

Community Development Studio, Spring 2006

970:511:1:67755

CSB 243 Lab, 1:10 – 3:50

Predatory Lending, Neighborhood Stability and Homeownership

Instructors

	<i>Norman Glickman</i>	<i>Kathe Newman</i>
Office:	CSQ 458	CSQ 358
Phone:	932-3133 x570	932-3822 x556
Email:	glickman@rci.rutgers.edu	knewman@rci.rutgers.edu
Office Hours:	Tues 10:00-12:00	Wed 1:30-4:30

Purposes of Course

- (1) Learn about community development
- (2) Provide applied research assistance to a community development organization
- (3) Develop a housing mortgage foreclosure report for Essex County

Project Description

We will be working with the New Jersey Institute for Social Justice (NJISJ), an advocacy and research organization based in Newark. Created in 1999, NJISJ has become a leader in research and policy on social and political issues. The Institute focuses on predatory lending, affordable home repair finance, ex-offender re-integration, and regionalism. The NJISJ staff asked for our assistance to develop a report about homeownership in Essex County. The NJISJ is concerned about rising foreclosure rates and predatory lending in communities throughout New Jersey.

We will (1) conduct a foreclosure analysis for Essex County and select areas in New Jersey; and (2) create a whitepaper that will summarize major shifts in housing mortgage finance nationally over the last five years. NJISJ will use the report to influence policy change at local, state, and federal levels and craft new policies in partnership with community organizations, financial institutions, and private foundations.

Course Materials, Resources, and Information

Server

Common/511CDS_06

Course Listserv

CD_06@rams.rutgers.edu

Grading

20% Class Participation

20% Draft Work Products

50% Final Work Products

10% Presentation

January 17. Introduction to Project and Client

Introductions and interests – yours, ours
Expectations – yours, ours
Project overview
Meet the client – New Jersey Institute for Social Justice

New Jersey Institute for Social Justice website: <http://www.njisj.org/>

Zimmerman, Ken, Elvin Wyly, and Hilary Botein. 2002. *Predatory Lending in New Jersey: The Rising Threat to Low-Income Homeowners*. Newark: New Jersey Institute for Social Justice. http://www.njisj.org/reports/predatory_lending.html

The Federal Reserve Board. Consumer Handbook on Adjustable Rate Mortgages. http://www.federalreserve.gov/pubs/arms/arms_english.htm#arm

Speakers: Ken Zimmerman and Yahnnes Cleary, New Jersey Institute for Social Justice

January 24. Lending and Foreclosure Analysis

Immergluck, Dan. 2004. Chapters 1, 5, 6, 7. “Introduction.” 5. “From Fair Access to Credit to Access to Fair-Credit.” 6. “Mobilizing for Credit.” 7. “Community Reinvestment from 1988 to the End of the Twentieth Century.” In Immergluck. *Credit to the Community: Community Reinvestment and Fair Lending Policy in the United States*. New York: M.E. Sharpe.

The Reinvestment Fund. 2005? *Mortgage Foreclosure Filings in Pennsylvania*. Philadelphia: TRF. A Study for the Pennsylvania Department of Banking. www.trfund.com/policy/pa_foreclosures.htm

Speakers: Invited Ira Goldstein and Sean Closkey, TRF

Form Research Teams

January 31. Mortgage Lending Overview

Colton, Kent W. 2003. Chapter 4: "Housing Finance in the United States: The Transformation of the U.S. Housing Finance System." *Housing in the Twenty-First Century* (available on the server)

Coy, Peter. 2005. "A Growing Tide of Risky Mortgages."
http://www.businessweek.com/bwdaily/dnflash/may2005/nf20050518_4924_db016.htm

Downey, Kirstin. 2005. "Many Buyers Opt for Risky Mortgages: High Rate of Interest-Only Loans a Concern in Virginia." <http://www.washingtonpost.washinnpostcom/wpdyn/content/article/2005/05/27/AR2005052701345.html>

Sullivan, Bob. 2005. "Homeowners Place Faith in 'Exotic' Mortgages."
<http://g.msn.com/0MN2ET7/2?http://www.msnbc.msn.com/id/8574006/from/ET/&&CM=EmailThis&CE=I>

Ross, Stephen L. and John Yinger. 2002. Chapters 2 and 3. "The Mortgage Market and the Definition of Mortgage Lending Discrimination." And. "A Conceptual Framework for Mortgage Lending." In *The Color of Credit: Mortgage Discrimination, Research Methodology, and Fair Lending Enforcement*. Cambridge: MIT Press.

Speakers: Invited Jerry Keelen, New Jersey Housing Mortgage Finance Agency and confirmed David Listokin, Center for Urban Policy Research, Rutgers University

February 7. Mortgage Markets

Apgar, William, Allegra Calder, Gary Fauth et al. 2004. "Credit, Capital and Communities: The Implications of the Changing Mortgage Banking Industry for Community Based Organizations." Cambridge, MA: Joint Center for Housing Studies of Harvard University.

www.jchs.harvard.edu/publications/communitydevelopment/cc04-1.pdf

Speakers: Invited representative from NJ ACORN

February 14. Project Work

February 21. Project Work

February 28. Project Work

March 7. Mid-semester meeting with NJISJ

March 14. SPRING BREAK

March 21. Project Work

March 28. Project Work

April 4. Project Work

April 11. Complete Reports and Draft Presentation

April 18. Polish Presentation

April 25. Presentation to EJB Community

May 2. Final Presentation

Selected Bibliography

NJ Background

The Community Finance Research Initiative. 2001. "A Report on Predatory Lending in the Greater Newark, New Jersey Area." Prepared for the New Jersey Institute for Social Justice.

The Reinvestment Fund. ? "Predatory Lending: An Approach to Identify and Understand Predatory Lending." Philadelphia: TRF <http://www.trfund.com/policy/FordForWeb.pdf>

Newman, Kathe and Elvin Wyly. 2004. "Geographies of Mortgage Market Segmentation in Essex County, New Jersey. *Housing Studies*. 19 1:53-83.

Zimmerman, Ken, Elvin Wyly, and Hilary Botein. 2002. *Predatory Lending in New Jersey: The Rising Threat to Low-Income Homeowners*. Newark: New Jersey Institute for Social Justice. http://www.njsj.org/reports/predatory_lending.html

Mortgage Market

Apgar, William, Allegra Calder, Gary Fauth et al. 2004. "Credit, Capital and Communities: The Implications of the Changing Mortgage Banking Industry for Community Based Organizations." Cambridge, MA: Joint Center for Housing Studies of Harvard University.
www.jchs.harvard.edu/publications/communitydevelopment/cc04-1.pdf

Canner, Glenn and Wayne Passmore. 1999. "The Role of Specialized Lenders in Extending Mortgages to Lower-Income and Minority Homebuyers." Federal Reserve Bulletin. November 709-723.

Coy, Peter. 2005. "A Growing Tide of Risky Mortgages."
http://www.businessweek.com/bwdaily/dnflash/may2005/nf20050518_4924_db016.htm

Downey, Kirstin. 2005. "Many Buyers Opt for Risky Mortgages: High Rate of Interest-Only Loans a Concern in Virginia." <http://www.washingtonpost.washinnpostcom/wpdyn/content/article/2005/05/27/AR2005052701345.html>

Dymski, Gary. 1998. "Disembodied Risk or the Social Construction of Creditworthiness?" in *New Keynesian Economics/Post Keynesian Alternatives*. Ed. R.J. Rotheim. London: Routledge.

Elmer, Peter and Steven Seelig. "The Rising Long-Term Trend of Single-Family Mortgage Foreclosure Rates." Washington, DC: Federal Deposit Insurance Corporation. Division

of Research and Statistics. FDIC Working Paper 98-2.
www.fdic.gov/bank/analytical/working/98-2.pdf

Lax, Howard, Michael Manti, Paul Raca, and Peter Zorn. 2000. "Subprime Lending: An Investigation of Economic Efficiency."

Listokin, David, Elvin Wyly, Brian Schmitt, and Ioan Voicu. 2001. "The Potential and Limitations of Mortgage Innovation in Fostering Homeownership in the United States." *Housing Policy Debate*. 12 3: 465-513
http://www.fanniemaefoundation.org/programs/hpd/pdf/HPD_1203_listokin.pdf

Litan, Robert. "Homeownership That's Too Important to Risk."
<http://www.brookings.edu/views/op-ed/litan/20010820.htm>

Posner, Kenneth. 1999. "The Internet Mortgage Report: New Models, New Opportunities." Morgan Stanley Witter. U.S. Investment Research. February 4.

Staten, Michael and Anthony Yezer. Special Issue: "Subprime Lending: Empirical Studies." 2004. *The Journal of Real Estate Finance and Economics*. 29 4(December)

Stiglitz, Joseph and Andrew Weiss. 1981. "Credit Rationing in Markets with Imperfect Information." *The American Economic Review*. June. 393-409.

Sullivan, Bob. 2005. "Homeowners Place Faith in 'Exotic' Mortgages."
<http://g.msn.com/0MN2ET7/2?http://www.msnbc.msn.com/id/8574006/from/ET/&&CM=EmailThis&CE=1>

Turner, Margery Austin and Felicity Skidmore. 1999. "Mortgage Lending Discrimination: A Review of Existing Evidence." <http://www.urban.org/publications/309090.html>

Wyly, Elvin and Patricia McCoy. 2004. Special Issue: Market Failures and Predatory Lending. *Housing Policy Debate* 15 3.
<http://www.fanniemaefoundation.org/programs/hpd/v15i3-index.shtml>

Foreclosure Studies

Bellamy, Paul. "The Expanding Role of Subprime Lending in Ohio's Burgeoning Foreclosure Problem." Report prepared for the Ohio Community reinvestment Project. Lorian Ohio. www.policymattersohio.org/pdf/foreclosurereport.pdf

Bunn, Harold, Debbie Gruenstein, Christopher Herbert and Randall Scheessele. "Subprime Foreclosures: The Smoking Gun of Predatory Lending." In *Housing Policy in the New Millenium*. www.huduser.org/publications/pdf/brd/12Bunce.pdf

Duda, Mark and William Apgar. 2004. "Mortgage Foreclosure Trends in Los Angeles: Patterns and Policy Issues." Los Angeles. Report Prepared for Los Angeles Neighborhood Housing Services. <http://www.lanhs.org/LANHSHarvardStudy.pdf>

_____. 2005. "Mortgage Foreclosures in Atlanta: Patterns and Policy Issues." A Report Prepared for NeighborWorks America. <http://www.nw.org/network/pubs/studies/documents/atlantaForeclosureReportI105.pdf>

Goldstein, Ira. 2004. "Bringing Subprime Mortgages to Market and the Effects on Lower-Income Borrowers." Cambridge: Joint Center for Housing Studies at Harvard University. http://www.jchs.harvard.edu/publications/finance/babc/babc_04-7.pdf

Immergluck, Dan and Geoff Smith. 2004. "Risky Business – An Econometric Analysis of the Relationship Between Subprime Lending and Neighborhood Foreclosures." Chicago: Woodstock Institute.

_____. 2005. "The Impact of Single-Family Mortgage Foreclosures on Neighborhood Crime." http://www.chicagofed.org/cedric/files/2005_conf_paper_sessionI_immergluck.pdf

National Training and Information Center. 1999. "Preying on Neighborhoods: Subprime Mortgage Lending and Chicagoland Foreclosures." Chicago: National Training and Information Center. www.ntic-us.org/preying/preying.pdf

Powell, Michael. 2005. "A Bane Amid The Housing Boom." Washington Post. May 30. A01. http://www.washingtonpost.com/wp-dyn/content/article/2005/05/29/AR2005052900972_pf.html

Quercia, Roberto, Michael Stegman, and Walter Davis. 2005. "The Impact of Predatory Loan Terms on Subprime Foreclosures: The Special Case of Prepayment Penalties and Balloon Payments." Chapel Hill, NC: Center for Community Capitalism. Kenan Institute for Private Enterprise. <http://www.kenan-flagler.unc.edu/assets/documents/foreclosurepaper.pdf>

The Reinvestment Fund. 2004? "A Study of Mortgage Foreclosure Activity in Monroe County, Pennsylvania 2000-2003." Study Commissioned by the Pennsylvania Department of Banking.

The Reinvestment Fund. 2005? *Mortgage Foreclosure Filings in Pennsylvania*. Philadelphia: TRF. A Study for the Pennsylvania Department of Banking. www.trfund.com/policy/pa_foreclosures.htm

Studies that Explain Why Foreclosure Happens

Alexander, Wm. Et al. "Some Loans are More Equal than Others: Third-Party Originations and Defaults in the Subprime Mortgage Industry. *Real Estate Economics* 30 4:667-97.