

## **BANKERS UNDER THE GUN Yet another flogging on the minority lending issue**

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### **Document Text**

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#### NEWS ANALYSIS

With each new study of minority lending patterns, the region's bankers become less able to deny that their institutions discriminate against minorities.

Bankers were not caught off guard yesterday by the newest and most finely honed study of racial lending patterns. For more than three years they have been annually flogged by their own data that now show they deny loans to minority applicants 1.6 times more often than they do white customers -- even when all other factors are equal.

Three years ago a Federal Reserve study that found Boston's lenders granted 24 percent fewer mortgages in minority neighborhoods was branded too broad and too vague by the bankers. Last year the bankers said another Fed report that reached similar conclusions was flawed because it didn't take into account the credit history and financial wherewithal of the minority applicants.

Yesterday's Fed report paints the bankers into a corner. It considers nearly all the variables that go into determining who gets credit and who doesn't and still concludes that race is a determining factor in the decision-making process at most banks.

It doesn't make sense, it is not good business and may even be illegal. Yet discrimination flourishes, according to the Fed.

Despite the conclusions, bankers yesterday privately said they didn't believe their institutions were racist. "I don't hear racist jokes, I don't see racist attitudes," said a veteran Boston banker. "We're under much closer scrutiny than other institutions and if there is blatant, naked racism, I would think we would see it and do something about it."

Others grouched among themselves that the volume of public pressure on banks to cure ills that affect all aspects of society is growing so loud they can no longer pay attention to real banking. Some fear that their banks are turning into social service institutions that have been blackmailed into throwing money at problems they cannot cure.

"It's getting so the only people I'm going to be able to lend money to are the ones who can't afford to pay it back," said a local banker.

Somewhere in between those attitudes lie solutions that will close the lending disparities between whites and blacks.

Unfortunately, for bankers who are used to dealing mostly in hard, cold numbers and statistics, the solutions may lie in "squishy stuff," said one banker. Things like sensitivity counseling, diversity

training and minority employment programs -- things that are easily overlooked and quickly eliminated if profits fall.

"Lending officers work awfully hard to make loans work," said a top officer at one of the city's leading banks. "It could be that some work just a little harder with applications from people they are more comfortable with and people they can easily understand and communicate with. That person can go home at night and tell himself he hasn't discriminated against anyone when, in fact, he has. And he isn't even aware of it."

Almost lost in the flurry of numbers, charts and graphs published by the Fed yesterday was the conclusion that people with spotless credit histories get loans, regardless of color.

The problem, according to the Fed, lies in the 80 percent of loan applicants who have flaws in their credit records. Yesterday's Fed study seems to say that credit flaws in a white person's application are more frequently overlooked or dealt with than the same credit flaws in applications from black or Hispanic customers. It is unlikely that any law, or lawsuit, or reparation payment will change the way decisions are made.

"This doesn't require another law, another bill, or another study," said Rep. Joseph P. Kennedy 2d. "This is not just a banking problem. The same kind of situations exist in insurance companies and other big institutions."

## Illustration

PHOTO; CAPTION:GLOBE STAFF PHOTO/DAVID RYAN / The latest report on racial disparities in bank lending practices is explained by Alicia Munnell, research director at the Federal Reserve Bank of Boston, while Richard F. Syron, bank president, listens.

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## Abstract (Document Summary)

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