Predatory Mortgage Lending

A Women's Issue

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HOMEOWNERSHIP IS A WOMEN'S ISSUE

For most Americans, homeownership represents the best opportunity to build wealth and step into the middle class. By 2010, women will head almost 28% of all households in the country. However, only half the women who head their households own their own homes.[i]

National campaigns to boost women's homeownership rates are now underway. As more women try to build wealth, we need to help them protect that wealth.

Women are Particularly Vulnerable to Predatory Lenders

Women account for a larger share of subprime loans than of prime loans.[ii] Predatory lending takes place, overwhelmingly, in the subprime market, where borrowers with imperfect credit histories pay a premium for credit.

Women are particularly vulnerable to financial hardship. The more desperate the borrower, the more likely that he or she will agree to a bad deal. Unfortunately, women are especially susceptible to financial hardship. They typically make less money than men, and they are often raising children alone without adequate support. Of families living in poverty in 2001, 50.9% were women-headed households (with no spouse present).[iii] In fact, the tremendous growth in the number of women filing for bankruptcy shows that economic instability for women reaches into the middle class.[iv]

> **Before Congress Enacted the Equal Credit Opportunity Act in 1974:**
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> Married women often could not obtain credit in their own names.
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> Creditors refused to consider part or all of the wife's income when a married couple applied for credit.
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> Married women often were required to offer assurances that they employed birth control.
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> Divorced or widowed women found it difficult to obtain credit because credit obtained in their husbands' names was not taken into consideration.
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> *National Consumer Law Center, Credit Discrimination (3d ed. 2002), § 1.3.2.1.*
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> **Today, women have access to credit. However, all too often, women receive abusive loans.**

Older women are at greatest risk. Older women may be open to promises of ready cash if they live on modest, fixed incomes that do not cover property tax increases, necessary home repairs, and unanticipated medical expenses. They also may have built up a great deal of equity in their homes -- which predatory lenders are more than eager to strip away.

Women are Targeted by Predatory Lenders

As illustrated by cases brought by the federal government, lenders have discriminated on the basis of gender with respect to how much homeowners paid for their loans. The discriminatory effect is multiplied for women who are also older and/or members of ethnic minorities.[v]

In 2001, CRL estimated that abusive home mortgage lending practices cost consumers approximately $9.1 billion each year. [vi]

Predatory Lenders Steal from Children Too

Expensive loans leave families less money for health care, food, and clothing. When predatory loans lead to foreclosures, whole neighborhoods suffer, as boarded up homes drive down property values and may well increase crime. Predatory lending interferes with parents' desires to raise children in stable housing in safe communities.

When predatory lenders strip equity from homeowners, they deprive families of wealth that might otherwise be used to start small businesses, to send children to college, to build a future for their families, and to pass economic security on to the next generation.

FAST FACTS

From *The State of the Nation's Housing 2004* by the Joint Center for Housing Studies, p14 (2004)

- Women play a larger role in housing markets today than ever before, as a result of delayed marriage, higher divorce rates, lower remarriage rates, greater longevity, and increasing labor force participation.
- [U]nmarried women accounted for 30 percent of the growth in homeowners from 1994 to 2002.
- Even so, unmarried women struggle more than unmarried men of comparable ages to pay for housing because their earnings still lag. The male-female earnings gap among college-educated, middle-aged workers is especially wide. In 2002, for example, the gap between the median earnings of college-educated men and women aged 35 to 44 employed full-time was $24,500, for those aged 45 to 54 it was $25,600, and for those aged 55 to 64 it was $22,000.
- At the greatest disadvantage are the nation's nearly eight million single mothers. About one-quarter (two million) of these women spend more than half of their incomes on housing, compared with about one-tenth (200,000) of households headed by single fathers.

About the Center for Responsible Lending

The Center for Responsible Lending is dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is a national nonprofit, nonpartisan research and policy organization that promotes responsible lending practices and access to fair terms of credit for low-wealth families.

For additional information, please visit our website at **www.responsiblelending.org**.

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[i] "A Place to Call Home… Women Achieving Homeownership," Overview Factsheet, Fannie Mae (August 2003).
[ii] "Joint Report on Recommendations to Curb Predatory Home Mortgage Lending," Dep't of the Treasury/HUD (June 20, 2000), p. 36.
[iii] Renee E. Spraggins, "Women and Men in the United States: March 2002," Current Population Reports (US Census Bureau March 2003), p.4.
[iv] Elizabeth Warren, "Essay: What is a Women's Issue? Bankruptcy, Commercial Law, and Other Gender-Neutral topics," 25 Harv. Women's L.J. 19, 27, 52 (2002).
[v] See US v. Long Beach Co., C.D. Cal., Case No. CV-96-6159 (http://www.usdoj.gov/crt/housing/documents/longbeachsettle.htm); US v. Delta Funding Corp., E.D.N.Y., Case No. CV-00-1872 (http://www.usdoj.gov/crt/housing/documents/deltasettle.htm).
[vi] Eric Stein, "Quantifying the Economic Cost of Predatory Lending," Center for Responsible Lending (2001).