, some subprime lenders are more reputable and professionally responsible than others. Citigroup now requires broker applicants to submit their most recent two fiscal year’s audited financial statements, the resumes of key officials in their brokerage firm, a copy of the firm’s quality control procedures, an executive broker agreement, and a copy of the applicant’s current broker license and individual license or certificate of authority (if applicable by state law) (www.mortgages.citicorp.com/Wholesale/bsLeftNav.htm). Delta Financial Corporation (www.deltafunding.com), for example, listed on the New York Stock Exchange, underscores its integrity and offers hyperlinks between its website and that of Borrowsmart, a consumer protection organization (www.borrowsmart.org).

Even a casual inspection of several subprime lender websites suggests that subprime lending is a very loosely structured industry. Prior to the popularity of the Internet, most lenders maintained branch offices and borrowers dealt with employees in a face-to-face relationship. Employees were expected to honor employer policies, mores and values. Training and supervision of loan officers by executives was possible. Executives were generally reputable members of their communities. Many subprime lenders, on the other hand, appear to have few ties to any locality. And brokers seem to be only loosely connected to their lenders. Brokers may represent several subprime lenders and feel no particular loyalty to any of them. In this environment there is reason to suspect that many subprime lenders rarely, if ever, have face-to-face meetings with their brokers. Therefore, it is all too easy for many brokers to operate under one rule: secure the loan, whatever the costs. Consequently, the professional ethics of independent brokers have begun to resemble nothing so much as those of the nineteenth century bounty hunter.

(For a similar view on independent subprime brokers, see Engel and McCoy, 2001, 30-34, 44)

Credit Review and Scoring : Without doubt, one of the advances in information technology that has contributed most to propelling the explosive growth in subprime lending is the emergence of various online services permitting rapid and more detailed review of a loan applicant's credit record. Prior to the availability of these services, mortgage underwriting was a laborious process of extended interactions with credit agencies via the U.S. mail, facsimile transmissions and overnight mail. Once the appropriate information was assembled, the applicant's credit history had to be painstakingly analyzed and a lending decision rendered. Supporters of credit scoring argue that under the old system there were greater margins of error that creditworthy applicants could be unfairly denied credit and uncreditworthy ones could be approved. The reason for this is that credit scoring takes into consideration a variety of variables or measures of an applicant's previous credit history. These measures are then weighted and co-related through a computer-based model, producing a single number or score. The score and other data used by individual lenders are then considered together before a lending decision is made. Under the older "judgmental" or "heuristic" system, the loan officer or loan review committee had to assemble each applicant's sometimes complicated records, read them, analyze them and try to balance out any positive and negative findings. In this way, even the best analytical minds have trouble interrelating more than two or three credit history variables in a meaningful and consistent way. Thus, each party to a lending decision might weigh an applicant's credit history variables differently from the others. A particularly charismatic or persuasive party's assessment may carry the day for reasons that have little to do with the applicant's ability and probability of repaying the loan. Thus, credit score advocates insist, opportunities for subjective judgements based on matters unrelated to the applicant's creditworthiness could creep more easily into the traditional decision process.

Far and away the most widely used credit score is that of the Fair Isaacs, Company (FICO), located in California. While Fair Isaacs has been providing various types of credit review services since the mid-1950s, their FICO scoring system has become the industry standard over the past ten years. The company claims that about 80 percent of all mortgage lenders use FICO scoring. Yet, credit scoring is a more recent innovation among mortgage lenders than in some other credit sectors. The primary reason that credit scoring has taken root in the credit industry is that the Internet has made it possible to vastly reduce the time necessary to carry out credit reviews. Lenders can initiate credit review requests and receive a loan applicant's credit history in a matter of hours rather than the days it might take prior to the Internet. Credit scores are computed from data collected about a loan applicant's previous credit history. These data are generally available from one of the three national credit bureaus : Equifax, Experian (formerly TRW) and Trans Union. The credit bureaus maintain databases on the credit records of millions of borrowers and compare the credit records of individual loan applicants with statistical norms derived from these data. Equifax offers its BEACON score, Experian offers the TRW FAIR ISSAC SCORE and Trans Union makes available the EMPERICA score. All three incorporate the FICO core scoring model.

Most sources report that the FICO score runs from a low of 300 to a high of 800. Some report slightly different ranges, such as 450 to 850 (Lepre, 3, www.homeowners.com/rw79.html), 325 to 900 (Welsh, 3, www.creditinfocenter.com/FeatureArticles/creditscoringconference.shtml), and 375 to 900 (www.casselfinancial.com/credit/creditscore.htm). (Doubtless, some of these reports are confusing the score produced by an unmodified FICO model and those produced by each credit bureau's customized FICO-based model). The higher the score

the lower the risk of failure to repay a debt on a timely basis. One source indicates that 85 percent of all FICO scores fall between 600 and 800(www.bai.org/blindfaith/index.html).

According to industry testimony, scores above 660 will normally qualify loan applicants for refinancing under the best (prime) terms. Scores between 620 and 660 will pose a greater risk to lenders and may bring a loan with higher interest rates and more costly terms. In this score range subprime lenders appear. Scores below 620 are usually seen as too risky by lenders. Of those willing to refinance a loan, subprime terms are virtually certain. It is at this level that predatory lending is most likely to appear.

For many years Fair Isaac supplied the software used by credit bureaus and some lenders to compute FICO scores. In 2000 they began offering to compute the scores in-house for their clients in order to ensure that software algorithms and statistical trend data are updated on a timely basis. Equifax, Experian and Trans Union have developed their own credit scoring models, each based on the core Fair Isaac model (Engen, 2000, 2, www.bai.org/blindfaith/index.html).

In mortgage-based lending a potential borrower applies for a loan with a prime or subprime lender. Those able to qualify for a prime loan receive the most favorable interest rates and terms (A rated). Those who cannot qualify are left with the choice of applying to a subprime lender. Using FICO scores and other information about the applicant, the subprime lender typically will rank applicants into one of the four categories of ascending risk. A-, B, C, and D, with A- paper the least risky and D, the most risky. The higher the risk, the more stringent the terms on which a subprime loan will be offered. Some lenders may deny loans to some applicants in the higher risk categories.

Because many subprime refinancing lenders have relatively large numbers of minority borrowers in their portfolios, some critics have asked if credit scoring is biased against African-American, Hispanics and other groups. Shouldn't more minorities qualify for prime loans? Ironically, the federal Community Reinvestment Act exhorted depositories to lend to more low- and moderate-income households. And, secondary mortgage market organizations such as Fannie Mae and Freddie Mac were urged to purchase subprime mortgages. Because credit scoring allows lenders to make more exacting assessments about the risk involved with each loan applicant, there would appear to be fewer chances that low- and moderate-income applicants would be denied. The price for this advancement however, is that many can only qualify for subprime loans, with their costlier terms (Guttentag, 1999, www.mbaa.org/consumer/col/guttentag/990102.html).

Concerns About Credit Scoring : One source lists no fewer than 182 references to websites addressing various issues related to credit scores (www.creditscoring.com/pages/explanations.htm) . Credit scoring has raised a great deal of attention among advocates for the poor and minorities, consumer watchdog organizations, and federal and state agencies. Among the questions raised are:

- What *variables* are included in (or excluded from) a particular credit scoring model ?
- How are these variables *weighted* by the model ?
- What if the *data inputs* (ie from the applicant's credit history) are inaccurate ?
- How *familiar* are end users (e.g. loan officers) with the model's specifications ?
- Are some lenders using off-the-shelf or *generic* scoring software to compute scores when they should be using software *custom* designed for their particular lending universe ?

- What is the accuracy of borrower *norms* used to calculate the probabilities of delinquency? What if the samples on which the norms are calibrated are inconsistent with the characteristics of individual loan applicants? (i.e. comparing apples to oranges).

Variables

Fair Isaac points out that the exact composition of their scoring model is proprietary information protected by privacy laws. However, they point out that their FICO score contains five main categories of information about the applicant's credit history ([www.fairisaac.com/servlet/Site Driver/Content/1818](http://www.fairisaac.com/servlet/Site%20Driver/Content/1818)):

- Payment history pattern – How frequently and consistently does applicant pay on outstanding credit obligations (including credit cards, retail accounts, car loans, finance company loans and mortgage loans)? Does he/she pay installments on time? Approximately 35 percent of the credit score is based on these inputs.
- Balance outstanding – How much does applicant owe on each credit obligation and what is the total of outstanding credit debt? How close to the credit ceiling is the borrower on each account? What proportion of each debt has been paid back? Approximately 30 percent of the credit score is based on these inputs.
- Length of credit history – Generally, applicants with a longer credit history will attain a higher score than those with a shorter history. Both the age of individual credit accounts and the length of time that has passed since they were last used will be taken into consideration. Approximately 15 percent of the credit score is based on these inputs.
- Number of new accounts in recent years – Evidence of opening several credit accounts within a fairly short period of time generally indicates greater risk, especially for those without a long credit history. Excessive inquiries about opening accounts are also of concern. Approximately 10 percent of the credit score is based on these inputs.
- Mix of types of credit – Scores generally benefit slightly if applicants have a good mixture of types of credit (e.g. a few credit cards, retail store card, installment loan, mortgage loan), rather than only one or two types (e.g. several credit cards and retail cards). Approximately, 10 percent of the credit score is based on these inputs.

There are other generic or off-the-shelf scoring systems, of course, but FICO scores dominate the mortgage lending industry. And while other scoring systems may include variables not appearing in FICO scores, they do not appear to diverge substantially.

Just as important as what variables are included in credit scoring is what variables are excluded. According to Fair Isaac their system does not consider ([www.fairisaac.com/servlet/Site Driver/Content/1818](http://www.fairisaac.com/servlet/Site%20Driver/Content/1818)):

:

- The age, race, color, religion, national origin, sex, welfare status or marital status of applicants
- The salary, occupation, title, employer, date employed or employment history of applicants.

- Location of applicant's home by neighborhood, zip code or other identifier
- Interest rates on any credit cards or other accounts held by the applicant.
- Child/family support obligations or rental agreements held by the applicant
- In short, Fair Isaacs insists, the FICO scoring model incorporates only variables found on a credit report and only those that have proved to be predictive of future credit performance. However, as the company points out, lenders may consider this information and it may be used in calculating scores in other scoring systems.

But another accounting of FICO variables contradicts portions of Fair Isaac's website documentation. According to the Credit Information Center, Fair Isaacs gave a presentation before the Federal Trade Commission in July 1999 and listed the following additional inputs (www.creditinfocenter.com/creditreports/scoring/scoringinfluences):

- Bankruptcies, foreclosures, delayed payments and other derogatory items from a applicant's credit report
- Time at present job
- Occupation
- Time at present address
- Homeownership status vs renter status
- Age

Several of these variables are not indicated on Fair Isaac's own website description of their scoring model. To the extent that this accounting of the presentation is correct, questions are raised about Fair Isaac's claims of the fairness of FICO scores. Then again, variables such as age, occupation, and time at present job and present address could be variables added by the users of credit scoring models (e.g. Experian, Equifax, Trans Union) but not included in the basic model provided by Fair Isaacs. Critics identify other variables such as education level and income as part of the credit scoring models. But they do not indicate which models use these inputs nor whether they are applied to home refinance credit scoring vs other credit reviews (www.woodcox.com/scoring.htm).

Variable Weighting

Once variable inputs are determined, credit scoring allows users to weight each variable differently. Fair Isaac weights its core model as described above. However, a given refinance subprime lender could choose to place twice as much emphasis on length of credit history as on balances outstanding, for example. As a result, an older loan applicant may be favored, *ceteris paribus*, over a younger one (www.aaacredit.com/mnl.asp).

Data Inputs

The old maxim in computer science applies here : "GI/GO" or "garbage in/garbage out." Data to provide measures of each of the variables are gained from the applicant's credit history. These histories, maintained by one or more of the three primary credit bureaus (ie Experian, Equifax, Trans Union), are normally updated with each new credit action

by the borrower. If, however, records are incomplete or certain credit actions are missed, the data used to calculate a credit score would be faulty. And, once a score is calculated, there is no way to manually adjust it to compensate for errors (www.paterson.com/creditscores.htm). If score errors involve only a few points, they are not likely to be problematic. But if the mistaken scores fall at or near the thresholds established by individual lenders, it is possible that applicants could be denied a loan or offered a loan at more stringent terms than is merited. Because neither the lender nor the applicant knows if the data inputs are correct, the mistake is likely to go undetected. Until recently, it was necessary for the applicant to apply for a credit history report (and pay a fee) in order to check its accuracy. The process could be laborious, thereby discouraging victims of mistaken credit records (Lepre, 4, www.homeowners.com/rw79.html). Under the federal Equal Credit Opportunity Act (date?) however, borrowers can now request a free credit report once-annually from credit bureaus. They have the right to appeal the use of mistaken information and the right to resort to legal sanctions under certain conditions (www.creditinfocenter.com/creditreports/scoring/crscore.shtm).

User familiarity

Another potential issue with credit scoring is the possibility that some, perhaps many, of those who employ credit scores are unfamiliar with the makeup of the model which generates them (Engen, 2000, 4, www.bai.org/blindfaith/index.html). This recalls the “black box” conundrum first raised in reaction to some of the earliest attempts at modeling industrial processes, traffic flows, watershed patterns, etc. during the 1950s and 1960s. The model is viewed as an opaque “box” into which raw data is fed and out of which complex calculations are spewed. Those who are the end users of these calculations may place undue credence in them without fully understanding their limitations – due in turn to the fact that they do not understand the algorithms which generated them.

Generic vs custom software

Related to user familiarity is the issue of generic vs custom models. End users may be using an off-the-shelf or commercially marketed generic credit scoring software system. In some lending institutions scoring is computed by custom-designed software prepared either in-house or by external consultants working in close contact with end users. While users may have fewer opportunities to fully understand the inputs and logic of generic scoring models, there is the possibility that custom software can be accompanied by company training programs. Custom software, too, can be designed to more closely fit the particular client base to which they are applied. Generic scoring models, while probably appropriate for the vast majority of loan decisions to which they are applied, may not be able to meet the test of “one size fits all.”

Borrower norms

Credit scoring models employ probability statistics to compute the likelihood that loan applicants will repay a loan according to the terms specified. The Fair Isaac scoring model was based on analysis of data from many thousands of individual credit histories provided by Experian, Equifax and Trans Union. Each history included data on the borrower’s current credit conditions as well as credit circumstances 24 months previously. Those that were delinquent within 24 months were placed in one subsample and the rest were placed in another. Finally, the two subsamples were analyzed and compared to determine what conditions were most accurately predictive of borrowers’ likelihood of lapsing into delinquency on one or more credit accounts (www.paterson.com/creditscores.htm).

These statistics became the “norms” of behavior adopted by Fair Isaac and the credit bureaus to predict risk associated with each credit applicant. While individual credit

histories may vary in innumerable ways, when statistical probabilities of delinquency or default are estimated based on thousands of observations, they are believed to indicate with a high degree of confidence the true level of risk associated. One observer reports, for example, that there is a one in eight chance that an applicant with a score below 600 will subsequently become either severely delinquent or in default if a loan is secured. Conversely, there is a one-in-1300 chance that one with a score above 800 will encounter such misfortunes (Lepre, 3, www.homeowners.com/rw79.html). But norms are intended to predict risk, not with certainty but rather, with an acceptable degree of probability. So long as individual loan applicants have background characteristics that correspond to those on which national norms are based, this degree should be quite low. But some people can and do change their behavior over time. Other people may not have a strong credit history based on installment buying or credit card purchases but may have a culturally different attitude about their home and about real property. For these people, their personal commitment to preserving such cherished possessions may not be measurable through credit scoring (Siskin, 58-61). As the saying goes, they can “fall between the cracks.”

Thus, there are factors associated with scoring model design and use which, taken collectively, indicate that scoring is not foolproof. Variables, weighting, the accuracy of data inputs, user familiarity and the accuracy of borrower norms all pose possibilities, however remote, that a given application of a given credit scoring model will not produce a true assessment of a given borrower's probability of timely payback. If this is so, is it possible that some creditworthy applicants will be unfairly denied (Engen, 2000, 5, www.bai.org/blindfaith/index.html) and some un-creditworthy ones will be approved? The predatory lending issue has drawn attention to those who receive a loan and later encounter problems repaying (whether due to their previous credit history or to lender carelessness, deceit or fraud). Far less light has been shed on creditworthy applicants who are denied a loan. This is because those denied a loan have no way of knowing why this evaluation occurred. Their only resort is to try another lender or go through the laborious process of requesting to see their credit history and score. Many subprime lenders, rather than deny these borrowers altogether, will simply impose extreme terms (e.g. high interest rates, shorter loan terms, prepayment penalties, fees, etc.). Together with the security of the borrower's equity in property, the lender has whatever repayment cash stream occurs before the loan becomes delinquent and foreclosure is necessary. Before the widespread availability of subprime refinancing, many more borrowers were simply denied loans because they had no easy way to assess risk. With credit scoring, reliable risk assessment is much easier to analyze and loan packages can be structured for borrowers who in an earlier day would have been routinely denied. The price of risk-based lending however, is that some applicants who might actually repay their loan on a timely basis will be denied and others who are unlikely to repay will be approved.

Conclusion

Because many of their procedures and methods are proprietary, the mortgage credit industry, including its subprime sectors, understandably, does not look kindly on closer government scrutiny. Nonetheless, it is clear that the expansion of mortgage-backed credit to low-income and minority households, primarily through the subprime lending industry, has come at a price. At least since the New Deal, a major tenet of federal housing policy has been to increase and enhance housing ownership. If housing ownership is significantly compromised, especially among the nation's most threatened population subgroups, in the name of expanding access to credit, we are, as the saying goes, “robbing Peter to pay Paul.” Even a modest erosion in the overall housing ownership rate in the United States will have disproportionate impacts on low-income and minority households – especially in older urban neighborhoods. While it is

doubtless, impossible to eliminate all incidences of predatory refinancing, it would be shortsighted indeed if the appropriate federal agencies simply defined the problem in terms of ill-intentioned lenders and hapless victims. There is ample evidence that rapid (and still improperly understood) advances in information technology have helped to create conditions in which victimization can occur even in the absence of identifiable malfeasance. Federal agencies should broaden their examination of the subprime refinancing industry to include acts of omission as well as acts of commission. As one long-time observer of the credit industry opined, there is a “wild West set of rules” governing the subprime sector and there are specific remedies that could go far to reduce victimization (Stein, 163, 2000).

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