

NATIONAL  
COMMUNITY  
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COALITION

**NCRC**

# Testimony

Testimony of

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On the Subject of  
Fair Housing and Equal Opportunity

Submitted to the  
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Fair Housing and Equal Opportunity

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**Testimony Before the National Commission on  
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By  
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*"America needs to abandon the notion of a color blind society and come to grips with the meaning of diversity and its implications for us as a society."*

John Calmore, Professor of Law  
University of North Carolina, Chapel Hill

**Introduction**

Good morning, Chairman Cisnaros and Chairman Kemp and other distinguished members of the Commission. On behalf of the National Community Reinvestment Coalition, I am honored to share with you, today, our thoughts on the context for, effectiveness of, and recommended changes to and enforcement of the *Fair Housing Act* of 1968.

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations from across the nation that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development, and vibrant communities for America's working families.

Along with our members, we are committed to an open housing market free of discrimination. Through our National Neighbors program, NCRC leads fair housing and fair lending best-practice initiatives, which promote racial and cultural equality, opportunity and diversity.

Members of the Commission, we applaud your efforts to ensure equal housing opportunities for all Americans by convening this hearing.

Few, if any laws, are more important than those that ensure the civil rights of our citizenry. Discrimination is irrational and counterproductive to the common good of the nation. It stifles human potential, undermines the economic and social well-being of communities, and limits the nation from reaching its full potential as a fully inclusive and competitive society.

Moreover, the cornerstone of a democracy is equality. And equality demands the full and equal rights of all people not be inhibited by artificial barriers raised due to the individual's race, ethnicity, gender, religion, or other personal characteristics as defined by law.

Of course, some might challenge whether discrimination still exists and whether we have failed to achieve full equality across race and ethnicity in America. After all, an African American is the candidate for President of the United States for the Democratic Party. And other African Americans have achieved great success in politics, business, sports, the arts, and more.

But if we move from high-profile successes to the lives of African Americans in general, a dramatically different view emerges. According to a Pew Charitable Trust study released last year, almost half of all of black children whose parents were solidly middle-class in the late 1960s, now live in households at the lowest income quintile.

On average, the typical black household has only \$10 dollars of wealth for every \$100 of savings for the average non-Hispanic white household. The earnings gap measured in average pay between blacks and whites has not changed since the early 1970s.

African Americans have a homeownership rate that is 30 percent below that of non-Hispanic white households. The high school graduation rate for African Americans has been estimated to be as low as 50 percent according to a study by the Urban Institute.

While that latter statistic may seem striking, an even more dispiriting reality is that according to a study by the Justice Policy Institute, nearly one-third more African-American men are incarcerated than are enrolled in higher education.

I could devote my entire time this morning to highlighting disparities in economic and social achievement for African Americans. Suffice it to say, the dream of full equality for African Americans has not yet been achieved. Moreover, its important to recognize that African Americans are not the only minorities that have failed to achieve full equality in America.

Latinos also struggle for equality of opportunity in America. They share with African Americans, economic deprivation across a range of economic indicators, including a

disproportionate share of that population living in poverty, relatively low levels of wealth accumulation, and lagging educational attainment, among others.

Native Americans rank at, or near, the bottom of most social and economic indicators. So dire is their plight that many reservations have quality-of-life indicators that are indistinguishable from many developing nations.

So depressing is the overall socio-economic status of Native Americans that poet Charlene West observes, “The scales have tipped and tumbled over justice for all and the pursuit of happiness. Where do the rights of all the people, we the people, the First people, fit into the American Stars and Stripes?”

Sadly, for all of these groups, past and current discrimination plays important roles, albeit in different ways.

Disparities in economic advancement are not due to market forces or a lack of personal responsibility by people of color.

Rather, limitations on economic mobility and wealth accumulation are a direct result of more than a century of policies and practices directly intended to deny opportunities to African Americans and that have undermined their best efforts to succeed. The most powerful of these barriers is presented in the form of housing discrimination.

Access to decent affordable housing in safe and vibrant neighborhoods is central to economic and social mobility.

Housing location determines largely the quality of education children will receive. And, because housing is the single most important asset most families ever own, the ability to obtain homes in healthy neighborhoods and communities directly influences a family’s overall total net worth.

Discrimination and the resulting segregation denies these and other benefits to excluded families and undermines their capacity to compete in and contribute to society.

And, unfortunately, America has a long and complex history of housing discrimination, fully supported by public policies and laws.

Public support for segregation came in the form of *Plessy v. Ferguson* and “Separate but equal” dictates that began the process of isolating African Americans from white communities.

Public support for segregation came in the form of Jim Crow era restrictive covenants that denied the sale of homes in white communities to African Americans.

Public support for segregation came in the form the Great Depression era’s Home Owners Loan Corporation, a Federal agency established to help homeowners facing foreclosures, HOLC failed to approve loans in African-American communities, and it

institutionalized redlining – the practice of denying loans to communities occupied by African Americans.

Public support for segregation came in the form both the FHA and VA, the federal programs established to make homeownership affordable for the vast majority of American families, including returning veterans. FHA and VA underwriting criteria reinforced segregated residential patterns, and undermined home value appreciation and therefore wealth accumulation in African-American communities.

And, public support for segregation came in the form Urban Renewal, the program that literally bulldozed entire struggling working-class African-American communities and relocated blacks into bleak, desperate, and unsafe concrete towers.

These concrete towers were monuments to racial injustice and human inequality and were unfit for human habitation, particularly for families with children.

The net result of these and other discriminatory actions was the creation of hyper-segregated, isolated, and disadvantaged communities that continue today to characterize the living conditions for millions of African Americans.

As a result of these practices and many, many more – both condoned and created by the explicit government policy -- African Americans own less property today than they did more than 80 years ago.

Blacks owned about 15 million acres of land in 1920. Today, they hold just over 1.1 million acres.

How many Americans who believe the playing field between blacks and whites is now level would believe that statistic?

## **Giving Up**

Material wealth is not the only impact of decades of denial. Many communities today suffer from the greatest poverty of all – a poverty of hope.

We see can this poverty in disenfranchised urban communities every day.

We see it in the eyes of children who don't bother to study in school because they cannot even imagine a future that is materially better than the poverty they now experience.

We see it on the faces of parents who have known a life of repeated frustration and despair about their inability to provide better for their families and themselves.

We see it in the actions of young men who engage in obviously self-destructive behavior because they are disconnected from, and even invisible to, society and seek only to survive day to day.

We see it in the faces of those who today are dealing with the shattered dreams of homeownership.

We see it in the gaze of the homeless, the hopeless, the disenfranchised, and the left behind – all who disproportionately occupy communities of color.

### **Value of History**

The goal of highlighting this brief history is not to point fingers, assign blame or live in the past. Rather its important that Americans have a more accurate and clear understanding of the origins of, and reasons for, the severe economic and social disparities that exist today by race and ethnicity.

Sadly, for all of these groups and others, past and current discrimination plays important roles, albeit in different ways.

Yet, most frequently, the issue of race is not part of the national discourse. Not a priority in legislative conversations. Not on the critical-issues agenda for political leaders.

It should be. This conversation on race is long overdue.

The public's failure to discuss openly issues of race and ethnicity undermines the work that most of us gathered here today do on a daily basis.

Why? Because if the public does not understand and appreciate the role race has played in undermining the economic attainment and prospects of minorities, they are unlikely to support public policies to readdress these disparities.

And, most have even less understanding of why these disparities remain after more than a century after slavery was abolished -- and nearly a half century since the passage of school desegregation, fair housing, voting rights, equal credit opportunity, and many other laws to end discrimination and create a more equitable society.

And, if the public does not understand that discrimination continues today, they are not likely to support funding to purge it from society.

In fact, although routinely, we don't discuss race openly and in the public arena, that issue is deeply embedded in almost every aspect of American society.

Race is often in the mind, but not in the conversation.

Often in the background driving the dialogue – but not in the forefront so that assumptions can be more fully understood and debated.

Often race remains hidden until anxieties are raised or tempers flair --- then the issue presents itself in the most unproductive and useless manner.

And, when the issue of race is raised only in argument, anger, or resentment – it moves us backward on this issue – because the countervailing honest, frank, and open discussion most frequently never occurs.

### **The Current Foreclosure and Credit Market Crisis**

The proliferation of discriminatory lending practices in communities of color are, ironically, the cornerstone of the current foreclosure and credit market crisis. More than a decade ago, the subprime market discovered African-American and Latino communities and targeted them for unfair and deceptive loan products and lending practices.

Black and Latino borrowers were steered disproportionately to predatory loans containing abusive and deceptive high interest rates, exploitive and unearned broker and other fees, deceptive terms, bloated appraisals, and other reckless lending characteristics.

The lack of basic consumer protections combined with failure to enforce equal credit opportunity laws allowed predatory lending to flourish, initially in minority communities, and later in non-Hispanic neighborhoods. Had these practices have been purged from the credit markets a decade ago, America would not be suffering from the collapse of the housing market, a destabilization of the credit markets, and the undermining of the US economy.

Because more than half of home loans to African Americans and more than 40 percent to Latinos over the past decade were high cost, and often predatory products, blacks and Latinos are experiencing the greatest loss of wealth from the current housing market distress.

### **Competitive Global Economy**

Generally, the issue of discrimination has been argued solely on the basis of equality and justice. While those are important grounds, there is increasingly another critical reason to level the playing field by race and ethnicity. Globalization represents for America, competitive challenges the nation has never previously experienced. Concern over the loss of jobs in the US grows on a daily basis and those jobs are increasingly moving up the employment food chain – more recently including highly skilled positions.

America cannot afford to stumble through the 21st Century. The risks are too great.

But we are already stumbling.

In less than 35 years, more than half of the U.S. population will consist of people of color. Yet that fastest growing share of the nation's population are among the least well-housed, has the most tenuous connections to the labor and financial markets, has exceptionally low levels of wealth, and is becoming increasingly isolated from quality educational opportunities.

As minority households grow as a share of the nation's population, they will grow as a percentage of America's labor force. Their ability to compete effectively in an increasingly competitive global marketplace will impact all Americans.

The influence of poorly educated students, for example, is already a growing concern for many business leaders and policy makers. According to a recent Blue Ribbon Commission on Higher Education, established by the National Conference of State Legislators (2006), the US is not prepared for the dramatically changing demographic shifts in our population.

Latinos, African Americans, and recent immigrants are among the fastest-growing, but among the lowest-participating, populations in our higher education system.

Moreover, lower-income students, who are disproportionately minorities, are increasingly being priced out of college. The Commission noted that while America falls behind in educational attainment, other countries are outranking us and significantly improving their higher education performance.

Consider these statistics. According to Harvard University professor Robert Samuelson, in the 1970s, the United States led the world in the graduation of PhDs in math, science, and engineering. By 2001, the EU was already producing 54 percent more while Japan and China were producing nearly a third as many.

He estimates that by 2010, the EU will produce twice as many PhDs in these fields and China will produce 26 percent more. And remember that China has a population of 1.3 billion compared to America's .3 billion. India also is also an education juggernaut – also with a population of more than 1 billion.

But if minorities cannot access good paying jobs, achieve advance college degrees, contribute to the growing knowledge economy, who will pay the bills -- Social Security bills, Medicare, and national defense?

### **Achieving a Socially Inclusive Society**

The racial and ethnic divide in economic and social equality is not self-correcting.

Even in the strongest economic environments, discrimination and its legacy will continue to undermine minority households from reaching their full potential.

In my view, the complexity of the challenge requires a three-pronged strategy:

- (1) Enforce the laws against illegal discrimination.
- (2) Recommit to ending poverty (which would include a careful examination of how the legacy of discrimination against minorities creates unique economic challenges for those households and communities).



(3) Refocus public policy on meeting the needs of America's increasingly insecure and unstable economic status for working families.

For the remainder of my remarks today, I will focus on the three remedies I highlight above, that are needed to respond to the most basic fair housing and fair lending issues.

## **1. Eliminate discrimination.**

The first step in successfully combating racial and ethnic disparities is the enforcement, across the board, of anti-discrimination laws. Those related to the housing and real estate markets should be the most immediate and important given the importance of location to accessing opportunities.

The *Fair Housing Act* was signed into law in 1968. As a result, we have 40 years of experience that the current enforcement system does not work.

A lack of funding is a major part of the problem, but not the only issue. Lack of appropriate coordination between various agencies responsible for enforcing civil rights and equal opportunity, and insufficient political stature at the federal administrative level of government also undermine progress on this essential national mandate. In addition, other related civil rights laws, such as the *Equal Credit Opportunity Act*, remain equally poorly enforced.

In response to this continued failure to enforce the law, we recommend the establishment of a new cabinet-level agency focused on Civil Rights Enforcement. This agency would report directly to the President of the United States and would be responsible for measuring, monitoring, and eliminating all forms of discrimination from our society once and for all. And, given the importance of housing to accessing opportunities for social and economic advancement, housing related laws would be among the new agency's highest priorities.

Importantly, this new cabinet-level agency would not supplant the civil rights responsibilities of other federal agencies. Rather, it would develop a strategic plan to coordinate the activities of all agencies, as well as federal regulatory agencies. It would, however, have the authority to act to enforce the law in instances in which agencies with principal enforcement responsibility fail to carry out their civil rights enforcement mandates.

Finally, this agency would develop and support public service campaigns to help educate the public on this important issue. And it would participate in affirmative marketing and related efforts to promote a more integrated and inclusive society.

## **2. Address poverty with a particular focus on the role of the unique economic challenges resulting directly from the legacy of discrimination against communities of color.**

Poverty remains a major challenge in America – and not only for communities of color. Moreover, Census data also show a trend of deepening poverty among those who are poor. In

2005, the share of the poor who fell below half of the poverty line was at an all time high of 43 percent.

Moreover, since 1970 concentrated poverty has nearly doubled. Concentrated poverty exacerbates the problems of poverty by creating new and interconnected problems that defy piecemeal intervention.

Addressing poverty must include, albeit not be limited to, a unique focus on communities of color where the concentration of problems present exceptional impediments.

The extraordinary levels of market failure and lack of competition for mainstream financial services in lower-income African-American and Latino communities have their roots in the legacy of discrimination, and predispose those areas for continuing abuse today.

Moreover, the legacy of discrimination creates a self-reinforcing system of disadvantage that feeds on itself in which discrimination continues -- but often in forms that are much more subtle and difficult to detect and address.

Excessive subprime market activity in communities is a direct result of this reality. Confusion as to how much of the disproportionate share of subprime lending in communities of color is a result of market realities versus discrimination and an endless debate within the housing community.

Another feature of the lingering impacts of segregated communities is the exponential growth, in recent years, of alternative or fringe lending institutions, concentrated in urban minority communities.

Segregation enables the alternative lending industry to target racial and ethnic minorities by creating the scale economies necessary for them to operate. Without the ability to concentrate in areas that lack competition for financial services, many, if not the majority of these institutions could not exist.

Similar complex challenges can be found related to improving educational achievement, increasing access to employment, and accessing other economic opportunities.

### **3. Returning stability and confidence to America's middle-class.**

Many problems that have been faced by communities of color for decades are increasingly confronting non-minority working families and the American middle-class. In my view, the public's receptivity to improving upward mobility for communities of color are directly related to their own sense of economic mobility, well-being, and stability.

Although wealth disparities, for example, are large between people of color and non-Hispanic white households, alarming and growing wealth disparities exist between America's wealthy and working families in general.

Today, the top 5 percent of the wealthiest people own more than half of the overall nation's wealth, while the bottom 50 percent own less than 3 percent of total net worth.

In fact, the top 1 percent now controls more wealth than the bottom 80 percent. Perhaps even more startling is the fact that the same top 1 percent also control more than half of all individually owned stock in America.

Today, more Americans also are insecure about their jobs. They should be.

According to Jeff Faux, in a paper for the Economic Policy Institute, roughly 50 percent of all US-owned manufacturing production is now located in foreign countries, and 25 percent of the profits of US multinational corporations are generated overseas.

According to Faux, those shares are rapidly growing.

Yet, having a job even with a relatively good salary does not provide the full safety net that employment used to provide.

According to David Walker, Comptroller of the US General Accountability Office, the US has the largest medically uninsured population of any major industrialized nation.

Pensions are an increasingly relic of the past – replaced by defined contribution plans that can leave families literally in destitution given market circumstances.

Public policies have contributed greatly to these challenges or have failed adequately to respond.

By addressing these fundamental challenges facing working families in general, greater upward mobility and economic inclusion will also be secured by communities of color.

## **Conclusion**

America remains an unfinished masterpiece. The missing element is her continued failure to embrace and promote the full participation of all populations in the social and economic life of the nation.

Until full participation is achieved, we will remain less the sum of our collective strengths.

Enforcing civil rights laws is essential to achieving this goal. But addressing fundamental problems that result from the legacy of discrimination is also essential.

Finally, addressing the major economic challenges facing the nation's working families and the broad middle-class must also be tackled. Building robust economic mobility for communities of color can only be achieved when economic opportunities for all Americans are secure.

It's time for us to pose the difficult questions that continue to surround race relations and economic equality in this country.

Can we succeed? It's a rhetorical question. We have no choice.

The continued greatness of a diverse America hangs in the balance.

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