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The Lingerin Storm: Mortgage Lending Disparities on Long Island

Local, State and Federal Recommendations

A new report from Empire Justice Center, *The Lingerin Storm: Mortgage Lending Disparities on Long Island*, examines mortgage lending, denial rates, and denial disparities in 2013 to evaluate the recovery of Long Island communities in terms of access to mortgage credit, and the greater American Dream. In an effort to combat our nation's discriminatory housing policies, we offer several recommendations for policy makers at all levels of government.

Local

- Require that mortgage loan originators and realtors participate in anti-racism and cultural competency training to improve racial justice and address implicit bias with respect to purchasing a home and obtaining a mortgage.
- Increase funding for local not-for-profits to do credit repair for potential home buyers.

State

- Urge area banks to participate in Fannie Mae and Freddie Mac's 97% LTV program, which enables qualified borrowers to become homeowners with a low down payment.
- Create a state Community Restoration Fund (CRF) or similar model for the flexible acquisition and disposition of distressed mortgages and foreclosed or vacant properties, to get homes back on the market for purchase in regions where there's an affordable housing shortage and help stabilize communities throughout the state.

Federal

- Vigorously enforce federal fair lending laws, including the Fair Housing Act and the Equal Credit Opportunities Act.
- Bring increased transparency to the mortgage lending market by substantially increasing the number of data elements available to the public via the Home Mortgage Disclosure Act (HMDA).

Federal (continued)

- Oppose congressional attempts to gut Dodd-Frank reforms, undermine mortgage rules that protect consumers, and weaken the Consumer Financial Protection Bureau (CFPB).
- Use alternative credit scoring models to increase the chance that applicants with “thin files” - limited credit histories or not enough credit accounts - will be approved for loans.

Community Reinvestment Act

- Modernize the Community Reinvestment Act (CRA) to specifically obligate covered institutions to serve people and communities of color, especially African American, Latino, and recent immigrant people and communities.
- Expand the CRA to cover other financial services providers, including industrial loan companies, independent mortgage companies, insurance companies, and mainstream credit unions with a minimum asset size.
- Update CRA regulations with an expanded definition of assessment area to cover more areas than just where banks have brick and mortar branches. Assessment areas should also include those areas where a covered institution has an appreciable market share.
- Expand the CRA to cover other financial services providers, including industrial loan companies, independent mortgage companies, insurance companies and mainstream credit unions with a minimum asset size.

Federal Funding

- Increase funding to HUD-approved housing counselors so they can help more consumers prepare for homeownership via credit repair, first-time homebuyer education, and counseling.
- Provide grant funding for mission-driven Community Development Financial Institutions (CDFIs) so they can purchase originating and servicing software and hire staff to enable them to originate loans to nontraditional qualified buyers.

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