

January 19, 2010

Dear Senators:

Financial reform with strong consumer protections is essential for the economic well-being of communities of color because it is central to our ability to build and sustain wealth. Thus, we urge Congress to address the unique needs and circumstances of communities of color by taking bold steps to enact meaningful financial reforms that protect the remaining assets of vulnerable families while ensuring these families have a secure base upon which they can rebuild and expand their wealth.

The opportunity to achieve economic advancement and security has been an abiding ideal underlying American progress, and the role of banks and other financial service businesses should be to serve consumers in their endeavors to manage their finances and grow their assets. Unfortunately, they have not provided safe and secure financial products, to the detriment of consumers and the national economy as a whole.

While people from all racial and ethnic backgrounds have been harmed by the absence of appropriate financial regulation and weak consumer protections that enabled the current economic crisis, families of color have been disproportionately affected. Housing is the largest asset held by most families and homeownership has been encouraged for that purpose. Data has shown that people of color, regardless of income, were targeted for inappropriate mortgage products by lenders using questionable and largely unregulated practices. For example, despite claims that subprime loans were for high-risk borrowers, studies have consistently shown that borrowers of color were more likely to be steered towards sub-prime or high-cost loans *even when they had incomes and credit scores that qualified them for prime lending rates*. There is strong evidence that this practice and other predatory practices in which banks, mortgage lenders, mortgage brokers, and other industry players have been complicit, virtually guaranteed default for minority home purchasers, thus undermining asset accumulation in communities of color, reversing the historic rise in their homeownership rates, exacerbating their loss of wealth, and delaying their path to upward economic mobility for several generations.

General banking practices have also proven detrimental to communities of color because they increase debt and reduce savings efforts. Mainstream financial institutions commonplace in white communities are largely missing in inner city, immigrant, and rural areas, leaving lower earning people of color no alternative but to use high-cost financial services such as payday loans or remittance transfers. Banking and credit market deregulation and the resulting panoply of new financial products tailored to entice lower-earning consumers to take on (often unmanageable) debt have increased the burden on those most vulnerable to financial ruin. While we acknowledge that cultural preferences and personal knowledge —such as distrust of banks, lack of familiarity with the most appropriate financial products, and limited English language skills—have also played a role in leaving people of different ethnicities unbanked or with poor credit scores, we believe that structural factors rooted in public policy have contributed greatly to wealth inequality.

Today, racial wealth disparities undermine our nation's economic unity. Data from the Federal Reserve Board shows that the median Hispanic family owns 12 cents and the median African-American family owns 10 cents for every dollar owned by the median white family (Federal Reserve Board, 2009).

The recession that began in December 2007 has exacerbated the problem. Dramatically higher rates of unemployment, skyrocketing foreclosures, reduced savings and wealth, lower home ownership rates, and decreased housing values have created a perfect economic storm that has further undermined wealth accumulation for many households of color and widened the racial gap.

While there is much discussion about how the financial crisis has exacerbated the wealth gap between the middle class and the wealthy, not enough attention has been paid to how policymakers can help close the racial wealth gap. It is time for Congress to promote economic security for people of color through strong and enforceable regulatory measures; better data collection measures, inclusive practices, and targeted policies that support asset building and protect our communities.

Communities of color need:

- A real and independent consumer financial protection agency with enforcement authority over the safety of products, a clear process for innovation, and the assurance of fair access to capital markets for all people.
- An expanded Community Reinvestment Act that is included under the purview of a consumer financial protection agency. Due to residential segregation, the financial health of individuals of color depends on the economic well-being of their community as a whole.
- Strong regulation of all actors involved in financial service transactions, including bankers, real estate agents, real estate brokers, and automobile dealers.
- Standard, trustworthy financial products and services that are easily understood and easily accessible.
- A large scale homeownership preservation and retention effort that includes foreclosure mitigation with principal reduction.
- An end to the monopoly of the Big 3 credit rating agencies with their opaque and discriminatory rating practices that have inhibited people of color from receiving fair access to credit.
- A 21st century economic mobility initiative that establishes a federal inter-agency task force that examines barriers to economic mobility among traditionally underserved communities and identifies opportunities for inter-agency coordination to remove identified barriers.
- Last but not least, data uniformly collected and disaggregated by race, ethnicity, gender, income, and census tract. To track how different communities are treated and to forestall discriminatory practices such as we have just experienced this data must be available to all agencies and to the public in a format that permits the public to access and analyze the data.

Given our nation's need to ensure our economic and political stature in a changing global economy, it is in our collective interest to ensure that people from all backgrounds achieve financial security, have opportunities for upward mobility, and participate in securing our nation's economic future. If Congress takes aggressive steps to ensure that members of traditionally underserved racial and ethnic groups are protected and fully able to participate in and benefit from the economic mainstream, then all of America will benefit as well.

Respectfully,

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NOTE: The above names represent the views of the signees and not necessarily their affiliated organizations. All signees are members of the [Experts of Color Network](#), a national, multi-racial and ethnic coalition of prominent scholars, policy experts and advocates from the African-American, Latino, Asian-American, Native Hawaiian and Native American communities.

If you would like additional information about the views expressed in this letter, please contact the coalition's Washington, D.C. liaison Maya Rockeymoore, President and CEO of Global Policy Solutions, at maya@globalpolicysolutions.com or (202) 265-5111.