

Homeownership, dangers of bad lending

By Harry C. Alford
Special to Sentinel-Voice

Wealth building and the accumulation of assets play a major role in the quality of life and the economic empowerment of our communities. While creating one's own financial security has long been considered part of achieving the American Dream, so has the prospect of owning one's own home. In light of this and recent news of the housing market, the definition of homeownership should be re-examined.

A lot of the creative financing has gone far beyond prudence and reality. Recently, I counseled a cousin of mine who had just finessed himself and his wife into a million dollar home off their modest salaries. I explained to him that the \$50,000 equity in the home was his actual net worth. The \$950,000 home value and everything else was being offset by the mortgage and the ridiculous terms. A pink slip from one of their jobs; unforeseen illness, etc. could quickly bring them to disaster. Be careful because you are "rolling the dice." They weren't playing by the rules and bad things do happen.

In light of recent news regarding impending doom in the housing market due to the failure of dozens of subprime lenders over the past several months, it will be important to keep in mind who are the real victims of this crisis. Have borrowers that knowingly

took out mortgages above their means truly been victimized? While owning one's own home has long been considered the American Dream, the definition of homeownership should be re-examined.

Does taking out a loan with no equity and artificially low mortgage payments for the first two years make a borrower a homeowner? Not

after those payments balloon soon after, potentially adding hundreds of dollars each month in principal. We are likely to see the number of foreclosures rise over the coming months as more and more of these loans re-adjust to market interest rates, especially once you consider the fact that 13 percent of outstanding mortgage debt is in subprime loans, according to the Consumer Federation of America.

Who will end up getting burned by these exotic mortgages and exploitative loans? Several answers could be offered to this question, but the correct choice may not be readily apparent. Borrowers who took out loans well above their means to purchase houses they knowingly could not afford will be forced to move out of their houses. This is unfortunate; however, their negligent borrowing af-



HARRY C. ALFORD

fects the real victims in this tragedy: responsible, hardworking people who continue to rent while saving any extra income to make an adequate down payment that will earn them a more manageable 30-year fixed rate mortgage.

The amount of money these responsible renters must save continues to be driven up. As the number of defaults on the subprime side continue to rise lenders will be more hesitant to approve loans to first time or other potentially high-risk borrowers. One way to assuage the lenders' risk aversion is to require more money up front, forcing would-be homebuyers to save for additional months and years.

What can be done to prevent a potential crisis? State and federal legislators and regulators must intervene on behalf of the renters, the savers, the aspiring homeowners. Intervention in this case means enforcing the laws already on the books preventing fraud, exploitative and predatory lending. Artificially stifling interest rates in exotic mortgages has led to an abrupt correction in the housing market once the teaser rates expire. The large volume of subprime loans over the past two years has put lenders and borrowers, as well as the housing market in a pre-

carious position. However, legislators and regulators risk causing further damage by imposing legislation with short term consequences on a problem that has already begun a self-correction.

Bailing out borrowers—who attempted to purchase more house than they could afford, or subsidizing lenders—who irresponsibly made loans to risky borrowers, is not the answer. Both of these solutions will continue to drive up home prices and allow, and even encourage, lenders to offer exotic loan packages. Neither of the solutions addresses the true victims of this crisis. State and federal legislators should focus on facilitating the American Dream, which means making affordable housing available to responsible borrowers. Consumers being victimized by predatory subprime lending practices will benefit in the long run if legislators and regulators keep an eye on lenders and enforce the legislation that already exists. Legislating to address events that have already transpired is not the correct approach.

Rather, responsible oversight will help home prices to return to reasonable levels allowing the true victims, those that continue to rent while saving for a down payment on a home, to purchase a house of their own.

Harry Alford is the Co-Founder, President/CEO of the National Black Chamber of Commerce, Inc.

Entertainment district fine, but why now?

By James Clingman
Special to Sentinel-Voice

When I read about the newly proposed Black "Entertainment District" in Detroit, I immediately thought about the proposed Black Business Enclave proposed by Claud Anderson a few years ago. You remember, the one that was deemed "divisive" and "racist."

As I continued to read the article in the *Detroit Free Press*, titled, "African-inspired Paradise Valley planned for area: Entertainment hoped for district," by John Gallagher, I was amazed at how quickly this project came about and how well received it was by the City administration. Hmmm.

Don't get me wrong, Detroit. I am not suggesting an either-or scenario here. A Black entertainment district is fine. My question is: Why has it taken so long to bring a Black business district on line in Detroit, and why was it acceptable, it seems, for some to call it racist and separatist?

Detroit's proposed Paradise Valley Business and Entertainment District, as it is called,

is being lauded by the Downtown Development Authority and the mayor alike. Unlike the initial concept of a Black Business Enclave, now called Maroon City, which was demonized by many, some of whom are Black themselves, and subliminally connected to Hitler's Mein Kampf, there are no detractors on the entertainment district.

Everybody knows Black people love to sing, dance, tell jokes and have a little something to drink at the same time. We love to be entertained, and we spend a great deal of money in that industry. But do we consider the difference between the local economic impact of an entertainment district and that of a manufacturing, distribution, warehousing, and retail district?

Again, we can and should have both, but why the disparity, especially in Detroit, Chocolate City itself, when it comes to the City's positive reaction to entertainment and



JAMES CLINGMAN

the negative reaction to the Powernomics Business Plan? Is it that entertainment is safe for the real powers-that-be in Detroit?

It's acceptable to party but unacceptable to build vertically integrated businesses? The article points out that Paradise Valley is an "African-inspired district similar to Greektown and Mexicantown." Say what?

In a city that is 85 percent Blacks, the comparison is made to an already built and thriving array of communities owned and controlled by non-Black ethnic groups! As I said, "What's up with that, Detroit?"

Additionally, the article points out that, "The idea for an African-inspired entertainment district grew out of the more 'divisive' African Town concept debated by City Council in 2004. When that concept drew criticism as too exclusionary and possibly discriminatory, [George] Jackson's (President of the Detroit Economic Growth Corp) group took over planning with a pledge to make the idea more inclusive and more practicable."

It is simply amazing to me that it's always Black people who are busy trying to make our projects "inclusive," while we are being excluded from everyone else's projects.

Here in Cincinnati, which is nearly 50 percent Black, we are going through much the same thing when it comes to inclusion. Black people are careful not to ruffle any feathers by being too forward and pointing out the lack of our inclusion in a \$1 billion project on the Ohio Riverfront.

Some Black Cincinnatians are working tirelessly to make sure there is inclusion for everyone, especially other so-called minorities? But the five White men initially put in charge of negotiating the development deal for the project are not leading the charge for inclusion. In fact, they had to be dragged kicking and screaming in order to get a couple

of Black guys added to their working group.

We are such nice, retiring, shy, unimposing, quiet, docile, reticent, and accommodating people; it's no wonder other folks treat us the way they do. We are always looking out for everyone else and paying little or no attention to the needs of our people. We give deference to others and subjugate ourselves.

Even in cities where we dominate in population, we still take a backseat to other folks in their quest for economic empowerment, on our backs much of the time, and accept their rules of engagement rather than establishing and upholding our own.

Detroit, in my opinion, you have the greatest opportunity to show the rest of us the way toward true economic freedom, cooperation, and interdependence among Black people. Go on and develop your entertainment district, but please follow through on Maroon City, as well. Imagine the jobs you could "own" as James Brown advised us to do. Imagine the ancillary industries you could positively affect through manufacturing, processing, reclamation, recycling, warehousing, transportation, maintenance, distribution and retail, just to name a few.

Right about now, I would think Detroit, of all places, would embrace as much ownership and control of wealth-producing industries as it can. With the demise of the automobile industry, I would think Detroiters would be jumping at the opportunities presented not only by entertainment but also by a thriving vibrant business district, called Maroon City, which will employ tens of thousands of Black people and create entrepreneurial opportunities for thousands more.

In addition to Detroit being able to say, "Party over here!" you could also be shouting to the world, "Business over here!"

C'mon, Detroit. Show us the way to true economic empowerment. Build Maroon City too!

James E. Clingman is an adjunct professor at the University of Cincinnati's African American Studies department.

Curry

(Continued from Page 8)
gang.

"Later, host Don Imus brought up McGuirk's prior impersonations of African-American poet Maya Angelou asking, '[W]ho was that woman you used to do, the poet? ... We used to get in all that trouble every time you'd do her.'

"As McGuirk launched into the impersonation, Imus said, 'I don't need any more columns.' Come on. But Imus did not stop McGuirk, who delivered his impression in verse:

McGUIRK: Whitey plucked you from the jungle for too many years

Took away your pride, your dignity, and your spears...

With freedom came new woes
Into whitey's world you was rudely cast

So wake up now and go to work?

You can kiss my big black a**"

It's time to wake up and insist that MSNBC, which claims to be a reputable television network, and CBS, the program's distributor, remove such raving idiots from the airwaves — permanently. If company officials refuse, we should refuse to watch their network or support their sponsors — if any remain.

You can e-mail MSNBC at viewerservices@msnbc.com or write them at: MSNBC TV, One MSNBC Plaza, Secaucus, N.J. 07094. Telephone (201) 583-5000. By allowing Imus to pollute the airwaves, CBS Radio is the entity acting like a 'ho.

George E. Curry, former editor-in-chief of NNPA News Service, is a speaker and media coach.