

Point of View

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TO BE EQUAL

COUNTERING LENDING DISCRIMINATION

by John E. Jacob

The community Reinvestment Act was passed by Congress back in 1977 to combat the widespread practice of redlining—financial institutions' refusal to lend within certain neighborhoods.

Starved for capital and mortgage money, those neighbor-

hoods were marked for capital decline. Invariably, they were predominately black or low income.

While the Act required banks to meet community needs for mortgages, business, commercial and other loans, fifteen years of experience shows it has not achieved its intended results.

Congress needs to rewrite the Act to yield results, even if it has to require financial institutions to devote a share of their lending to capital-starved communities.

The combination of a relatively mild law and a lack of regulatory enforcement is responsible for continued discrimi-

nation in lending.

It is outrageous that African American applicants for mortgages are twice as likely as whites to be denied a mortgage—even when their incomes are the same.

A 14-city study reported that savings institutions in minority neighborhoods make four cents

in local loans for every dollar of deposits. But institutions located in white neighborhoods lend 8 cents locally for every dollar of deposits—twice as much.

And when the Federal Reserve examined nearly every mortgage application made in 1990, it found that high income blacks have less of a chance to get a mortgage than low income whites.

The Board, the prime bank regulator in the country, supervises 3,800 federally chartered banks. It's finally taking a close look at 225 banks whose minority rejections are double those for whites.

Sometimes, there is no smoking gun to prove overt discrimination. Like others who discriminate, lenders are too clever for that. Subtle differences in the treatment of black and white applicants is enough for many of them.

The Federal Reserve Board investigators, for example, found an instance where an African American was turned down for a mortgage by four banks, despite a good credit and employment history.

Finally, a fifth bank told him he could easily qualify if he'd pay off some of his debts with his savings. The other banks never mentioned that—but pocketed \$1,000 in application fees.

The continuation of effective redlining in spite of the law has to be treated with severity, especially in light of the desperate need for capital in our inner cities.

Heavy penalties should be handed out to those financial institutions that have violated the



JOHN E. JACOB

existing law.

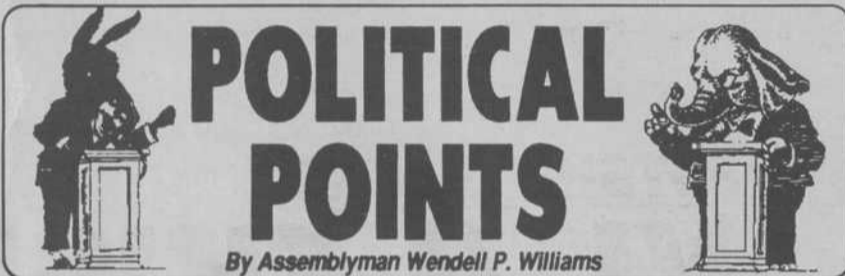
The government should deny all bank merger applications unless the banks involved prove they have complied with the law—and that proof should be in the form of a fresh investigation and not reference to past compliance grading.

The reason is clear—banks were never held to high standards of compliance. One major bank that had an "outstanding" rating under the law actually made very few of its loans to minorities and ignored the community needs it was responsible for meeting. And the law itself needs some teeth. Weak regulation and a soft law have not induced voluntary equal opportunity lending.

So it will be necessary to change the law to positively require that financial institutions devote a specific share of their business to minorities and to low and moderate income neighborhoods.

That share could be based on the share of a bank's assets from those communities, a share of its total assets, a share of the capital needs of its city or state, or some other formula or combination of criteria.

It seems that the only way to get the free market in capital to work for minorities and for moderate income neighborhoods is to hold financial institutions to high expectations, with incentives for compliance and harsh penalties for failure.



THE BIG QUAKE!

Newsflash! Los Angeles, July 26th 1992-Headline: Impact of earthquake on insurance industry analyzed. A catastrophic earthquake may cause \$40 billion in damage and bankrupt some insurance Company.

Newsflash! Nevada, July 25th 1992-Headline: Quake fault near Yucca uncharted. Geologist reported that a strong California quake triggered a temblor near the proposed nuke dump.

Newsflash! Fallon, Nevada, July 21st 1992-Headline: Minor earthquakes shake rural Northern Nevada. Fallon quakes cause officials to fear loss of tourists.

Newsflash! Las Vegas, July 23rd 1992-Headline: Experts say test tunnel didn't crack. A geologist contends that quakes didn't damage a proposed site for nuclear wastes.

Newsflash! Los Angeles, July 22, 1992-Headline: Earthquakes cause California oil to ooze. Last months damaging earthquakes triggered flows of crude oil oozing out of mountains polluting rivers and killing wildlife.

Newsflash! North Las Vegas, Date: Never reported Headline: Never written due to the lack of sensitivity to the issue. Subject: Earthquakes cause greater damage to

homes of Windsor Park.

You've got to almost believe that Windsor Park is a housing division that does not exist or is invisible. As the news of the earthquake took center stage a few weeks ago, every single thing that could be affected by the quakes became a top story.

Windsor Park in North Las Vegas, are homes that are cracking and subsiding on a bed of quilt fissures on some very weak soil. Its bad enough that the residents got this bad deal in the first place; But after 25 years, the deal should have long been corrected. Women, children, and families live on land that has had gas leaks as walls tear away from foundations, and they must now also deal with the added fear of earthquakes.

Many residents reported to me that the recent earthquake caused additional damage to their already splitting homes. But it happened and no one even noticed. Especially those who can make a difference.

Three years ago this month, Windsor Park Homeowners Association president, Dorothy Walker said, "city officials aren't putting their hearts into the effort.

They've kept us on the backburner for a year now." Today Walker and the association still feel that they are on the backburner. The Windsor Park issue came to light in 1988, so has

anything happen to help the people of that area after five years? I guess it would depend on who you ask. Lets take a look.

Windsor Park Task Force Chairman, Councilman Theron Goynes along with Councilpersons Mary Kincaid and Brent Hardy in January met with Nevada's Congressional delegation in Washington with hopes of obtaining \$1 million. Estimates range around 13 million to relocate the residents. Goynes also plans to do certain need assessments throughout the park.

Homeowners in the park however, are not taking much hope from these steps. They cite as far back as 1989, the city of North Las Vegas were taking surveys of residents. In fact on July 7, 1989 Councilman Brent Hardy explained in a press release, that "all 239 residents in Windsor Park will be contacted within the next few months to assist them in selecting a solution that best meets their needs." That was in 1989!

In response to the idea of moving just 45 homes that have been determined the most urgent, Mrs. Walker responded "It is not fair to move 45 homes to a new location if more people wish to be relocated, they should be allowed to despite of what the engineers report."

Patrick Smith who serves as



Assemblyman
Wendell P. Williams

vice-president of the association said "Safety should be the number one priority." Smith admitted that the city is doing something, but he is afraid that the very slow process is improving the chances for disaster. Smith went on to say, "To do a permanent fix job on one-fourth of the problem and then put a band-aid on the three-fourths of the problem is not in the best interest of the residents. The band-aid will wear off and you will still have the permanent problem." Smith feels that all of the residents must be treated the same before their real problem will be solved.

This week marks five years since this issue came to light. After leaking gas pipes, after some homes where the fissures have already split the foundation in half, after political finger pointing, after gutless rhetoric; the problem still remains and the homes are still sinking. And still no NewsFlash! And still no money! And still no answer to a five year problem.

All parties involved should remember that people don't need to walk around borrowing trouble, but it's foolhardy not to be prepared. If the big quake hits Windsor Park, heads as well as homes will fall.

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