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August 4, 2011

Isolated, Vulnerable And Broke

By DOUGLAS S. MASSEY

Princeton, N.J.

ACCORDING to a new study by the Pew Research Center, Hispanic families saw the largest decline in wealth of any racial or ethnic group in the country during the latter half of the last decade: from 2005 to 2009, their median wealth fell by an astounding **66 percent**. The reason? The implosion of the housing market, where Hispanic families had invested much of their wealth.

But that's only the latest chapter in a much longer story. Over the past two decades Hispanics have moved from the middle of the socioeconomic hierarchy, between blacks and whites, to a position below both. On virtually every indicator of socioeconomic welfare, Hispanics fell relative to blacks.

This has nothing to do with nativist tropes like work ethic or resistance to assimilation and everything to do with misguided government policy: our immigration and border-control system has created a class of people cut off from traditional legal and economic structures and thus vulnerable to the worst deprivations of the market system.

During the housing bubble, those deprivations came in the form of predatory lenders, driven by the boom in mortgage-backed securities. Before that, minorities had generally been shunned by lenders, which tended to be risk averse and discriminatory.

In the new system, the amount lent was no longer constrained by deposits, merely by the willingness of investors to buy mortgage-backed securities. The more mortgages that could be originated, the more bonds could be created and sold, and the more profits could be made; best of all, investors bore the risks.

Mortgage brokers quickly saturated underserved black and Hispanic neighborhoods with seductive lending packages. But the system of ever expanding lending depended on a steadily rising housing market, and when the bubble burst everything came crashing down. Because minorities had been singled out for subprime lending, delinquent loans and foreclosures were disproportionately concentrated in **black and Hispanic neighborhoods** after the collapse.

Yet subprime lending affected both blacks and Hispanics and, if anything, predatory lenders went after the former more than the latter. So why did Hispanics suffer more?

The answer is simple: over time more and more Hispanics had become economically vulnerable and eminently exploitable, a fact attributable in large part to American immigration policy.

In the early 1990s the United States began militarizing its border with Mexico in an effort to halt unauthorized migration. This disrupted a significant but largely circular flow of illegal migrants: according to estimates from the Mexican Migration Project, between 1965 and 1985, for every 100 undocumented entries there were 85 undocumented departures, yielding only a small net increase in the undocumented population each year.

Because of the irresistible draw of the American economy, militarization of the border didn't really affect undocumented in-migration, but it did reduce out-migration — migrants knew that once they left it would be hard to get back in. Whereas there were an estimated 3 million undocumented migrants in 1990, the number rose thereafter to peak around 12 million in 2007 and 2008, at which point half of all Salvadoran immigrants, 60 percent of all Mexican immigrants and two-thirds of Guatemalan and Honduran immigrants were here illegally.

Thus the sudden creation of a new class of people, working low-wage jobs outside the legal labor markets. Not only was it difficult for them to safely accumulate wealth, but they were left uniquely vulnerable to economic exploitation — such as the promise of a mortgage with little documentation required at signing.

When the Great Recession arrived, many Hispanics got hit with a double whammy: not only were many Hispanic homeowners left with negative equity, but the collapse of construction jobs, which had been a primary draw for immigrants beforehand, eliminated the very means by which they could continue making mortgage payments.

And because many were working and living in legal gray areas, they had little recourse when they learned their mortgages came with ballooning fee structures and onerous penalties for late payments. What little wealth they had managed to accumulate simply vanished.

Even worse, there is little chance that things will improve when the economy finally begins to expand. Until the country fundamentally changes its immigration policy to remove millions from the legal shadows, the entire economy will continue to suffer as its most vulnerable participants watch their fortunes disappear at the slightest downturn.

Douglas S. Massey is a professor of sociology and public affairs at Princeton and the author of “Categorically Unequal: The American Stratification System.”



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