



National  
Urban League

***Empowering Communities.  
Changing Lives.***

Prepared Testimony of

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Before the  
House Committee on Oversight and Government Reform

**"The Silent Depression: How Are Minorities Faring In the Economic  
Downturn?"**

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Thank you for the opportunity to testify today on behalf of the National Urban League about the disparate impact the current economic crisis is having on the African American community in the United States, and to offer our recommendations on how to address them.

Established in 1910, the National Urban League is the nation's oldest and largest civil rights and direct services organization serving 2 million people each year in over 100 urban communities. Economic Empowerment – assisting clients to attain economic self-sufficiency through job training, good jobs, homeownership, entrepreneurship and wealth accumulation – leads the five-pronged strategy to advance the mission of the Urban League Movement and is imperative to an improved "*State of Black America.*"

Over the past year, our nation came face to face with a real enemy –an almost unprecedented economic crisis of the likes the nation has not seen in more than half a century. Our economy has a certain elasticity built into it that gives many people the room they need to survive tough times. Unfortunately, because of decades of well-documented economic, educational and social disparities, many African Americans do not have the benefit of that elasticity. In plain language,

there is no more “give to give” and many in our communities across the country are at the breaking point and face desperate circumstances if we do not take swift and certain action now.

*The State of Africans Americans in Our National Economy*

I do not say this to alarm or inflame. I am just stating a plain fact based upon our experience that includes decades of service delivery and research. We see it in the faces of the people who come to us for help each year. We hear it in the voices of the men and women seeking jobs that just aren't there. We feel it in the pain of those who come to us for help in keeping a roof over their heads.

And our direct experience is borne out by our empirical research.

Each year, the National Urban League publishes the *Equality Index* as part of our annual *State of Black America* report. *The Equality Index* is an indicator of the relative status of blacks and whites in America. It consists of five sub-indices: economics, education, health, social justice and civic engagement. Equality is indicated by an index of 100%, therefore an Equality Index less than 100% suggests that blacks are doing worse relative to whites, and an Equality Index greater than 100% suggests that blacks are doing better than whites.<sup>1</sup>

According to our 2009 *Equality Index*, African Americans are at about 71% compared with white Americans. The Economic Index is 57.4%.

According to our 2009 *State of Black America Report*: nationally, the typical African-American family today possesses less than 10 percent of the net worth of the average white family; almost 30 percent of black families have zero or negative net worth; and far fewer blacks than whites benefit from inherited wealth or assets.<sup>2</sup>

While this is but a snapshot, it paints a dire picture. Among other things, it illustrates that African Americans just don't have the cushion that protects us from economic catastrophe when an economy goes into freefall.

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<sup>1</sup> “Introduction to the 2009 Equality Index,” by Valerie Rawlston Wilson, Ph.D., National Urban League Policy Institute, in *The State of Black America 2009*, National Urban League, pp. 15-24.

<sup>2</sup> “Wealth for Life,” by Early G. Graves, Jr., *Black Enterprise Magazine*, in *The State of Black American 2009*, National Urban League, pp. 165-170, 2009.

We are starting to see some hopeful signs in other areas of the economy that indicate we may be turning course. Of course, the job numbers are a lagging indicator, so we hope that they will begin to improve as other areas of the economy begin to point to recovery.

However, even if this is the case, it does not necessarily mean that the African American community will be out of the woods. In fact, our long-term research indicates a troubling trend that must be proactively reversed.

### *Catching Up From the End of the Line*

According to our *State of Black America 2009*, African Americans have been doing progressively worse in each economic expansions. For example, median household income *increased* during the 1991 expansion, but *declined* in the 2001 expansion.

During the first six years of the 1991-2001 recovery, real median income for African-American households grew by 15.6 percent while the real median income of white households grew by 8.9 percent. Poverty rates declined by 19 percent and 8.5 percent, respectively. For the duration of the 1992 expansion, real median household income grew by 23.6 percent for African Americans and by 13 percent for whites, while poverty rates declined by 30.6 percent and 17 percent, respectively.

Although unemployment declined for both groups during each of the most recent expansions, the six-year decline for African Americans during the 1991-2001 expansion was nearly six times greater than the decline during the 2001-2007 expansion. For whites, the magnitude of the difference was thirteen times.

Between 2001 and 2007, whites saw a net gain in the rate of homeownership (1.2 percent) while African Americans experienced a net loss (-1.0 percent)

### *Canaries in the Coal Mine – African Americans and the Subprime Crisis*

When the home foreclosure crisis finally made it to the national headlines, the subprime housing crisis had long been front page news in the black community. We saw it coming and warned about it well before the issue started to trigger shockwaves in international credit markets and sending hedge fund analysts to the unemployment line.

We warned of the impending crisis two and a half years ago when I released our “Homebuyer’s Bill of Rights. At that time, policy makers and government officials were reluctant to support greater regulation to give the market a chance to correct itself. So nothing happened.

The subprime crisis was already looming, stripping wealth from our communities and victimizing our most vulnerable citizens. We’re not talking about deadbeats. We’re not talking about people trying to get something for nothing. These are people who did everything they were supposed to do. They worked hard, saved their money and bought homes, only to be victimized by unscrupulous lenders who pillaged their hard earned dollars. And we are still not out of the woods yet as we continue to grapple with the home foreclosure crisis and its disproportionate impact on African Americans.

According to Realty Trac, foreclosure activity remained near record level in August (2009). They reported that foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 358,471 U.S. properties during the month, a decrease of less than 1 percent from the previous month but still an increase of nearly 18 percent from August 2008. The report also shows one in every 357 U.S. housing units received a foreclosure filing in August. <sup>3</sup>

While data is not readily available nationwide, a recent *New York Times* article documents the racial impact of the foreclosure crisis in the state of New York. <sup>4</sup> The article informs that predominantly minority areas are bearing the brunt of the foreclosure pain in New York. That defaults are occurring in mostly minority census tracts at three times the rate of mostly white tracts; and 85 percent of the hardest-hit neighborhoods are inhabited primarily by black and Latino homeowners. In particular, the African-American middle class is struggling under the weight of foreclosures – a reversal from the past several years, when homeownership among the race was on the rise. <sup>5</sup>

Our analysis of 2007 Home Mortgage Disclosure Act (HMDA) data found that although high-priced (often referred to as subprime) lending

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<sup>3</sup> “Foreclosure Activity Remains Near Record Level in August,” by RealtyTrac Staff, September 10, 2009.

<sup>4</sup> “Minorities Affected Most As New York Foreclosures Rise,” by Michael Powell and Janet Roberts, *The New York Times*, May 16, 2009.

<sup>5</sup> Ibid.

has decreased across the board (from 28.7% of all loans in 2006 to 18.3% in 2007), racial and ethnic disparities persisted in 2007. Indeed, just over 34% of conventional home purchase loans to blacks were high priced in 2007 compared with only 10.6% for whites. <sup>6</sup>

*Adding Insult to Injury – African Americans Experience with Unemployment Runs Deeper and Longer than Whites*

The economic downturn with its tremendous job loss has exacerbated the already dire economic status of African Americans. The latest unemployment figures for blacks is simply staggering. In August (2009) the unemployment rate rose to 9.7%, with the black unemployment rate at a whopping 15.1%; adult black men saw their unemployment rate increase significantly from 15.8% to 17%, and adult black women saw an increase from 11.7% to 11.9%. <sup>7</sup>

To dramatize the depth of the disparity between blacks and whites with regards to unemployment, it must be noted that the current unemployment rate for white Americans of 8.9% (August 2009) which is deemed extremely serious, *is the same as the black unemployment rate at the beginning of this recession (8.9% in December 2007)!*

### **National Urban League Recommendations**

The current crisis should come as no surprise. The present regulatory system has failed to effectively manage risk, require sufficient transparency, and ensure fair dealings. Financial markets are inherently volatile and prone to extremes. The government has a critical role to play in helping to manage both public and private risk. Without clear and effective rules in place, productive financial activity can degenerate into unproductive gambling, while sophisticated financial transactions, as well as more ordinary consumer credit transactions, can give way to swindles and fraud.

A well-regulated financial system serves a key public purpose: if it has the power and if its leaders have the will to use that power, it channels savings and investment into productive economic activity and helps prevent financial contagion. Like the management of any complex hazard, financial regulation should not rely on a single magic bullet, but

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<sup>6</sup> “2007 Home Mortgage Disclosure Act Data,” by National Urban League Policy Institute, National Urban League, October 17, 2008.

<sup>7</sup> “August 2009 Monthly Employment Report,” National Urban League Policy Institute, September 4, 2009.

instead should employ an array of related measures for managing various elements of risk.

Moreover, just as markets and financial products evolve, so too must efforts to provide understanding through genuine transparency. It is in this vein that the National Urban League supports the Administration's recommendation for the formation of "a single federal regulator for consumer credit products." We believe such an action would isolate the activity of creating and enforcing consumer protection standards from oversight of safety and soundness in financial institutions. The regulation of any federal financial firm requires the balancing of multiple policy choices and should be done by one institution. Experience has shown us with the GSE model that having two stated goals, one for safety and soundness and one for social policy, inherently will lead to conflict.

Since the new consumer product regulator would be able to affect all financial institutions, eventually those rules will conflict with a bank's profitability, capital levels, and ultimately, solvency. Under this proposal, an independent agency would have power to impose regulations that could well undermine the health of banks, but would not be responsible for the safety and soundness of those banks. This balance is of particular significance within institutions that have been provided with explicit taxpayer funded guarantees, such as FDIC insurance. By placing both responsibilities with the same regulator, greater assurance is provided that taxpayer interests will not be placed in jeopardy by regulations that unnecessarily weaken capital or competitive position.

In addition, we recommend several other critical steps to ensure that the next recovery does not leave African Americans behind:

1. Enact of the "Community Reinvestment Modernization Act of 2009" (H.R.1479), which, combined with financial regulatory reform, will strengthen our economy and local urban communities will enhance and expand the CRA and the end strengthen our economy and local urban communities;

2. Increase funding for proven and successful models of workforce training and job placement for under-skilled workers between the ages of 16 and 30 by utilizing national intermediaries and non-profit organizations;

3. Direct a percentage of all infrastructure monies to job training, job placement and job preparation for disadvantaged workers;

4. Strengthen and enforce federal minority business opportunity goals in government contracting;

5. Fund infrastructure development for public building construction and renovations of schools, community centers, libraries, recreation centers, parks, etc., that will rebuild and revitalize urban communities;

6. Re-establish a temporary Public Service Employment (PSE) program aimed at creating 150,000 – 200,000 jobs in urban areas to forestall a reduction in public services and an increase in job losses.

7. Because an important component of any recovery effort is the protection of current and potential homebuyers. Therefore, we recommend that Congress pass a “Homebuyers’ Bill of Rights” that, among other things:

- a. Funds homeownership education and counseling, financial literacy workshops, credit counseling, fair housing advocacy and foreclosure prevention assistance that uses national minority housing intermediaries with a track record of providing effective counseling assistance in underserved minority urban communities;
- b. Creates a HUD Task Force to vigorously investigate and prosecute violations of fair-housing laws and authorize congressional oversight hearings to hold HUD accountable;
- c. Demystifies the credit reporting system;
- d. Reauthorizes and improves HOPE VI.

Thank you for this opportunity to share with you our views and recommendations. We at the National Urban League look forward to working with you to overcome this crisis and to ensure full economic opportunity for all Americans.