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THE FORECLOSURE CRISIS WILL COST LATINOS BETWEEN \$75 AND \$98 BILLION

Latinos Were Targeted By Subprime Lenders

Chicago – Latinos have been one of the groups most heavily impacted by the current foreclosure crisis. Various practices by lenders, particularly over recent years, have contributed to the disproportionate impact that the crisis has had on the Latino community.

Research shows that subprime lenders were more heavily concentrated in low income communities of color. In a study by the Woodstock Institute of seven metropolitan areas, 40% of loans by high-risk lenders were made in neighborhoods that were over 80% minority. In Chicago, the same study found that the market share of high-risk lenders in minority neighborhoods was 3.7 times greater than in predominantly white neighborhoods. “Latinos represent a disproportionate sector of the population affected by subprime lending and subsequent foreclosures,” said Jesus Garcia, Board President of the Latino Policy Forum.

In addition, lenders designed and marketed mortgage packages, such as ITIN mortgages, which were intended to extend mortgages to otherwise ineligible immigrant borrowers, particularly Latino immigrants. Lenders also targeted Latinos through the use of Spanish language advertising campaigns. A United for a Fair Economy study found that lenders in Chicago made large investments advertising non-traditional loans, including various types of subprime products, in the Spanish media.

As borrowers sought to refinance high-cost loans, lenders subsequently reduced refinancing options by heightening their loan eligibility criteria. The State Foreclosure Prevention Working Group reported in February that “the refinance option has nearly evaporated.” Those Latinos who have been able to refinance their mortgages have been more likely to receive high-cost refinance loans. One study found that 42.5% of refinance loans received by Latino borrowers in the Chicago area were high-cost loans.

In the years prior to the crisis, homeownership was the primary vehicle for wealth accumulation amongst Latinos, making this crisis even more detrimental. According to United for a Fair Economy, Latinos have lost between \$75 and \$98 billion for loans made since 2000. “The well-being of Latinos is threatened by the foreclosure crisis. Therefore, it is critical to come together to discuss ways in which we can overcome this crisis as a community,” said Maricela Garcia, Executive Director of the Latino Policy Forum.

The Latino Policy Forum will host a housing summit to discuss the phenomenon of foreclosures in the Latino community and to engage leaders and community members in a dialogue about strategies to ameliorate current conditions. “As legislators, we need to have access to the data that will help us develop the appropriate policies to ensure the stability of our families facing foreclosures,” said Illinois Senator Iris Martinez.

The Housing Summit will take place on **Thursday, October 30, 2008**, from **1:00-5:00 P.M.** at the Federal Reserve Bank of Chicago, 230 South La Salle Street.

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