**Race, Gender, and Age in Subprime America**

**[Title Slide]**

**[Chicago and Names]** In Newark, New Jersey, an elderly African American woman named Beatrice was pushed into an abusive high-cost adjustable-rate mortgage with a fat balloon payment and a hefty yield spread premium for the broker. In Philadelphia, lenders repeatedly pressured an elderly African American woman named Veronica into more than a dozen high-cost loans, usually worked out by brokers sitting at her kitchen table; "They make it so easy," she said; "They tell you they are going to pay off all of your bills. And then they give you a check. But a couple of months later you are in more debt than before." In New York's Bed-Stuy neighborhood, an unlicensed broker lured an elderly widow named Anna Mae into a loan with a monthly payment thirty percent more than her total monthly income. And in Akron, Ohio, an African American widow named Addie received a series of loans from Countrywide that put her in debt for more than 180 percent of her home's assessed value. Addie, who was by then 90, fell behind on the payments and faced foreclosure. In October of 2008 Addie shot herself in her bedroom as sheriff's deputies pounded on the door to enforce an eviction order. When Dennis Kucinich learned about Addie, he went straight to the house floor and read the entire story into the Congressional Record, later telling a reporter, "This is a human face for a great national tragedy." Addie survived the gunshot, but died in a nursing home six months later.

**[Detroit]** These stories offer a very small sample from an overwhelming number of similar accounts of discrimination and exploitation. In the two decades since Anita Hill spoke truth to power, the stories have worsened every year. We have seen hundreds, thousands of human faces for the ongoing national tragedies of American racism, patriarchy, and financial exploitation. But Beatrice, Veronica, Anna Mae, and Addie were treated just like Anita: the more shocking and detailed the stories, the more aggressively conservatives worked to dismiss the evidence as not representative of a benevolent market providing access to the American Dream. Conservative economists and regulators invested in the profits of white privilege insisted that the stories were just *anecdotal*. In the klieg-light epistemology of Washington, DC, a woman's story of financial exploitation, racism, and patriarchy is waved away with the Simpson treatment -- "from the moon."

**[Baltimore]** America's tradition of racist financial exclusion has been transformed into a new regime of *inclusionary exploitation* -- segregation between good and bad credit. But we can no longer ignore gender and age. Critical race theory and feminist theory remind us that prevailing axes of inequality are cumulative, interactive, and co-constitutive. Racial and ethnic disparities in credit are magnified by all of the gendered dichotomies of American society: home and work, private and public, unpaid household work and paid wage labor. African American women's racialized experiences are worsened by wage discrimination, occupational sex segregation, the earnings penalties of career interruptions for childbirth and parenting, and the effects of patriarchal family structures and divorce on women's assets. These gaps widen over time, until women's longer life expectancies leave many of them widowed, living on fixed incomes in older houses needing repair. When predatory mortgage brokers speak of "going granny hunting," they are searching the streets and neighborhoods of American cities for the living histories of public policy, racial segregation, and neighborhood change. In 1968, the suburban white privilege of

FHA insurance was partly reversed, allowing many young African American families to gain access to homeownership in modest urban or inner-ring suburban neighborhoods. Thirty years later, many of these couples approached retirement age just in time for the first massive boom in predatory refinancing and home improvement lending.

**[Circumstantial Case]** Here's our circumstantial evidence. We triangulate between the extensive nationwide coverage of the Home Mortgage Disclosure Act to analyze inequalities of gender and race at the height of the subprime boom, and the intensive detail of borrower age and financial terms for a small sample of loans made between 1994 and 2008 from the National Mortgage Data Repository built by Renuart, McCoy, and Ross.

The data tell three stories.

**[Bubble Chart]** First, African American women are at the leading edge of America's new racial state, which is defined by diffusion of discrimination away from the site of the transaction into the seemingly benign realms of corporate structure, product specialization, and marketing strategy. De-regulated capital has accomplished a stealth repeal of civil rights and fair housing law: by the time a borrower files a loan application, most of the discrimination is complete. Lenders organize themselves to maximize discriminatory profits without violating fair lending requirements. If a lender specializes in subprime credit and markets to non-Hispanic Whites, a quarter of their customers will be single-applicant women. For subprime brokers and lenders marketing to African Americans, the share is 43 percent. Single female borrowers outnumber single males among African Americans, and not for any other group. **[Philadelphia / Table]**

After controlling for income and other factors, single Black women are almost five times more likely than White couples to end up with subprime loans. Single Black women are also worse off when compared to African American couples. If we turn these models around, we can measure how the market targets particular kinds of borrowers in ways that cannot be blamed on consumers' presumed financial shortcomings. All else constant, a loan is 4.6 times more likely to go to a single Black woman instead of a traditional White couple if it's a high-cost loan. **[Chicago / Disparity]** And even when we control for the differences between prime and subprime loans, mortgages sold to Wall Street securitizers are almost twice as likely to go to single Black women. Consumers obviously have no control over loan securitization; this is driven by the strategies of brokers, originators, investment banks, credit ratings agencies, and investors. All of these industry decisions yielded a clear preference of private, unregulated mortgage capital for single Black women. Mortgage-backed securities deals in the testosterone-fuelled trading floors of Wall Street investment firms relied in part on the systemic targeting of single African American women for high-cost loans. By contrast, the more closely supervised channels of CRA lenders and the GSEs displayed a strong white privilege.

**[Newark / Disparity]** Second, age magnifies racial and gender inequality. The share of African American women in the NMDR who are over age 65 is twice the share for all other borrowers. When we control for borrower finances and loan terms, this disparity skyrockets to an odds ratio over 15. Black women are five times more likely to be over 65 compared to White women. There is a discriminatory trinity of race, gender, and age. **[Essex Map]** We can see it in the struggles of elderly women to hold on in the worst foreclosure storm since the Great Depression. The red dots show statistically significant spatial clusters of <u>slow</u> defaults caused by the many years of extractive predatory lending to African American couples and women through refinance and home repair schemes. The blue dots show accelerating defaults when the industry shifted to home purchase lending among Latinas and Latinos.

**[East St. Louis / Odds Ratios]** Third, financial exploitation is concealed behind a veneer of equal opportunity. Racial and gender disparities in the cost of credit as proxied in the TILA APR spread are negligible. But remember that single African American women are five times more likely to be in this market in the first place. And Black women pay higher total fees, they are more likely to be unmarried, seeking credit on their primary residence, and to file applications through face-to-face meetings with lenders and brokers. They are more likely to apply for a fixed-rate loan, and then at closing to be pushed into an adjustable-rate loan. Their files are more likely to include the multiple applications and multiple good faith estimates that are the telltale sign of bait-and-switch tactics. This as close as we may ever get to definitive quantitative evidence that the lies told by brokers at Veronica's kitchen table happened to women across America.

**[Bailout]** Homeownership promises up-by-the bootstraps achievement and financial security. But that promise has always been undermined by exclusions of class, race, and geography: much of the value of ownership is sustained by the fact that not everyone can have it. Subprime America turned the promise into a lie, and millions of so-called owners found themselves treated no better than renters having to deal with greedy slum landlords. Capital is the new landlord. The 5.3 million foreclosure starts in the last two years show how capital and law remind owners, **[Suau Photo]** often at the point of a gun, that they are, in fact, renters. Beatrice, Veronica, Anna

Mae, and Addie remind us that patriarchy and age worsen all of these inequalities. Conservative defenders of white privilege will of course object that these are just anecdotes. The plural of anecdote, they'll say, is not data. Ah, yes, an anecdote, defined as nothing more than a short account of an interesting incident or event, often biographical. But the first definition of *datum* is "a known fact," and the Latin *factum* is "a thing done." **[Gramm]** When a white man repeatedly told the story of how his mother worked overtime to support three children and a disabled husband, and was lucky to get a high-rate mortgage from a finance company to buy a small house, it was just an anecdote. But since the man was Chair of the Senate Banking Committee, this story was used to ridicule all efforts to regulate or even monitor predatory lending. Alan Greenspan also told interesting stories, and so did Ben Bernanke, Timothy Geithner, and Hank Paulson. Madoff was an anecdote. **[Chicago / Hill quote]** Ontological performativity has a simple equation: anecdote + power = fact. And if we are to solve this equation for equality, we need to respond to Anita's call, to reallocate power to fight all of the <u>old and new</u> forms of racism and patriarchy that define American geography and American law.