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EDITORIAL

Subprime in Black and White

Evidence is mounting that during the housing boom, black and Hispanic borrowers were far more likely to be steered into high-cost subprime loans than other borrowers, even after controlling for factors such as income, loan size and property location.

The Furman Center for Real Estate and Urban Policy at New York University released a study this week highlighting a disturbing pattern of racial disparities. Using data gathered by the federal government, the study showed that the 10 New York City neighborhoods with the highest rates of subprime lending in 2005 had black and Hispanic majorities, while the 10 areas with the lowest rates were mainly non-Hispanic white. The higher incidence of subprime lending to borrowers of color held up even when the median income levels of the neighborhoods were comparable.

And as The Times's Manny Fernandez reported this week, the Furman findings are consistent with a separate analysis of mortgage data by this paper, which found that high-income blacks and Hispanics in New York City were two to three times more likely than comparable non-Hispanic white borrowers to have subprime loans.

Other studies have shown similar racial disparities in Boston, Washington, Philadelphia and other cities.

The bad news doesn't end there. Neighborhoods where subprime borrowers are concentrated are the same neighborhoods that are now experiencing high rates of default and foreclosure. That's because many subprime loans were not designed to be affordable over the long term, but rather to be refinanced before their initial teaser rates rose. That often hasn't been possible as home values have dropped and credit standards have tightened, leaving borrowers stuck in loans that have become unmanageable.

The mortgage lending industry says it's impossible to say that such patterns are the result of discrimination because the federal data do not include so-called risk characteristics like borrowers' credit scores, other debts or how much of a down payment they were able to make.

But the burden of proof has to be on the lenders to show that no discrimination has occurred. They have data on the risk characteristics of their borrowers. When the Federal Reserve began in 2004 to require lenders to provide specific data on subprime loans, the industry fought successfully to keep the risk profile of borrowers, including credit scores, under wraps. Now, with indications of discrimination rife, Congress must demand that data be fully disclosed.

The crisis in subprime lending is already threatening to be a socioeconomic disaster with hundreds of thousands of Americans at risk of losing their homes. Whether there has also been widespread racial discrimination by lenders is a question that lawmakers must confront fully, without delay.