payment went down. If the interest rate went up, your payment stayed the same.''

What's more, Clay's loan included thousands of dollars in added charges and carried a $2,500 prepayment penalty, which tied him to the debt for at least three years.

Steve Carlson, a spokesman for Wells Fargo Financial, a division of Wells Fargo & Co., said that while he could not comment specifically on Clay's case, the company does not make home loans ''unless we believe the customer has the ability to repay the loan.'' Carlson said the bank works with customers to avoid foreclosure and find options ''based on the customer's financial ability to repay the debt.''

Adjustable-rate loans aren't new, but they had been used primarily by borrowers with good credit who didn't intend to hold on to a house long, because they planned to sell it or move.

In recent years, a new breed of lenders and brokers saw a way to use the subprime market to keep home sales revved up.

Lenders targeted urban neighborhoods where new borrowers were itching for the chance to buy. Because those neighborhoods usually had lower average credit scores, often reflecting riskier credit, lenders felt justified to charge more. And they did.

Nearly 28 percent of the home-purchase loans made in Jackson County from 2004 to 2006 were subprime, federal mortgage records show. That compares with less than 10 percent in more affluent Johnson County.

Teaser rates made the loans appear affordable. ''These loans wouldn't have been made without the teaser rate,'' Edmiston said.

From 2003 to 2004, adjustable-rate mortgages nearly doubled—growing to more than 50 percent of all originations in Kansas City, according to Federal Reserve data.

Loan offers became increasingly creative, offering no money down or interest-only payments that began low, but skyrocketed nearly 200 percent in a few years. TV ads induced consumers to borrow against 125 percent of the value of their home—a recipe for disaster for most cash-strapped borrowers.

Subprime sales even took off in middle-income tracts, according to a study of Kansas City's 5th Congressional District by Compliance Technologies, a Washington firm that provides lending intelligence services to financial institutions.

Critics say that raises questions about whether some borrowers were steered to subprime loans when they might have qualified for cheaper conventional loans.

While most mainstream banks in Kansas City resisted the subprime stampede, newer lenders rushed in. More than 98 percent of the loans that H&R Block's Option One Mortgage Corp. made in Kansas City from 2004 to 2006 were subprime, federal loan figures show. More than 97 percent of NovaStar Mortgage's loans were subprime in that time.

In contrast, only a small percentage of loans sold by established local banks were subprime. None of the nearly 1,000 metro loans that Kansas City mortgage banker James B. Nutter & Co. made was subprime.

Ironically, Clay bought his Ruskin Heights home in 2000 with a conventional 30-year loan from Nutter & Co. It was for $76,000 with a fixed 6.5 percent interest rate.

Company president James Nutter Jr. questioned why Clay was directed into a costlier subprime loan when he refinanced his house in 2004. Nutter said that Clay—even with more debt—probably would have qualified for a cheaper conventional loan from his company or another local lender.

''Especially with him being a veteran,'' Nutter said, noting that some brokers appeared to steer lower-income borrowers into subprime loans ''to make more money.''

WALL STREET CONNECTION

Soaring subprime profits quickly attracted Wall Street investors.

As fast as brokers sold more teaser-rate loans, they quickly bundled them into packages and sold them like securities to investors, who pumped even more money into the subprime market.

The Compliance Technologies study showed that more than half of the subprime loans made in Kansas City's 5th District were securitized and sold off to investors.

''Originators were making loans based on quantity rather than quality,'' said Kurt Eggert, a law professor at Chapman University in Orange, Calif., who served on the Federal Reserve's consumer advisory counsel. ''They made loans even when they didn't make sense from an underwriting standpoint.''

Mark Duda, a research affiliate at Harvard University's Joint Center for Housing Studies, said that because brokers were so intent to quickly sell off loans to investors, they had little incentive to make sure the loans were suitable for borrowers.

''They were setting people up to fail,'' Duda said.

By sheer numbers, more whites got subprime loans—but as a percentage, blacks were more likely to be steered into subprime loans and usually paid more for them.

An analysis by The Kansas City Starof home-purchase loans from 2004 to 2006 in the metro area showed that blacks were placed in subprime loans nearly 50 percent of the time and Hispanics about 32 percent of the time. Whites, however, got subprime loans only 16 percent of the time.

These findings are supported by Compliance Technologies' analysis. Examining a larger pool of both home-purchase and refinance loans in the 5th District, the firm found that last year blacks were placed in subprime home-purchase or refinance loans nearly 66 percent of the time.

That compared with 41 percent for Hispanics and 29 percent for whites.

Blacks also were consistently charged an interest rate that was at least a half a percentage point higher, said Maurice Jourdain-Earl, the managing director of Compliance Technologies—meaning, ''all things being equal, their monthly mortgage payments are going to be higher.''

U.S. Rep. Emanuel Cleaver, a Democrat who represents the 5th District, contends that brokers knew some minorities were less sophisticated about buying homes.

''This was designed to ensnare Latinos and African-Americans,'' said Cleaver, a member of the House Financial Services Committee. ''These brokers get their money on the front end. So they don't care. They're gone.''

SUBPRIME IMPLOSION

As adjustable interest rates climbed, many subprime borrowers could not make their payments. In some cases, homeowners and real-estate investors also had tapped all the equity from their homes. As prices fell, they owed more than their homes were worth.

When the new homeowners couldn't sell or refinance their homes, they often walked away from them. As the inventory of unsold houses grew, prices plummeted even more.

In 2004 and 2005, homes nationally were appreciating, on average, more than 12 percent a year, according to Federal Reserve data. By 2007, they were losing about 1.5 percent in value each year. Kansas City homes went from appreciating an average of 4.5 percent a year to dipping nearly 1 percent in value.

Wall Street investors now are left holding worthless real-estate securities. Subprime lenders are stuck with billions of dollars in bad loans, which they have had to write off. Many are going broke.

''It's like any Ponzi scheme,'' said Duffy of Legal Aid. ''Artificially high values drive more investments, that drive more artificially high values, that drive more investments, until the values get unrealistically high and the whole scheme collapses. That's what you see now.''

Ruben Flores, a Johnson County real-estate investor, worked as a loan officer in NovaStar's loss-mitigation office in May when things started collapsing.

''It was like triage,'' he recalled.

Flores said that loan officers—each handling portfolios of 200 or more borrowers—worked 70 to 80 hours a week trying to salvage as many souring loans as possible.

But the losses have left once-high-flying NovaStar struggling to stay out of bankruptcy. Option One has shuttered its business and plans to write off $125 million in bad loans. Wells Fargo and other big national banks have cut back or stopped making new subprime loans.

Meanwhile, Congress is grappling with ways to help homeowners clean up the mess and make sure it doesn't happen again—including tougher regulations and penalties.

The good news is that tighter underwriting standards are being restored. The bad news is that foreclosures probably will continue to haunt neighborhoods such as Clay's for at least another year.

Foreclosures, however, ripple throughout communities, lowering home values, decreasing tax revenues, and inviting blight and crime. So even if you didn't have a subprime loan, you probably will feel their pain in 2008.

''Subprime problems have become everyone's problem,'' said Martin Eakes, the chief executive officer of the Center for Responsible Lending.

A look at where subprime loans and foreclosures are most prevalent in the KC metro area.

WHAT'S A SUBPRIME LOAN?

Subprime loans are generally defined as those given to borrowers with weak or damaged credit. Lenders charge higher interest rates because the loans are seen as riskier.

METHODOLOGY FOR THE DATA ANALYSIS/MAPS

The home-loan data used for this analysis comes from the Home Mortgage Disclosure Act database, which is compiled by the Federal Financial Institutions Examination Council. The data include millions of records from all home-loan applications, but for the purposes of this study, much of the information was not considered. The only records that were analyzed were for loans in Kansas or Missouri that were used to purchase a one- to four-family home, which means homes that were not apartment buildings. Refinancing loans, home-improvement loans and loans not secured by a first lien were not considered. Only records from 2004 through 2006 were analyzed because prior to 2004 the Federal Financial Institution Examination Council did not have an indicator for subprime loans. A subprime loan is any loan with an interest rate 3 or more percentage points higher than the Federal Treasury yield on securities, according to the Federal Financial Institutions Examination Council. The home-mortgage data were joined to the map based on census tract numbers and state and county identifiers. The maps accompanying this story were assembled using census tract shape files obtained from the Missouri Spatial Data Information Service and the Kansas Geospatial Community Commons.

Mr. BOND. Mr. President, I yield the floor and suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.