

Texas Low Income Housing Information Service

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Press Release

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Low income neighborhoods are the big loser as Texas housing finance markets change

Austin (TX) - The study released today by the Texas Community Reinvestment Coalition and Consumers Union shows that low income neighborhoods in Texas are big losers as a result of the dramatic changes in Texas housing finance markets.

The explosive growth of unregulated private mortgage companies in the home finance market in Texas (now 49% of all loans) represents a profound and troubling trend for those concerned with the economic health of Texas inner city and low income neighborhoods.

Mortgage companies, unlike banks and savings & loan associations are not subject to oversight and examination of their lending records in low income and minority communities under the federal Community Reinvestment Act. The result of this lack of oversight is a poor lending record in minority and inner city neighborhoods.

“The study clearly shows that major mortgage companies, the largest lenders in the mortgage market, have turned their backs on inner city and minority neighborhoods when it comes to making home mortgage loans,” said John Henneberger, co-director of the Texas Low Income Housing Information Service. “At the present rate of growth these unregulated lenders may soon virtually take over all of the home finance market in Texas. This will effectively render the Community Reinvestment Act meaningless and erase the progress that has been made in eliminating the practice of ‘redlining’ inner city and minority neighborhoods.”

Redlining is a practice in which lenders decide not to make home mortgage or home improvement loans in certain neighborhoods. The name comes from lenders who used to draw red lines on maps indicating the areas where they would not make loans. The affected neighborhoods are usually inner city and low income or minority communities.

The lack of regulation and oversight results in increasing numbers of mortgage companies serving niche markets of suburban and higher income neighborhoods while not lending in lower income neighborhoods. There is nothing to stop a mortgage company from staking out its lending territory to lend only in neighborhoods of high-dollar homes. The study documents that many mortgage companies have done just that.

Regulated financial institutions on the other hand are held to standards by federal banking regulatory agencies which mandate that they provide financial services to the entire community they are chartered to serve, including low and moderate income neighborhoods. Enforcement of these laws has been less than aggressive in some cases and should be improved, but at least there is a law on the books which prohibits the banks and savings & loans from redlining certain neighborhoods.

Particularly troubling is a trend in Texas toward very high percentages of minority home borrowers being served not by lenders of conventional home loans, but by lenders specializing in loans on mobile homes and manufactured housing.

“What we may be seeing is the development of two separate and unequal housing markets serving minority and non-minority home buyers,” Henneberger observed. “Non-minority borrowers appear to have greater choice in the type of home they can buy, while low income and minority borrowers are increasingly channeled into the mobile home and manufactured housing markets. Furthermore, loans for mobile homes or manufactured housing may carry higher interest rates than conventional housing.”

“Lower income families will always have less choices in the housing market than higher income families. But if the practices of housing lenders deny low income buyers any chance of obtaining a loan to purchase or rehabilitate a conventional home, that is a matter which will have serious social consequences for our state,” Henneberger noted.

The market trends documented in this study should concern us all. Both Congress and the Texas Legislature should investigate this matter and make sure that home finance

capital, the economic lifeblood of our neighborhoods, is not squeezed out of our inner city and minority neighborhoods by a changing home finance industry.

John Henneberger is a founding board member of the Texas Community Reinvestment Coalition and has worked as a low income housing researcher and advocate in Texas for more than twenty years.

More background on low income housing issues

For more background, context and specific information about housing in Texas cities visit our web site at www.texashousing.org

What is TxLIHIS?

Texas Low Income Housing Information Service (TxLIHIS) is a nonprofit 501(c) (3) corporation established in Austin in 1988 by a concerned group of community leaders, nonprofit, public and private housing providers and low-income people.

Values and Mission

Our mission is to support low-income Texans' efforts to achieve the American dream of a decent, affordable home in a quality neighborhood. We believe that Texas' critical low income housing and community development needs can best be solved through a public-private partnership led by the initiative of low-income Texans and supported by government, the private sector, and the general public.

What we do

We carry out our mission by:

- researching and evaluating low-income housing and community development programs, needs and issues to discover solutions;
- providing information about low-income housing and community programs, needs and issues to promote public understanding and support; and
- organizing and empowering low-income people and communities to take the initiative to solve their housing and community development problems.