

## NCRW Big Five: Women, Homeownership, and Sub-Prime Mortgages—A Need for Fair Lending Practices

Since the 1980s, the number of women heads of households who are homeowners has risen from 48% to 53%. Experts warn, however, that these gains risk being erased by the current epidemic of foreclosures fueled by the sub-prime lending crisis.<sup>i</sup>

African American and Latina women borrowers are the most likely to receive sub-prime loans at every income level. For example, upper-income African American women are nearly five times more likely to receive sub-prime mortgages than upper-income white men and upper-income Latinas nearly four times more likely to receive sub-prime loans than upper-income white men.<sup>ii</sup>

For recipients of sub-prime loans, the associated losses have been estimated at between \$50,000 and \$100,000 per loan.<sup>iii</sup> Sub-prime borrowers lose a substantial amount of equity to cover the larger interest payments required under the terms of such loans.

### Quick Facts

- Women make up 30% of borrowers for mortgages, but are 32% more likely than men to receive sub-prime mortgages, despite slightly higher credit scores (682 versus 675). This disparity occurs across all income levels, with the difference increasing as income rises.<sup>iv v</sup>

- Statistics show more than one in ten (10.9%) women received high-cost sub-prime mortgages compared to about one in thirteen (7.7%) men. The interest rates on sub-prime loans tend to be 5% above the market rate.<sup>vi</sup>

### TAKE ACTION

**First Find Your Representative:** Who represents you in your state legislature and at the local level? Who represents you in Congress? Go to these links to find out!

**For your Representative:**

<https://www.house.gov/writerep/>

**For your Senators:** <http://www.senate.gov/>

**For your local and state representatives:**

<http://www.votesmart.org/>

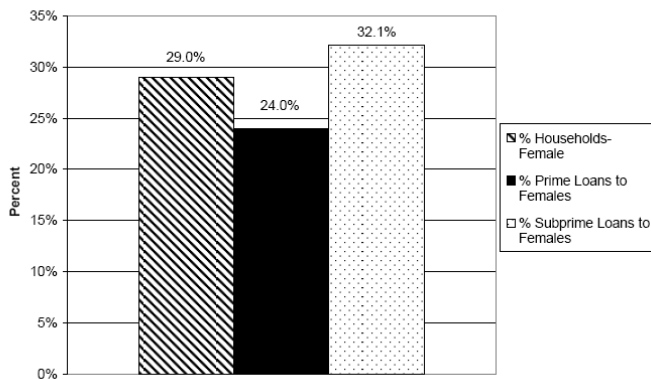
Now, write a letter urging your elected officials to ensure that women and working families have access to affordable housing and secure and fair mortgages. Refer them to our website so they can get the facts.

**Get People Talking:** Are women's issues or the impact of public policies on women's lives part of the national conversation? Not enough! Help get the conversation started. Tell people the facts about women's lives. Send these fact sheets to your email list. Join with a local community or women's organization to hold a town hall meeting on what's at stake for women in the 2008 elections and beyond. Share this information with your city or county office on women's issues.

## Discriminatory and Predatory Lending Practices

A study by mortgage lender Freddie Mac found that one in five sub-prime borrowers qualified for prime-level loans.<sup>vii</sup> Sub-prime borrowers who obtained a loan through a mortgage broker generally paid more than those who borrowed directly from lenders. These findings indicate that sub-prime lending prices do not simply reflect risk factors, but point to predatory lending practices.<sup>viii ix</sup>

Graph 8: Female Share of Home Purchase Loans and Households



## The Economic Downturn and Sub-prime Mortgages

In this economic downturn, women are disproportionately affected because of lower income and earning levels compared to men and a greater portion of their income designated for housing. Women who receive sub-prime mortgages pay higher interest rates, have higher monthly payments, and build less equity.

A large part of the current economic weakening is connected to the real estate market where women also occupy more jobs than men. Women's unemployment is rising faster than the rate for men making it more difficult for them to stay above water.<sup>x</sup>

## Older Women

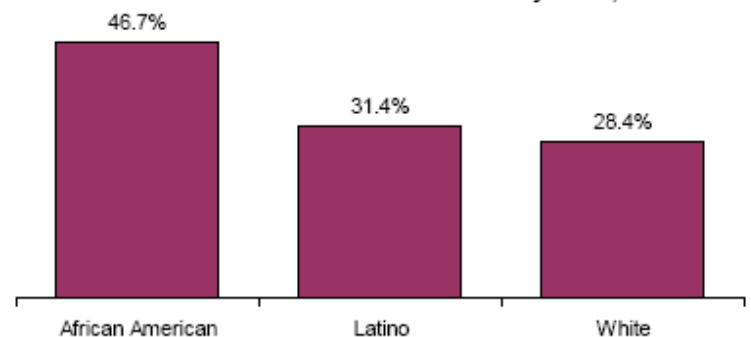
A study by Wider Opportunities for Women found that older women, particularly older women of color, are more vulnerable to sub-prime loans because of the cumulative effect of lower wages, occupational segregation, and smaller retirement savings. Even with a median retirement income, older women who carry mortgages still fall 20% short of a level that would provide economic security.<sup>xi</sup>

## Racial Segregation and Sub-Prime Loans

Although sub-prime loans were widely touted as a tool to increase homeownership among minority communities, the sub-prime mortgage industry has actually contributed to racial segregation in the United States. A recent study from Washington University found a strong correlation between racially segregated neighborhoods and high percentages of sub-prime loans.<sup>xii</sup>

In the city of Baltimore, where racial segregation is prominent, single women account for nearly half of new homeowners, higher than the national average. Much of this achievement has been attributed to speculative lending as many of these women borrowed through sub-prime mortgages.<sup>xiii</sup>

Women's Share of Purchase Borrowers by Race , 2005



## Race and Lending Practices

A 2007 study by the Furman Center for Real Estate and Urban Policy found that 21% of home purchase loans in New York City were sub-prime, the highest rate in the country. Blacks and Hispanics were overrepresented among sub-prime borrowers as they represented only 35% of homebuyers but 70% of sub-prime borrowers.<sup>xiv</sup>

Nationally, studies also found a disproportionate amount of sub-prime lending to minority borrowers. For instance, while African Americans comprise approximately 11.8% of households, they received 20.1% of sub-prime loans issued in 2004.<sup>xv</sup>

The differences cannot be attributed solely to income level since the disparity between white and African American sub-prime borrowers was greater among upper-income borrowers. A similar pattern was found in comparisons of sub-prime borrowing between immigrant neighborhoods and white neighborhoods.<sup>xvi</sup>

Among low-income borrowers, those in predominantly white neighborhoods received more sub-prime loans than those in predominantly immigrant neighborhoods. Among middle to upper income borrowers, however, those in immigrant neighborhoods received more sub-prime loans than those in predominately white neighborhoods.<sup>xvii xviii</sup>

African Americans were twice or more likely to receive sub-prime loans than whites. Additionally, Hispanics were more than three times more likely to receive high interest rate loans than whites in all income ranges. The only group less likely to receive sub-prime loans than whites was Asian Americans.<sup>xix</sup>

## Conclusion

Sub-prime mortgages threaten the economic security of women and their families. They also impede their ability to build wealth through home ownership.<sup>xx</sup>

Ending discriminatory lending practices that disproportionately affect women, especially women of color, is key to reversing current trends and securing their economic well-being and financial success.

## NCRW Network Expertise

**Mimi Abramovitz**, Hunter College, CUNY  
**Avis Jones-DeWeever**, National Council of Negro Women  
**Joan Entmacher**, National Women's Law Center  
**Heidi Hartmann**, Institute for Women's Policy Research  
**Kate Kahan**, Center for Community Change  
**Sandra Morgen**, University of Oregon  
**Margaret Simms**, the Urban Institute  
**Bonnie Thornton Dill**, University of Maryland  
**Eileen Applebaum**, Center for Women and Work, Rutgers University  
**Martha Davis**, Women and Public Policy Program, Harvard Kennedy School  
**Karen White**, Center for Women and Work, Rutgers University

## The NCRW Big Five Campaign

The National Council for Research on Women is raising awareness about the status of women in the United States by focusing on the *Big Five* issues of importance to women and girls, namely: economic security, health, immigration, violence, and education. Although these issues are critical to the lives and well-being of women and girls, they are particularly acute for those living in poverty, immigrants and women of color.

For more information, please contact the National Council for Research on Women: [ncrw@ncrw.org](mailto:ncrw@ncrw.org) or visit our website: [www.ncrw.org](http://www.ncrw.org).

<sup>i</sup> Moore, Mary L. 2008. "Subprime Pain." *Ms. Magazine*, Spring 2008.

<sup>ii</sup> Guy, Sandra. 2007. "Women Help Explain Sub-prime Mortgage Jitters." *Women's eNews* 2007 March 5, available at [www.womensenews.org/article.cfm/dyn/aid/3088](http://www.womensenews.org/article.cfm/dyn/aid/3088)

<sup>iii</sup> Abusive Subprime Lending: A Threat to Opportunity in America." 2008. The Opportunity Agenda. [http://www.opportunityagenda.org/site/c.mwL5KkN0LvH/b.1563171/k.B43A/Abusive\\_Subprime\\_Lending\\_A\\_Threat\\_to\\_Opportunity\\_in\\_America.htm](http://www.opportunityagenda.org/site/c.mwL5KkN0LvH/b.1563171/k.B43A/Abusive_Subprime_Lending_A_Threat_to_Opportunity_in_America.htm)

<sup>iv</sup> "Homeownership and Wealth Building Impeded: Continuing Lending Disparities for Minorities and Emerging Obstacles for Middle-Income and Female Borrowers of all Races." 2006. From the National Community Reinvestment Coalition, The Opportunity Agenda, and the Poverty and Race Research Action Council, available at <http://www.opportunityagenda.org/atf/cf/%7B2ACB2581-1559-47D6-8973-70CD23C286CB%7D/Subprime%20Lending%20Report.PDF>.

<sup>v</sup> Fishbein, Allen J. and Patrick Woodall. 2006. "Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market." From the Consumer Federation of America, available at <http://www.consumerfed.org/pdfs/womenprimetargetsstudy120606.pdf>.

<sup>vi</sup> Ibid.

<sup>vii</sup> Secor, Sharon L. 2007 October 26. "Sub-Prime Lending, Women, and the Foreclosure Crisis." *American Chronicle*, available at <http://www.americanchronicle.com/articles/41314>.

<sup>viii</sup> Ernst, Keith, Debbie Bocian, and Wei Li. 2008. "Steered Wrong: Brokers, Borrowers, and Subprime Loans." From the Center for Responsible Lending, available at <http://www.responsiblelending.org/pdfs/steered-wrong-brokers-borrowers-and-subprime-loans.pdf>.

<sup>ix</sup> Fishbein, Allen J. and Patrick Woodall. 2006. "Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market." From the Consumer Federation of America, available at <http://www.consumerfed.org/pdfs/womenprimetargetsstudy120606.pdf>.

<sup>x</sup> Marks, Alexandra. 2008 July 2. "Troubled Economy Hits Women Hard: Income Inequality, a Real Estate Slump, and Exposure to Subprime Loans Play a Role." *The Christian Science Monitor*. Available at <http://www.csmonitor.com/2008/0703/p02s01-usec.html>.

<sup>xi</sup> "Older Women and the Impact of Housing Status on Economic Security." 2008. From Wider Opportunities for Women, available at [http://www.wowonline.org/ourprograms/eesi/documents/NationalIncomeBenchmark2008mortgage\\_000.pdf](http://www.wowonline.org/ourprograms/eesi/documents/NationalIncomeBenchmark2008mortgage_000.pdf).

<sup>xii</sup> Vedantam, Shankar. 2008 June 30. "Subprime Mortgages and Race: A Bit of Good News May Be Illusory." *The Washington Post*, A 02, available at

<http://www.washingtonpost.com/wp-dyn/content/article/2008/06/29/AR2008062901784>.

<sup>xiii</sup> Leland, John. 2008 January 15. "Baltimore Finds Subprime Crisis Snags Women." *The New York Times*. Available at

<http://www.nytimes.com/2008/01/15/us/15mortgage.html>.

<sup>xiv</sup> Armstrong, Amy et al. 2007. "State of New York City's Housing and Neighborhoods 2007." From the Furman Center for Real Estate and Urban Policy, available at <http://furmancenter.nyu.edu/SOC2007.htm>.

<sup>xv</sup> "Homeownership and Wealth Building Impeded: Continuing Lending Disparities for Minorities and Emerging Obstacles for Middle-Income and Female Borrowers of all Races." 2006. From the National Community Reinvestment Coalition, The Opportunity Agenda, and the Poverty and Race Research Action Council, available at <http://www.opportunityagenda.org/atf/cf/%7B2ACB2581-1559-47D6-8973-70CD23C286CB%7D/Subprime%20Lending%20Report.PDF>.

<sup>xvi</sup> Ibid.

<sup>xvii</sup> Ibid.

<sup>xviii</sup> Armstrong, Amy et al. 2007. "State of New York City's Housing and Neighborhoods 2007." From the Furman Center for Real Estate and Urban Policy, available at <http://furmancenter.nyu.edu/SOC2007.htm>.

<sup>xix</sup> "Income is No Shield Against Racial Differences in Lending II: A Comparison of High-Cost Lending in America's Metropolitan and Rural Areas." 2008. From the National Community Reinvestment Coalition, available at [http://www.ncrc.org/index.php?option=com\\_content&task=view&id=319&Itemid=75](http://www.ncrc.org/index.php?option=com_content&task=view&id=319&Itemid=75).

<sup>xx</sup> Secor, Sharon L. 2007 October 26. "Sub-Prime Lending, Women, and the Foreclosure Crisis." *American Chronicle*, available at <http://www.americanchronicle.com/articles/41314>.