

**TESTIMONY OF A C WHARTON, JR.
MAYOR OF THE CITY OF MEMPHIS**

COMMITTEE ON THE JUDICIARY

JULY 19, 2010

FIELD BRIEFING ON HOME FORECLOSURES

MEMPHIS, TENNESSEE

By definition, predatory lending is discriminatory, and it is one of the critical civil rights issues of this era.

This is why the City of Memphis has filed a “Reverse Redlining” lawsuit against Wells Fargo because predatory lending has been systematically used by this company to target minority citizens and communities in our town.

The facts back us up. Wells Fargo’s foreclosure rate for loans in predominately African-American neighborhoods in Shelby County is nearly seven times as high as its foreclosure rate in predominately white neighborhoods. Wells Fargo’s foreclosed properties since at least 2000 have been concentrated in South Memphis, Binghamton, Hickory Hill, Orange Mound, and other neighborhoods with African-American populations exceeding 80%.

Keep in mind, this higher rate is not a product of chance events. This statement is validated by former Wells Fargo employees from Memphis who have confirmed the company's abusive behaviors targeted toward African-American communities.

The list of indictments includes Wells Fargo

- making mortgage loans without regard for whether borrowers qualified for the loans or could repay them;
- failing to inform borrowers that their mortgages had adjustable interest rates and that their monthly payments could increase;
- giving loan officers broad discretion and large financial incentives to steer customers who qualified for prime and FHA mortgages into much more costly subprime products with increased interest rates, points, and fees.

We recognize that as we speak on these issues we can not forget the devastating impact that a foreclosure has on individuals and families. In that same connection, however, impact and injury to the larger community is also real and not exaggerated.

With foreclosed properties, local government incurs any number of costs from efforts to repair or demolish the building or the associated costs from police and fire services when a vacant property morphs into a crime haven or a fire hazard.

More importantly, in a community like Memphis that depends heavily on the property tax as the mother's milk of local government, every foreclosed property is essentially another revenue stream being lost when we need it the most.

In the end, with the unfair practices Wells Fargo and certain other mortgage lenders have promoted, the American Dream has effectively not only been transformed into a temporary pipe dream, but a debilitating pipe bomb that detonates to produce direct harm and collateral damage including plummeting values for neighboring homes.

Every day the crisis grows more acute and the damage done by Wells Fargo gets worse. And every day – every single day – we are reminded that our misery was calculated to produce profit. Quite frankly, it's ironic that we've seen the need to codify protections for those who rent under the *"Uniform Landlord Tenant Act"* and the *"Protecting Tenants at Foreclosure Act"* while not extending the same types of assurances to those individuals and families who step out to pursue home ownership.

This is why all branches of government need to come together to address these issues, ensure that violations of the law are fully redressed, and work together to make sure that lending institutions like Wells Fargo pay their fair share for the damage they have caused.

In closing, I would remind you all that in 1968, in addition to the signing of the Fair Housing Act, one of the year's other major stories was the report from the Kerner Commission. The most poignant and memorized part of this historic report was the conclusion that America is *"moving toward two societies, one black, one white—separate and unequal."*

If mortgage lenders are allowed to unfairly undermine the fundamental dream of home ownership for African-American communities without a strong, concerted reaction to stop their practices and make them accountable, we will have collectively allowed these institutions to make our nation more separate, more unequal, more polarized, and a less perfect union.

Thank you for this time and this opportunity.