

NEIGHBORHOODS BEAR THE BRUNT

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Are subprime loans targeted at minorities or at minority neighborhoods? Ingrid Gould Ellen, a professor of public policy at [New York University](#), thinks there is evidence it is the latter.

In an analysis she helped perform for the Furman Center for Real Estate and Urban Policy, where she is a co-director, Ellen drew up lists of the 10 neighborhoods in New York City with the largest number of subprime mortgages and the 10 with the smallest number.

In the neighborhoods with the highest numbers of those loans -- such as University Heights/Fordham, Jamaica and East Flatbush -- subprime loans accounted for nearly half of the mortgages issued.

On average, those 10 neighborhoods were around 5 percent white, 5 percent Asian, 59 percent black and 31 percent Hispanic. The neighborhoods with the smallest numbers of subprime loans, on the other hand, were around 55 percent white, 12 percent Asian, 14 percent black and 19 percent Hispanic.

"Even white home buyers who live in predominantly minority neighborhoods are more likely to get subprime loans," Ellen said. "The racial composition of neighborhoods is a stronger predictor of the rates of subprime loans than the income levels of the neighborhood."

Unsurprisingly, given that subprime loans involve higher costs as well as borrowers whose income and credit scores place them at higher risk of default, the neighborhoods with the largest number of subprime loans are also the ones that are being battered the most in the housing market's downturn, Ellen said: "In many cities you have a real geographic concentration of the loans, which means a geographic concentration of the risk."

