

Homeownership, Subprime Loans, and Poverty

Vermont

For most families, homeownership is the realization of the American Dream. This is true for low-income families as much as anybody.

Subprime-mortgage loans have allowed millions of low-income families to become homeowners who could not qualify for a loan at the lower prime rate. But the housing boom has ended. The current housing recession could force millions of subprime borrowers to lose their home in foreclosure.

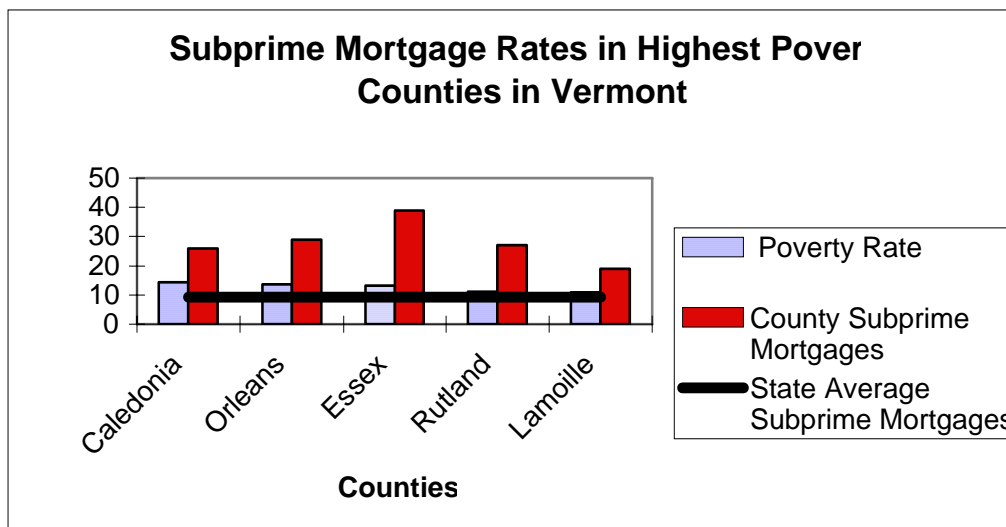
It is impossible to say just how many but it is clear lots of these families are the victims of predatory lenders. Poor communities were targeted by predatory lenders, especially communities of color. With the subprime market largely unregulated, predatory lenders have been able to offer a home with one hand and take it away with the other.

The United States needs a balanced, comprehensive housing policy that not only offers more opportunities to buy a home at affordable interest rates but also protects families from discriminatory and predatory lending practices that deprive many low-income families of sharing the American Dream.

In Vermont:

- Foreclosures: 35.56% increase in foreclosures during 2007.
- Subprime Loans: 9.3% of all mortgage loans are subprime.
- Homeownership by income: 93.3% in the top quintile income bracket compared to 42.2% of those in the bottom quintile.
- Homeownership and minorities: 64.9% of minorities are homeowners compared to 71.3% of whites.
- Subprime lending and poverty: 28% of all mortgages are subprime in highest poverty counties.

These counties represent those with the highest rate of poverty within the state of Vermont.



Sources

Foreclosure rates:

RealtyTrac.com (www.realtytrac.com), data appears in January 29, 2008 press release: "U.S. Foreclosure Activity Increases 75 percent;" Table: U.S. Foreclosure Market Statistics by State – 2007 Totals, based on www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3988&acnt=64847

Homeownership Rates:

Corporation for Enterprise Development (www.cfed.org) calculation, published in *2007-2008 Assets and Opportunity Scorecard*, based on U.S. Census Bureau, American Community Survey, 2004.

For income: www.cfed.org/focus.m?parentid=31&siteid=2471&id=2475&measureid=3923

For minorities:

www.cfed.org/focus.m?parentid=31&siteid=2471&id=2475&measureid=3922

State Subprime Rates:

Corporation for Enterprise Development (www.cfed.org) calculation, published in *2007-2008 Assets and Opportunity Scorecard*, based on Mortgage Bankers Association, National Delinquency Survey, Second Quarter 2006, p.5.

www.cfed.org/focus.m?parentid=31&siteid=2471&id=2475&measureid=3895

Subprime Rates in High-Poverty Counties:

Bread for the World Institute calculation of counties included in chart. Original data obtained from interactive map created by *NY Times*, November 3, 2007, using Federal Financial Institutions Examination Council data.

www.nytimes.com/interactive/2007/11/03/weekinreview/20071103_SUBPRIME_GRAPHIC.html

Poverty Rates in High-Poverty Counties:

Bread for the World Institute calculation of counties included in chart. Poverty data obtained from US Census Bureau, Small Area Income & Poverty Estimates, 2005.

www.census.gov/hhes/www/saipe/county.html