



**For Immediate Release**  
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## **ILLINOIS ATTORNEY GENERAL MADIGAN ISSUES NEW SUBPOENAS TO COUNTRYWIDE AND WELLS FARGO**

### *African American and Latino Homeowners May Have Been Steered to High-Cost Loans*

Chicago - Attorney General Lisa Madigan today issued subpoenas to Countrywide Home Loans, Inc., and Wells Fargo Financial Illinois, Inc., to determine whether the lenders unfairly steered African American and Latino borrowers into higher cost or otherwise inappropriate home loans in violation of fair lending and civil rights laws.

Madigan's probe follows a [\*Chicago Reporter\*](#) study finding that the Chicago area led the country in high-cost home loans for the second year in a row. The study also found marked disparities in loan pricing between white and non-white borrowers, with African American borrowers three times as likely as white borrowers to receive a high-cost home loan and Latino borrowers twice as likely.

“The difference in cost between the home loans sold to white borrowers and those sold to African American and Latino borrowers is alarming,” said Madigan, noting that income level does not appear to account for the differences in pricing. According to the Chicago Reporter study, the wealthiest African American homeowners are still more likely than the poorest white borrowers to get placed in high-cost loans.

“The aim of these investigations is to find out the reasons for these pricing disparities and, if those reasons are not based on valid underwriting criteria and creditworthiness, to hold the lenders responsible for their actions,” said Madigan.

The data in the study come from the Home Mortgage Disclosure Act, a federal law that requires lenders to submit data on home purchase, home improvement and home refinancing loans to the government. The study looked at data on “high-cost” loans—loans with an interest rate at least three percentage points above the U.S. Treasury standard. The high-cost loans examined in the study have characteristics similar to the high-risk subprime mortgages whose skyrocketing failure rates are driving the current home foreclosure crisis in Illinois and the nation.

Countrywide Financial, Corp. and Wells Fargo & Company showed the highest disparities in the [\*Chicago Reporter\*](#) study.

From 2004 to 2006, Wells Fargo & Co., the parent company of Wells Fargo Financial Illinois, sold high-cost loans to 64 percent of its African American borrowers and 36.7 percent of its Latino borrowers, while only 17.5 percent of Wells' white borrowers received high-cost loans.

Wells Fargo Financial Illinois, Inc., sells home loans in Illinois under the state's Consumer Installment Loan Act. In 2006, Wells Fargo & Co. did approximately half of its subprime mortgage lending in Illinois through this state-licensed entity and the other half through its national bank.

In the same study period, Countrywide Financial Corp., the parent company of Countrywide Home Loans, Inc., sold high-cost loans to 50.9 percent of its African American borrowers and 33.8 percent of its Latino borrowers in the Chicago area, while placing only 20.6 percent of its white borrowers in high-cost loans.

In 2006, Countrywide Financial Corp. sold nearly all of its home loans in Illinois through Madigan's target, Countrywide Home Loans, Inc. Countrywide Home Loans operates in Illinois under a license from the Illinois Department of Financial and Professional Regulation.

Chicago area foreclosures remain largely concentrated in highly minority communities. The Woodstock Institute recently found that minority communities contain less than 14 percent of the Chicago area's mortgageable properties but account for 34.5 percent of the area's foreclosure filings.

State Senator Jacqueline Collins, who has worked extensively on legislation to protect homeowners from predatory lending practices and whose district on Chicago's South Side has been hit hard by the foreclosure crisis, applauded Madigan's announcement. "While predatory mortgage lending affects us all, it is especially devastating to neighborhoods with large minority populations," said Collins. "When the disparities between African American and white borrowers are this extreme, it's imperative that lenders explain why."

The Rev. Jesse Jackson said that Madigan's investigations send a strong signal to mortgage lenders. "In an era when the federal government has all but stopped conducting fair lending investigations, it's vital that lenders know that state officials like Attorney General Madigan are keeping a close eye on how they treat minority borrowers. She brings to this case integrity, strength and vision," said Jackson.

Madigan issued subpoenas to the two companies pursuant to her authority under the Illinois Human Rights Act and the Illinois Consumer Fraud and Deceptive Business Practices Act. Madigan's subpoenas ask Countrywide and Wells Fargo for a range of information related to home loans the companies have sold in Illinois, including the borrower's race or ethnicity, the cost and features of the loan, and the location of the residential property. The subpoenas additionally ask for information related to each borrower's creditworthiness, including the borrower's FICO score and debt-to-income ratio.

"*The Chicago Reporter* applauds Attorney General Madigan for acting upon the findings of our high-cost home loan investigation," said Alden Loury, Editor and Publisher of *The Chicago Reporter*. "As the *Reporter* found, in 2006 more than half of Countrywide Financial's African American customers

in the Chicago region were offered high-cost loans, even though only 20 percent of the company's white customers received subprime loans.”

The fair lending subpoenas continue Madigan's probe of Countrywide's lending practices. In September 2007, she issued a subpoena to Countrywide to determine whether the company had fraudulently or deceptively placed Illinois homeowners into loans they could not afford. The investigation into Countrywide's loan origination practices is ongoing.

Madigan's fair lending team consists of Assistant Attorneys General Susan Ellis, Thomas James, Cecilia Abundis, Carlos Ramirez, Michelle García, Monica Grubbs and Lisa G. Williams.

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[Return to March 2008 Press Releases](#)

# THE HIGH PRICE OF HOMEOWNERSHIP

*A Chicago Reporter* investigation on the policy implications of high-cost loans in the Chicagoland region.

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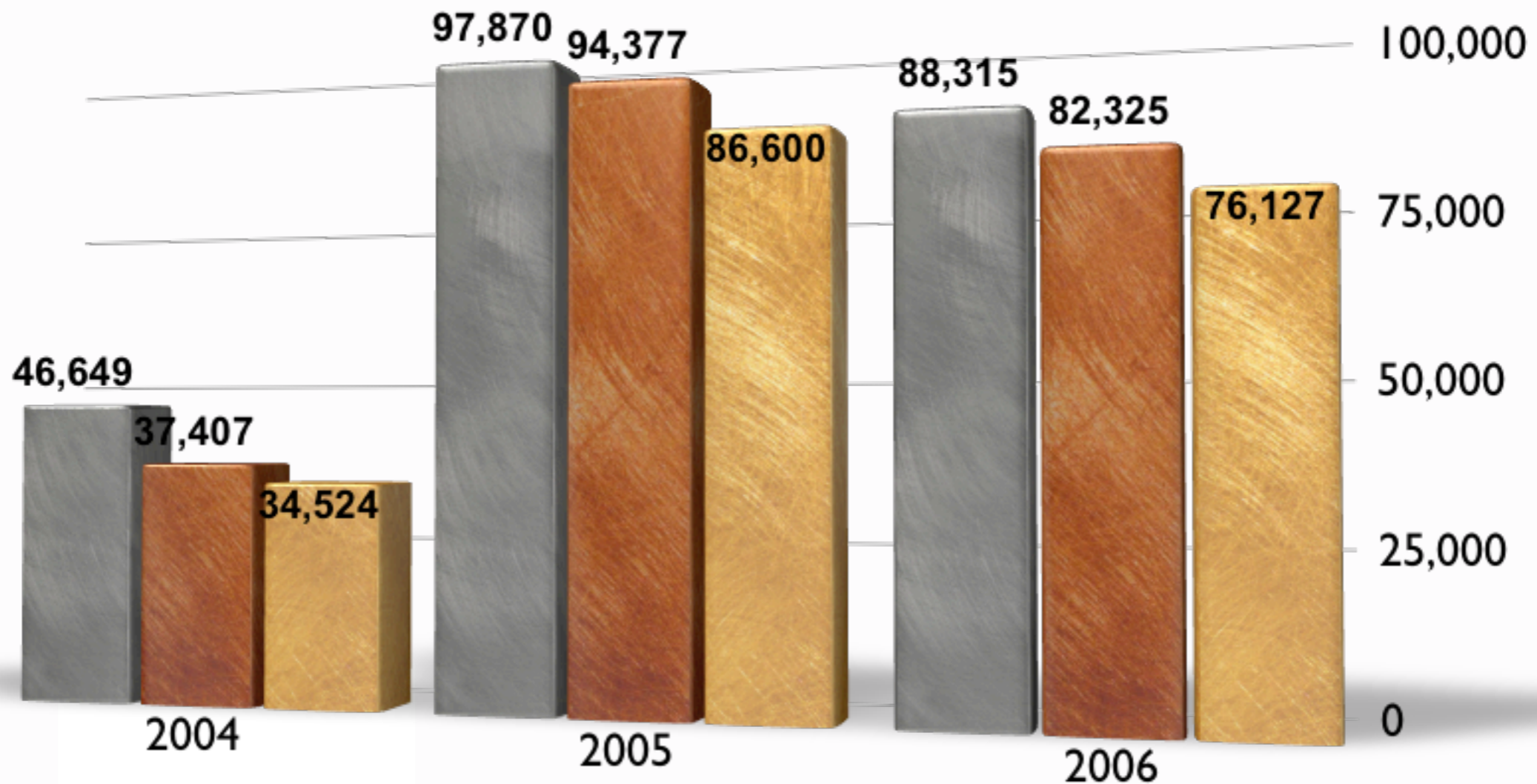
# Origins of *The Chicago Reporter* Investigation

- In 2004, *The Chicago Reporter* began to analyze several years of mortgage data.
- Acceptance rates for African Americans had fallen dramatically since 1993.
- In 2003, less than half of African American applications resulted in a home loan.

# Chicago is the High-Cost Loan Capital of America

- Chicago Metropolitan Area
  - Cook
  - DeKalb
  - DuPage
  - Grundy
  - Kane
  - Kendall
  - McHenry
  - Will
- High-cost loan
  - first-lien, conventional loans for owner-occupied, one-to-four family properties
  - interest rate at least three percentage points above the U.S. Treasury Standard

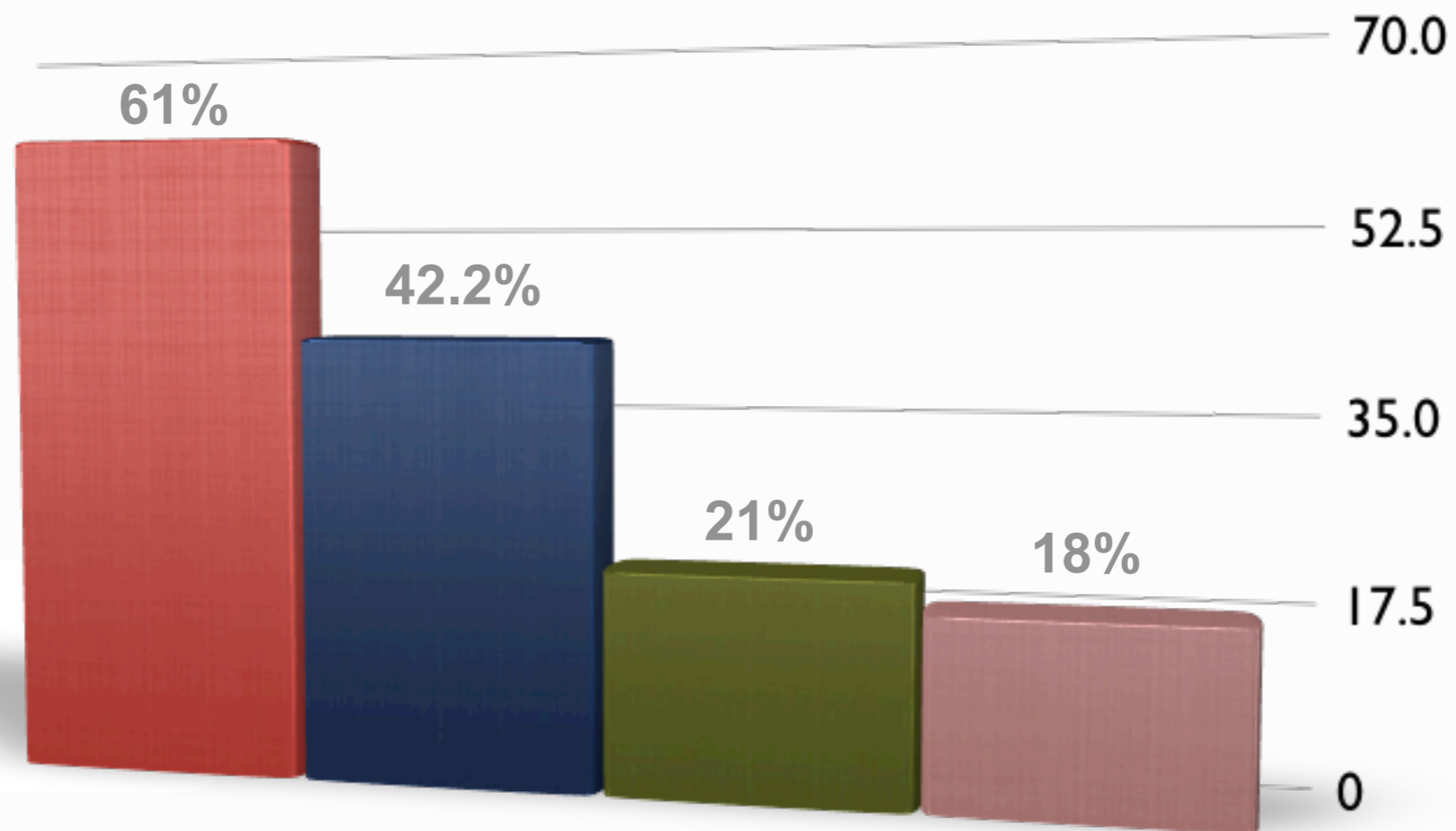
# Chicago Led the Nation in Subprime, High-Cost Loans 2004-2006



# What's Happening in the Chicago Metro Area

- African Americans are three times as likely as whites and Asians to get high-cost loans, and Latinos are twice as likely.

Percentage of High-Cost Loans Granted



■ African Americans    ■ Latinos    ■ Whites    ■ Asians



# What's Happening in the Chicago Metro Area

- Black homeowners with six-figure incomes were more likely to get high-cost loans than Asians, Latinos, and whites earning less than \$35,000 a year.

	Blacks Earning More than \$100,000	Asians Earning Less than \$35,000	Latinos Earning Less than \$35,000	Whites Earning Less than \$35,000
Percent Receiving High-Cost Loans	52.7%	11.8%	30.2%	19.3%

# What's Happening in the Chicago Metro Area

- The percentages of high-cost loans were highest in predominantly black and Latino communities.
- They include Englewood, South Chicago, Roseland, Dolton, Calumet City, and Cicero.

Community	Total Loans	High-Cost Loans	Percentage of High-Cost Loans
Englewood	729	548	75.2%
South Chicago	889	599	67.4%
Roseland	1438	957	66.6%
Dolton	1596	1126	70.6%
Calumet City	1660	1116	67.2%
Cicero	2318	1116	48.1%

# Who's Doing the Lending?

## Two kinds of high-cost lenders

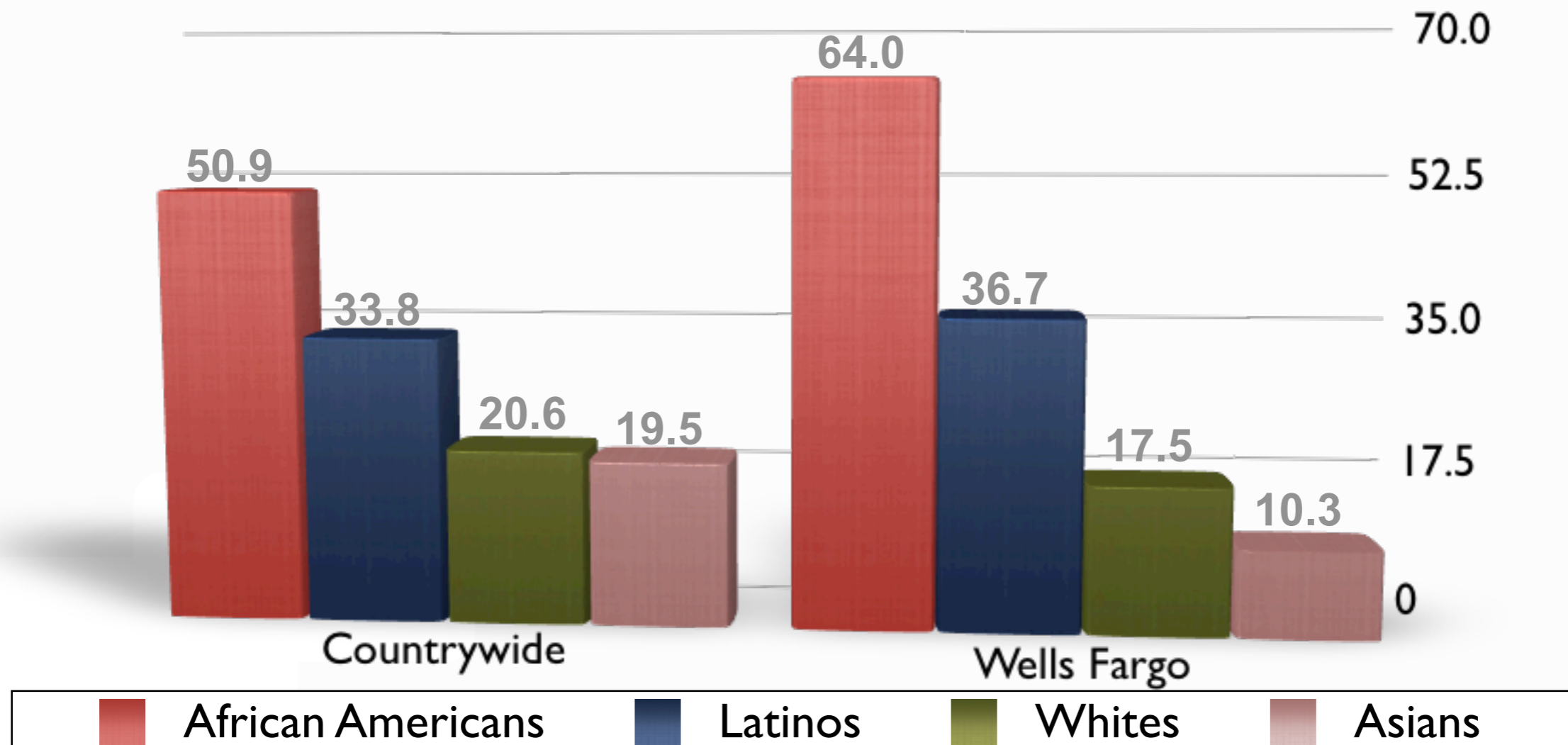
- Small to mid-sized mortgage companies labeled by the federal government as “subprime lenders”
  - Grant high-cost loans 80-90% of the time, regardless of race or income
  - Latinos receiving home loans from subprime lenders increased more than 980% percent from 2000-2005.

Race	2000	2005	Change
Asian	572	3,711	549%
Black	8,398	25,101	199%
Latino	2,608	28,162	980%
White	9,041	36,317	302%

# Who's Doing the Lending?

- A small group of large banks
  - Countrywide Financial Corp.
  - Wells Fargo & Co.
- Both companies grant high-cost loans to African Americans and Latinos at higher percentages than to whites and Asians.

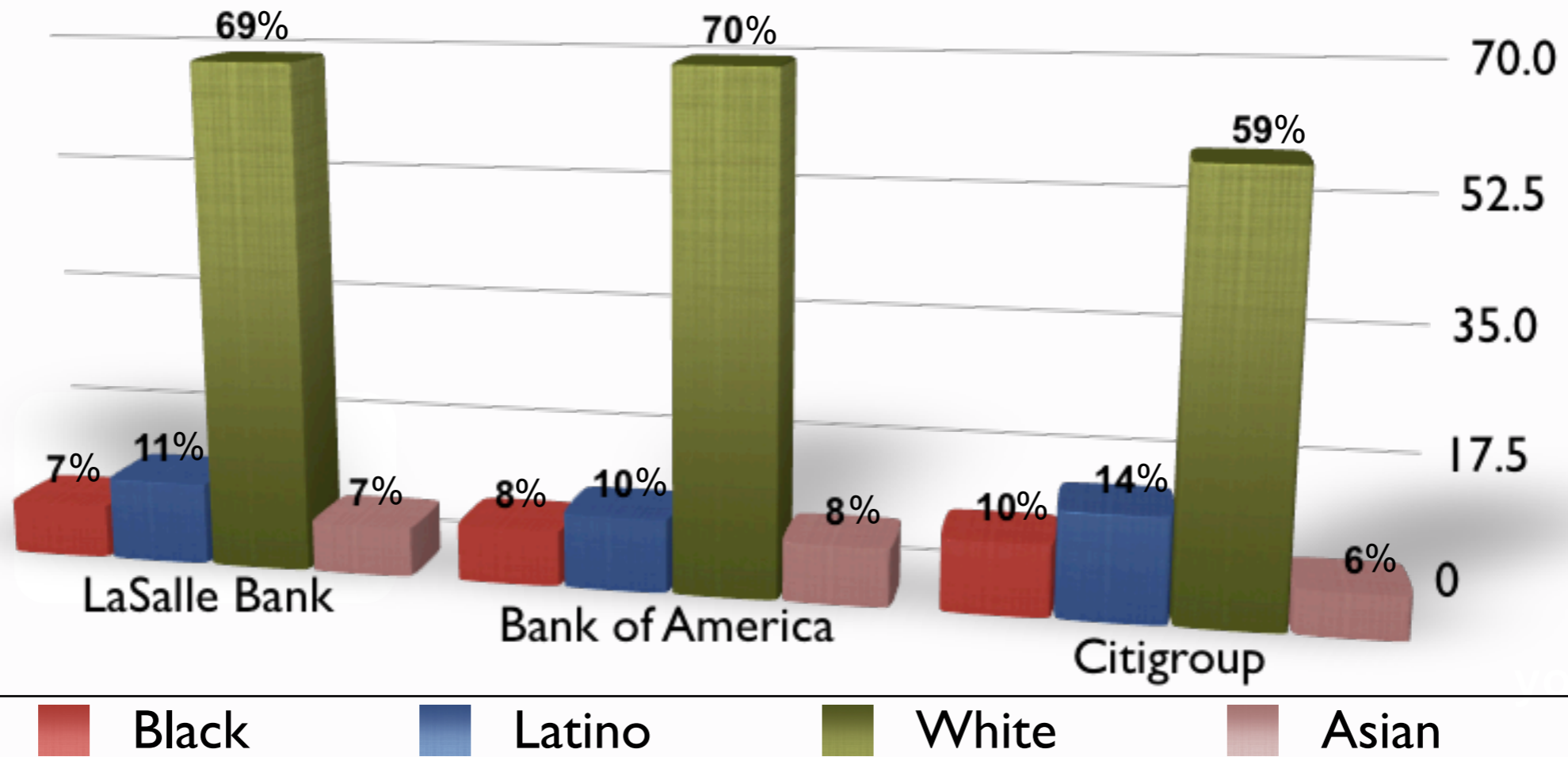
Percentage Receiving High-Cost Loans by Borrower Race



# Who's Doing the Lending?

- Several large banks that rarely grant high-cost loans
  - LaSalle Bank, Bank of America, Citigroup
- These lenders do less business with black and Latino homeowners.

Lenders' Loan Recipients by Race



# Who's Doing the Lending?

- Small, community-based banks that focus on predominantly black neighborhoods.
  - ShoreBank
  - Seaway National Bank
  - Illinois Service Federal
- These lenders grant only a fraction of the loans offered by larger lenders. They combined to grant only 341 in the entire metropolitan area, compared to 24,260 total loans from Countrywide Financial Corp.

# Who's Doing the Lending?

Lending in Auburn Gresham, Austin, Chatham, and South Shore

Bank	Total Loans	High Cost Loans
ACC Capital Holdings Corp.	373	323
Fremont Investment & Loan	316	308

Bank	Total Loans	High Cost Loans
Wells Fargo & Co.	323	226
Countrywide Financial Corp.	540	225

Bank	Total Loans	High Cost Loans
Citigroup	135	7
Bank of America	117	8

Bank	Total Loans	High Cost Loans
ShoreBank	82	0
Illinois Service Federal	18	0
Seaway National Bank	9	0