

This paper explores the relationship between race, subprime lending, and foreclosure in California in an effort to understand what happened during the subprime lending boom. The paper finds that communities of color have been disproportionately affected by the foreclosure crisis, and that these disparities stem from a series of complicated and interrelated factors, including borrower credit profiles, the 'boom and bust' housing market, and rising unemployment. However, the paper also shows that Blacks and Hispanics in California had access to very different mortgage markets, and that mortgage market channels played an important role in the likelihood of receiving a higher-priced loan. Once we control for the probability of obtaining a higher-priced loan, the differences in foreclosure rates among minorities and whites shrink considerably. This paper provides compelling evidence for the need to revisit consumer protection regulations and fair lending laws to ensure that minority borrowers aren't unfairly being steered into different mortgage market channels.

Thank you,