NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

June 12, 2006

Chairman Spencer Bachus and Ranking Minority Member Bernard Sanders
Financial Institutions and Consumer Credit Subcommittee
House Committee on Financial Services
2128 Rayburn House Office Building
Washington DC 20515

Dear Chairman Bachus and Ranking Minority Member Sanders:

The National Community Reinvestment Coalition (NCRC), the nation's economic justice trade association of 600 community organizations, appreciate that you are holding the hearing, "Home Mortgage Disclosure Act: Newly Collected Data and What It Means." Your leadership will help policymakers and the general public understand how the new HMDA data are key to building wealth through increases in homeownership.

NCRC would like to submit for the hearing record the following three studies we conducted and that are relevant for your hearing:

1) *Homeownership and Wealth Impeded – Continuing Disparities for Minorities and Emerging Obstacles for Middle-Income and Female Borrowers of all Races*

2) *The 2005 Fair Lending Disparities: Stubborn and Persistent II*

3) *The Broken Credit System: Discrimination and Unequal Access to Affordable Loans by Race and Age*

As demonstrated in NCRC's reports, the new HMDA pricing data enhances the abilities of regulatory agencies, community organizations, and lenders in determining whether significant pricing disparities by race and gender reflect possible discriminatory lending patterns. NCRC's *Homeownership and Wealth Impeded* report uses the 2004 HMDA data to examine in detail pricing disparities by race and gender when controlling for income levels.

The report uncovers troubling evidence that racial disparities increase when income levels increase. For example, subprime loans made up a high 41.9 percent of all refinance loans to low- and moderate-income (LMI) African-Americans. In contrast, subprime loans were 19.2 percent of refinance loans to LMI whites in 2004. LMI African-Americans were 2.2 times more likely than LMI whites to receive subprime loans. Even for middle- and upper-income (MUI) African-Americans, subprime loans made up a large percentage (30.2 percent) of all refinance loans. Moreover, the subprime share of loans to MUI African-Americans was 2.7 times larger than the subprime share of loans to MUI whites. The same pattern of disparities increasing with income occurred when the report examined lending to females compared to males or in immigrant neighborhoods compared to predominantly white neighborhoods.

NCRC's report, the *2005 Fair Lending Disparities: Stubborn and Persistent II* is one of the first reports conducted with the new 2005 HMDA data. The study uses data collected from 17 large lenders. The study finds a large surge in high-cost lending from about 12.2 percent of all loans in 2004 to 28.2 percent of all loans in 2005. Much has already been written about the flattening yield curve accounting for a substantial portion of the increase in high-cost lending in 2005. Economists themselves differ regarding whether the 2005 data capture a larger portion than the 2004 data of subprime lending or the more expensive segment of prime loans. The general public will receive more information about the reasons for the surge in high-cost lending when the Federal Reserve conducts and releases its own analysis in September of 2006.

What is clear from the NCRC study is that even middle-income borrowers are now receiving a substantial portion of high-cost loans; 40 percent of the loans made to middle-income borrowers were high-cost loans in NCRC's 2005 sample. In addition, disparities by race and gender remain stubborn and persistent. The facts that lending disparities remain significant by race and gender and impact a significant segment of middle-income Americans suggest that fairness in the lending marketplace is now a pressing issue for a broad segment of Americans.

Finally, NCRC's the *Broken Credit System* report found that after controlling for creditworthiness, high-cost lending still increased in minority neighborhoods and in neighborhoods with considerable numbers of elderly residents. Federal Reserve economists have come to similar conclusions as well. The Center for Responsible Lending just recently used the 2004 HMDA data with pricing information to also reach the same troubling conclusions that racial disparities remain after controlling for creditworthiness.

All stakeholders acknowledge that the new HMDA data does not contain all the elements needed to prove or disprove the existence of discrimination. But the new HMDA data reveals substantial disparities that do not go away when the HMDA data is combined with creditworthiness data. These findings suggest the need to further enhance HMDA data with additional data such as creditworthiness as well as loan-to-value and debt-to-income ratios. While the new HMDA data is very useful as an indicator of potential discrimination, it would be most useful in achieving its statutory purpose of identifying possible discrimination if it had more data elements. NCRC hopes that all stakeholders work together in figuring out how the HMDA data can be further enhanced and made more powerful.

In the meantime, NCRC uses HMDA data not only to identify possible discriminatory patterns but to achieve the other statutory purposes of HMDA. These purposes include determining whether financial institutions are serving the housing needs of their communities and in assisting public officials in distributing public-sector investments so as to attract private investment to geographical areas where it is needed.

NCRC has recently conducted studies sponsored by the City of Philadelphia and Cincinnati to assist those municipalities in assessing the extent to which credit needs are being met. The studies identified areas of significant progress such as healthy increases in prime home purchase lending to minorities and low- and moderate-income borrowers in Philadelphia. In addition, the studies suggested that stakeholders needed to address some significant credit needs such as increasing low levels of home improvement lending in Cincinnati, a city with an aging housing stock. In Philadelphia, private sector lending has not yet caught up with public sector investment in neighborhoods targeted by Empowerment Zones and other revitalization initiatives.

In sum, NCRC believes that data drives the movement for economic justice and makes capitalism work in all communities. Without HMDA data, stakeholders could not assess the extent to which credit needs are being met and whether discrimination, market failure, and/or other barriers were impeding the flow of credit to traditionally underserved populations.

We hope that the subcommittee has a productive hearing investigating the value of HMDA and how the data can be enhanced. We also hope the hearing asks probing questions about the status of fair lending enforcement. How can it be possible that the Federal Reserve referred 200 lenders making about half the loans in the industry to their primary regulators for additional investigations but that not one fair lending enforcement case has been concluded almost one year later?

Thank you for this opportunity to submit NCRC's reports to the hearing record. Please feel free to contact me or Josh Silver, Vice President of Research and Policy, for more information.

Sincerely,

John Taylor
President and CEO

CC: NCRC Board of Directors and Membership

Homeownership and Wealth Building Impeded

Continuing Lending Disparities for Minorities and Emerging Obstacles for Middle-Income and Female Borrowers of All Races

April 2006

National Community Reinvestment Coalition

The Opportunity Agenda

PRRAC

Poverty & Race Research Action Council

Acknowledgements

The National Community Reinvestment Coalition

The National Community Reinvestment Coalition (NCRC) is the nation's trade association for economic justice whose members consist of local community based organizations. Since its inception in 1990, NCRC has spearheaded the economic justice movement. NCRC's mission is to build wealth in traditionally underserved communities and bring low- and moderate-income populations across the country into the financial mainstream. NCRC members have constituents in every state in America, in both rural and urban areas. The Board of Directors would like to express their appreciation to the NCRC professional staff who contributed to this publication including John Taylor, David Berenbaum, Joshua Silver, Noelle Melton, Tim Westrich, and Anna Gullickson. NCRC conducted the data analysis and was the lead author for this report.

NCRC: www.ncrc.org, (202) 628-8866

The Opportunity Agenda

The Opportunity Agenda is a communications, research, and advocacy organization dedicated to building the national will to expand opportunity in America. This report stems from research conducted for The Opportunity Agenda and PRRAC as part of the Opportunity Agenda's inaugural report, *The State of Opportunity in America* (2006).

The Opportunity Agenda: www.opportunityagenda.org, (212) 334-5977

Poverty & Race Research Action Council (PRRAC)

The Poverty & Race Research Action Council (PRRAC) is a civil rights research and policy organization based in Washington, D.C. PRRAC's primary mission is to help connect advocates with social scientists working on race and poverty issues, and to promote a research-based advocacy strategy on race and poverty issues.

PRRAC: www.prrac.org, (202) 906-8023

We also wish to thank Professor Gregory D. Squires, Chairman of the Sociology Department at George Washington University for his edits and comments. Professor Squires is a member of PRRAC's Social Science Advisory Board.

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Executive Summary

Using the home loan data available for the year 2004, this study reveals persistent fair lending disparities for minorities and emerging obstacles for middle-income and female borrowers of all racial groups. Fair access to affordable loans has not been achieved for minorities. Instead, minorities continue to receive a disproportionate number of high cost home loans. In addition, the study reveals that middle-income and female borrowers of all racial groups have difficulties securing affordable home loans and receive a surprisingly high number of high cost loans. The unequal access to affordable loans also confronts middle-income borrowers who reside in minority neighborhoods or communities with large numbers of immigrants.

The abilities of a broad segment of the American population to build wealth through homeownership are impeded by the prevalence of high cost lending that drains homeowner equity. Indeed, building wealth through homeownership has been the American Dream and the path to opportunity for Americans for generations. Stakeholders need to come together to make sure that wealth-building opportunities are preserved by increasing equal access and fairness in the lending marketplace.

This study breaks new ground in a number of areas. While previous studies focus on lending trends by race, this study explores the intersections among race, gender, and income. That is, controlling for gender and income, the study reveals that minorities were still more likely to receive high cost loans than whites. Conversely, controlling for income and race, the study shows that females were still more likely than whites to obtain high cost loans than males. Finally, the study probes new areas by assessing lending patterns in minority and immigrant neighborhoods. No previous study to our knowledge has specifically examined lending in immigrant neighborhoods. In minority and immigrant neighborhoods, lending disparities increased as borrower income levels increase.

The analysis explores trends in prime and subprime lending. Prime loans are loans offered at competitive interest rates while subprime loans are high cost loans offered at higher interest rates. Higher interest rates can compensate subprime lenders for making loans to borrowers with credit imperfections. Responsible subprime lenders play an important role in making loans available to credit impaired borrowers who may not otherwise receive loans.

Public policy concerns arise, however, if particular demographic groups of borrowers receive a large number of subprime loans. In these instances, it is possible that a significant part of the demographic group has good enough credit for prime loans. If the marketplace can be made more competitive, all of the creditworthy borrowers of the particular demographic group would receive prime loans. This would improve the wealth building prospects of the demographic group since subprime loans are tens or hundreds of thousands of dollars more expensive than prime loans. Most Americans build wealth through homeownership, and affordable loans improve the abilities of borrowers to build home equity.

The 2004 Home Mortgage Disclosure Act (HMDA) data, released in the fall of 2005, improves the quality of data analysis by providing pricing information with more precision than data from earlier years. Pricing information that indicates whether a loan is prime or subprime is available on a per loan basis. In previous years, researchers relied on a list of subprime lending specialists generated by the Department of Housing and Urban Development (HUD). The list was widely used and respected, but its limitation was that it could only reveal lending patterns of subprime lenders, as a group. Until the 2004 HMDA data, no pricing information was available on a per loan basis. This per loan pricing information sharpens the quality and accuracy of data analysis.[1]

Using the 2004 data, this study found a disproportionate amount of subprime lending to minorities, women, low- and moderate-income borrowers, and borrowers in working class and minority neighborhoods. But even middle-income borrowers, particularly middle-income minorities and women, experienced disparities in lending.

The following data illustrate the familiar and new disparities in lending revealed by the analysis:

- African-Americans did not receive prime loans in proportion to their population but received a disproportionate amount of subprime loans. African-Americans were about 11.8 percent of the nation's households but received just 5.5 percent of the conventional prime home purchase loans and 20.1 percent of the subprime purchase loans issued during 2004 (see Appendix, Table 1A and Graph 1, page 8). Hispanics received a share of prime purchase loans (11.4 percent) slightly higher than their share of the nation's households (9.1 percent), but were issued 21.3 percent of the subprime home purchase loans. These differences could be explained, in part, but not completely by income differences among various racial groups.

- In fact, racial disparities in the share of borrowers receiving subprime loans were greater for upper-income borrowers than lower-income borrowers. Subprime loans made up a high 41.9 percent of all refinance loans to low- and moderate-income (LMI) African-Americans (see Table 2B). In contrast, subprime loans were 19.2 percent of refinance loans to LMI whites in 2004. LMI African-Americans were 2.2 times more likely than LMI whites to receive subprime loans. Even for middle- and upper-income (MUI) African-Americans, subprime loans made up a large percentage (30.2 percent) of all refinance loans. Moreover, the

[1] The Federal Financial Institutions Examination Council considers a first lien loan as high cost if the spread between the APR on the loan and Treasury securities of comparable maturities is 3 percentage points or higher. A second lien is considered as high cost if the spread between the APR on the loan and Treasury securities of comparable maturities is 5 percentage points or greater. The Federal Reserve Board states that the vast majority of subprime loans were captured by the price reported loans for 2004. For this report, loans with price reporting are considered subprime. Regarding HUD's lists of subprime specialists, HUD's web page (http://www.huduser.org/datasets/manu.html) has more information about the lists and has copies of the lists.

subprime share of loans to MUI African-Americans was 2.7 times larger than the subprime share of loans to MUI whites (see Graph 17, page 28).

- Females of all racial groups also received a disproportionate share of subprime loans relative to prime loans. Females constituted 29 percent of the nation's households but obtained just 24 percent of all prime home purchase loans and 32.1 percent of the subprime loans (see Table 1A and Graph 8, page 13). In contrast, males received a share of prime loans (31.9 percent) that was higher than their share of the nation's households (18.4 percent of households were headed by males only).

- Even middle-income borrowers of all racial groups obtained a disproportionate amount of subprime loans. Middle-income borrowers were 19.2 percent of the nation's households but obtained 30.8 percent of the subprime home purchase loans during 2004 (see Table 1A and Graph 5, page 11). In contrast, upper-income borrowers were 41.2 percent of the nation's households and received 30.9 percent of the subprime loans but 48.2 percent of the prime loans during 2004.

- Within races, the disparity in subprime shares of loans to females relative to males widened as income level increased. For example, subprime loans were 7.6 percent and 6.4 percent of the home purchase loans to LMI female and male Asians, respectively (see Table 3A). Consequently, LMI female Asians were 1.2 times more likely than LMI Asian males to receive subprime loans. In contrast, MUI female Asians were 1.5 times more likely than MUI male Asians to receive subprime loans (see Graph 18, page 30). Subprime loans constituted 7.2 percent of the loans to MUI female Asians but just 4.9 percent to MUI male Asians.

- Lending disparities also increased between immigrant and white neighborhoods as income level of borrowers increased. Subprime lending accounted for 13 percent of the home purchase loans to LMI borrowers in neighborhoods in which more than 50 percent of the residents are foreign born (immigrant neighborhoods) (see Table 4A). Subprime loans were a higher share of loans (15 percent) to LMI borrowers in white neighborhoods. In contrast, subprime loans made up 13.6 percent of the loans to MUI borrowers in immigrant neighborhoods but just 8.3 percent of the home purchase loans to MUI borrowers in white neighborhoods during 2004. Minority neighborhoods (more than 50 percent of the residents are racial or ethnic minorities) also experienced greater disparities in lending than white neighborhoods as income levels of borrowers increased (see Graph 16, page 27).

The analysis also considered trends in home improvement, government-insured, manufactured home lending, and second lien lending. Home improvement lending was a much smaller volume than home purchase and refinance lending, but subprime loans made up a higher portion of home improvement loans than home purchase or refinance loans. Government-insured lending included relatively little subprime lending and generally resulted in lower disparities by race and income. Manufactured home lending

was more focused to low- and moderate-income borrowers than minorities. Finally, second lien lending was oriented more towards whites and affluent borrowers than first lien lending.

Significant lending disparities confront America. Lending disparities by race are too familiar, and also stubborn and persistent. Lower income borrowers also receive higher portions of subprime loans than prime loans. Yet, this report sheds additional light on lending disparities by illustrating that many middle-income Americans (particularly middle-income women and minorities) are encountering less access to prime loans than would be expected. Addressing lending disparities is not just a concern for minority and lower income Americans. Women and middle-income Americans of all racial groups should also be engaged in this effort. Wealth building through affordable homeownership will only be fully realized if lending disparities are further reduced for a broad segment of Americans.

The next sections of the report include a brief literature review and introduction, a detailed report on the results of the data analysis, and recommendations.

Literature Review and Introduction

A substantial body of research documents significant disparities in loan pricing based on the race, age, and income levels of neighborhood residents. These disparities are due to a combination of discrimination, market failure, and a variety of other factors in minority and working class neighborhoods. Discrimination and market failure impedes wealth building and the creation of sustainable homeownership opportunities for residents of traditionally underserved neighborhoods.

Significant disparities in loan pricing reflect the growth of subprime lending. A subprime loan has an interest rate higher than prevailing and competitive rates in order to compensate for the added risk of lending to a borrower with impaired credit. NCRC defines a predatory loan as an unsuitable loan designed to exploit vulnerable and unsophisticated borrowers. Predatory loans are a subset of subprime loans. A predatory loan has one or more of the following features: 1) charges more in interest and fees than is required to cover the added risk of lending to borrowers with credit imperfections, 2) contains abusive terms and conditions that trap borrowers and lead to increased indebtedness, 3) does not take into account the borrower's ability to repay the loan, and 4) violates fair lending laws by targeting women, minorities and communities of color.

Lending discrimination in the form of steering high cost loans to underserved borrowers qualified for market rate loans results in equity stripping and has contributed to inequalities in wealth. According to the Federal Reserve Survey of Consumer Finances, the median value of financial assets was $38,500 for whites, but only $7,200 for minorities in 2001. Whites have more than five times the dollar amount of financial

assets than minorities. Likewise the median home value for whites was $130,000 and only $92,000 for minorities in 2001.[2]

Since subprime loans often cost $50,000 to $100,000 more than comparable prime loans, a neighborhood receiving a disproportionate number of subprime loans loses a significant amount of equity and wealth. Using a mortgage calculator from Bankrate.com, a $140,000 30-year mortgage with a prime rate of 6.25% costs about $862 a month, or about $310,320 over the life of the loan. In contrast, a 30-year subprime loan with an interest rate of 8.25% costs $1,052 a month or approximately $378,637 over the life of the loan. The difference in total costs between the 6.25% and 8.25% loan is $68,317. Finally, a 30-year subprime loan at 9.25% costs $1,152 per month and $414,630 over the life of the loan. The difference in total costs between a 6.25% and 9.25% loan is $104,310. For a family who is creditworthy for a prime loan but receives a subprime loan, the total loss in equity can be easily between $50,000 and $100,000. This amount represents resources that could have been used to send children to college or start a small business. Instead of building family wealth, the equity was transferred from the family to the lender.

Building upon this example, the equity drain from a neighborhood can be tremendous. Suppose 15 percent or 300 families in a predominantly minority census tract with 2,000 households receive subprime loans although they were creditworthy for prime loans (15 percent of families that are inappropriately steered into subprime loans is a realistic figure based on existing research). Further, assume that these families pay $50,000 more over the life of the loan than they should (the $50,000 figure is conservative based on the calculations immediately above). In total, the 300 families in the minority census tract have paid lenders $15 million more than they would have if they had received prime loans for which they could have qualified. The $15 million in purchasing power could have supported stores in the neighborhood, economic development in the neighborhood, or other wealth building endeavors for the families and neighborhood. For even one neighborhood, the magnitude of wealth loss due to pricing disparities and/or discrimination is stark. Across the country, the wealth loss is staggering and tragic.

In the *Broken Credit System* study released in early 2004, NCRC selected ten large metropolitan areas for the analysis: Atlanta, Baltimore, Cleveland, Detroit, Houston, Los Angeles, Milwaukee, New York, St. Louis, and Washington DC. NCRC obtained creditworthiness data on a one time basis from a large credit bureau. As expected, the number of subprime loans increased as the amount of neighborhood residents in higher credit risk categories increased. After controlling for risk and housing market conditions, however, the race and age composition of the neighborhood had an independent and strong effect, increasing the amount of high cost subprime lending. In particular:

- The level of refinance subprime lending increased as the portion of African-Americans in a neighborhood increased in nine of the ten metropolitan areas. In the case of home purchase subprime lending, the African-American composition

[2] Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, *Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances*, Federal Reserve Bulletin, January 2003.

of a neighborhood boosted lending in six metropolitan areas.

- The impact of the age of borrowers was strong in refinance lending. In seven metropolitan areas, the portion of subprime refinance lending increased solely when the number of residents over 65 increased in a neighborhood.

Another NCRC study, *Fair Lending Disparities by Race, Income and Gender in all Metropolitan Areas in America (spring 2005)*, reveals striking lending disparities across the great majority of the 331 metropolitan areas in the United States. Specifically, minorities, women, and low- and moderate-income borrowers received a disproportionate share of subprime loans relative to prime loans. Lending disparities were compared to the level of segregation controlling for housing affordability across metropolitan areas. As segregation increased, the portion of subprime loans to African-Americans, Hispanics, and minority tracts increased faster than prime lending to these tracts. A segment of subprime lenders is targeting segregated neighborhoods with high cost loans.

Racially segregated neighborhoods remain entrenched across the nation, presenting opportunities for unscrupulous lenders to focus high cost lending on traditionally underserved populations. Segregation, particularly between African-Americans and whites, persists at unacceptable levels while Hispanic/white segregation has jumped in recent years.[3] Although African-Americans account for about 12 percent of the nation's total population and Hispanics for about 13 percent, the typical white resident of metropolitan areas lives in a neighborhood that is 80 percent white, 7 percent African-American, 8 percent Hispanic, and 4 percent Asian. A typical African-American person resides in a neighborhood that is 33 percent white, 51 percent African-American, 11 percent Hispanic, and 3 percent Asian. And a typical Hispanic resident lives in a community that is 36 percent white, 11 percent African-American, 45 percent Hispanic, and 6 percent Asian.

NCRC's findings were consistent with a wide variety of research on subprime lending. A survey study conducted by Freddie Mac analysts found that two-thirds of subprime borrowers were not satisfied with their loans, while three-quarters of prime borrowers believed they received fair rates and terms.[4] In previous years, Freddie Mac and Fannie Mae have often been quoted as stating that between a third to a half of borrowers who qualify for low cost loans receive subprime loans.[5] In the fall of 2005, the Federal

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[3] John Iceland, Daniel H., Weinberg, and Erika Steinmetz. 2002a. Racial and Ethnic Residential Segregation in the United States: 1980-2000. U.S. Census Bureau, Series CENSR-3. Washington, D.C.: U. S. Government Printing Office. Iceland, Weinberg, and Steinmetz, "Racial and Ethnic residential Segregation in the United States: 1980-2000." Paper presented at the annual meetings of the Population Association of America, Atlanta (May 9-11, 2002). Lewis Mumford Center. 2001. "Ethnic Diversity Grows, Neighborhood Integration Lags Behind." Available at http://mumford1.dyndns.org/cen2000/WholePop/WPreport/page1.html

[4] Freddie Mac analysts Marsha J. Courchane, Brian J. Surette, Peter M. Zorn, *Subprime Borrowers: Mortgage Transitions and Outcomes*, September 2002, prepared for Credit Research Center, Subprime Lending Symposium in McLean, VA.

[5] "Fannie Mae Vows More Minority Lending," in the Washington Post, March 16, 2000, page E01. Freddie Mac web page, http://www.freddiemac.com/corporate/reports/moseley/chap5.htm.

Reserve released an analysis of the 2004 data revealing racial disparities even after controlling for income levels, loan types, and geographical areas.[6] Dan Immergluck was one of the first researchers to document the "hypersegmentation" of lending by race of neighborhood.[7]

The Department of Housing and Urban Development also found that after controlling for housing stock characteristics and the income level of the census tract, subprime lending increased as the minority level of the tract increased.[8] Even the Research Institute for Housing America, an offshoot of the Mortgage Bankers Association, found that minorities were more likely to receive loans from subprime institutions, even after controlling for the creditworthiness of the borrowers.[9]

Paul Calem of the Federal Reserve, and Kevin Gillen and Susan Wachter of the Wharton School also used credit scoring data to conduct econometric analysis scrutinizing the influence of credit scores, demographic characteristics, and economic conditions on the level of subprime lending. Their study found that after controlling for creditworthiness and housing market conditions, the level of subprime refinance and home purchase loans increased in a statistically significant fashion as the portion of African-Americans increased on a census tract level in Philadelphia and Chicago.[10]

Conventional Home Purchase Lending – Comparing Shares of Loans and Households

The following pages provide detailed analyses of current lending disparities. Access to and price of loans by race, income, gender, and immigration status are examined for home purchase, refinance, and home improvement lending, covering conventional and government-insured loans. The analysis also scrutinizes manufactured housing and second lien lending.

Race and Ethnicity of Borrower and Households

Across the country, lenders issued 3.3 million prime conventional home purchase loans and 433,902 subprime conventional home purchase loans in 2004 (see Table 1A). Conventional loans refer to loans that are not guaranteed by the federal government. If a

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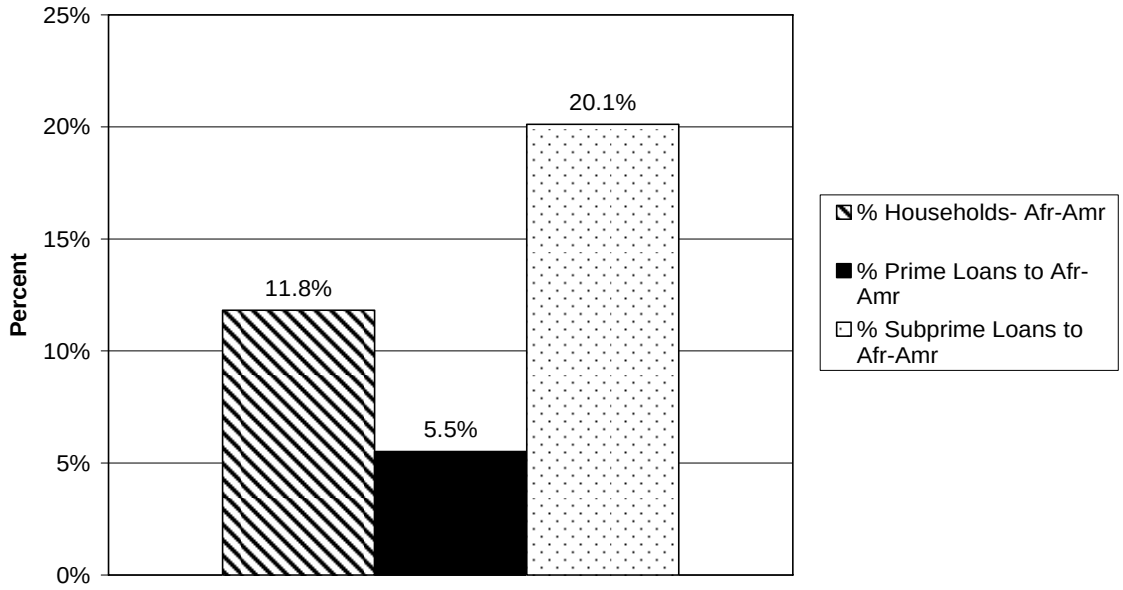
[6] Avery, Robert B., Glenn B. Canner, and Robert E. Cook, "New Information Reported under HMDA and Its Application in Fair Lending Enforcement." *Federal Reserve Bulletin*, Summer 2005.
[7] Dan Immergluck, *Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development*, the Woodstock Institute, November 1999.
[8] Randall M. Scheessele, *Black and White Disparities in Subprime Mortgage Refinance Lending*, April 2002, published by the Office of Policy Development and Research, the U.S. Department of Housing and Urban Development.
[9] Anthony Pennington-Cross, Anthony Yezer, and Joseph Nichols, *Credit Risk and Mortgage Lending: Who Uses Subprime and Why*? Working Paper No. 00-03, published by the Research Institute for Housing America, September 2000.
[10] Paul S. Calem, Kevin Gillen, and Susan Wachter, *The Neighborhood Distribution of Subprime Mortgage Lending*, October 30, 2002. Available via pcalem@frb.gov. Also Paul S. Calem, Jonathan E. Hershaff, and Susan M. Wachter, *Neighborhood Patterns of Subprime Lending: Evidence from Disparate Cities*, in Fannie Mae Foundation's Housing Policy Debate, Volume 15, Issue 3, 2004 pp. 603-622

borrower is delinquent or defaults, the lender assumes any loses, not the federal government. Achieving homeownership via home mortgage loans is one of the primary means by which Americans obtain wealth. It is therefore vital to scrutinize trends in home purchase lending by race, gender, income, and immigration status to determine if minorities, working class borrowers and women have fair access to lower cost prime loans.

Minorities received a share of subprime loans that were greater than their share of the nation's households but received a share of prime loans that were smaller than their share of households. Minority neighborhoods also received a disproportionate amount of subprime loans.

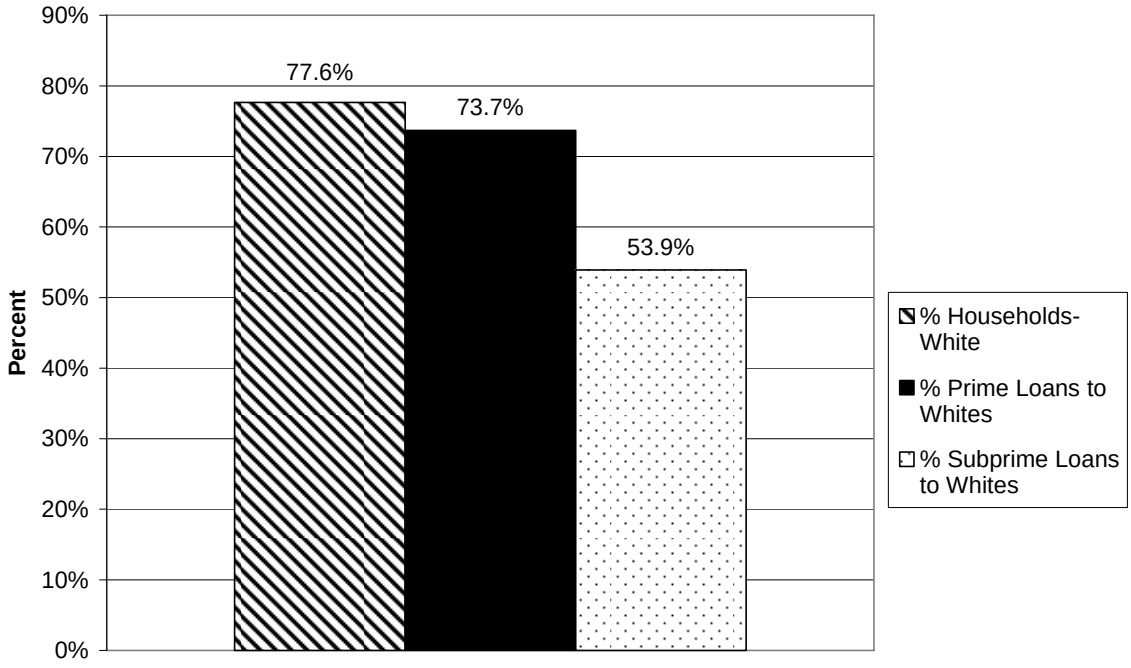
Graph 1: African-American Share of Home Purchase Loans and Households



African-Americans received a percent of subprime conventional home purchase loans that was considerably higher than their percent of the nation's households. In 2004, African-Americans received 20.1 percent of the subprime home purchase loans, but just 5.5 percent of the prime home purchase loans. African-Americans constituted 11.8 percent of the nation's households. For a variety of financial and other underwriting considerations, closing the gap between the percent of households and the percent of loans for traditionally underserved borrowers cannot be done immediately or even over a number of years. Nevertheless, we believe that a considerable portion of the gap can be closed if lenders, community organizations, and government officials work together in a collaborative manner to overcome impediments in access to credit.[11]

[11] The disparities discussed in this report reflect a number of factors including income, wealth, credit rating, and many others. Discrimination, of course, remains a significant factor. Several studies discussed above have found that even controlling on credit-related factors, disparities persist. The disparities between the share of households and shares of various types of loans do not necessarily reveal levels of discrimination

Graph 2: White Share of Home Purchase Loans and Households



Whites, in contrast, received a share of subprime home purchase loans that was considerable lower than their share of the nation's households. Whites received 53.9 percent of the subprime home purchase loans but were 77.6 percent of the nation's households. Whites did not quite receive prime loans in proportion to their share of households, but were much closer than African-Americans to receiving loans in proportion to their portion of households. Whites obtained 73.7 percent of the prime home purchase loans and were 77.6 percent of the nation's households.

Hispanics, like African-Americans, received a portion of subprime loans that was greater than their portion of the nation's households. Hispanics were about 9.1 percent of the nation's households but received 21.3 percent of the subprime home purchase loans. On the positive side, they received a portion of prime loans (11.4 percent of loans) that was higher than their portion of the nation's households. Native-Americans received a portion of subprime home purchase loans (1.4 percent) that was higher than their share of the nation's households (.8 percent) and received a share of prime home purchase loans (.8 percent) that was commensurate with their share of the nation's households.

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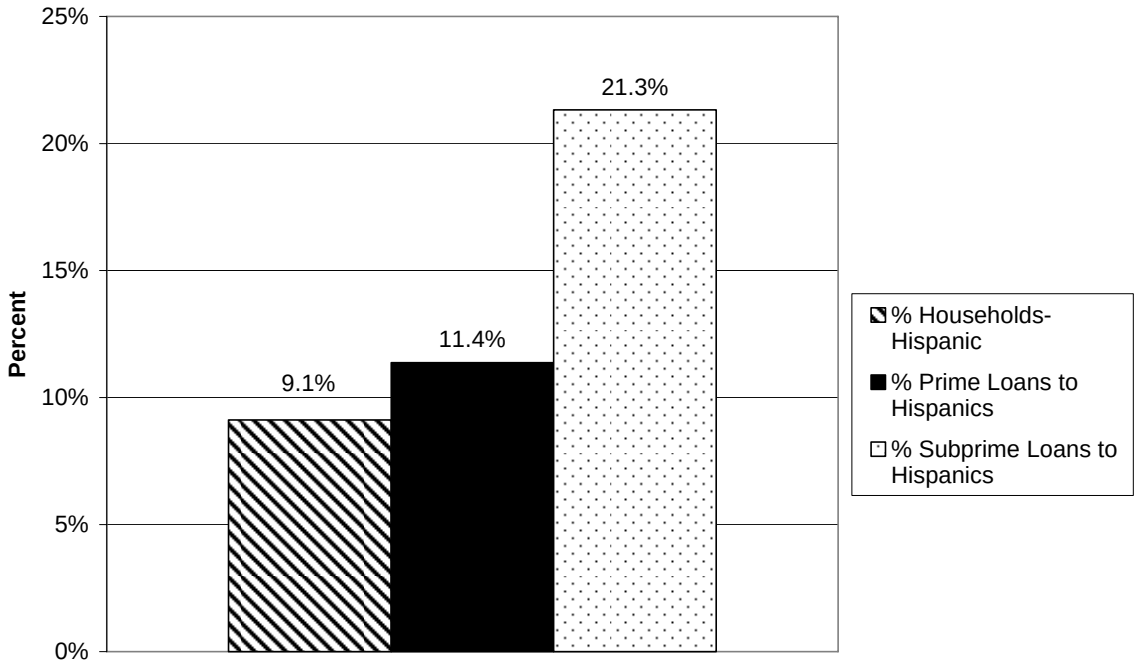
in the marketplace; but they do reveal the presence of ongoing barriers associated with socioeconomic factors.

Graph 3: Hispanic Share of Home Purchase Loans and Households



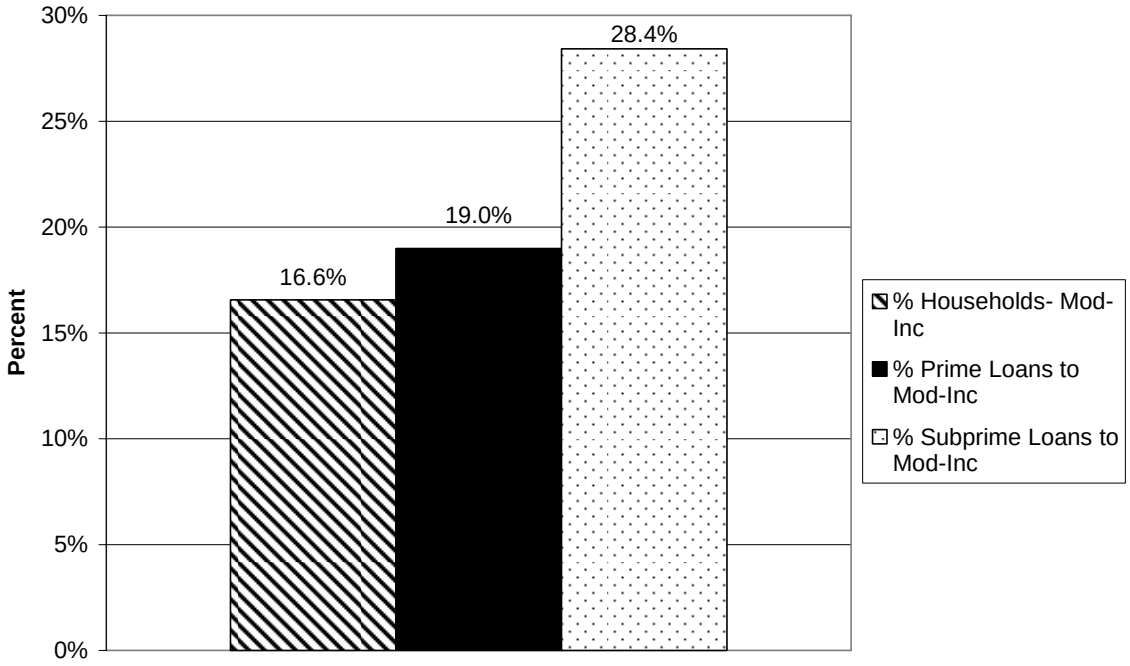
In contrast to the other racial groups including Whites, Asians received a higher portion of prime loans than their share of the nation's households. Asians were about 3.1 percent of the nation's households and received 6.4 percent of the prime home purchase loans during 2004. Asians received 3.1 percent of the subprime loans, which was equal to their share of the nation's households.

Income of Borrowers and Households

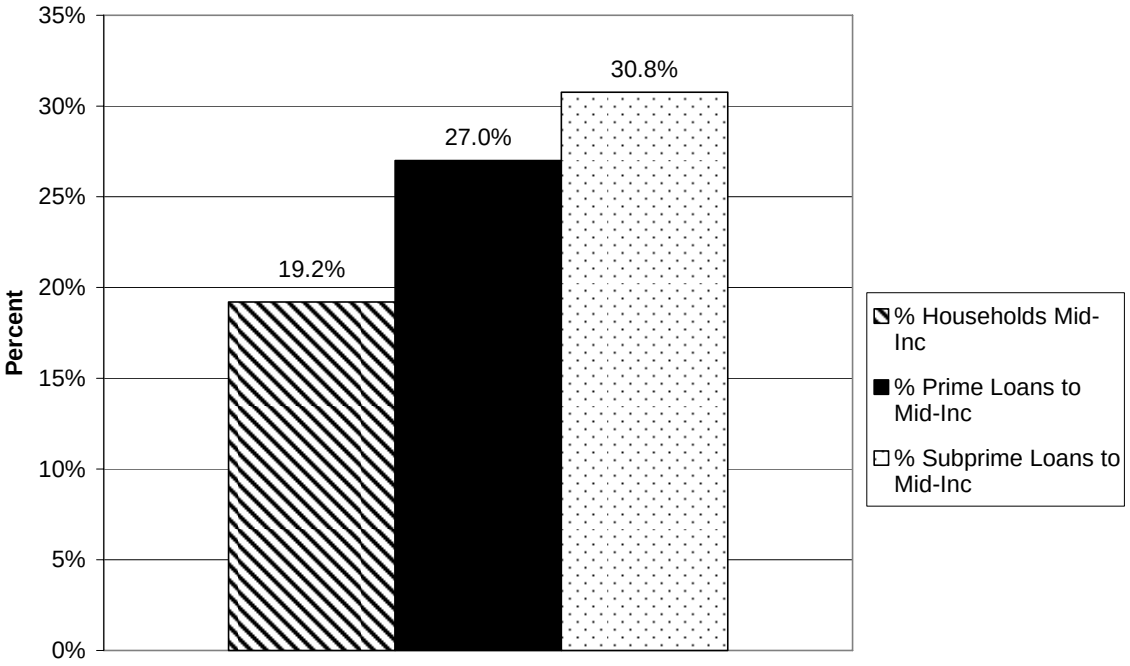
Due to various financial constraints, low-income households had the most difficulty obtaining prime and subprime loans in proportion to their share of the nation's households. Lending trends to moderate-income households exhibited greater disparities in their share of prime and subprime loans than their middle- and upper-income counterparts.

Low-income borrowers with incomes up to 50 percent of area median incomes had the most difficulty affording home loans (see Table 1A). Their difficulties with affordability were revealed by their portion of loans being considerably smaller than their portion of the nation's households. Low-income households were 23 percent of the nation's households. They obtained 9.9 percent of the conventional subprime home purchase loans and just 5.9 percent of the prime home purchase loans during 2004.

Graph 4: Moderate-Income Share of Home Purchase Loans and Households



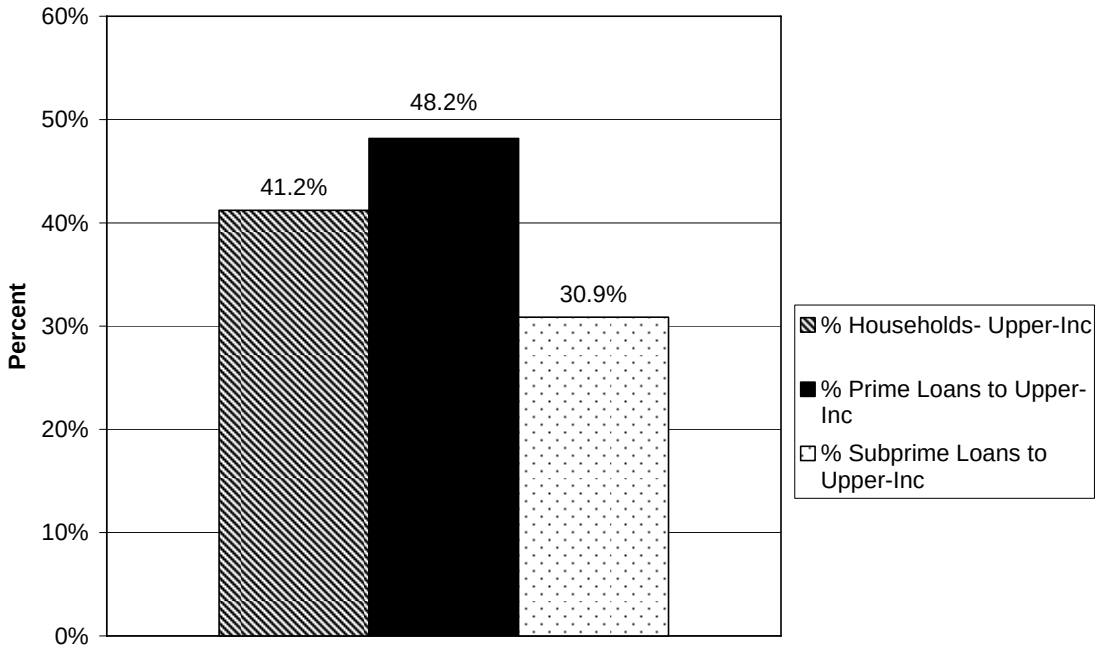
Graph 5: Middle-Income Share of Home Purchase Loans and Households



Moderate-income borrowers with incomes between 51 to 79 percent of area median income received a much higher portion of subprime loans than their portion of the nation's households. Moderate-income households were about 16.6 percent of the nation's households, but obtained 28.4 percent of the subprime loans. On the positive

side, they received a portion of prime loans (19 percent) that was higher than their portion of the nation's households. Middle-income borrowers with incomes between 80 to 120 percent of area median income received a higher portion of prime loans (27 percent) and subprime loans (30.8 percent) than their portion of the nation's households (19.2 percent).

Graph 6: Upper-Income Share of Home Purchase Loans and Households



In contrast to the trends for their lower income counterparts, upper-income households with incomes above 120 percent of area median income were issued a portion of prime loans that was higher than their portion of the nation's households but received a portion of subprime loans that was lower than their portion of the nation's households. Upper-income borrowers constituted 41.2 percent of the nation's households and received 48.2 percent of the prime home purchase loans and 30.9 percent of the subprime loans during 2004.

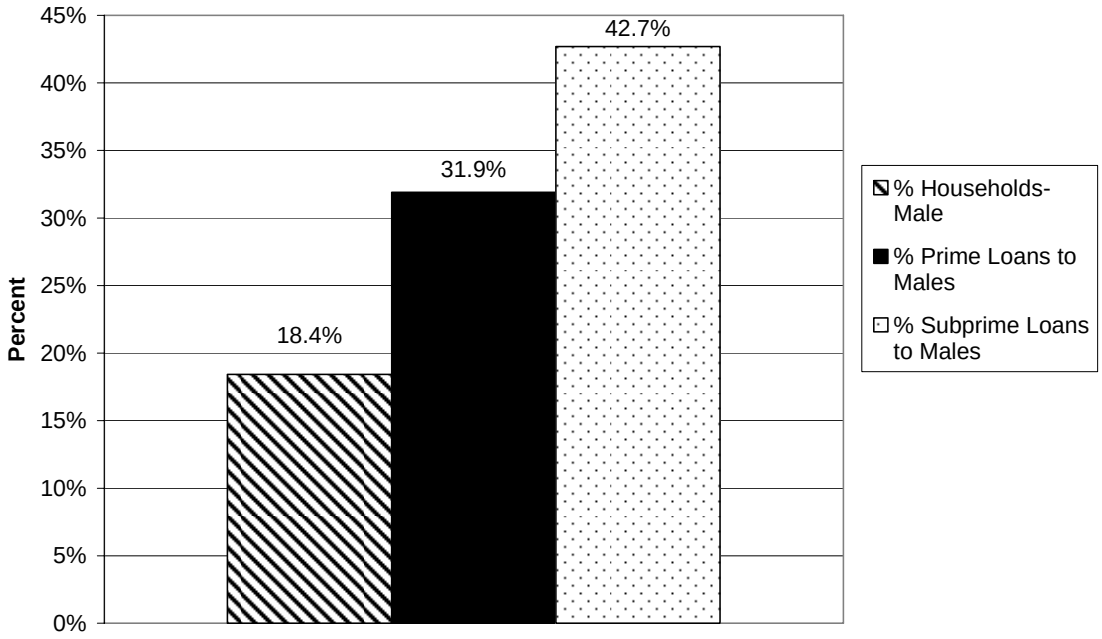
Gender of Borrowers and Households

Females of all races obtained a disproportionately low share of prime loans relative to male borrowers. Interestingly, joint borrowers (male and female applying together) fared better than their female or male only counterparts, most likely due to greater income and assets of joint borrowers.

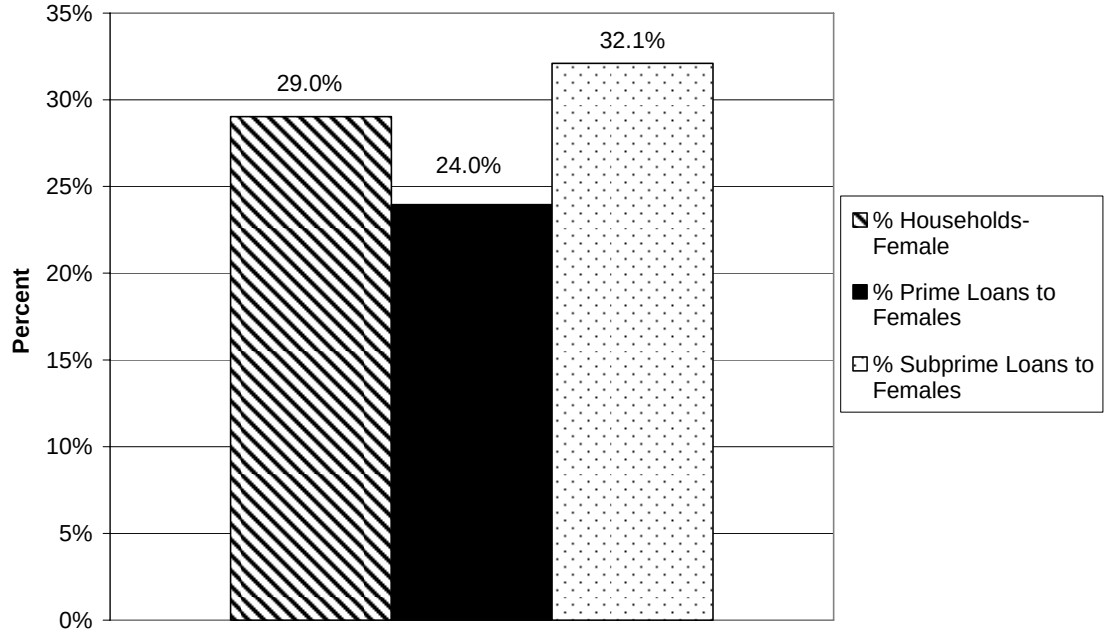
Females constituted 29 percent of the nation's households but obtained just 24 percent of the prime home purchase loans (see Table 1A). In contrast, females received 32.1 percent of subprime home purchase loans, a percent of loans that was greater than their percent of households. Unlike females, males obtained a share of prime loans (31.9

percent) that was considerably greater than their share of the nation's households (18.4 percent). Interestingly, however, the male share of subprime loans (42.7 percent) was significantly larger than their share of prime loans and their share of the nation's households.

Graph 7: Male Share of Home Purchase Loans and Households



Graph 8: Female Share of Home Purchase Loans and Households

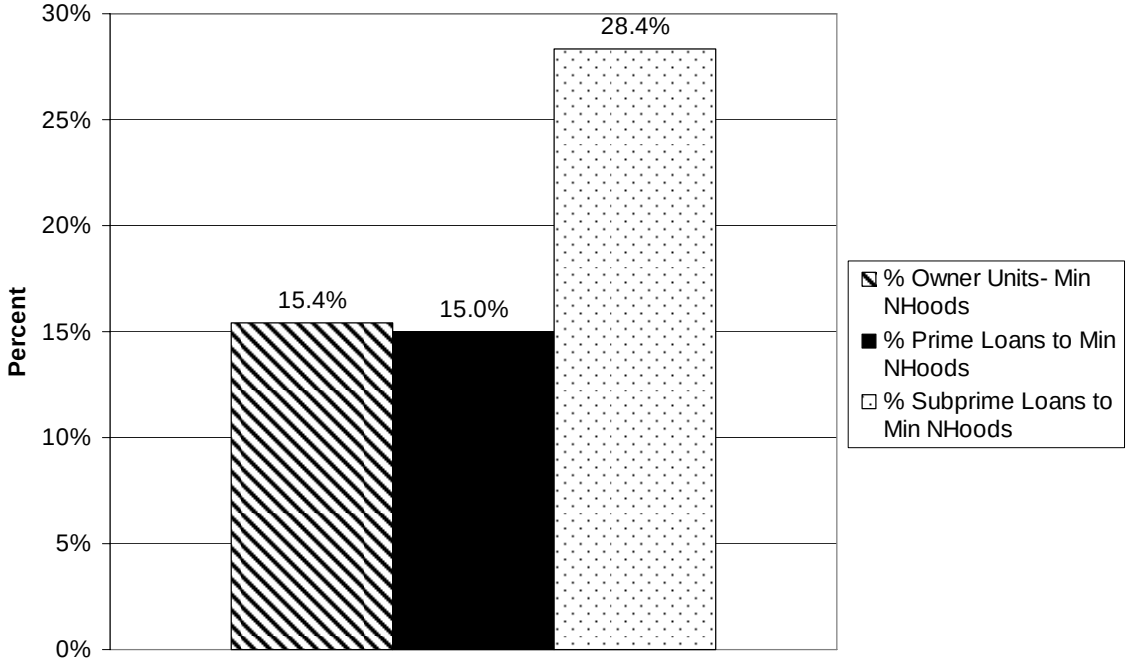


Joint borrowers fared better than their male and female counterparts. They obtained 44.1 percent of the prime home purchase loans and 25.2 percent of the subprime loans, meaning that their share of prime loans was almost 1.75 times greater than their share of subprime loans. In contrast, male and females applying alone had a greater percent of subprime than prime loans. Joint borrowers, however, were still not receiving prime loans in proportion to their share of the nation's households (of 52.5 percent).

Race of Neighborhood

Minority neighborhoods obtained a share of prime home purchase loans that was commensurate with their share of owner-occupied housing units but received a portion of subprime loans that was much greater than their share of the nation's owner-occupied housing units (see Table 1A). Relative to predominantly white neighborhoods, minority neighborhoods received a disproportionate amount of subprime loans.[12]

Graph 9: Minority Neighborhoods' Share of Home Purchase Loans and Owner Occupied Units



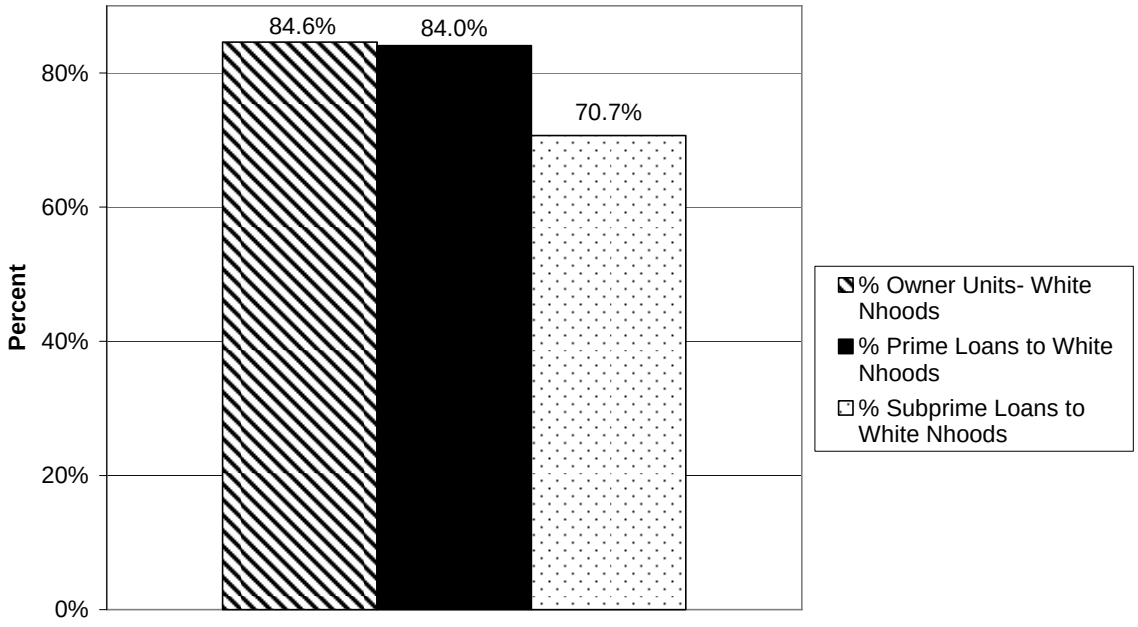
For neighborhoods, the portion of loans was compared to the portion of owner-occupied housing units. Above, comparisons were made between the share of households and the share of loans for borrowers. In contrast, a neighborhood analysis considered how many loans financial institutions were issuing to owner occupants of homeowner units, as opposed to rental units.[13] Analysis of lending for rental properties is important but

[12] Neighborhoods are defined as census tracts.

[13] Rental units are a hard constraint on lending in a neighborhood or census tract. Suppose a particular minority neighborhood contains mostly rental units. Lenders cannot issue mostly home purchase loans in that neighborhood because the majority of the units are rental. Hence, analyses on a neighborhood level

beyond the scope of this report. Finally, the focus here was on lending to owner-occupants instead of non-occupant investors who rent their single family units. Owners who live in their homes tend to have the most stake in their neighborhoods, so the analysis here focuses on this population.

Graph 10: White Neighborhoods' Share of Home Purchase Loans and Owner Occupied Units



Minority neighborhoods in which more than 50 percent of the residents were minorities contained 15.4 percent of the nation's owner occupied housing units. The positive news is that they received 15 percent of the prime home purchase loans, a portion of prime loans commensurate with their share of owner-occupied housing units. A worrisome finding, however, was that minority neighborhoods obtained 28.4 percent of the subprime home purchase loans, which was almost twice as great in percentage point terms than their share of the nation's owner-occupied housing units. White neighborhoods, in which less than 50 percent of the residents were minority, contained 84.6 percent of the nation's owner-occupied housing units and received 84 percent of the prime home purchase loans. In contrast to minority neighborhoods, white neighborhoods received a lower percent of subprime loans (70.7 percent) than their share of the nation's owner-occupied housing stock.

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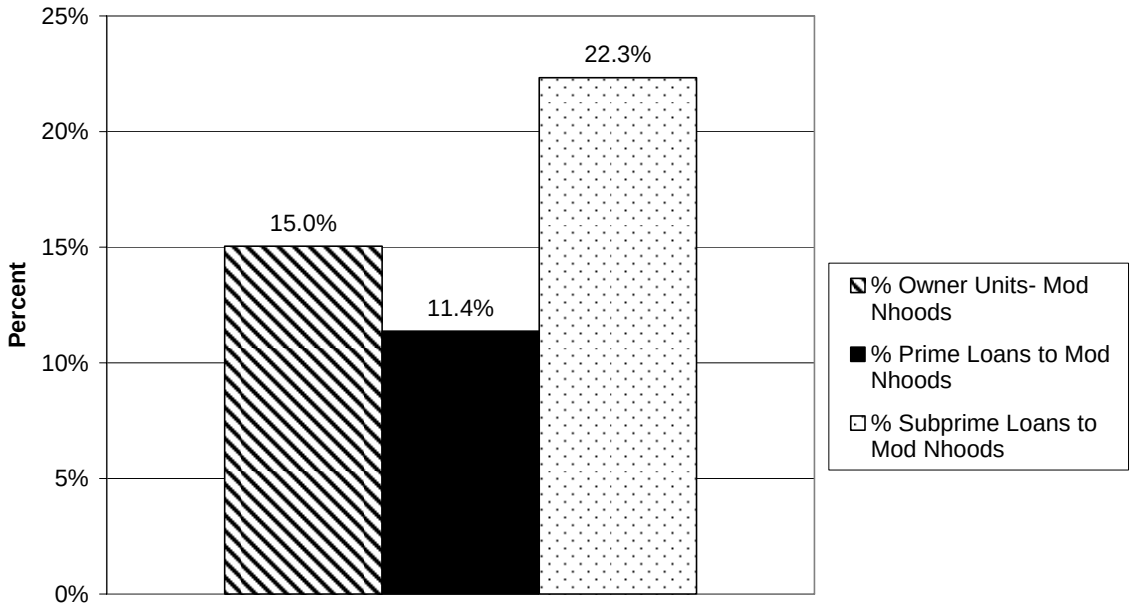
often compare the number and percent of loans to the number and percent of owner-occupied units. Federal regulators conduct these types of analyses on Community Reinvestment Act (CRA) exams. In contrast, analyses on a metropolitan or national level compare loans to households. In a metropolitan area or the nation, minorities are not confined to neighborhoods with mostly rental units. They can move to other neighborhoods with a mix of rental and owner units. Rental units do not serve as a hard constraint on a metropolitan or national level. Hence, when analyzing lending to groups of borrowers as a whole, analyses compare the number and percent of loans to the number and percent of households.

This report embarked on a new twist to HMDA data analysis by examining lending trends in neighborhoods with high percentages of foreign-born immigrants. Thanks to researchers at Suny-Albany University, this report identified a group of neighborhoods in which more than 50 percent of the residents were foreign-born immigrants.[14] Immigrant neighborhoods constituted 1.2 percent of the nation's owner-occupied housing stock. Unlike minority neighborhoods, immigrant neighborhoods were issued a share of prime (2.9 percent) and subprime loans (1.9 percent) that was greater than their share of the owner-occupied housing stock. Interestingly, the immigrant prime share of loans was considerably greater than their subprime share of home purchase loans.

Income Level of Neighborhood

Low-income, moderate-income, and even middle-income neighborhoods did not obtain a portion of prime home purchase loans commensurate with their share of the nation's owner-occupied housing units (see Table 1A). Low- and moderate-income neighborhoods, moreover, received a share of subprime loans that was greater than their share of the nation's owner-occupied housing units.

Graph 11: Moderate-Income Neighborhoods' Share of Home Purchase Loans and Owner Occupied Units

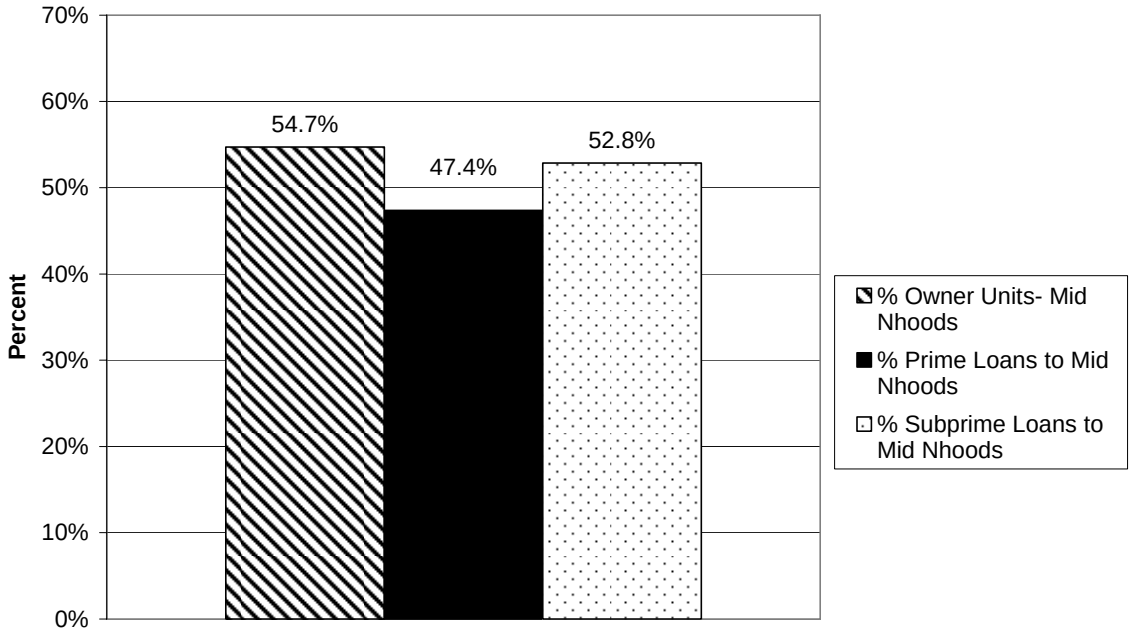


Low-income and moderate-income neighborhoods obtained 3.4 percent and 22.3 percent of the subprime home purchase loans, respectively. This was a greater percent than their share of the nation's owner-occupied units at 1.7 percent and 15 percent, respectively. In addition, their share of prime loans was disproportionately low. Moderate-income

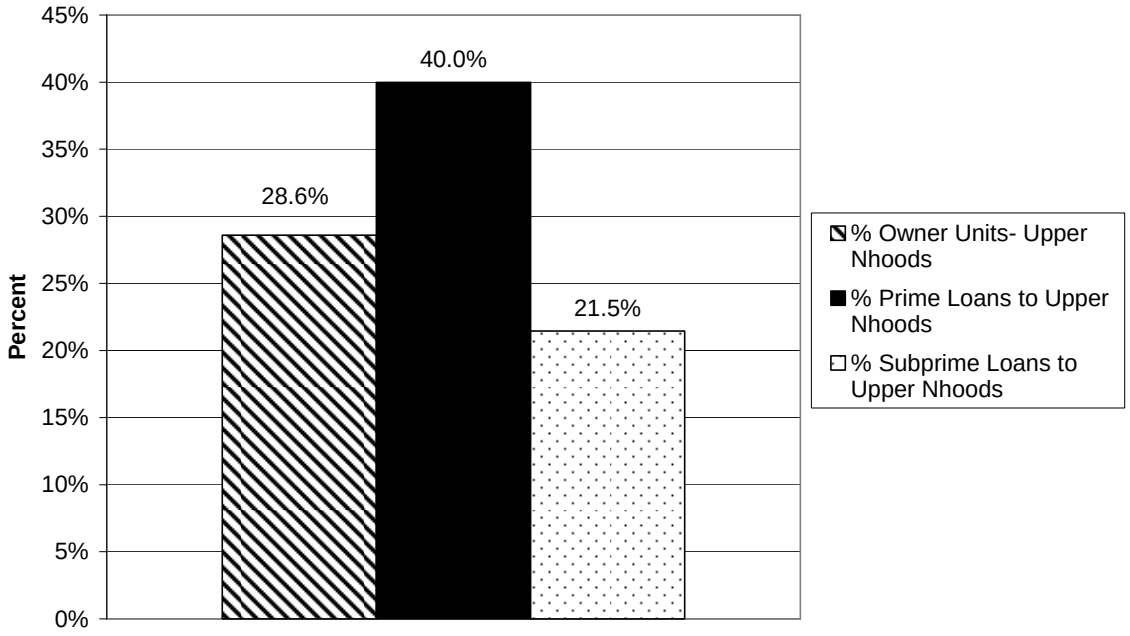
[14] There are 1,542 census tracts in the country in which 50 percent or more of the population are foreign-born.

neighborhoods, for instance, received 11.4 percent of the prime home purchase loans but had 15 percent of the owner-occupied housing stock.

Graph 12: Middle-Income Neighborhoods' Share of Home Purchase Loans and Owner Occupied Units



Graph 13: Upper-Income Neighborhoods' Share of Home Purchase Loans and Owner Occupied Units



Even middle-income neighborhoods had an imbalance of prime and subprime lending. Middle-income neighborhoods were issued 47.4 percent of the prime loans and 52.8 percent of the subprime loans, and had 54.7 percent of the nation's owner-occupied housing units. In sharp contrast, upper-income neighborhoods had significantly greater percentages of prime than subprime loans. Upper-income neighborhoods obtained 40 percent of the prime home purchase loans, received just 21.5 percent of the subprime loans, and had 28.6 percent of the nation's owner-occupied housing stock. In other words, their portion of prime loans was much greater than their portion of the owner-occupied stock whereas their portion of subprime loans was lower than their portion of the owner-occupied stock. Relative to their upper-income counterparts, all other income groups of neighborhoods, even middle-income ones, had difficulties accessing shares of prime loans proportional to their owner-occupied housing stock.

Conventional Refinance Lending

Race and Ethnicity of Borrower and Households

Lenders issued 4.8 million prime conventional refinance loans and 886,536 subprime conventional refinance loans during 2004. Most subprime loans were refinance loans. The absolute number of subprime refinance loans (886,536) was twice that of subprime home purchase loans (433,902). Also, a greater percent of refinance loans were subprime (15.4 percent) than all single family loans (14.2 percent). Investigating trends by race, gender, and income was particularly important in refinance lending since subprime lending was such a significant amount of refinance lending (see Table 1C). Non-whites, except for Asians, received a disproportionate amount of subprime loans, as was the case with home purchase lending.

African-Americans obtained a disproportionate number of subprime conventional refinance loans during 2004. They were 11.8 percent of the nation's households but received 19 percent of the subprime refinance loans and just 6.4 percent of the prime refinance loans. Hispanics also received a disproportionate amount of subprime refinance loans, but not to the same magnitude as African-Americans. Constituting 9.1 percent of the nation's households, Hispanics received 13.7 percent of the subprime refinance loans and 10.6 percent of the prime loans during 2004. Native Americans were about .8 percent of the nation's households and obtained 1.3 percent and .9 percent of the subprime and prime refinance loans, respectively.

Asians and whites received a portion of subprime loans that was lower than their portion of the nation's households and were issued a share of prime loans that was commensurate with their share of the nation's households. Asians were about 3.1 percent of the nation's households. They received 1.7 percent of the subprime refinance loans and 4.8 percent of the prime refinance loans during 2004. Non-Hispanic whites were about 77.6 percent of the nation's households. They obtained 74.9 percent of the prime refinance loans and 62.9 percent of the subprime refinance loans.

Income of Borrower and Households

Both low-income and moderate-income borrowers of all races received a percent of subprime loans that was considerably higher than their percent of prime loans. Low-income borrowers obtained 12.2 percent of all refinance subprime loans but just 6.7 percent of prime refinance loans. Low-income borrowers were 23 percent of the nation's households. Low-income households received a share of subprime and prime loans that was considerably smaller than their share of the nation's households, suggesting that affordability issues constituted a significant constraint in their access to credit. In contrast, moderate-income households received a share of prime loans (19.4 percent) that was greater than their share of the nation's households (16.6 percent). Moderate-income households, however, obtained a share of subprime refinance loans (28.4 percent) that was much greater than their share of the nation's households (see Table 1C).

Middle-income borrowers of all races received a percent of prime and subprime loans that was higher than their percent of the nation's households. They obtained 28.4 percent of prime refinance loans, 31.2 percent of subprime refinance loans, but were just 19.2 percent of the nation's households. Upper-income borrowers were the only group of borrowers that received a portion of prime loans that was greater than their share of subprime loans or their share of the nation's households. Upper-income borrowers received 45.5 percent of all prime refinance loans. In stark contrast, upper-income borrowers received just 28.3 percent of the subprime refinance loans. Upper-income borrowers were 41.2 percent of the nation's households.

Gender of Borrower and Households

Males, unlike females, received a portion of prime loans that was greater than their portion of the nation's households. Just as was the case in home purchase lending, joint borrowers enjoyed the most favorable lending patterns, with their percent of prime loans greater than their percent of subprime loans.

Males constituted 18.4 percent of the nation's households (see Table 1C). Their portion of prime loans (25.7 percent) was greater than their portion of the nation's households, but their portion of subprime loans (31 percent) was greater than their portion of prime loans. Females did not fare as well as their male counterparts. They received 21.8 percent of the prime refinance loans but were 29 percent of the nation's households. Moreover, they received 28.7 percent of the subprime refinance loans during 2004.

Joint borrowers, probably due to their greater amounts of income and assets, were the only group of borrowers that received a share of prime loans that was equal to their share of the nation's households at 52.5 percent. In addition, they obtained just 40.3 percent of the subprime refinance loans, which was considerably less than their portion of the nation's households.

Race of Neighborhood

Minority neighborhoods did not fare as well as either white or immigrant neighborhoods, but they at least received a share of prime loans that was commensurate with their share of the nation's owner-occupied housing units. Minority neighborhoods garnered 17.9 percent of all prime refinance loans. They had 15.4 percent of the nation's owner-occupied housing units. However, these neighborhoods received 28.4 percent of the subprime refinance loans, which was almost twice as much in percentage point terms as their share of owner-occupied housing units (see Table 1C).

Like minority neighborhoods, immigrant neighborhoods were issued a portion of prime refinance loans that was greater than their share of the nation's owner-occupied housing units. Immigrant neighborhoods were issued 3.8 percent of prime loans, which was greater than their share of the nation's owner-occupied housing stock of 1.1 percent. Unlike minority neighborhoods, immigrant neighborhoods had a share of subprime loans of 1.4 percent that was not much greater than their share of the nation's owner-occupied housing stock.

Predominantly white neighborhoods contained 84.6 percent of the nation's owner-occupied housing stock and received 81.2 percent of the prime refinance loans. They obtained a portion of subprime refinance loans (70.9 percent) that was significantly smaller than their share of the nation's owner-occupied housing units.

Income of Neighborhood

Low- and moderate-income neighborhoods received a percent of subprime loans that was proportionally greater than their share of the nation's housing units, in contrast to middle- and upper-income neighborhoods. While low-income neighborhoods comprised 1.6 percent of the nation's owner-occupied housing units, they received 3 percent of the subprime refinance loans and 1.2 percent of the prime refinance loans in 2004 (see Table 1C). Similarly, the moderate-income neighborhood share of subprime refinance loans (22.7 percent) was greater than their share of the nation's owner-occupied housing stock (15 percent) and their share of prime loans (12.1 percent).

Middle-income neighborhoods, in contrast to low- and moderate-income neighborhoods, received a share of subprime loans (55 percent) that was equal to their share of the nation's owner-occupied housing units. However, even middle-income neighborhoods obtained a percent of prime refinance loans (49.1 percent) that was smaller than their percent of subprime refinance loans. Only upper-income neighborhoods received an unambiguously favorable lending outcome. Containing 28.6 percent of the nation's owner-occupied housing stock, these neighborhoods obtained 37.6 percent of the prime refinance loans and 19.2 percent of subprime refinance loans in 2004.

Conventional Home Improvement Lending

Racial disparities remain in conventional home improvement lending, but were not as

pronounced as in home purchase or refinance lending. For example, Hispanics received 13 percent of prime home improvement loans and received a slightly lower portion of prime home purchase loans (11.4 percent) (see Table 1B). In contrast, Hispanics received a much higher portion of subprime home purchase loans (21.3 percent) as opposed to subprime home improvement loans (15.1 percent).

Low-income borrowers received higher portions of home improvement lending than home purchase or refinance lending. Low-income borrowers were issued just 5.9 percent of prime home purchase loans and 6.7 percent of refinance loans, but received 10.3 percent of home improvement loans.

Minority and immigrant neighborhoods also fared the best in home improvement lending as opposed to the other loan types. Minority neighborhoods obtained 21.7 percent of prime home improvement loans, but just 17.9 percent and 15 percent of prime refinance and home purchase lending, respectively. Lending trends in immigrant neighborhoods was also most favorable for home improvement lending as the percent of prime loans was highest in home improvement lending while the percent of subprime loans differed by about half a percentage point or less among the three loan types.

It is not clear why the portion of prime loans was highest to traditionally underserved borrowers in home improvement lending. Underwriting may be easier for home improvement lending. The borrowers of home improvement loans already own their homes and have likely acquired significant amounts of wealth in contrast to first time homebuyers. In addition, loan-to-value ratios are usually smaller for home improvement lending than home purchase or refinance lending, making it easier for borrowers to qualify for home improvement lending. Yet, as reported below, subprime loans accounted for a higher portion of all home improvement loans than home purchase or refinance loans. Both prime and subprime lenders may find underwriting home improvement loans easier but subprime lenders may be increasing their number of home improvement loans to a greater amount than prime lenders.

Government-Insured Single Family Lending

Lenders issued 746,930 prime government-insured loans and only 10,564 subprime government-insured loans in 2004. Government-insured loans are backed by the federal government. In the event of borrower default, the federal government assumes any losses associated with the loan. As a percent of total loans, subprime loans were 1.4 percent of government insured loans. In contrast, subprime loans were 11.5 percent of conventional home purchase loans in 2004 (see Table 1E). Subprime lending levels were considerably lower in government-insured loans because the federal government was assuming the risk. In contrast, the lending institution assumes the risk in conventional lending and recoups costs of default through higher interest rates on loans to borrowers with imperfect credit.[15]

[15] It is beyond the scope of this report to precisely compare the costs of federally-insured and conventional lending to borrowers. A subprime loan represents a considerably higher cost to a borrower than a prime loan. Government-insured loans also cost more to the borrower than conventional prime loans because

Interestingly, African-Americans were issued government-insured lending relatively free of disparities while other racial and ethnic groups were still confronted with disparities in government-insured lending. African-Americans obtained 16.3 percent and 15.2 percent of prime and subprime government-insured loans, respectively. The percent of prime and subprime government-insured lending to African-Americans was higher than the percent of households that were African-American (11.8 percent). In contrast, Hispanics received a higher portion of subprime government-insured loans (22.8 percent) than prime loans (14 percent). The good news for Hispanics was that their percent of prime government-insured loans was higher than their percent of the nation's households (9.1 percent). Asians, in contrast, did not fare as well, receiving a portion of prime and subprime government-insured loans that was lower than their share of the nation's households.

Low-income borrowers obtained a better outcome in government-insured lending than conventional lending. Their percent of prime and subprime government-insured lending (12.1 percent and 14 percent, respectively) is higher than their percent of conventional prime and subprime lending. Moderate- and middle-income borrowers received equal shares of prime and subprime government-insured loans; their percent of prime and subprime loans was considerably greater than their share of the nation's households.

Unfortunately, minority neighborhoods did not have unambiguously good outcomes. They received 19.5 percent of the prime government-insured loans, which was higher than their 15.4 percent share of the nation's owner-occupied housing stock. But these neighborhoods received a disproportionately high 27.9 percent of subprime loans. In contrast, white neighborhoods were issued higher shares of prime than subprime government-insured loans.

Manufactured Home Lending

The 2004 HMDA data has a new data field indicating if the loan is for a traditional, site built single family home or if the loan is for a manufactured home that is built off-site. Manufactured lending volumes were a small fraction of overall lending volumes. All traditional single-family lending (home purchase, refinance, and home improvement) equaled 8.4 million prime and 1.4 million subprime loans during 2004. Manufactured home lending, in contrast, was at 83,062 prime loans and 95,500 subprime loans (see Table 1F).

In stark contrast to all single family lending, manufactured lending featured more subprime loans than prime loans. Subprime lending was a greater portion of manufactured home lending because manufactured home lending has traditionally been a riskier form of lending than lending for traditional site built homes. Manufactured home lending was also considerably more targeted to low- and moderate-income borrowers and less focused on lending to minorities than all single family lending. The patterns of lending by neighborhood also revealed less focus on working class and minority

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government-insured loans typically have higher fees than conventional loans. On average, however, the cost of subprime conventional loans is higher than the cost of government-backed loans to borrowers.

neighborhoods for manufactured home lending than all single family lending. This was perhaps due to the large amount of manufactured home lending in rural areas in the South and West; rural areas have fewer distinctly lower income or minority census tracts.

Manufactured home lending did not reach racial or ethnic minorities to the same extent as all single family lending. African-Americans received only 2.7 percent of prime and 6.9 percent of subprime manufactured home lending. In contrast, African-Americans obtained 6 percent of prime single family loans and 19.3 percent of subprime single family loans (see Table 1D). The trends were similar for Hispanics – Hispanics received 5.5 percent of prime manufactured home loans and 11 percent of prime single family loans.

Low- and moderate-income borrowers received significantly higher portions of manufactured home loans than single-family loans. Low-income borrowers obtained 16.3 percent of prime manufactured home loans as opposed to just 6.5 percent of prime single family loans in 2004. For low-income borrowers, the portion of subprime manufactured home loans (23.1 percent) was also much higher than the portion of subprime all single-family loans (11.8 percent). Moderate-income borrowers also obtained significantly higher portions of prime and subprime manufactured home loans than all single family loans. For example, moderate-income borrowers received 31.2 percent of prime manufactured home loans and 19.3 percent of prime single family loans.

The much lower volumes of manufactured home loans than all single family loans must be remembered when considering the higher percent of manufactured home loans for low- and moderate-income borrowers. For instance, despite the higher percent of prime manufactured home loans than all single family loans for moderate-income borrowers, these borrowers received 25,024 manufactured home loans as opposed to 1.5 million single family loans during 2004. Yet, for certain counties of the country such as the South, the absolute numbers of these different loan types may not be as skewed towards all single family lending for modest income borrowers. As is widely known, the manufactured home sector has encountered difficulties with fraudulent practices and shoddy products. The manufactured home sector will realize its potential providing lower income families with decent and affordable homes only if industry continues to undertake significant reforms**.**

Second Lien Single Family Lending

The 2004 HMDA data has a new and important data field that records second or junior lien lending. Often borrowers will supplement a home purchase mortgage with a second mortgage loan of 10 or 20 percent that covers some or all the down payment. In addition, junior lien lending is a popular form of home improvement lending. Lending institutions making junior liens do not have the first claim on the property should the borrower default. In some cases, junior lien lending such as for home improvements is a less risky form of lending for borrowers than refinancing and taking out another first lien loan. In other cases, second lien loans can put borrowers in too much debt. In some cases,

borrowers should have saved more to cover down payments rather than taking out first and second lien loans with very high combined loan to value ratios.
Scrutinizing second lien lending assists stakeholders in determining whether this form of lending is being used responsibly or is adding to overall risk to borrowers and lenders. During 2004, second lien lending was a significant portion of the overall lending marketplace. Second lien prime loans were just over 1 million loans as compared to 8.4 million prime first lien loans. In general, lower percentages of prime and subprime second lien loans were made to lower-income and minority borrowers. On the one hand, efforts should be made to increase access to second-lien loans for traditionally underserved borrowers. On the other hand, until stakeholders have a firmer grasp of the benefits and risks of second lien loans, the lower percentages of these loans to traditionally underserved borrowers may reflect prudent lending practices (see Tables 1D and 1G).

Minorities generally received lower percentages of prime and subprime second lien loans compared to first lien single family lending. African-Americans, for instance, obtained 5.7 percent of prime second lien loans in contrast to 6 percent of prime first lien loans. The percent of subprime loans for African-Americans was also lower for second-liens than first liens. African-Americans received 15.3 percent of subprime second lien loans but 19.2 percent of subprime first lien loans (see Tables 1D and 1G).

In contrast, trends to Hispanics bear careful scrutiny as they received a greater percent of subprime second lien than first lien loans. These borrowers received a significantly greater share of subprime second lien loans (22.6 percent) than subprime first lien loans (16.3 percent). At the same time, Hispanics had a smaller share of prime second lien than first lien loans. Hispanics obtained 9.9 percent of prime second lien loans and 11 percent of prime first lien loans.

Low- and moderate-income borrowers were issued lower portions of second lien than first lien loans. Low-income borrowers received 3.9 percent and 4.4 percent of prime and subprime second-lien loans, respectively. In contrast, they obtained 6.5 percent and 11.8 percent of prime and subprime first lien loans, respectively. Moderate-income borrowers were issued just 16.2 percent of prime and 21 percent of subprime second lien loans. Their share of prime first lien loans (19.2 percent) and subprime first lien loans (28.4 percent) was higher than their shares of second lien loans. These trends of lower percentages of second lien loans held for females, substantially minority neighborhoods, and low- and moderate-income neighborhoods.

Market Share Analysis

Up to this point, the analysis has focused on comparing the percent of loans to the percent of households or owner-occupied housing units. In addition, racial, income, and gender groups have been considered in isolation. Another valuable type of analysis is market share analysis. Market share analysis compares the percent of loans that are subprime to various groups of borrowers and neighborhoods. For example, the analysis will compare the percent of all loans that are subprime issued to African-Americans versus whites. If

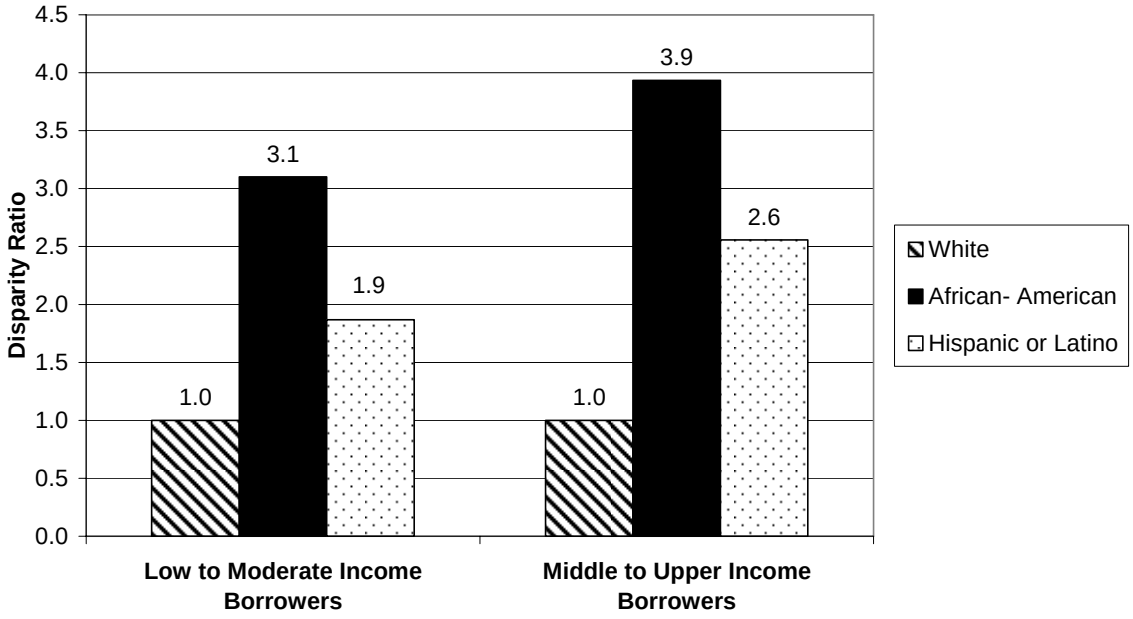
subprime loans are 30 percent of the loans to African-Americans versus 10 percent of the loans to whites, the market share of financial institutions making subprime loans is 3 times greater to African-Americans than their market share to whites. In other words, African-Americans are 3 times more likely to receive subprime loans than whites. This section will make comparisons of this nature. In addition, the section will overlay race, income, and gender. For instance, the subprime market share to low- and moderate-income African-Americans will be compared to the market share to low- and moderate-income whites. Finally, the section will focus on conventional home purchase, refinance, and home improvement lending since these were the loan types with the greatest volumes of subprime loans.

Conventional Home Purchase Lending – Race by Borrower Income

Home purchase lending was the type of lending that exhibited the greatest disparities in subprime market share by race and income of borrower. Moreover, the disparities became greater when considering middle- and upper-income (MUI) borrowers as opposed to low- and moderate-income borrowers (LMI).

The differences in subprime market share by race were stark. Subprime lending accounted for 39 percent of all home purchase loans to LMI African-Americans but just 12.6 percent of all loans to LMI whites (see Table 2A). The subprime market share to LMI African-Americans was 3.1 times greater than the subprime share to white borrowers (39 percent divided by 12.6 percent). In other words, LMI African-Americans were 3.1 times more like to receive subprime loans than LMI whites.

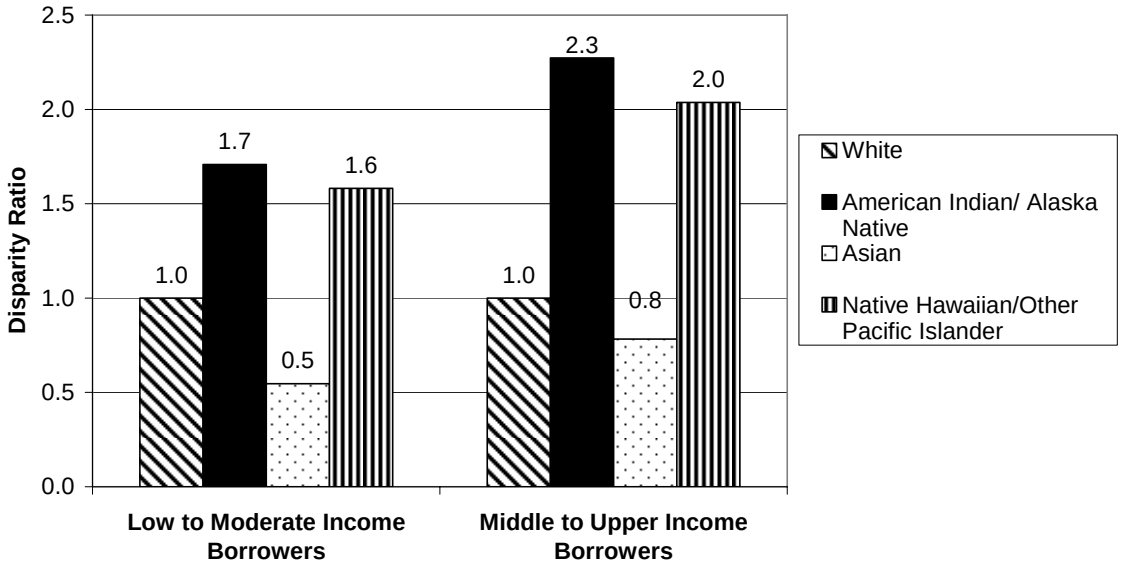
Graph 14: Home Purchase Lending-
Racial Disparities in Subprime Market Share Relative to Whites
Whites Compared to African-Americans and Hispanics by Borrower Income



A troublesome finding was that the racial disparity in subprime market shares was higher for middle- and upper-income borrowers than for low- and moderate-income borrowers. Subprime loans constituted 28.4 percent of the loans to MUI African-Americans but only 7.2 percent of the loans to MUI whites in 2004. Dividing the subprime MUI African-American by the MUI white market share leads to a finding that MUI African-Americans were 3.9 times more likely than MUI whites to receive subprime loans. This was significantly higher than the 3.1 times differential for LMI African-Americans versus LMI whites. The higher disparity for MUI African-Americans versus MUI whites reflected the fact that the subprime market share for MUI whites (7.2 percent) was almost half the market share as for LMI whites (12.6 percent). Subprime market share dropped much further for MUI whites than for MUI African-Americans.

The trend of greater disparities for MUI borrowers held for Hispanics, Native Hawaiians, and Native Americans. Subprime loans were 23.5 percent of the home purchase loans to LMI Hispanics; LMI Hispanics were 1.9 times more likely than LMI whites to receive subprime loans. On the other hand, MUI Hispanics were 2.6 times more likely to receive subprime loans than MUI whites. Subprime loans comprised a lower percent of all loans to MUI Hispanics than LMI Hispanics (18.4 percent and 23.5 percent, respectively). However, the greater disparity for MUI Hispanics versus MUI whites reflected the fact that the subprime market share for MUI whites dropped even further to 7.2 percent from 12.6 percent for LMI whites.

Graph 15: Home Purchase Lending-
Racial Disparities in Subprime Market Share Relative to Whites
Whites Compared to American Indian/Alaska Natives, Asians, and Native Hawaiian/ Other Pacific Islanders by Borrower Income



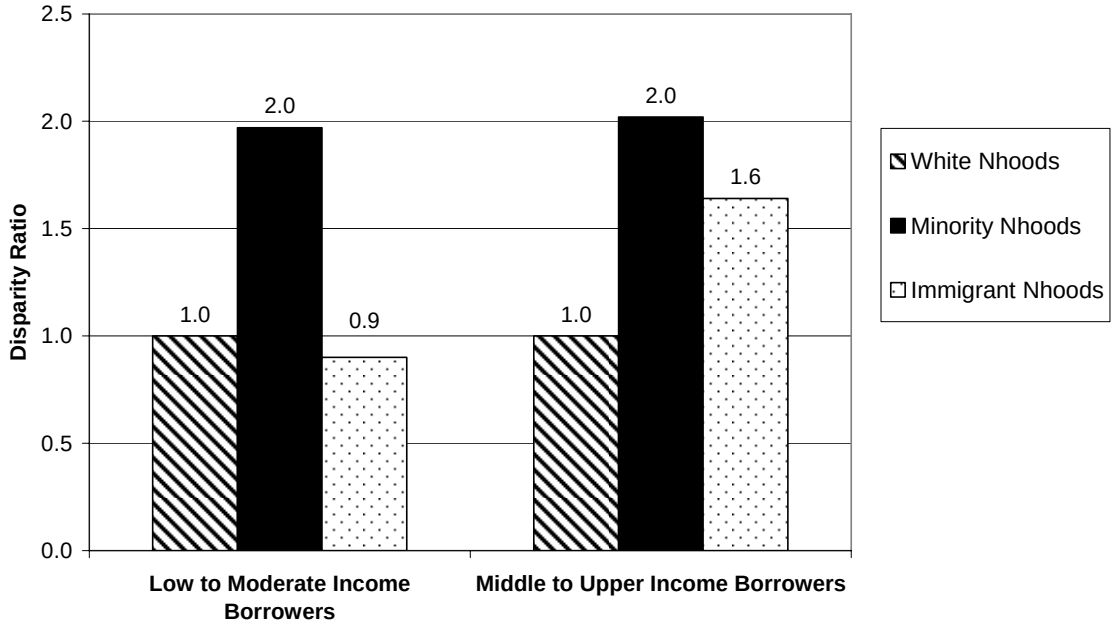
LMI Native Hawaiians were 1.6 more times likely than LMI whites to receive subprime loans but MUI Hawaiians were 2 times more likely than MUI whites to receive subprime loans. Finally, LMI Native Americans were 1.7 times more likely than LMI whites to

receive subprime loans, but MUI Native Americans were 2.3 times more likely than MUI whites to receive subprime home purchase loans during 2004.

Asians were the one racial minority group less likely than whites to receive subprime home purchase loans. Subprime loans were 12.6 percent of all home purchase loans to LMI whites, but were just 6.9 percent of the loans to LMI Asians. The subprime market share of loans was just about half (.547) as much to LMI Asians as to LMI whites. The same pattern held for MUI borrowers. The subprime market share of loans to MUI Asians was .78 as much as to MUI whites.

Racial disparities in subprime market share between minority and white neighborhoods were as high for middle- and upper-income borrowers as for low- and moderate-income borrowers. Subprime lending accounted for 28.5 percent of all home purchase loans to LMI borrowers in minority neighborhoods during 2004 (see Table 4A). In contrast, subprime loans were 14.5 percent of all the loans to LMI borrowers in white neighborhoods. The subprime market share was 2 times greater to LMI borrowers in minority neighborhoods than to LMI borrowers in white neighborhoods. In other words, LMI borrowers in minority neighborhoods were 2 times more likely than their LMI counterparts in white neighborhoods to receive subprime loans. MUI borrowers in minority neighborhoods were also 2 times more likely than MUI borrowers in white neighborhoods to receive subprime loans. Subprime loans made up 16.9 percent of the loans to MUI borrowers in minority neighborhoods and were 8.3 percent of the loans to MUI borrowers in white neighborhoods.

Graph 16: Home Purchase Lending-
Racial Disparities in Subprime Market Share Relative to White Neighborhoods
White Neighborhoods Compared to Minority and Immigrant Neighborhoods by Borrower Income

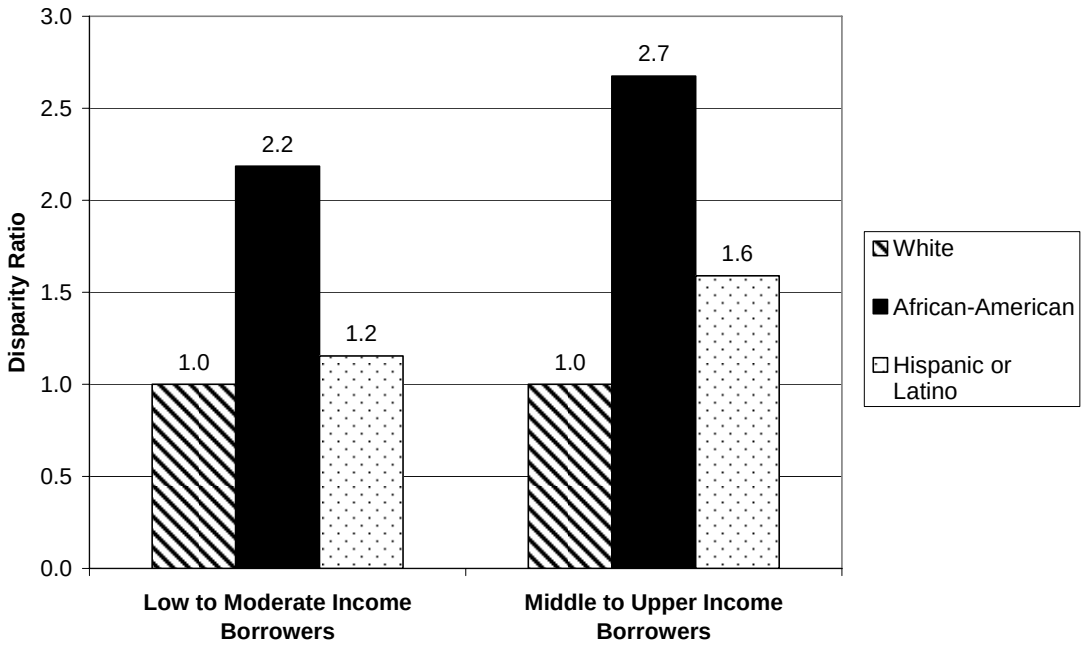


Subprime market share disparities between white and immigrant neighborhoods were larger when the income levels of borrowers increased. The subprime market share in immigrant neighborhoods was .9 times as much as their share in white neighborhoods for LMI borrowers. In contrast, MUI borrowers in immigrant neighborhoods were 1.6 times more likely to receive subprime loans than MUI borrowers in white neighborhoods. Subprime loans were 13.6 percent of the loans to MUI borrowers in immigrant neighborhoods but just 8.3 percent of the home purchase loans to MUI borrowers in white neighborhoods.

Conventional Refinance Lending – Race by Borrower Income

Except for Asians, the subprime market share to racial and ethnic minorities was greater than the subprime market share to whites (see Table 2B). Moreover, the difference in the subprime market share between minorities and whites increased for MUI borrowers relative to LMI borrowers.

Graph 17: Refinance Lending-
Racial Disparities in Subprime Market Share Relative to Whites
Whites Compared to African-Americans and Hispanics by Borrower Income



Subprime loans comprised a high 41.9 percent of all refinance loans to LMI African-Americans. In contrast, subprime loans were 19.2 percent of refinance loans to LMI whites in 2004. LMI African-Americans were 2.2 times more likely than LMI whites to receive subprime loans. Even for MUI African-Americans, subprime loans made up a large percentage (30.2 percent) of all refinance loans. Moreover, the subprime market share to MUI African-Americans was 2.7 times larger than the subprime market share to MUI whites.

The disparity in the subprime market share being higher for minority borrowers relative to white borrowers as borrower income increased held for all other racial and ethnic minorities except for Asians. For instance, MUI Hispanics were 1.6 times more likely than MUI whites to receive subprime refinance loans whereas LMI Hispanics were 1.2 times more likely than LMI whites to receive subprime refinance loans. In contrast, the subprime market share was higher to whites than to Asians, regardless of the income level of the borrowers.

Conventional Home Improvement Lending – Race by Borrower Income

Subprime loans were a greater percentage of home improvement lending for all racial groups of borrowers. The disparities in market share among racial groups were narrower in home improvement lending than in other types of lending. Narrower disparities can occur when subprime lending levels are high or low in a particular type of lending.

Subprime lending accounted for 48.3 percent of all home improvement loans for LMI African-Americans (see Table 2C). In contrast, subprime loans were 41.9 percent of all refinance loans for LMI African-Americans and 39 percent of all home purchase loans for LMI African-Americans. The patterns were similar for other racial groups. Subprime loans comprised 26.5 percent of all home improvement loans to LMI whites, but just 12.6 percent of the home purchase loans to LMI whites.

High subprime home improvement loan volumes for all borrower groups were accompanied by lower differences among racial groups in subprime market share. Subprime market share of home improvement loans to LMI African-Americans was 1.8 times greater than to LMI whites in 2004. But for home purchase lending, subprime market share was 3.1 times greater to LMI African-Americans than to LMI whites. Similarly, subprime market share of home improvement loans for LMI Hispanics was 1.1 times greater than for LMI whites; for home purchase lending, the difference in subprime market share was 1.9 times for these borrowers.

Although subprime market share differences were narrower for home improvement loans, the differences were still wider for MUI borrowers than LMI borrowers. For instance, the subprime market share of home improvement loans for MUI African-Americans was 2.3 times higher than for MUI whites. In contrast, for LMI African-Americans, the subprime market share was 1.8 times higher than for LMI whites.

Market Share Analysis – Race, Gender, and Income of Borrower

Conventional Home Purchase Lending

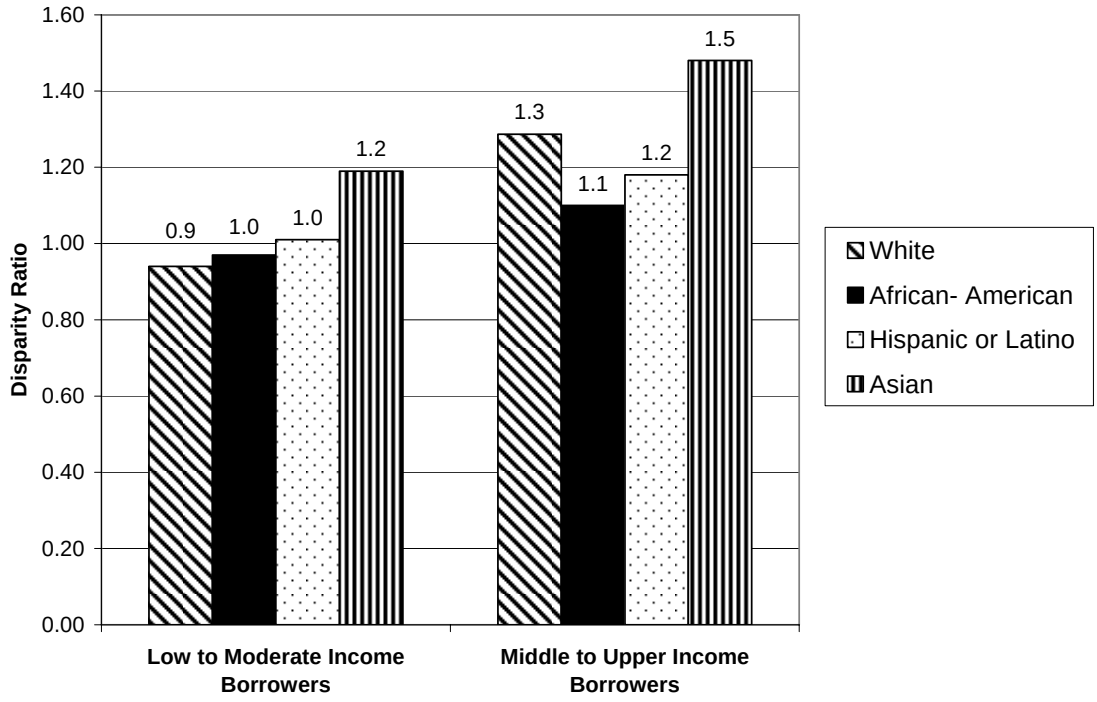
When examining the interplay among race, gender, and income the familiar patterns of subprime market share emerged with a new twist. Subprime market share of loans was a greater percentage of loans for LMI borrowers than MUI borrowers. However, the difference in subprime market share between white and minority borrowers was greater for MUI borrowers than LMI borrowers. The new twist was that disparities in subprime

market share between females and males of the same racial group also increase for MUI borrowers relative to LMI borrowers.

As expected, subprime market share was higher for LMI borrowers than MUI borrowers. For example, subprime lending accounted for 12.1 percent of the home purchase loans to LMI white females but 8.7 percent of the loans to MUI white females (see Table 3A). Likewise, subprime loans comprised 38.5 percent of the loans to LMI African-American females and 30 percent of the loans to MUI African-American females.

The disparity in subprime market share between white and minority females was higher for MUI borrowers then LMI borrowers. The subprime market share of loans to LMI African-American females is 3.2 times greater than to LMI white females. The subprime market share of home purchase loans to MUI African-American females was 3.4 times greater than the market share of loans to MUI white females.

Graph 18: Home Purchase Lending-
Gender Disparities in Subprime Market Share Relative to Males
Females by Borrower Race and Income



Note: For each race and income group, the subprime market share to females is divided by the subprime market share to males.

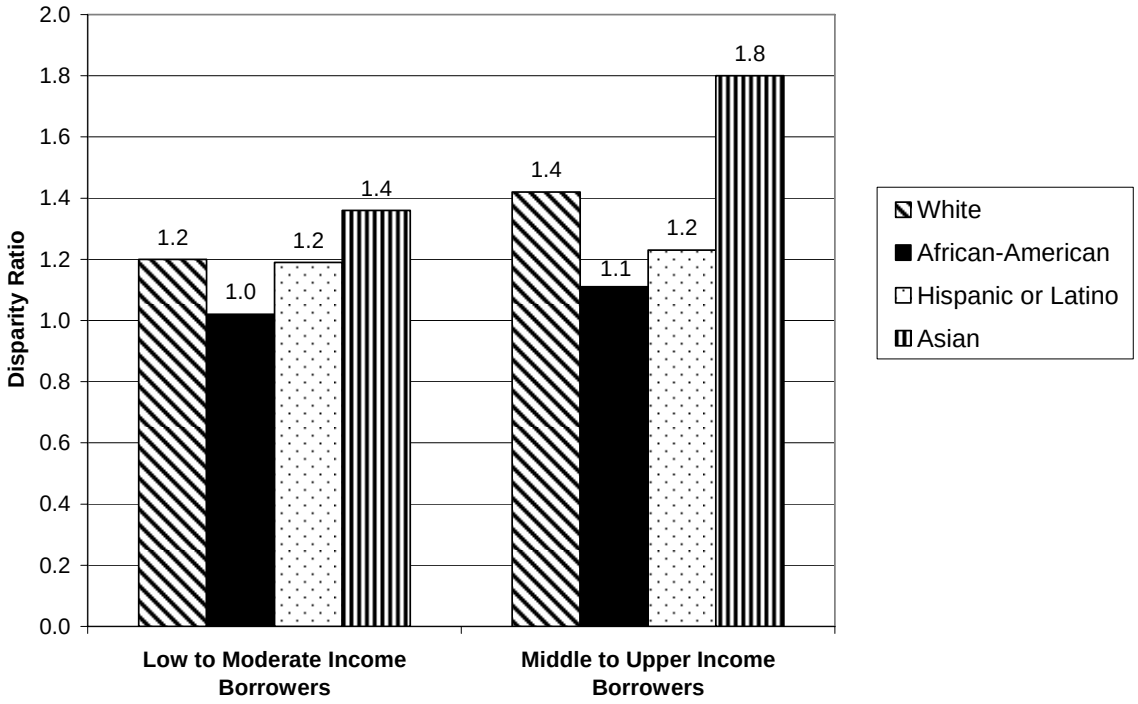
Within the races, the disparity in subprime market share of loans to females relative to males increased for MUI borrowers as opposed to LMI borrowers. For instance, subprime loans were 23.4 percent of the loans to LMI Hispanic males and 23.8 percent of the loans to LMI Hispanic females. However, subprime loans constituted 20.6 percent of the home purchase loans to MUI Hispanic females and 17.5 percent of loans to MUI

Hispanic males. Likewise, subprime loans made up 6.4 percent of the loans to LMI male Asians and 7.6 percent of the loans to LMI female Asians. For MUI borrowers, subprime loans were 7.2 percent of the loans to Asian females and just 4.9 percent of the loans to Asian males. The subprime market share of loans was 1.5 times greater for MUI female Asians than for MUI male Asians. For LMI borrowers, the difference in market share was a ratio of 1.2. In other words, disparities in subprime market share by gender increased as borrower income level increased.

Conventional Refinance Lending

Just as with home purchase lending, the racial disparities in subprime market share for conventional refinance loans increased with increases in borrower income. For instance, subprime loans were 41.4 percent of all refinance loans to LMI African-American males and just 18.8 percent of the loans to LMI white males (see Table 3B). The subprime market share to LMI African-American males was 2.2 times greater than the subprime market share to LMI white males. In contrast, the subprime market share to MUI African-American males was 2.8 times higher than the subprime market share to MUI white males. Subprime loans comprised 28.9 percent of all refinance loans to MUI African-American males, but were just 10.3 percent of all loans to MUI white males.

Graph 19: Refinance Lending-
Gender Disparities in Subprime Market Share Relative to Males
Females by Borrower Race and Income



Note: For each race and income group, the subprime market share to females is divided by the subprime market share to males.

The gender difference in subprime market share also jumped when considering middle- and upper-income borrowers as opposed to low- and moderate-income borrowers. Subprime loans were 9.9 percent of all refinance loans to LMI female Asians and 7.3 percent of the loans to LMI male Asians. Subprime market share of loans to LMI female Asians was 1.4 times larger than subprime market share to LMI males. In contrast, subprime market share to MUI Asian females was 1.8 times greater than subprime market share to MUI males. Subprime loans were 8.3 percent of refinance loans to MUI Asian females but just 4.6 percent of the loans to MUI Asian males.

Overall, female borrowers were more likely than male borrowers to receive subprime loans. Subprime loans made up 20.9 percent of the refinance loans to females of all racial groups, and were 14.5 percent of the loans to males. The subprime market share to females was 1.4 times greater than the subprime market share to males.

Conventional Home Improvement Lending

Conventional home improvement lending exhibited trends similar to refinance and home purchase lending. Like the other loan types, the racial disparities in subprime market share jumped for middle- and upper-income borrowers versus low- and moderate-income borrowers. In addition, the gender disparities in subprime market share also widened as income level increased. The notable difference between home improvement lending and the other types of lending was that overall subprime market shares were higher. For instance, subprime loans were 41.9 percent and 43.5 percent of all home improvement loans to African-American males and females respectively (see Table 3C). In contrast, subprime loans constituted 31 percent and 34 percent of all home purchase loans to African-American males and females, respectively.

As with the other types of lending, subprime market share was higher to females as opposed to males of all races. Subprime lending accounted for 26.4 percent of the home improvement loans to females and 20.5 percent of the loans to males. The same disparities held for home purchase and refinance lending, but the subprime market shares were lower for home purchase and refinance lending than for home improvement lending. For instance, subprime loans were 14.3 percent of the home purchase loans to females and 10.6 percent of the purchase loans to males of all races. Subprime market share to males and females for home improvement lending was almost twice that of subprime market shares for home purchase lending.

Recommendations

Only comprehensive and collaborative action by all stakeholders can meaningfully reduce lending disparities identified in this report. Lenders, community groups, and public officials must work together to develop best industry practices and policy solutions for ensuring equal access to credit for all Americans. Below is a list of programmatic and policy recommendations.

Recommendations for Consumers and Community Groups

Shop Around for Best Loan Terms and Conditions

Buying a home is the only form of wealth building for most Americans. Consumers should enter in a loan transaction exceedingly carefully, regardless of whether consumers are buying homes for the first time, refinancing their loans, or taking out home equity loans. Generally speaking, consumers should obtain price quotes from three different lenders, and preferably more. Consumers should carefully query lenders about loan terms and conditions, including the amount of fees in the loans, any penalties applied for paying off the loan before the end of its term, and insurance and other products financed in the loan amount. If consumers are unsure concerning loan terms and conditions, they should consult reputable counseling agencies. NCRC can provide consumers with referrals to quality counseling agencies.

Community Groups Should Use the New HMDA Data

NCRC member organizations and community organizations around the country should use the new HMDA data to monitor lender performance in offering reasonable prices to traditionally underserved communities and borrowers. When community organizations notice glaring price disparities for a particular lender or group of lenders, they should bring these disparities to the attention of regulatory agencies. At the same time, community organizations should establish partnerships with responsible prime and subprime lenders that are seeking to genuinely increase product choice and price competition in traditionally underserved communities. The new data can be used by partnerships of lenders and community groups to identify neighborhoods with concentrations of high cost loans; these neighborhoods are ripe for more competition among lenders.

Community Groups Should Develop Best Practices and Products with Industry

The national dialogue among NCRC member organizations, community organizations, and the lending industry has been vital for promoting industry reforms, programs, and best practices. A number of egregious practices in the subprime industry including single premium credit insurance, onerous prepayment penalties and mandatory arbitration have been abandoned by major subprime lenders. In addition, large lenders that have prime and subprime companies are working towards ensuring that borrowers are provided full product choice. When borrowers approach the subprime outlet of a lender, the borrower needs to receive a prime loan if the borrower is qualified for a prime loan. Lenders are in the process of developing these “referral up” programs, making sure that borrowers are not inappropriately steered to subprime loans and receive prime loans when they qualify. More work needs to be done on these “referral up” mechanisms, but the community-lender dialogue has been important for the progress made to date.

Recommendations: Legislative & Regulatory

Enhance the Quality of HMDA Data

Congress and the Federal Reserve Board (which implements the HMDA regulations) must enhance HMDA data so that regular and comprehensive studies can scrutinize fairness in lending. Specifically, are minorities, the elderly, women, and low- and moderate-income borrowers and communities able to receive loans that are fairly priced? More information in HMDA data is critical to fully explore the intersection of price, race, gender, and income. HMDA data must contain credit score information. For each HMDA reportable loan, a financial institution must indicate whether it used a credit score system and if the system was their own or one of the widely used systems such as FICO (a new data field in HMDA could contain 3 to 5 categories with the names of widely-used systems). The HMDA data also would contain one more field indicating which quintile of risk the credit score system placed the borrower. In addition, HMDA data must contain information on other key underwriting variables including the loan-to-value and debt-to-income ratios.

Using these data, regulators, researchers, the media, and the public could determine if any of the credit score systems were placing minorities and other protected classes in the higher risk categories a disproportionate amount of time. The data would facilitate more econometric analysis to assess whether the prices of loans are based on risk, race, gender, or age.

Federal Reserve Board Must Step Up Anti-Discrimination and Fair Lending Oversight

The Government Accountability Office concluded that the Federal Reserve Board has the authority to conduct fair lending reviews of affiliates of bank holding companies. The Federal Reserve Board, however, continues to insist that it lacks this authority.[16] This issue must be resolved because comprehensive anti-discrimination exams of all parts of bank holding companies are critical. Most of the major banks have acquired large subprime lenders that are then considered affiliates and become off-limits to Federal Reserve examination. A pressing question is the extent to which the subprime affiliates refer creditworthy customers to the prime parts of the bank so that the customers receive loans at prevailing rates instead of higher subprime rates. Or does the subprime affiliate steer creditworthy borrowers to high cost loans? These questions remain largely unanswered. Consequently, we do not know the extent of steering by subprime affiliates and/or their parent banks. Thus, it is past time for the Federal Reserve to examine affiliates as well as the parent bank.

Comprehensive Anti-Predatory Lending Legislation

Since our analysis revealed a disproportionate amount of subprime lending targeted to vulnerable borrowers and communities, Congress must respond by enacting

[16] Government Accountability Office, *Large Bank Mergers: Fair Lending Review Could be Enhanced with Better Coordination*, November 1999, GAO/GGD-00-16.

comprehensive anti-predatory lending legislation along the lines of bills introduced by Representatives Watt, Miller, and Frank and Senator Sarbanes. Comprehensive and strong anti-predatory lending legislation would eliminate the profitability of exploitative practices by making them illegal. It could also reduce the amount of price discrimination since fee packing and other abusive practices would be prohibited. A comprehensive anti-predatory law would also strengthen the Community Reinvestment Act (CRA) if regulatory agencies severely penalize lenders through failing CRA ratings when the lenders violate anti-predatory law.

Stop Regulators from Weakening CRA

CRA imposes an affirmative and continuing obligation on banks to serve the credit needs of all communities, including low- and moderate-income neighborhoods. Federal examiners issue a publicly available rating to banks with assets over $250 million based on how many loans, investments, and services they make to low- and moderate-income neighborhoods. The three part CRA exam (lending, investment, and service tests) for institutions with more than $250 million in assets has been instrumental in increasing access to loans, investments, and services for residents in low- and moderate-income communities.

However, the Office of Thrift Supervision (OTS) eliminated the investment and service tests for savings and loans with assets between $250 million and $1 billion. Eliminating these tests means that thrifts will no longer have the incentive to make investments in affordable housing, such as Low-Income Housing Tax Credits, and will no longer be scrutinized by examiners on how many branches and affordable banking services they are making available in low- and moderate-income neighborhoods. CRA also took a further blow from the OTS when that agency most recently ruled to allow thrifts with over $1 billion in assets to choose whether they even want to undergo the investment and service tests, thus giving them the power to pick and choose which community needs they will meet. Yet another change from the FDIC, Federal Reserve Board, and the Office of the Comptroller of the Currency diluted CRA exams for banks with assets between $250 million and $1 billion.

Given the persistence of disparities by income and race as illustrated in this study, it is counterproductive to lessen CRA oversight. If CRA oversight continues to diminish, the level of abusive lending to vulnerable populations is likely to increase even further as traditional lenders reduce the number of branches, bank products, and affordable housing investments in low- and moderate-income communities. Instead, regulators must strengthen CRA exams and hold lenders accountable to communities.

Strengthen CRA by Applying It to Minority Neighborhoods and All Geographical Areas Lenders Serve

In order to increase prime lending for minority borrowers and reduce lending disparities, CRA exams must evaluate the banks' records of lending to minority borrowers and neighborhoods as well as scrutinizing banks' performance in reaching low- and

moderate-income borrowers and neighborhoods. CRA's mandate of affirmatively meeting credit needs is currently incomplete as it is now applies only to low- and moderate-income neighborhoods, not minority communities.

CRA must also be strengthened so that depository institutions undergo CRA examinations in all geographical areas in which they make a significant number of loans. Currently, CRA exams assess lending primarily in geographical areas in which banks have their branches. But the overlap between branching and lending is eroding with each passing year as lending via brokers and correspondents continues to increase. A solution to this is modernizing CRA. The CRA Modernization Act, HR 865 introduced in the 107th Congress, mandates that banks undergo CRA exams in geographical areas in which their market share of loans exceeds one half of one percent in addition to areas in which their branches are located.

Short of statutory changes to CRA, the regulatory agencies have the authority to extend CRA examinations and scrutiny to geographical areas beyond narrow "assessment" areas in which branches are located. Currently, the federal banking agencies will consider lending activity beyond assessment areas if the activity will enhance CRA performance. Likewise, the CRA rating must be downgraded if the lending performance in reaching low- and moderate-income borrowers is worse outside than inside the assessment areas.

CRA Exams Must Scrutinize Subprime Lending More Rigorously

Currently, CRA exams are not adequately assessing the CRA performance of subprime lenders. For example, the CRA exam of the subprime lender, Superior Bank, FSB, called its lending innovative and flexible before that thrift's spectacular collapse.[17] Previous NCRC comment letters to the regulators have documented cursory fair lending reviews for the great majority of banks and thrifts involved in subprime lending.[18] If CRA exams continue to mechanistically consider subprime lending, subprime lenders will earn good ratings since they usually offer a larger portion of their loans to low- and moderate-income borrowers and communities than prime lenders.

The federal agencies have just amended the CRA regulations so that banks will be downgraded if their lending violates federal anti-predatory law. Prior to this recent change, fair lending reviews that accompany CRA exams have not usually scrutinized subprime lending for compliance with anti-predatory law, for possible pricing discrimination, or whether abusive loans are exceeding borrower ability to repay. All CRA exams of lenders with significant subprime lending volumes must be accompanied by a comprehensive fair lending and anti-predatory lending audit. In addition, CRA exams must ensure that prime lenders are not financing predatory lending through their secondary market activity or servicing abusive loans.

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[17] Office of Thrift Supervision Central Region's CRA Evaluation of Superior Bank, FSB, Docket #: 08566, September 1999. Available via http://www.ots.treas.gov, go to the CRA search engine and select "inactive" for the status of the institution being searched.

[18] NCRC comment letter to federal banking agencies on joint CRA proposal, April 2, 2004. Available via: http://www.ncrc.org.

GSEs Must Abide by Anti-Predatory Safeguards

The Government-Sponsored Enterprises (GSEs), including Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, purchase more than half of the home loans made on an annual basis in this country. It is vitally important, therefore, that the GSEs have adopted adequate protections against purchasing predatory loans. Fannie Mae and Freddie Mac have voluntarily adopted significant protections such as purchasing no loans with fees exceeding five percent of the loan amount, no loans involving price discrimination or steering, no loans with prepayment penalties beyond three years, and no loans with mandatory arbitration. The Department of Housing and Urban Development (HUD) has ruled that Fannie Mae and Freddie Mac will not receive credit towards their Affordable Housing Goals for any loans that contain certain abusive features.

HUD's ruling is an important first step, but it needs to be enhanced. HUD's ruling, for example, does not include disqualification from goals consideration of loans with mandatory arbitration. Congress has an opportunity to further bolster the anti-predatory protections applied to GSE loan purchasing activity as Congress considers GSE regulatory reform.

Methodology

NCRC used the 2004 HMDA data and 2000 Census for the report. As described above in the executive summary, this report considered subprime loans to be loans with price reporting.

Comparing Percent of Loans to Borrowers to Percent of Households or Owner-Occupied Housing Units

This part of the analysis focused on breaking down the data by prime and subprime loans and compared the lending data to corresponding demographic data.

- Specifications for the HMDA lending data included: loan type; 1st lien or 2nd lien (depending on the analysis); single family units only (no multifamily units); originated; no transition application; and owner-occupied only.
- Lending data is broken down by borrower race, borrower income, borrower gender, minority level of census tract, and income level of census tract. Lending data for each category was calculated by dividing the number of loans to each group by the denominator described for the following groups:
    - Borrower Race: Total *loans* minus loans to *joint(interracial co-borrowers)* and loans in which the *race of the borrower was not available*. (Use for all groups under Borrower Race, except for *Hispanic or Latino*. For the denominator for *Hispanic or Latino,* use total *loans* minus *joint* and *ethnicity not available.*
    - Borrower Income: Total *loans* minus *income not available for borrowers.*
    - Borrower Gender: Total *loans* minus *gender not available.*
    - Minority Level of Census Tract: Total *loans.*

- Income Level of Census Tract: Total *loans* minus *income of census tract not available*

- Demographic data for each category were calculated by dividing the number of households in each group by the denominator described for the following groups:
  - Borrower Race: Total households minus *other race only* households. (Use for all groups under Borrower Race, including *Hispanic or Latino*.)
  - Borrower Income: Total households.
  - Borrower Gender: Total households. For the numerator, female or male households are single females or males or female headed or male headed households.
  - Minority Level of Census Tract: Total owner-occupied housing units.
  - Income Level of Census Tract: Total owner-occupied housing units.

Below is an example of how to interpret the data. These figures can be verified in Table 1A by reviewing row 3 under Borrower Race and the last row labeled Total:

- In the United States in 2004, African-Americans received 161,571, or 5.5%, of all 3,325,201 prime home purchase loans made to all borrowers. African-Americans also received 75,937, or 20.1%, of all 433,902 subprime home purchase loans made to all borrowers. Reviewing all loans together (prime plus subprime), lenders made only 237,508, or 7.2%, of all 3,759,103 home purchase loans to African-Americans. African-Americans, however, made up 12,023,812, or 11.8% of households in the United States in 2004.

Subprime Market Share Analysis

Race by Borrower Income – Data is cross tabulated by borrower race (*American Indian/Alaska Native*; *Asian*; *Black or African American*; etc.) and borrower income (*LMI* or *MUI*), so that data reflects loans made to borrowers of various races but same income levels (ex. Asian MUI borrower or White Non-Hispanic MUI Borrower). On the tables, below the rows labeled *Count*, are *Market Share %* and *Disparity Ratio to Whites* rows.

- Market Share % describes the percent of subprime loans made to a borrower group compared to all loans made to the borrower group. It is calculated by dividing the number of subprime loans made to a specific borrower group by the number of prime plus subprime loans made to the same group.

Equation:

$$\frac{\text{\# of Subprime Loans to Specific Group}}{(\text{\# of Prime Loans to Specific Group} + \text{\# of Subprime Loans to Specific Group})}.$$

- Disparity Ratio to Whites describes the lending disparity between the subprime market share for one racial group of borrowers (such as American Indians or Hispanics) compared to the market share for white borrowers. It is calculated by dividing the market share percentage for the non-white borrower group by the market share percentage for White Non-Hispanic borrowers. Disparity ratios hold borrower

income constant, and therefore allow for additional light to be shed on how borrowers are treated according to their race. For example, this chart allows researchers to observe lending patterns to low- and moderate-income African-Americans compared to low- and moderate-income White Non-Hispanics.

Equation:

$$\frac{\text{Subprime Market Share for Non-White borrower group}}{\text{Subprime Market Share for White Non-Hispanic group}}$$

Below is an example of how to interpret the data. These figures can be verified in Table 2A by reviewing the *LMI Borrower* row and the *Black or African American* column:

- In the United States in 2004, lenders made 34,300 subprime home purchase loans to African-American LMI borrowers (see where the *LMI Borrowers* row and the *Black or African American* column intersect). Subprime lending accounted for 39.0% of all loans to African-American LMI borrowers. This percentage is calculated by dividing 34,300 subprime loans by 34,300 subprime loans + 53,544 prime loans (the number of prime loans is not shown in the market share tables). Comparatively, subprime home purchase loans made up 12.6% of the loans to White Non-Hispanic LMI borrowers. By dividing the subprime market share percentage for African-American LMI borrowers by the market share percentage for White Non-Hispanic LMI borrowers (39% divided by 12.6%), the disparity ratio illustrates that lenders made subprime home purchase loans to African-American LMI borrowers 3.1 times more often as to White Non-Hispanic LMI borrowers.

Race-Gender by Borrower Income – Data are cross tabulated by borrower race, borrower gender, and borrower income, so that the data reflect loans made to borrowers of race and gender combinations holding income levels constant (e.g. number of loans to *MUI African-American male borrowers*; *MUI African-American female borrowers*; *LMI Hispanic male borrowers*; *LMI Hispanic female borrowers*)

- Market Share % is calculated the same as above.
- Gender Disparity Ratio analyzes the disparities between the subprime market share for men and women. It is calculated by dividing the subprime market share percentage for women by the market share percentage for men.
- Race Disparity Ratio analyzes the lending disparities between the subprime market share for non-white borrower groups and the market share for White Non-Hispanic borrowers. It is calculated by dividing the subprime market share percentage for the non-white borrower group by the subprime market share percentage for White Non-Hispanic borrowers.

Below is an example of how to interpret the data. These figures can be verified in Table 3B by reviewing the *LMI Borrower* row, the *African-American Male* and *African-American Female* columns, and the *White Non-Hispanic Male* and *Female* columns:

- Lenders made 26,917 subprime refinance loans to African-American LMI male borrowers and 40,454 subprime refinance loans to African-American LMI female borrowers. These numbers accounted for 41.4% and 42.3% of the loans to African-American LMI male and African-American LMI female borrowers. Comparing the subprime market shares for African-American LMI females (42.3%) and for white non-Hispanic LMI females (22.5%) illustrates that lenders made subprime refinance loans to African-American LMI females 1.9 times more often than to their white counterparts. Similarly, lenders made subprime refinance loans to African-American LMI males 2.2 times more often than to their white counterparts.

Tract Race by Borrower Income – Data is cross tabulated by borrower income and census tract race (substantially minority, immigrant, or not substantially minority or white), so that data reflects loans made to borrowers of both categories (ex. LMI borrowers in not substantially minority census tracts).

- Market Share % is calculated the same as above.
- Race Disparity Ratio analyzes the lending disparities between the subprime market share for substantially minority or immigrant tracts and the market share for not substantially minority census tracts. It is calculated by dividing the subprime market share percentage for the substantially minority or immigrant census tracts by the market share percentage for not substantially minority or white census tracts.

Below is an example of how to interpret the data. These figures can be verified in Table 4D by reviewing the *MUI Borrower* row and the *Substantially Minority* column:

- Lenders made 222,222 subprime all single-family loans to *MUI borrowers* in *Substantially Minority* census tracts, which accounted for 18.6% of all loans to MUI borrowers in minority tracts. (This was calculated by dividing 222,222 subprime all single-family loans to *MUI* borrowers in *Substantially Minority* census tracts by the 222,222 subprime and the 971,142 prime all single-family loans made to *MUI* borrowers in *Substantially Minority* census tracts. The number of prime loans is not shown in the market share tables.)

APPENDICES

NCRC Portfolio Share Analysis: Home Purchase Lending - Conventional

2004 National Peer Mortgage Data

TABLE 1A

	Prime Loans		Subprime Loans		All Loans		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	24,779	0.8%	5,296	1.4%	30,075	0.9%	770,162	0.76%
Asian	188,691	6.4%	11,840	3.1%	200,531	6.1%	3,128,368	3.08%
Black or African American	161,571	5.5%	75,937	20.1%	237,508	7.2%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	17,235	0.6%	3,205	0.8%	20,440	0.6%	100,151	0.10%
Hispanic or Latino	330,498	11.4%	80,625	21.3%	411,123	12.5%	9,270,778	9.12%
White Non-Hispanic	2,160,699	73.7%	203,541	53.9%	2,364,240	71.4%	78,967,522	77.64%
Minorities, including Hispanic	776,204	26.5%	177,613	47.1%	953,817	28.8%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	185,689	5.86%	41,458	9.9%	227,147	6.3%	24,300,179	23.02%
Moderate (50-79% of Median)	601,323	19.0%	118,471	28.4%	719,794	20.1%	17,476,772	16.56%
Middle (80-119% of Median)	854,765	27.0%	128,247	30.8%	983,012	27.4%	20,261,598	19.20%
Upper (>=120% of Median)	1,524,910	48.2%	128,661	30.9%	1,653,571	46.1%	43,481,518	41.20%
Borrower Gender								
Male	1,020,244	31.9%	180,345	42.7%	1,200,589	33.2%	19,441,896	18.42%
Female	766,043	24.0%	135,576	32.1%	901,619	24.9%	30,638,775	29.03%
Joint	1,411,890	44.1%	106,490	25.2%	1,518,380	41.9%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	498,205	15.0%	123,047	28.4%	621,252	16.5%	10,764,953	15.42%
Immigrant	94,676	2.85%	8,379	1.93%	103,055	2.7%	782,196	1.12%
Not Substantially Minority	2,794,221	84.0%	306,610	70.7%	3,100,831	82.5%	59,038,519	84.58%
Low (0-49% of Median)	43,067	1.3%	14,475	3.4%	57,542	1.5%	1,151,371	1.65%
Moderate (50-79% of Median)	374,218	11.4%	95,930	22.3%	470,148	12.6%	10,499,381	15.04%
Middle (80-119% of Median)	1,558,556	47.4%	227,022	52.8%	1,785,578	48.0%	38,188,082	54.71%
Upper (>=120% of Median)	1,315,701	40.0%	92,171	21.5%	1,407,872	37.8%	19,964,638	28.60%
Total	3,325,201	100.0%	433,902	100.0%	3,759,103	100.0%	105,539,122	

NCRC Portfolio Share Analysis: Home Improvement Lending - Conventional

2004 National Peer Mortgage Data

TABLE 1B

	Prime Loans		Subprime Loans		All Loans		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	3,279	1.41%	1,032	1.57%	4,311	1.44%	770,162	0.76%
Asian	8,183	3.52%	753	1.14%	8,936	2.99%	3,128,368	3.08%
Black or African American	16,235	6.97%	11,902	18.05%	28,137	9.42%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	1,854	0.80%	401	0.61%	2,255	0.75%	100,151	0.10%
Hispanic or Latino	30,121	13.03%	9,958	15.10%	40,079	13.49%	9,270,778	9.12%
White Non-Hispanic	171,222	73.56%	42,316	64.19%	213,538	71.49%	78,967,522	77.64%
Minorities, including Hispanic	62,711	26.94%	24,339	36.92%	87,050	29.14%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	26,715	10.34%	13,034	17.73%	39,749	11.98%	24,300,179	23.02%
Moderate (50-79% of Median)	53,865	20.85%	20,872	28.39%	74,737	25.02%	17,476,772	16.56%
Middle (80-119% of Median)	71,421	27.65%	20,784	28.27%	92,205	30.87%	20,261,598	19.20%
Upper (>=120% of Median)	106,305	41.15%	18,840	25.62%	125,145	41.90%	43,481,518	41.20%
Borrower Gender								
Male	58,446	23.03%	20,243	27.92%	78,689	24.12%	19,441,896	18.42%
Female	58,410	23.02%	21,507	29.66%	79,917	24.50%	30,638,775	29.03%
Joint	136,889	53.95%	30,754	42.42%	167,643	51.38%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	57,789	21.74%	23,071	30.91%	80,860	23.75%	10,764,953	15.42%
Immigrant	12,260	4.61%	1,038	1.39%	13,298	3.91%	782,196	1.12%
Not Substantially Minority	204,784	77.05%	50,697	67.92%	255,481	75.05%	59,038,519	84.58%
Low (0-49% of Median)	5,048	1.92%	2,995	4.01%	8,043	2.39%	1,151,371	1.65%
Moderate (50-79% of Median)	40,727	15.51%	18,379	24.62%	59,106	17.57%	10,499,381	15.04%
Middle (80-119% of Median)	138,682	52.82%	40,838	54.71%	179,520	53.38%	38,188,082	54.71%
Upper (>=120% of Median)	78,107	29.75%	11,553	15.48%	89,660	26.66%	19,964,638	28.60%
Total	265,789	100.00%	74,642	100.00%	340,431	100.00%	105,539,122	

NCRC Portfolio Share Analysis: Refinance Lending - Conventional

2004 National Peer Mortgage Data

TABLE 1C

	Prime Loans		Subprime Loans		All Loans		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	38,287	0.9%	9,507	1.3%	47,794	1.0%	770,162	0.76%
Asian	195,831	4.8%	12,285	1.7%	208,116	4.3%	3,128,368	3.08%
Black or African American	260,864	6.4%	136,071	19.0%	396,935	8.2%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	26,470	0.6%	5,199	0.7%	31,669	0.7%	100,151	0.10%
Hispanic or Latino	427,719	10.6%	97,830	13.7%	525,549	11.0%	9,270,778	9.12%
White Non-Hispanic	3,067,700	74.9%	451,564	62.9%	3,519,264	73.1%	78,967,522	77.64%
Minorities, including Hispanic	1,026,076	25.0%	266,585	37.1%	1,292,661	26.8%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	300,805	6.7%	106,388	12.2%	407,193	7.6%	24,300,179	23.02%
Moderate (50-79% of Median)	878,345	19.4%	247,296	28.4%	1,125,641	20.9%	17,476,772	16.56%
Middle (80-119% of Median)	1,280,622	28.4%	271,739	31.2%	1,552,361	28.8%	20,261,598	19.20%
Upper (>=120% of Median)	2,056,329	45.5%	246,458	28.3%	2,302,787	42.7%	43,481,518	41.20%
Borrower Gender								
Male	1,176,404	25.7%	263,617	31.0%	1,440,021	26.5%	19,441,896	18.42%
Female	997,576	21.8%	244,199	28.7%	1,241,775	22.9%	30,638,775	29.03%
Joint	2,404,912	52.5%	342,859	40.3%	2,747,771	50.6%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	867,327	17.9%	251,475	28.4%	1,118,802	19.5%	10,764,953	15.42%
Immigrant	185,097	3.82%	12,700	1.43%	197,797	3.5%	782,196	1.12%
Not Substantially Minority	3,932,643	81.2%	628,397	70.9%	4,561,040	79.6%	59,038,519	84.58%
Low (0-49% of Median)	57,821	1.2%	26,813	3.0%	84,634	1.5%	1,151,371	1.65%
Moderate (50-79% of Median)	580,572	12.1%	199,848	22.7%	780,420	13.7%	10,499,381	15.04%
Middle (80-119% of Median)	2,358,956	49.1%	483,973	55.0%	2,842,929	50.1%	38,188,082	54.71%
Upper (>=120% of Median)	1,802,258	37.6%	169,208	19.2%	1,971,466	34.7%	19,964,638	28.60%
Total	4,841,076	100.0%	886,536	100.0%	5,727,612	100.0%	105,539,122	

NCRC Portfolio Share Analysis: All Single-Family Lending - Conventional

2004 National Peer Mortgage Data

TABLE 1D

	Prime Loans		Subprime Loans		All Loans		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	66,345	0.91%	15,835	1.36%	82,180	0.97%	770,162	0.76%
Asian	392,705	5.41%	24,878	2.14%	417,583	4.95%	3,128,368	3.08%
Black or African American	438,670	6.04%	223,910	19.29%	662,580	7.86%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	45,559	0.63%	8,805	0.76%	54,364	0.64%	100,151	0.10%
Hispanic or Latino	788,338	10.96%	188,413	16.30%	976,751	11.70%	9,270,778	9.12%
White Non-Hispanic	5,399,621	74.35%	697,421	60.07%	6,097,042	72.30%	78,967,522	77.64%
Minorities, including Hispanic	1,864,991	25.68%	468,537	40.36%	2,333,528	27.67%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	513,209	6.46%	160,880	11.81%	674,089	7.25%	24,300,179	23.02%
Moderate (50-79% of Median)	1,533,533	19.31%	386,639	28.38%	1,920,172	20.64%	17,476,772	16.56%
Middle (80-119% of Median)	2,206,808	27.79%	420,770	30.89%	2,627,578	28.24%	20,261,598	19.20%
Upper (>=120% of Median)	3,687,544	46.44%	393,959	28.92%	4,081,503	43.87%	43,481,518	41.20%
Borrower Gender								
Male	2,255,094	28.08%	464,205	34.50%	2,719,299	29.00%	19,441,896	18.42%
Female	1,822,029	22.69%	401,282	29.82%	2,223,311	23.71%	30,638,775	29.03%
Joint	3,953,691	49.23%	480,103	35.68%	4,433,794	47.29%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	1,423,321	16.88%	397,593	28.50%	1,820,914	18.53%	10,764,953	15.42%
Immigrant	292,033	3.46%	22,117	1.59%	314,150	3.20%	782,196	1.12%
Not Substantially Minority	6,931,648	82.21%	985,704	70.66%	7,917,352	80.57%	59,038,519	84.58%
Low (0-49% of Median)	105,936	1.27%	44,283	3.20%	150,219	1.54%	1,151,371	1.65%
Moderate (50-79% of Median)	995,517	11.92%	314,157	22.71%	1,309,674	13.45%	10,499,381	15.04%
Middle (80-119% of Median)	4,056,194	48.56%	751,833	54.35%	4,808,027	49.38%	38,188,082	54.71%
Upper (>=120% of Median)	3,196,066	38.26%	272,932	19.73%	3,468,998	35.63%	19,964,638	28.60%
Total	8,432,066	100.00%	1,395,080	100.00%	9,827,146	100.00%	105,539,122	

NCRC Portfolio Share Analysis: All Single-Family Lending - Government Insured

2004 National Peer Mortgage Data

TABLE 1E

	Prime Loans		Subprime Loans		All Loans		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	7,490	1.13%	472	5.13%	7,962	1.19%	770,162	0.76%
Asian	7,619	1.15%	233	2.53%	7,852	1.17%	3,128,368	3.08%
Black or African American	108,204	16.34%	1,402	15.23%	109,606	16.32%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	3,857	0.58%	161	1.75%	4,018	0.60%	100,151	0.10%
Hispanic or Latino	92,576	14.01%	2,102	22.76%	94,678	14.13%	9,270,778	9.12%
White Non-Hispanic	435,628	65.78%	4,942	53.69%	440,570	65.62%	78,967,522	77.64%
Minorities, including Hispanic	238,736	36.05%	4,431	48.14%	243,167	36.22%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	66,241	12.18%	1,136	13.98%	67,377	12.21%	24,300,179	23.02%
Moderate (50-79% of Median)	194,113	35.69%	2,951	36.31%	197,064	35.70%	17,476,772	16.56%
Middle (80-119% of Median)	179,532	33.01%	2,628	32.34%	182,160	33.00%	20,261,598	19.20%
Upper (>=120% of Median)	103,997	19.12%	1,412	17.37%	105,409	19.10%	43,481,518	41.20%
Borrower Gender								
Male	233,988	32.28%	3,209	31.20%	237,197	32.27%	19,441,896	18.42%
Female	163,228	22.52%	2,656	25.82%	165,884	22.57%	30,638,775	29.03%
Joint	327,611	45.20%	4,420	42.98%	332,031	45.17%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	145,892	19.53%	2,948	27.91%	148,840	19.65%	10,764,953	15.42%
Immigrant	5,332	0.71%	105	0.99%	5,437	0.72%	782,196	1.12%
Not Substantially Minority	584,855	78.30%	7,444	70.47%	592,299	78.19%	59,038,519	84.58%
Low (0-49% of Median)	11,207	1.53%	218	2.10%	11,425	1.54%	1,151,371	1.65%
Moderate (50-79% of Median)	132,009	18.07%	2,386	22.96%	134,395	18.14%	10,499,381	15.04%
Middle (80-119% of Median)	428,752	58.68%	5,646	54.34%	434,398	58.62%	38,188,082	54.71%
Upper (>=120% of Median)	158,701	21.72%	2,140	20.60%	160,841	21.70%	19,964,638	28.60%
Total	746,930	100.00%	10,564	100.00%	757,494	100.00%	105,539,122	

NCRC Portfolio Share Analysis: Manufactured, All Single-Family Lending - Conventional

2004 National Peer Mortgage Data

TABLE 1F

	Prime Manufactured ASF		Subprime Manufactured ASF		All Manufactured ASF		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	669	0.88%	1,175	1.36%	1,844	1.14%	770,162	0.76%
Asian	341	0.45%	452	0.52%	793	0.49%	3,128,368	3.08%
Black or African American	2,069	2.72%	5,978	6.93%	8,047	4.96%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	159	0.21%	282	0.33%	441	0.27%	100,151	0.10%
Hispanic or Latino	4,134	5.55%	6,197	7.37%	10,331	6.51%	9,270,778	9.12%
White Non-Hispanic	66,278	87.03%	69,219	80.28%	135,497	83.44%	78,967,522	77.64%
Minorities, including Hispanic	8,559	11.24%	14,854	17.23%	23,413	14.42%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	13,044	16.28%	21,304	23.11%	34,348	19.93%	24,300,179	23.02%
Moderate (50-79% of Median)	25,024	31.23%	31,441	34.11%	56,465	32.77%	17,476,772	16.56%
Middle (80-119% of Median)	24,152	30.14%	23,839	25.86%	47,991	27.85%	20,261,598	19.20%
Upper (>=120% of Median)	17,900	22.34%	15,601	16.92%	33,501	19.44%	43,481,518	41.20%
Borrower Gender								
Male	22,180	27.53%	29,310	32.77%	51,490	30.29%	19,441,896	18.42%
Female	17,204	21.35%	23,002	25.72%	40,206	23.65%	30,638,775	29.03%
Joint	41,181	51.12%	37,120	41.51%	78,301	46.06%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	4,806	5.79%	9,691	10.15%	14,497	8.12%	10,764,953	15.42%
Immigrant	112	0.13%	281	0.29%	393	0.22%	782,196	1.12%
Not Substantially Minority	75,428	90.81%	82,376	86.26%	157,804	88.37%	59,038,519	84.58%
Low (0-49% of Median)	189	0.24%	500	0.54%	689	0.40%	1,151,371	1.65%
Moderate (50-79% of Median)	11,724	14.61%	15,892	17.26%	27,616	16.03%	10,499,381	15.04%
Middle (80-119% of Median)	58,862	73.36%	65,721	71.39%	124,583	72.31%	38,188,082	54.71%
Upper (>=120% of Median)	9,457	11.79%	9,950	10.81%	19,407	11.26%	19,964,638	28.60%
Total	83,062	100.00%	95,500		178,562		105,539,122	

NCRC Portfolio Share Analysis: Second-Lien All Single-Family Lending

2004 National Peer Mortgage Data

TABLE 1G

	Prime Loans		Subprime Loans		All Loans		Demographic Data	
	Count	%	Count	%	Count	%	Count	%
Borrower Race								
American Indian/Alaska Native	8,551	1.0%	5,398	1.4%	13,949	1.1%	770,162	0.76%
Asian	35,088	4.0%	14,786	3.9%	49,874	4.0%	3,128,368	3.08%
Black or African American	49,992	5.7%	57,404	15.3%	107,396	8.5%	12,023,812	11.82%
Native Hawaiian / Other Pacific Islander	5,958	0.7%	4,373	1.2%	10,331	0.8%	100,151	0.10%
Hispanic or Latino	86,642	9.9%	85,187	22.6%	171,829	13.8%	9,270,778	9.12%
White Non-Hispanic	675,518	76.4%	211,187	56.4%	886,705	70.4%	78,967,522	77.64%
Minorities, including Hispanic	207,957	23.5%	170,330	45.5%	378,287	30.1%	26,571,600	26.13%
Borrower Income								
Low (0-49% of Median)	40,598	3.9%	19,717	4.4%	60,315	4.1%	24,300,179	23.02%
Moderate (50-79% of Median)	166,596	16.2%	93,591	21.0%	260,187	17.6%	17,476,772	16.56%
Middle (80-119% of Median)	297,323	28.9%	147,342	33.1%	444,665	30.2%	20,261,598	19.20%
Upper (>=120% of Median)	524,987	51.0%	184,429	41.4%	709,416	48.1%	43,481,518	41.20%
Borrower Gender								
Male	261,972	26.5%	164,983	37.9%	426,955	30.0%	19,441,896	18.42%
Female	189,363	19.1%	118,434	27.2%	307,797	21.6%	30,638,775	29.03%
Joint	538,026	54.4%	152,448	35.0%	690,474	48.4%	55,458,451	52.55%
Tract Characteristics								
Substantially Minority	152,516	14.3%	122,515	26.8%	275,031	18.0%	10,764,953	15.42%
Immigrant	35,814	3.35%	10,010	2.19%	45,824	3.0%	782,196	1.12%
Not Substantially Minority	900,601	84.3%	331,841	72.5%	1,232,442	80.8%	59,038,519	84.58%
Low (0-49% of Median)	12,353	1.2%	10,604	2.3%	22,957	1.5%	1,151,371	1.65%
Moderate (50-79% of Median)	116,031	11.0%	86,209	19.0%	202,240	13.4%	10,499,381	15.04%
Middle (80-119% of Median)	526,803	50.0%	242,524	53.4%	769,327	51.0%	38,188,082	54.71%
Upper (>=120% of Median)	397,773	37.8%	114,975	25.3%	512,748	34.0%	19,964,638	28.60%
Total	1,068,470	100.0%	457,556	100.0%	1,526,026	100.0%	105,539,122	

NCRC Market Share Analysis: Subprime Lending, Conventional - Race by Borrower Income

2004 National Peer Mortgage Data

TABLE 2A

	Borrower Race						
Subprime Home Purchase	**American Indian/ Alaska Native**	**Asian**	**Black or African American**	**Native Hawaiian/ Other Pacific Islander**	**Hispanic or Latino**	**White Non-Hispanic**	**Minorities, Including Hispanic**
LMI Borrowers							
Count	1,723	2,372	34,300	891	25,504	76,276	64,302
Market Share %	21.5%	6.9%	39.0%	19.9%	23.5%	12.6%	26.3%
Disparity Ratio to Whites	1.707	0.547	3.101	1.582	1.869	1.000	2.086
MUI Borrowers							
Count	3,359	8,832	39,766	2,204	51,712	119,242	107,134
Market Share %	16.4%	5.6%	28.4%	14.7%	18.4%	7.2%	16.1%
Disparity Ratio to Whites	2.273	0.783	3.933	2.037	2.558	1.000	2.238
Total							
Count	5,082	11,204	74,066	3,095	77,216	195,518	171,436
Market Share %	17.8%	5.9%	32.5%	15.9%	19.9%	8.7%	8.9%
Disparity Ratio to Whites	2.060	0.678	3.753	1.836	2.295	1.000	1.034

NCRC Market Share Analysis: Subprime Lending, Conventional - Race by Borrower Income

2004 National Peer Mortgage Data

TABLE 2B

Subprime Refinance	Borrower Race						
	American Indian/ Alaska Native	Asian	Black or African American	Native Hawaiian/ Other Pacific Islander	Hispanic or Latino	White Non-Hispanic	Minorities, Including Hispanic
LMI Borrowers							
Count	3,666	2,906	67,741	1,645	35,842	174,802	111,544
Market Share %	23.5%	8.4%	41.9%	20.6%	22.1%	19.2%	50.0%
Disparity Ratio to Whites	1.22	0.44	2.19	1.07	1.15	1.00	2.61
MUI Borrowers							
Count	5,706	9,124	66,422	3,494	60,552	269,606	151,234
Market Share %	19.0%	5.7%	30.2%	15.7%	17.9%	11.3%	17.9%
Disparity Ratio to Whites	1.688	0.501	2.676	1.392	1.590	1.000	1.585
Total							
Count	9,372	12,030	134,163	5,139	96,394	444,408	262,778
Market Share %	20.6%	6.1%	35.2%	17.0%	19.3%	13.5%	21.4%
Disparity Ratio to Whites	1.53	0.46	2.61	1.26	1.43	1.00	1.59

NCRC Market Share Analysis: Subprime Lending, Conventional - Race by Borrower Income

2004 National Peer Mortgage Data

TABLE 2C

	Borrower Race						
Subprime Home Improvement	**American Indian/ Alaska Native**	**Asian**	**Black or African American**	**Native Hawaiian/ Other Pacific Islander**	**Hispanic or Latino**	**White Non-Hispanic**	**Minorities, Including Hispanic**
LMI Borrowers							
Count	430	223	6,562	151	3,969	19,126	11,278
Market Share %	27.87%	12.33%	48.26%	23.59%	29.93%	26.47%	36.84%
Disparity Ratio to Whites	1.05	0.47	1.82	0.89	1.13	1.00	1.39
MUI Borrowers							
Count	590	520	5,241	247	5,925	22,459	12,869
Market Share %	22.01%	7.56%	37.33%	15.79%	22.82%	16.53%	23.55%
Disparity Ratio to Whites	1.33	0.46	2.26	0.96	1.38	1.00	1.42
Total							
Count	1,020	743	11,803	398	9,894	41,585	24,147
Market Share %	24.15%	8.55%	42.71%	18.06%	25.22%	19.98%	28.32%
Disparity Ratio to Whites	1.21	0.43	2.14	0.90	1.26	1.00	1.42

NCRC Market Share Analysis: Subprime Lending, Conventional - Race by Borrower Income

2004 National Peer Mortgage Data

TABLE 2D

Subprime All Single-Family	Borrower Race						
	American Indian/ Alaska Native	Asian	Black or African American	Native Hawaiian/ Other Pacific Islander	Hispanic or Latino	White Non-Hispanic	Minorities, Including Hispanic
LMI Borrowers							
Count	5,819	5,501	108,603	2,687	65,315	270,204	187,124
Market Share %	23.11%	7.77%	41.30%	20.49%	23.04%	17.00%	28.42%
Disparity Ratio to Whites	1.36	0.46	2.43	1.21	1.35	1.00	1.67
MUI Borrowers							
Count	9,655	18,476	111,429	5,945	118,189	411,307	271,237
Market Share %	18.17%	5.69%	29.78%	15.32%	18.36%	9.84%	17.34%
Disparity Ratio to Whites	1.85	0.58	3.03	1.56	1.86	1.00	1.76
Total							
Count	15,474	23,977	220,032	8,632	183,504	681,511	458,361
Market Share %	19.76%	6.06%	34.53%	16.62%	19.79%	11.82%	20.62%
Disparity Ratio to Whites	1.67	0.51	2.92	1.41	1.67	1.00	1.75

NCRC Market Share Analysis: Subprime Lending, Conventional - Race-Gender by Borrower Income

2004 National Peer Mortgage Data

TABLE 3A

Subprime Home Purchase	Black or African American		Hispanic or Latino (Ethnicity)		Asian		White Non-Hispanic (Minority Status)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
LMI Borrowers										
Count	14,348	19,761	16,576	8,842	1,324	1,022	44,857	31,244	87,164	68,582
Market Share %	39.74%	38.49%	23.41%	23.75%	6.37%	7.56%	12.92%	12.14%	16.60%	17.39%
Gender Disparity Ratio*	0.97		1.01		1.19		0.94		1.05	
Race Disparity Ratio**	3.08	3.17	1.81	1.96	0.49	0.62	1.00	1.00	1.29	1.43
MUI Borrowers										
Count	22,253	17,337	34,165	17,326	5,287	3,488	85,223	33,752	168,082	82,168
Market Share %	27.25%	29.94%	17.51%	20.60%	4.91%	7.24%	6.76%	8.69%	8.95%	12.51%
Gender Disparity Ratio	1.10		1.18		1.48		1.29		1.40	
Race Disparity Ratio	4.03	3.44	2.59	2.37	0.73	0.83	1.00	1.00	1.32	1.44
Total										
Count	36,601	37,098	50,741	26,168	6,611	4,510	130,080	64,996	255,246	150,750
Market Share %	31.08%	33.96%	19.08%	21.56%	5.15%	7.31%	8.09%	10.06%	10.62%	14.34%
Gender Disparity Ratio	1.09		1.13		1.42		1.24		1.35	
Race Disparity Ratio	3.84	3.37	2.36	2.14	0.64	0.73	1.00	1.00	1.31	1.42

TABLE 3B

Subprime Refinance	Black or African American		Hispanic or Latino (Ethnicity)		Asian		White Non-Hispanic (Minority Status)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
LMI Borrowers										
Count	26,917	40,454	21,909	13,737	1,475	1,392	98,024	90,414	179,884	159,101
Market Share %	41.36%	42.31%	20.78%	24.66%	7.25%	9.88%	18.77%	22.54%	21.79%	24.98%
Gender Disparity Ratio	1.02		1.19		1.36		1.20		1.15	
Race Disparity Ratio	2.20	1.88	1.11	1.09	0.39	0.44	1.00	1.00	1.16	1.11
MUI Borrowers										
Count	37,508	28,559	41,030	19,219	5,326	3,713	191,937	76,914	338,799	159,278
Market Share %	28.94%	32.09%	16.87%	20.72%	4.60%	8.27%	10.33%	14.66%	12.27%	17.90%
Gender Disparity Ratio	1.11		1.23		1.80		1.42		1.46	
Race Disparity Ratio	2.80	2.19	1.63	1.41	0.45	0.56	1.00	1.00	1.19	1.22
Total										
Count	64,425	69,013	62,939	32,956	6,801	5,105	289,961	167,328	518,683	318,379
Market Share %	33.09%	37.38%	18.05%	22.19%	5.00%	8.66%	12.18%	18.08%	14.46%	20.86%
Gender Disparity Ratio	1.13		1.23		1.73		1.48		1.44	
Race Disparity Ratio	2.72	2.07	1.48	1.23	0.41	0.48	1.00	1.00	1.19	1.15

* Gender Disparity Ratio describes the difference in lending patterns between males and females. In this chart, gender disparity ratios specifically describe the differences between black male borrowers and black female borrowers; between Hispanic male borrowers and Hispanic female borrowers; and between white male borrowers and white female borrowers.

** Race Disparity Ratio describes the difference in lending patterns within gender between whites and black borrowers; and between white and Hispanic borrowers.

NCRC Market Share Analysis: Subprime Lending, Conventional - Race-Gender by Borrower Income

2004 National Peer Mortgage Data

TABLE 3C

Subprime Home Improvement	Black or African American		Hispanic or Latino (Ethnicity)		Asian		White Non-Hispanic (Minority Status)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Males	Females
LMI Borrowers										
Count	2,697	3,837	2,401	1,548	116	107	10,431	8,661	17,290	15,628
Market Share %	49.16%	47.63%	28.69%	32.10%	11.63%	13.31%	26.08%	26.92%	28.71%	31.11%
Gender Disparity Ratio	0.97		1.12		1.14		1.03		1.08	
Race Disparity Ratio	1.89	1.77	1.10	1.19	0.45	0.49	1.00	1.00		
MUI Borrowers										
Count	3,003	2,214	3,960	1,929	290	227	16,205	6,219	26,480	12,043
Market Share %	36.95%	37.79%	21.36%	26.55%	6.36%	9.87%	15.64%	19.37%	17.28%	22.08%
Gender Disparity Ratio	1.02		1.24		1.55		1.24		1.28	
Race Disparity Ratio	2.36	1.95	1.37	1.37	0.41	0.51	1.00	1.00		
Total										
Count	5,700	6,051	6,361	3,477	406	334	26,636	14,880	43,770	27,671
Market Share %	41.87%	43.49%	23.64%	28.76%	7.30%	10.76%	18.55%	23.15%	20.51%	26.41%
Gender Disparity Ratio	1.04		1.22		1.47		1.25		1.29	
Race Disparity Ratio	2.26	1.88	1.27	1.24	0.39	0.47	1.00	1.00		

TABLE 3D

Subprime All Single-Family	Black or African American		Hispanic or Latino (Ethnicity)		Asian		White Non-Hispanic (Minority Status)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Males	Females
LMI Borrowers										
Count	43,962	64,052	40,886	24,127	2,915	2,521	153,312	116,193	284,338	243,311
Market Share %	41.21%	41.32%	22.14%	24.68%	6.92%	8.87%	16.86%	17.17%	20.15%	22.50%
Gender Disparity Ratio	1.00		1.11		1.28		1.02		1.12	
Race Disparity Ratio	2.44	2.41	1.31	1.44	0.41	0.52	1.00	1.00		
MUI Borrowers										
Count	62,764	48,110	79,155	38,474	10,903	7,428	293,365	116,885	533,361	253,489
Market Share %	28.61%	31.49%	17.32%	20.89%	4.78%	7.79%	9.10%	12.37%	11.13%	15.83%
Gender Disparity Ratio	1.10		1.21		1.63		1.36		1.42	
Race Disparity Ratio	3.14	2.55	1.90	1.69	0.53	0.63	1.00	1.00		
Total										
Count	106,726	112,162	120,041	62,601	13,818	9,949	446,677	233,078	817,699	496,800
Market Share %	32.73%	36.44%	18.71%	22.21%	5.12%	8.04%	10.81%	14.37%	13.18%	18.52%
Gender Disparity Ratio	1.11		1.19		1.57		1.33		1.41	
Race Disparity Ratio	3.03	2.54	1.73	1.54	0.47	0.56	1.00	1.00		

* Gender Disparity Ratio describes the difference in lending patterns between males and females. In this chart, gender disparity ratios specifically describe the differences between black male borrowers and black female borrowers; between Hispanic male borrowers and Hispanic female borrowers; and between white male borrowers and white female borrowers.

** Race Disparity Ratio describes the difference in lending patterns within gender between whites and black borrowers; and between white and Hispanic borrowers.

NCRC Market Share Analysis: Subprime Lending, Conventional - Tract Race by Borrower Income

2004 National Peer Mortgage Data

TABLE 4A

Subprime Home Purchase	Tract Race		
	Substantially Minority	Immigrant	Not Substantially Minority
LMI Borrowers			
Count	46,294	997	113,386
Market Share %	28.48%	12.99%	14.49%
Race Disparity Ratio	1.97	0.90	1.00
MUI Borrowers			
Count	73,173	7,110	183,309
Market Share %	16.85%	13.64%	8.34%
Race Disparity Ratio	2.02	1.64	1.00
Total			
Count	119,467	8,107	296,695
Market Share %	20.02%	13.56%	9.96%
Race Disparity Ratio	2.01	1.36	1.00

TABLE 4B

Subprime Refinance	Tract Race		
	Substantially Minority	Immigrant	Not Substantially Minority
LMI Borrowers			
Count	111,891	2,961	241,374
Market Share %	30.95%	14.02%	20.65%
Race Disparity Ratio	1.50	0.68	1.00
MUI Borrowers			
Count	136,967	9,515	380,511
Market Share %	19.32%	13.92%	12.12%
Race Disparity Ratio	1.59	1.15	1.00
Total			
Count	248,858	12,476	621,885
Market Share %	23.25%	13.94%	14.43%
Race Disparity Ratio	1.61	0.97	1.00

* The ratio indicates the lending disparity between predominately white census tracts and substantially minority or immigrant census tracts.

NCRC Market Share Analysis: Subprime Lending, Conventional - Tract Race by Borrower Income

2004 National Peer Mortgage Data

TABLE 4C

Subprime Home Improvement	Tract Race		
	Substantially Minority	Immigrant	Not Substantially Minority
LMI Borrowers			
Count	10,875	295	22,929
Market Share %	37.08%	18.61%	27.05%
Race Disparity Ratio	1.37	0.69	1.00
MUI Borrowers			
Count	12,082	739	27,415
Market Share %	24.12%	16.93%	16.49%
Race Disparity Ratio	1.46	1.03	1.00
Total			
Count	22,957	1,034	50,344
Market Share %	28.91%	17.38%	20.05%
Race Disparity Ratio	1.44	0.87	1.00

TABLE 4D

Subprime All Single-Family	Tract Race		
	Substantially Minority	Immigrant	Not Substantially Minority
LMI Borrowers			
Count	169,060	4,253	377,689
Market Share %	30.55%	14.00%	18.55%
Race Disparity Ratio	1.65	0.75	1.00
MUI Borrowers			
Count	222,222	17,364	591,235
Market Share %	18.62%	13.91%	10.74%
Race Disparity Ratio	1.73	1.29	1.00
Total			
Count	391,282	21,617	968,924
Market Share %	22.40%	13.93%	12.85%
Race Disparity Ratio	1.74	1.08	1.00

* The ratio indicates the lending disparity between predominately white census tracts and substantially minority or immigrant census tracts.

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

The 2005 Fair Lending Disparities: Stubborn and Persistent II

May 2006

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The National Community Reinvestment Coalition

The National Community Reinvestment Coalition (NCRC) is the nation's trade association for economic justice whose members consist of local community based organizations. Since its inception in 1990, NCRC has spearheaded the economic justice movement. NCRC's mission is to build wealth in traditionally underserved communities and bring low- and moderate-income populations across the country into the financial mainstream. NCRC members have constituents in every state in America, in both rural and urban areas.

The Board of Directors would like to express their appreciation to the NCRC professional staff who contributed to this publication and serve as a resource to all of us in the public and private sector who are committed to responsible lending. For more information, please contact:

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We would also like to thank our contractor, the KRA Corporation, for their timely and tireless work on this project.

Abstract

NCRC's survey of 17 large lending institutions includes a substantial share of the total lending market for 2005, perhaps up to one third of the loans reported by institutions in HMDA (Home Mortgage Disclosure Act) data. The previous HMDA data for 2004 revealed that lending institutions issued 1.4 million conventional high-cost loans and 8.4 million market-rate loans. Our sample using the 2005 data includes 1.4 million high-cost loans and 3.5 million market-rate conventional loans. High-cost lending was a much higher portion of overall lending in 2005, climbing from 12.2 percent of total loans in 2004 to 28.2 percent of total loans in 2005. As described below, it is difficult to disentangle data reporting issues from economic events to account for the surge in high-cost lending reported in 2005.

Minorities, women, and low- and moderate-income borrowers across the United States of America receive a disproportionate amount of high cost loans. Across the country, African-Americans received 16.8 percent of the conventional high-cost loans but only 5.5 percent of the conventional market-rate loans during 2005. In contrast, whites received a greater percentage of market-rate than high-cost loans. Whites received 67.4 percent and 51.8 percent of the market-rate and high-cost loans, respectively. Disparities are also present by gender. Females received 37.3 percent of the high-cost conventional loans but just 28 percent of the market-rate conventional loans in NCRC's sample of 2005 loans. Males, in contrast, received a higher percentage of market-rate loans (66.8 percent) than high-cost loans (60.2 percent).

Low-income and even middle-income borrowers received substantial amounts of high-cost loans. Of all the conventional loans made to low- and moderate-income and middle-income borrowers, between 39 to 45 percent were high cost. In contrast, of all the conventional loans made to upper-income borrowers, 24.4 percent were high-cost. The disparities by income level were among the greatest disparities only to be surpassed by the African-American/white disparity. Of all the conventional loans made to African-Americans, 54.5 percent were high-cost. In contrast, of all the conventional loans issued to whites, 23.3 percent were high-cost. Hispanics and Native Americans also received a disproportionate amount of high-cost loans. About 40.7 percent and 35 percent of the conventional loans made to Hispanics and Native Americans, respectively, were high-cost loans. Disparities in very high-cost HOEPA lending were particularly worrisome for African-Americans and women.

Similar disparities were found when analyzing refinance, home purchase, and home improvement lending separately. Large disparities were also found in manufactured housing and subordinate lien loans. For example, of all the manufactured housing loans made to African-Americans, an incredible 75.8 percent were high cost. Lastly, just like last year, the report finds that higher levels of high-cost lending occurred when borrowers requested preapprovals for home purchase loans than when they did not request preapprovals. Finally, intensified enforcement is needed but has been missing. We do not know what happened last year after the Federal Reserve identified the need to further investigate 200 large lenders. The disparities remain serious as revealed by the new data.

Table of Contents

The 2005 Fair Lending Disparities: Stubborn and Persistent II

Executive Summary

This is the second year NCRC has conducted a study shortly after the release of the most recent home loan data. Because fair lending disparities have not narrowed from last year, we are using the same title for this year's report: *The 2005 Fair Lending Disparities: Stubborn and Persistent II.*

Minorities, women, and low- and moderate-income borrowers across the United States of America receive a disproportionate amount of high cost loans. This is the second year in which the Home Mortgage Disclosure Act data (HMDA) contains information on pricing for high cost loans. In previous years, the general public had to rely on a list of subprime lending specialists from the Department of Housing and Urban Development (HUD) in order to determine patterns of high cost lending.[1] This year, the data has more precision. Yet, the fact remains that fair lending disparities by race, gender, and income remain stubborn and persistent. This was true in the 2004 HMDA data and is also true in the new 2005 HMDA, which first became available in April of this year.

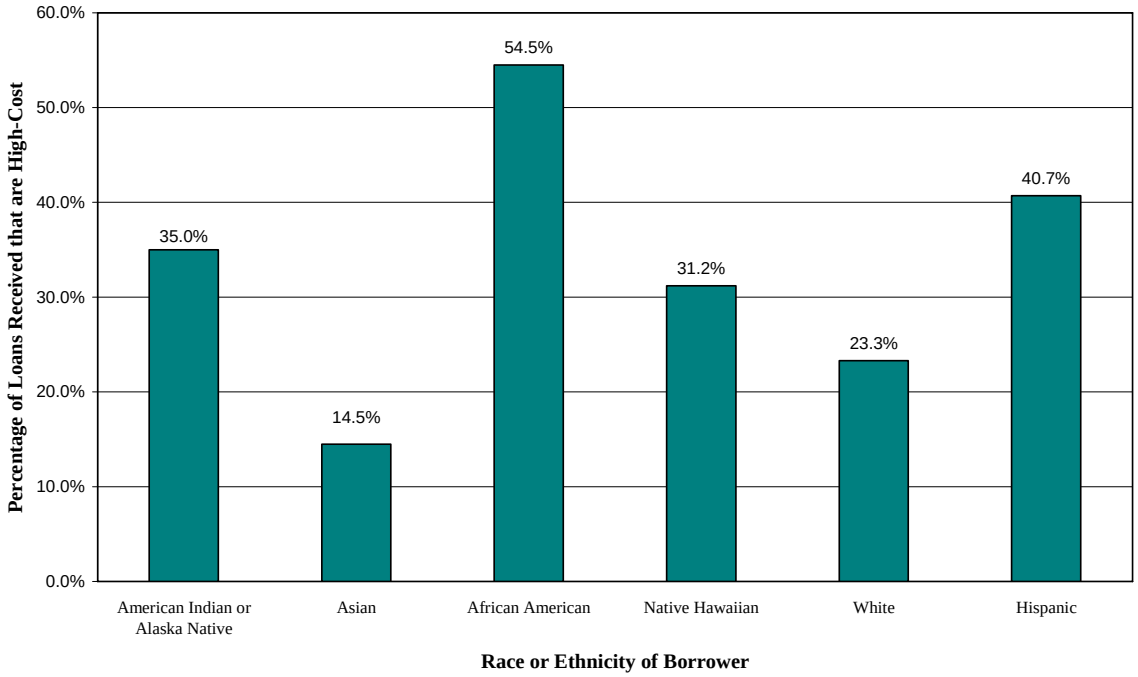
Prime loans are loans made at prevailing interest rates to borrowers with good credit histories. Subprime loans, in contrast, are loans with rates higher than prevailing rates made to borrowers with credit blemishes. The higher rates compensate lenders for the added risks of lending to borrowers with credit blemishes. While responsible subprime lending serves credit needs, public policy concerns arise when certain groups in the population receive a disproportionate amount of subprime loans. When subprime lending crowds out prime lending in traditionally underserved communities, price discrimination and other predatory and deceptive practices become more likely as residents face fewer product choices.

For the year 2005, it is unclear if there is an exact correspondence between loans with price information and subprime loans. The federal financial regulatory agencies caution that changes in short- and long-term rates have likely increased the number and percentages of loans with pricing information.[2] It is possible, therefore, that some loans with price information are prime loans, though they probably have interest rates that place them among the more expensive of prime loans and close to subprime loans in price. This report indeed finds that the number and percentage of loans with pricing information has increased significantly. To avoid equating all loans with price information as subprime loans, this report adopts the names "high-cost" loans as loans with price information and "market-rate" loans as loans without price information. However, the same concerns about a disproportionate amount of high-cost loans received

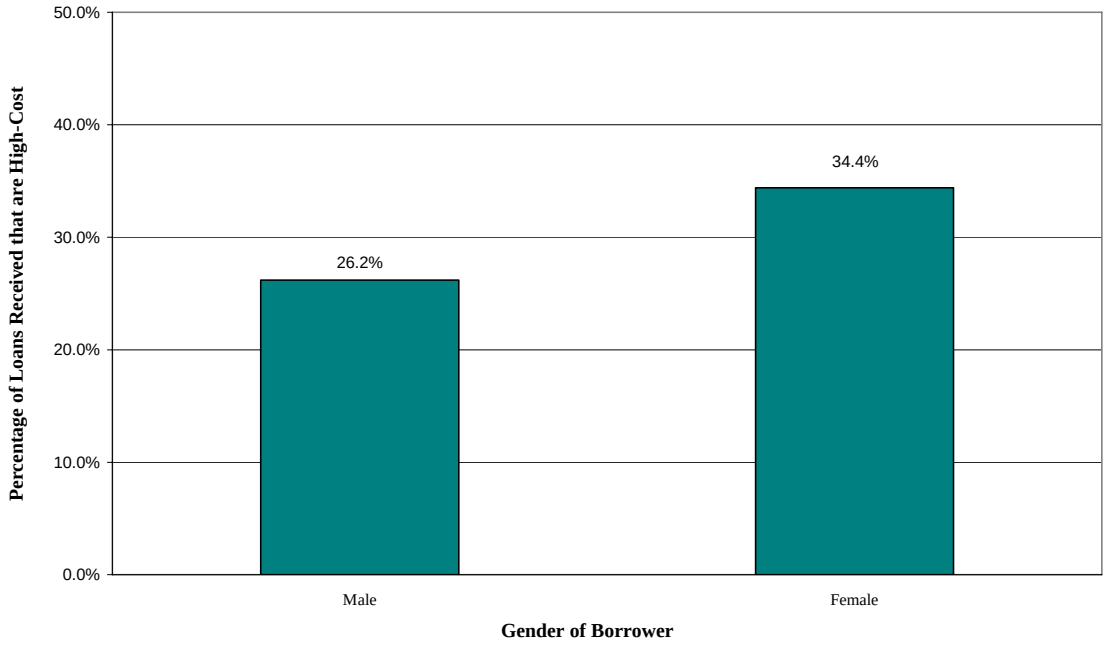
[1] HUD refines its lists on an annual basis. HUD's web page (http://www.huduser.org/datasets/manu.html) has more information about the lists and has copies of the lists.

[2] Frequently Asked Questions About the New HMDA Data, http://www.federalreserve.gov/boarddocs/press/bcreg/2006/20060403/attachment.pdf

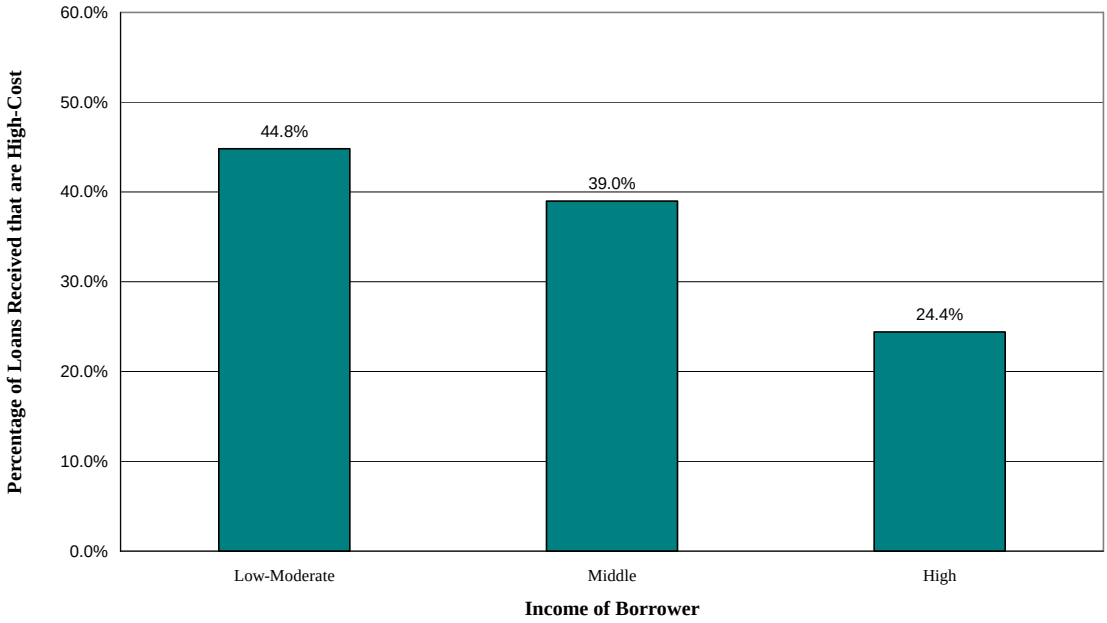
Minorities Receive Disproportionate Amount of High-Cost Loans



Women Receive Disproportionate Amount of High-Cost Loans



High-Cost Lending Prevalent Among Low-Moderate & Middle-Income Borrowers



by certain borrower groups still apply. If certain groups in the population received a disproportionate amount of high-cost loans, then either price discrimination and/or market failure may be preventing these borrower groups from having a greater variety of product choice and range of prices.

NCRC's survey of 17 large lending institutions for 2005 includes a substantial share of the total lending market, perhaps up to one third of the loans reported by institutions in HMDA data. The previous HMDA data for 2004 revealed that lending institutions issued 1.4 million conventional high-cost loans and 8.4 million market-rate loans. Our sample using the 2005 data includes 1.4 million high-cost loans and 3.5 million market-rate conventional loans. High-cost lending was a much higher portion of overall lending in 2005, climbing from 12.2 percent of total loans in NCRC's sample with the 2004 data to 28.2 percent of total loans in the 2005 sample.

Minorities, women, and low- and moderate-income borrowers across the United States of America receive a disproportionate amount of high cost loans. Across the country, African-Americans received 16.8 percent of the conventional high-cost loans but only 5.5 percent of the conventional market-rate loans during 2005. In contrast, whites received a greater percentage of market-rate than high-cost loans. Whites received 67.4 percent and 51.8 percent of the market-rate and high-cost loans, respectively. Disparities are also present by gender. Females received 37.3 percent of the high-cost conventional loans but just 28 percent of the market-rate conventional loans in NCRC's sample of 2005 loans. Males, in contrast, received a higher percentage of market-rate loans (66.8 percent) than high-cost loans (60.2 percent).

Of all the conventional loans made to low- and moderate-income and middle-income borrowers, between 39 to 45 percent were high cost. It is significant that high-cost lending was high even for middle-income borrowers, at 39 percent of all the loans they received. In contrast, of all the conventional loans made to upper-income borrowers, 24.4 percent were high-cost. The disparities by income level were among the greatest disparities only to be surpassed by the African-American/white disparity. Of all the conventional loans made to African-Americans, 54.5 percent were high-cost. In contrast, of all the conventional loans issued to whites, 23.3 percent were high-cost. Hispanics and Native Americans also received a disproportionate amount of high-cost loans. About 40.7 percent and 35 percent of the conventional loans made to Hispanics and Native Americans, respectively, were high-cost loans.

Similar disparities were found when analyzing refinance, home purchase, and home improvement lending separately. Large disparities were also found in manufactured housing and subordinate lien loans. For example, of all the manufactured housing loans made to African-Americans, an incredible 75.8 percent were high-cost. Manufactured housing lending is disproportionately high-cost lending; even 47.2 percent of manufactured housing loans received by whites in NCRC's 2005 sample were high-cost.

Disparities in lending were particularly worrisome for African-Americans and women for very high-cost loans covered by the Home Ownership and Equity Protection Act (HOEPA). African-Americans were the only racial group to receive a substantially higher percentage of very high-cost loans than market-rate loans. Likewise, women, in contrast to men, obtained a higher percentage of very high-cost loans than market-rate loans.

Just like last year, this report found a higher level of high-cost lending when borrowers requested preapprovals for home purchase loans than when preapprovals were not requested. Not only were levels of high-cost lending higher when preaprovals were requested, but racial and income disparities were just as significant when preapprovals were requested. This is contrary to expectations since the common belief is that preapprovals are used by savvy borrowers to help them bid in the housing market. The persistence of this finding calls for further federal agency investigations into the use of preapprovals. Are preapprovals used by savvy borrowers or are they more of a quick sell tactic by brokers and loan officers to hook borrowers into high cost loans?

Much has already been written about how the new HMDA data, by itself, cannot prove the existence of discrimination. Observers, including the federal banking agencies, note that HMDA data omits key underwriting variables including borrower creditworthiness, loan-to-value ratios, and debt-to-income ratios. NCRC and our 600 member organizations had advocated for the inclusion of these data elements so that HMDA data would be most useful for identifying the complete causes of pricing disparities. But the absence of the key underwriting variables does not reduce the data to little value. The regulatory agencies themselves note that the new price data is a "useful screen, previously unavailable, to identify lenders, products, applicants, and geographic markets

where price differences among racial or other groups are sufficiently large to warrant further investigation."[3]

NCRC will be one of the stakeholders using the new HMDA data to conduct further investigations and pursue enforcement options when warranted. In the meantime, the presence of disparities means that all stakeholders (responsible lenders, community organizations, and public officials) have our work cut out for us in increasing access to affordable loans for traditionally underserved populations.

No stakeholder can be complacent. The fact that the new 2005 data shows similar disparities to earlier years suggests that after controlling for creditworthiness and other key underwriting variables, discrimination is a likely contributor to the disparities. In a previous report, *The Broken Credit System*, NCRC obtained creditworthiness data on a one time basis and combined it with 2001 HMDA data.[4] We found that after controlling for creditworthiness, housing characteristics, and economic conditions the number of subprime loans increased markedly in minority and elderly neighborhoods in ten large metropolitan areas. Our study revealing pricing disparities even controlling for creditworthiness was consistent with an analysis conducted by a Federal Reserve economist.[5]

Since disparities with the new 2005 data remain stubborn and persistent, we believe that a good chance exists that troubling indications of discrimination will still be revealed in further studies that combine the 2005 HMDA data with other datasets containing key underwriting variables. Furthermore, NCRC and other researchers will further probe whether the overall increase in high-cost lending is an artifact of the convergence of long- and short-term interest rates or whether economic factors or underwriting practices also account for the substantial surge in high-cost lending. The surge in high-cost lending has certainly caught the attention of stakeholders, and must remain the subject of careful analysis. In addition, high-cost lending was at high levels for middle-income borrowers and women as well during 2005, meaning that fair access and pricing is an issue for a broad segment of the population.

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[3] See Answers to Frequently Asked Questions about HMDA Data, p. 5.
[4] Study is available on the NCRC web page of http://www.ncrc.org or via contacting us on 202-628-8866.
[5] Paul S. Calem, Kevin Gillen, and Susan Wachter, *The Neighborhood Distribution of Subprime Mortgage Lending*, October 30, 2002. See also Paul S. Calem, Jonathan E. Hershaff, and Susan M. Wachter, *Neighborhood Patterns of Subprime Lending: Evidence from Disparate Cities*, in Fannie Mae Foundation's Housing Policy Debate, Volume 15, Issue 3, 2004 pp. 603-622.

List of Lenders

The lenders surveyed for this report are among the largest institutions in the country, and a number of them have significant supbrime operations. In alphabetical order, the lenders are:

Ameriquest
Bank of America
BB&T
Citigroup
Countrywide
HSBC
JP Morgan Chase
Key Bank
National City
New Century
Option One
Suntrust
TD Banknorth
US Bank
Wachovia
Washington Mutual
Wells Fargo

Findings

Conventional Single Family Loans – Table 1

- When considering loans by race, the NCRC sample included 3.6 million market-rate conventional loans without price information and 1.4 million high-cost loans with price spread information. High-cost loans were 28.2 percent of the total conventional loans in the 2005 sample (see Table 1 in the appendix).

- African-Americans received 16.8 percent of the conventional high-cost loans but only 5.5 percent of the conventional market-rate loans during 2005. In contrast, whites received a greater percentage of prime than high-cost loans. Whites received 51.8 percent and 67.4 percent of the high-cost and market-rate loans, respectively.

- Of all the conventional loans made to African-Americans, 54.5 percent or 235,985 were high-cost. In contrast, of all the conventional loans issued to whites, only 23.3 percent were high-cost. Hispanics and Native Americans also experienced more disparities than whites. Of all the conventional loans issued to Hispanics and Native Americans, 40.7 percent and 35.0 percent, respectively, were high-cost. Asians received fewer high-cost loans (only 14.5 percent) as a portion of total conventional loans than whites.

- Disparities were present by gender. Females received 37.3 percent of the high-cost conventional loans but just 28.0 percent of the market-rate conventional loans in NCRC's sample of 2005 loans. Males, in contrast, received a higher percentage of market-rate loans (66.8 percent) than high-cost loans (60.2 percent).

- Of all the conventional loans issued to females, 34.4 percent were high-cost. In contrast, just 26.2 percent of the loans for males were high-cost during 2005.

- When considering borrower income, NCRC used a national median income figure derived from a 2004 Census Bureau survey of about $44,000.[6] We then applied CRA definitions of low- and moderate-income (up to 80 percent of median income), middle-income (81 to 120 percent of median income) and upper or high income of 121 percent or greater of median income. Of all the conventional loans made to low- and moderate-income and middle-income borrowers, between 39.0 to 44.8 percent were high-cost. Even middle-income borrowers received a significant portion of high-cost loans; 39 percent of all loans to middle-income borrowers were high-cost. In contrast, of all the conventional loans made to upper-income borrowers, just 24.4 percent were high-cost. The disparities by

[6]: Historical Income Tables – Households, U.S. Census Bureau, Current Population Survey, 2004. Available online at http://www.census.gov/hhes/www/income/histinc/h06ar.html , last accessed 16 May 2006. NCRC increased the 2004 median income figure by $1,000 to update it for 2005.

income level were among the greatest disparities only to be surpassed by the African-American/white disparity.

- The mean and median price spreads for high-cost loans do not differ that much by race, income, or gender. In 2004, HMDA data for the first time reported how many percentage points an Annual Percentage Rate (APR) of a first lien loan is above the rate of Treasury securities of comparable terms if the spread between the loan and Treasury securities is 3 percentage points or more. In 2005, the median spread for high-cost loans varied by about 40 basis points from 4.4 for Asians on the low end to 4.72 for African Americans and 4.8 for low- and moderate-income borrowers on the high end. The more significant story is the disparity in the portion of high-cost and market-rate loans received by different categories of borrowers than disparities in price spreads in the high-cost loans. When the Federal Reserve Board (FRB) was considering pricing information in HMDA data, NCRC had urged the FRB to include price information for all loans in order to provide the fullest possible picture of price distributions for various categories of borrowers. This initial sample of HMDA data provides information to support NCRC's recommendation concerning pricing information.

Government-Insured Single Family Loans – Table 2

- The NCRC sample contained few high-cost government-insured loans. The lending institutions sampled issued just 790 high-cost government-insured loans while they made 173,288 market-rate government-insured loans when considering loan totals by race.

- Since the great majority of government-insured lending is market-rate lending, Congress and the Department of Housing and Urban Development (HUD) should carefully consider any movement towards risk-based pricing, as is currently being proposed. Preserving affordable alternatives to high-cost lending in the market-place is important in order to maintain competitive pressure on lowering loan prices. Government-insured lending still appears to be relatively affordable and is used to a greater extent by traditionally underserved populations than conventional lending. For example, low- and moderate-income borrowers received 23.5 percent of the market-rate government-insured loans while these borrowers received just 8.2 percent of the market-rate conventional loans during 2005.

Conventional and Government-Insured Single Family Loans – Table 3

- The trends when combining conventional and government-insured loans are very similar to the trends when considering conventional loans by themselves due to the much greater number of conventional loans and conventional high-cost loans than government-insured loans.

Conventional Refinance Single Family Loans – Table 4

- Consistent with previous research, NCRC's sample shows that refinance loans constitute the majority of high-cost loans. High-cost conventional refinance loans were 795,172 or 56.7 percent of the 1,402,805 total high-cost conventional loans in NCRC's 2005 sample.

- African-Americans received 16.2 percent of high-cost refinance loans but only 6.5 percent of market-rate refinance loans. Whites, in contrast, received a higher percentage of market-rate than high-cost refinance loans (67.2 percent versus 54.0 percent).

- Of the total conventional refinance loans received by African-Americans, 52.2 percent were high-cost. In contrast, just 26.0 percent of all refinance loans were high-cost for whites. Hispanics also had a higher portion of high-cost loans than whites at 37.3 percent of all conventional refinance loans received by that ethnic group.

- Females received 38.1 percent of high-cost refinance loans, but just 28.5 percent of market-rate refinance loans. In contrast, males received a higher portion of market-rate than high-cost refinance loans (65.9 percent versus 59.0 percent).

- Of all the refinance loans made to low- and moderate-income and middle-income borrowers, 46.8 and 41.0 percent, respectively, were high-cost. In contrast, just 26.8 percent of conventional refinance loans issued to upper-income borrowers were high-cost during 2005.

Conventional Home Purchase Loans – Table 5

- Lenders in NCRC's 2005 sample made 534,803 conventional high-cost home purchase loans and 1,583,226 conventional market-rate loans.

- African-Americans received 17.4 percent of high-cost home purchase loans but just 4.2 percent of market-rate home purchase loans. Whites, in contrast, received a higher portion of market-rate than high-cost loans (68.1 percent versus 48.3 percent). Hispanics received 22.9 percent of high-cost home purchase loans and 9.4 percent of market-rate home purchase loans.

- Of all the home purchase loans issued to African-Americans, 58.3 percent were high-cost. Only 19.3 percent of conventional home purchase loans for whites were high-cost, but 45.2 percent of home purchase loans for Hispanics were high-cost. Only 14.4 percent of the home purchase loans for Asians were high-cost.

- Females received 35.8 percent of the high-cost home purchase loans but just 27.2 percent of the market-rate home purchase loans. Males enjoyed a higher percentage of market-rate than high-cost loans (68.0 percent versus 62.3 percent).

- Disparities by income levels are significant. Low- and moderate-income borrowers, for example, received 12.9 percent of high-cost home purchase loans but just 6.6 percent of the market-rate loans. Middle-income borrowers received 22.7 percent of high-cost loans but just 14.0 percent of market-rate loans. Upper or high-income borrowers received a much greater portion of market-rate than high-cost loans (79.3 percent as opposed to 64.4 percent).

- Of all the home purchase loans made to low- and moderate-income borrowers, 39.9 percent were high-cost. The comparable figures for middle- and upper-income borrowers were 35.5 percent and just 21.7 percent, respectively.

Conventional Home Improvement Loans – Table 6

- While high-cost home improvement lending is a relatively small portion of overall conventional high-cost lending, a high percentage of home improvement lending is high-cost. Almost 32.3 percent of home improvement lending in our sample was high-cost, compared with 28.2 percent of total conventional lending.

- African-Americans experienced significant disparities in home improvement lending. They received 18.9 percent of high-cost home improvement loans but just 7.9 percent of market-rate home improvement loans. Of all the home improvement loans made to African-Americans, a high 53.5 percent were high-cost. This compares with between 28 and 45 percent of all home improvement loans being high-cost for the other racial groups of borrowers.

- Females received 39.4 percent of high-cost home improvement loans, and a lower percentage (30.8 percent) of market-rate home improvement loans. In contrast, males received a higher percentage of market-rate than high-cost loans. Of all the home improvement loans issued to women, 38.0 percent were high-cost. Just 29.9 percent of all the home improvement loans made to men were high-cost.

- Of all the home improvement loans made to low- and moderate-income borrowers, 51.8 percent were high-cost. For middle- and upper-income borrowers, the figures were 41.1 percent and just 25.5 percent, respectively.

Manufactured Housing – Table 7

- Starting in 2004, HMDA data had another new element in that it has a separate data code indicating if the loan was made to a borrower residing in a manufactured home as opposed to a traditional single family home. Researchers have documented that lending patterns for manufactured homes are different than for traditional single family homes. The 2005 data in this sample confirms that a much higher portion of loans for manufactured homes are high cost loans. Almost 49.3 percent or 27,244 of the loans for manufactured homes were high-cost, in contrast to 28.2 percent of all conventional loans.

- Once again, African-Americans received a disproportionate amount of manufactured housing high-cost loans. Of the manufactured housing loans made to African-Americans, an incredible 75.8 percent were high-cost. This is in sharp contrast to the 36 to 58 percent figure for the other racial groups.

- Not even low- and moderate-income borrowers receive as a high a portion of manufactured housing high-cost loans as African-Americans. Of all the manufactured housing loans made to low- and moderate-income borrowers, 55.0 percent were high-cost. Just 43.5 percent of the manufactured housing loans made to upper-income borrowers were high-cost.

Subordinate Liens – Table 8

- The Federal Reserve Board required lenders to report price information if the spread between the APR on a subordinate lien loan and Treasury securities of comparable terms was 5 percentage points or more. The median spread is between 6 and 7 for most groups of borrowers. On the high end, it is 10.63 for low- and moderate-income borrowers, 6.72 for African-Americans, and 6.61 for Native Americans.

- Overall, median spreads do not reveal much difference in prices of high-cost subordinate lien loans received by various groups of borrowers, except for low- and moderate-income borrowers. The more significant story is the distribution of high-cost subordinate lien loans among different groups of borrowers.

- Subordinate or junior lien loans are typically higher cost than first lien or first mortgage loans. The NCRC 2005 sample bears this out. Of all the subordinate lien loans issued, 45.41 percent or 386,755 were high-cost in contrast to just 28.2 percent of all first lien loans.

- Almost 67 percent of the subordinate lien loans made to African-Americans and 67.3 percent made to Hispanics were high-cost in contrast to 38.7 percent for whites.

- Of all the subordinate lien loans made to females, 51.9 percent were high-cost while the figure for males was 44.4 percent during 2005.

- Fifty seven percent, 54.7 percent, and 42.1 percent of subordinate lien loans for low- and moderate-income, middle-income, and upper-income borrowers, respectively, were high-cost.

Home Purchase Lending, Preapprovals Requested & Not Requested – Tables 9 & 10

- Another rich element of the 2005 data is information on whether preapprovals were requested for home purchase loans. Increasingly, consumers seek

preapprovals in order to increase their chances of winning bidding wars for homes in the strong housing markets of the last several years. Preapprovals are indications from lenders that consumers are likely to be approved for loans, based on summary information such as income levels and home values. Preapprovals are not loan approvals; lenders advise consumers that their actual loan applications may still be denied if further underwriting determines inaccuracies in the initial information or other factors that may disqualify consumers. Nevertheless, consumers typically view preapprovals as a method to speed up the process and assist them in buying homes.

- A striking finding in this study is that pricing disparities are greater on loans in which preapprovals were sought than for home purchase loans in which no preapprovals were requested. In addition, preapprovals are not as widespread as we initially thought. Overall, the sample suggests the great majority of home mortgage loans did not involve preapprovals. More than 946,000 of the loan originations in our sample did not involve preapproval requests whereas just 95,503 did have preapprovals issued. For another 689,930 of the loans in the sample, the lenders indicated that they did not have preapproval programs.

- When preapprovals were requested, 33.9 percent of the home mortgage loans issued to African-Americans was high-cost during 2005 whereas just 10.9 percent of the loans for whites were high-cost. In contrast, when preapprovals were not requested, 26.8 percent of the home mortgage loans for African-Americans were high-cost and 7.9 percent of the loans for whites were high-cost.

- Twenty-four percent of the loans involving preapprovals for Hispanics were high-cost whereas 14.6 percent of the loans not involving preapprovals were high-cost for Hispanics. For Native Americans the disparities were also present: 13.5 percent and 12.3 percent of the loans with and without preapproval requests, respectively, were high-cost.

- The pattern is similar for gender; both men and women are more likely to receive high-cost loans when they request preapprovals. When preapprovals were requested, 16.7 percent and 13.3 percent of the home purchase loans received by women and men, respectively, were high-cost loans. When preapprovals were not requested, 11.2 percent of the loans issued to women were high-cost and 8.7 percent of the loans issued to men were high-cost.

- Lastly, the pattern holds firm when considering income level of borrowers. When preapprovals were requested, 22.6 percent, 21.6 percent, and 10.6 percent of the home purchase loans made to low- and moderate-income borrowers, middle-income borrowers, and upper-income borrowers, respectively, were high-cost. When preapprovals were not requested, 19.4 percent, 14.4 percent, and 6.7 percent of the loans received by low- and

moderate-income borrowers, middle-income borrowers, and upper-income borrowers, respectively, were high-cost.

- We had hoped that disparities would diminish among loans involving preapprovals. NCRC's initial hypothesis was that borrowers more familiar with the home buying and lending process would be using preapprovals, and obtaining favorable rates. On the contrary, some large lenders could be using the preapproval process to quickly lock in home buyers to high cost loans. Lenders could be enticing borrowers with quick preapprovals; borrowers not familiar with loan prices may be grabbing preapprovals rapidly without shopping around for lower rates.

HOEPA Loans – Tables 11, 12, 13

- Starting with the 2004 HMDA data, a new and important data element is an indication of whether a high-cost loan is covered by the Home Ownership and Equity Protection Act (HOEPA). HOEPA is the federal anti-predatory law and applies additional consumer protections to very high cost loans that exceed specified APR and fee thresholds. The current APR threshold is an APR that is 8 percentage points higher than Treasury securities of comparable maturities for a first lien loan and 10 percentage points higher than Treasury securities of comparable maturities for a second lien loan. The fee threshold is 8 percent of the total loan amount.

- The NCRC 2005 sample includes 6,098 HOEPA high-cost loans and 19 market-rate HOEPA loans. A loan can have a market-rate APR but still be a HOEPA loan because fees are high. According to the HMDA data in Table 11, the vast majority of HOEPA loans are covered by HOEPA because of high APRs, not high fees. The mean and median price spreads of high-cost HOEPA loans range from 11 to 14. By race, Native Americans and Native Hawaiians had the highest median price spreads of almost 14.

- African-Americans had 14.3 percent of the HOEPA high-cost loans but only 6.8 percent of non-HOEPA market rate loans during 2005. African-Americans were the only racial group to receive a higher percentage of HOEPA high-cost loans than market-rate loans.

- Females also received a higher percentage of high-cost HOEPA loans (36.7 percent) than non-HOEPA market rate loans (28.5 percent). In contrast, males received a higher percentage of non-HOEPA market-rate loans (65.4 percent) than HOEPA high-cost loans (53.7 percent).

- Low- and moderate-income and middle-income borrowers obtained a higher portion of HOEPA than market-rate loans. For example, low- and moderate-income borrowers received 19.1 percent of the high-cost HOEPA loans but just 9.2 percent of the non-HOEPA market-rate loans during 2005.

Specifications for Data Analysis

Table 1- Conventional, Single Family

Loan Type – Conventional
Property Type – Single Family
Purpose of Loan – Home purchase, home improvement, refinancing
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only.

Table 2 – Government Insured, Single Family

Loan Type – FHA, VA, FSA (All government insured loans)
Property Type – Single Family
Purpose of Loan – Home purchase, home improvement, refinancing
Owner-Occupancy – owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only

Table 3 – Conventional and Government Insured, Single Family

Loan Type – Conventional and government-insured
Property Type – Single Family
Purpose of Loan – Home purchase, home improvement, refinancing
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only

Table 4 – Conventional Refinance Single Family Loans

Loan Type – Conventional
Property Type – Single Family
Purpose of Loan – Refinance
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only

Table 5 – Conventional Home Purchase Single Family Loans

Loan Type – Conventional
Property Type – Single Family
Purpose of Loan – Home purchase
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only

Table 6 – Conventional Home Improvement Single Family Loans

Loan Type – Conventional
Property Type – Single Family
Purpose of Loan – Home Improvement
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only

Table 7 – Manufactured housing

Loan Type – Conventional
Property Type – Manufactured housing
Purpose of Loan – Home purchase, home improvement, refinancing
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by first lien only

Table 8 – Subordinate (Second Liens)

Loan Type – Conventional
Property Type – Single Family
Purpose of Loan – Home purchase, refinance, home improvement
Owner-Occupancy – Owner, non-owner, and NA
Action Taken – Loan originated only
Lien Status – Secured by second lien only

Table 9 – Home Purchase Only – Preapproval Requested

Loan Type - Conventional
Property Type - One to four-family (other than manufactured housing)
Loan Purpose - Home purchase only
Action Taken - Loan originated
Lien Status - Secured by a first lien
Owner-Occupancy - Owner-occupied as principal dwelling only
Preapproval (home purchase loans only) - Preapproval was requested

Table 10 – Home Purchase Only – Preapproval Not Requested

Loan Type - Conventional
Property Type - One to four-family (other than manufactured housing)
Loan Purpose - Home purchase only
Action Taken - Loan originated

Lien Status - Secured by a first lien
Owner-Occupancy - Owner-occupied as principal dwelling only
Preapproval (home purchase loans only) - Preapproval was not requested

Tables 11, 12, 13 – HOEPA Loans

Loan Type - Any Type
Property Type - One to four-family or Manufactured housing
Loan Purpose - Home improvement or Refinancing
Action Taken - Loan originated
Owner-Occupancy - Any type
Lien Status - Secured by a first lien or Secured by a subordinate lien

Treatment of Race, Ethnicity, and Gender

All race/ethnic categories, except Black and Hispanic, are "non-Hispanic." Blacks are categorized as Hispanic and non-Hispanic Blacks.

Hispanics in our tables can be of any race except African-Americans. We excluded African-Americans because we wanted mutual exclusive borrower groups for African-Americans and Hispanics.

We coded a loan as made to a particular race (for example, African-Americans) if the primary race (African-American) listed for the borrower was the particular race. HMDA data has five data fields for race of applicant to account for borrowers of multiple races.

Race of borrower was categorized based on the race of the applicant, not the co-applicant. Regarding gender, we used the same procedure regarding co-applicants.

Finally, loan totals by race, income, and gender will differ in some instances because a different number of loans will have missing information for race, income, and gender.

Recommendations: Legislative & Regulatory

Fair Lending Enforcement Must be Increased

Last year, the Federal Reserve Board stated that it referred about 200 lending institutions to their primary federal regulatory agency for further investigations based upon the Federal Reserve's identification of significant pricing disparities in HMDA data.[7] An industry publication subsequently quoted a Federal Reserve official as stating that these lenders accounted for almost 50 percent of the HMDA-reportable loans issued in 2004.[8] After the initial excitement, the public has not heard about the outcomes of the Federal Reserve referrals. Not a single case of discrimination or civil rights violations have arisen from the Federal Reserve's referrals. Given the large share of lending represented by the financial institutions under investigation, the general public should receive an update of the status of these fair lending investigations. Since the pricing disparities remain stubborn and persistent in 2005, fair lending investigations and enforcement must be intensified, yet the general public has received little word regarding the actions of the federal regulatory agencies.

NCRC's report identifies at least two areas that should receive special attention for fair lending investigations. The federal agencies should investigate why pricing disparities are greater when homebuyers request preapprovals than when they do not request preapprovals. Secondly, disparities in very high-cost lending covered by HOEPA must be investigated further. Any discrimination in the application of very high-cost lending can represent serious equity drains and financial devastation suffered by minorities, women, and other protected classes.

Enhance the Quality of HMDA Data

NCRC believes that Congress and the Federal Reserve Board (which implements the HMDA regulations) must enhance HMDA data so that regular and comprehensive studies can scrutinize fairness in lending. Specifically, are minorities, the elderly, women, and low- and moderate-income borrowers and communities able to receive loans that are fairly priced? More information in HMDA data is critical to fully explore the intersection of price, race, gender, and income.

The first area in which HMDA data must be enhanced is pricing information for all loans, not just high-cost loans. The interest rate movements in 2005 demonstrate the confusion associated with classifying the loans that currently have price information reported. Economists as well as the general public do not know whether to call the loans with price reporting, "subprime," "high-cost," or some other name. If price was reported for all loans, the classification problems would be lessened. All stakeholders could review the

[7] Robert B. Avery, Glenn B. Canner, and Robert E. Cook, *New Information Reported under HMDA and Its Application in Fair Lending Enforcement*, Federal Reserve Bulletin, Summer 2005, http://www.federalreserve.gov/pubs/bulletin/2005/05summerbulletin.htm

[8] Inside Regulatory Strategies, November 14, 2005, p.2.

number and percentages of loans in all the price spread categories. The most significant areas of pricing disparities could be identified with more precision.

Some researchers have already asserted that pricing disparities are worse with the 2005 data than the 2004 data. Assuming this is the case, are pricing disparities worse in the near prime or more expensive prime loans or in the subprime loans? If pricing disparities are more pronounced with the 2005 data, it could be the case that significant pricing disparities in the near prime or more expensive segment of prime loans could be driving the increase in overall disparities. The general public can only guess without having pricing information for all loans. The precision of public scrutiny and fair lending investigations would be enhanced with pricing information on all loans.

HMDA data must contain credit score information similar to the data used in NCRC's *Broken Credit System* report released in the winter of 2003. For each HMDA reportable loan, a financial institution must indicate whether it used a credit score system and if the system was their own or one of the widely used systems such as FICO (a new data field in HMDA could contain 3 to 5 categories with the names of widely-used systems). The HMDA data also would contain one more field indicating which quintile of risk the credit score system placed the borrower.

Another option is to attach credit score information in the form of quintiles to each census tract in the nation. That way, enhanced analyses can be done on a census tract level to see if pricing disparities still remain after controlling for creditworthiness. This was the approach adopted in NCRC's *Broken Credit System* and in studies conducted by Federal Reserve economists. Finally, HMDA data must contain information on other key underwriting variables including the loan-to-value and debt-to-income ratios.

Using this data, regulators, researchers, the media, and the public could determine if any of the credit score systems were placing minorities and other protected classes in the higher risk categories a disproportionate amount of time. The data would facilitate more econometric analysis to assess whether the prices of loans are based on risk, race, gender, or age.

Federal Reserve Board Must Step Up Anti-Discrimination and Fair Lending Oversight

The Government Accountability Office concluded that the Federal Reserve Board has the authority to conduct fair lending reviews of affiliates of bank holding companies. The Federal Reserve Board at first insisted that it lacked this authority, but has recently made some moves to examine affiliates.[9] The Federal Reserve should clarify how and to what extent it is examining affiliates because comprehensive anti-discrimination exams of all parts of bank holding companies are critical. Most of the major banks have acquired large subprime lenders that are then considered affiliates. A pressing question is the extent to which the subprime affiliates refer creditworthy customers to the prime parts of the bank so that the customers receive loans at prevailing rates instead of higher subprime

[9] Government Accountability Office, *Large Bank Mergers: Fair Lending Review Could be Enhanced with Better Coordination*, November 1999, GAO/GGD-00-16.

rates. Or does the subprime affiliate steer creditworthy borrowers to high-cost loans? These questions remain largely unanswered. Consequently, we do not know the extent of steering by subprime affiliates and/or their parent banks.

Comprehensive Anti-Predatory Lending Legislation

Since our analysis revealed a disproportionate amount of high-cost lending targeted to vulnerable borrowers and communities, Congress must respond by enacting comprehensive anti-predatory lending legislation along the lines of bills introduced by Representatives Watt, Miller, and Frank and Senator Sarbanes. Comprehensive and strong anti-predatory lending legislation would eliminate the profitability of exploitative practices by making them illegal. It could also reduce the amount of price discrimination since fee packing and other abusive practices would be prohibited. A comprehensive anti-predatory law would also strengthen the Community Reinvestment Act (CRA) if regulatory agencies severely penalize lenders through failing CRA ratings when the lenders violate anti-predatory law.

Stop Regulators from Weakening CRA

CRA imposes an affirmative and continuing obligation on banks to serve the credit needs of all communities, including low- and moderate-income neighborhoods. Federal examiners issue a publicly available rating to large banks based on how many loans, investments, and services they make to low- and moderate-income neighborhoods. The three part CRA exam (lending, investment, and service tests) for large banks has been instrumental in increasing access to loans, investments, and services for residents in low- and moderate-income communities.

However, the Office of Thrift Supervision (OTS) eliminated the investment and service tests for savings and loans with assets between $250 million and $1 billion. Eliminating these tests means that thrifts will no longer have the incentive to make investments in affordable housing, such as Low-Income Housing Tax Credits, and will no longer be scrutinized by examiners on how many branches and affordable banking services they are making available in low- and moderate-income neighborhoods. CRA also took a further blow from the OTS when that agency ruled to allow thrifts with over $1 billion in assets to choose whether they even want to undergo the investment and service tests, thus giving them the power to pick and choose which community needs they will meet. Yet another final ruling from the FDIC, Federal Reserve Board, and the Office of the Comptroller of the Currency diluted CRA exams for banks with assets between $250 million and $1 billion.

Given the persistence of disparities by income and race as illustrated in this study, it is counterproductive to lessen CRA oversight. If CRA oversight continues to diminish, the level of abusive lending to vulnerable populations is likely to increase even further as traditional lenders reduce the number of branches, bank products, and affordable housing investments in low- and moderate-income communities. Instead, regulators must strengthen CRA exams and hold lenders accountable to communities.

Strengthen CRA by Applying It to Minority Neighborhoods and All Geographical Areas Lenders Serve

In order to increase prime lending for minority borrowers and reduce lending disparities, CRA exams must evaluate the banks' records of lending to minority borrowers and neighborhoods as well as scrutinizing banks' performance in reaching low- and moderate-income borrowers and neighborhoods. If CRA exams covered minority neighborhoods, pricing disparities in these neighborhoods would be reduced. The Federal Reserve Board, in its review of 2004 HMDA data, found that bank lending exhibited fewer disparities in geographical areas covered by their CRA exams than in areas not covered by their exams.[10] CRA's mandate of affirmatively meeting credit needs is currently incomplete as it is now applied only to low- and moderate-income neighborhoods, not minority communities.

CRA must also be strengthened so that depository institutions undergo CRA examinations in all geographical areas in which they make a significant number of loans. Currently, CRA exams assess lending primarily in geographical areas in which banks have their branches. But the overlap between branching and lending is eroding with each passing year as lending via brokers and correspondents continues to increase. NCRC strongly endorses the CRA Modernization Act, HR 865, introduced in the 107th Congress. HR 865 mandates that banks undergo CRA exams in geographical areas in which their market share of loans exceeds one half of one percent in addition to areas in which their branches are located. NCRC will be working with members of Congress to update and reintroduce CRA Modernization legislation.

Short of statutory changes to CRA, NCRC believes that the regulatory agencies have the authority to extend CRA examinations and scrutiny to geographical areas beyond narrow "assessment" areas in which branches are located. Currently, the federal banking agencies will consider lending activity beyond assessment areas if the activity will enhance CRA performance. Likewise, the CRA rating must be downgraded if the lending performance in reaching low- and moderate-income borrowers is worse outside than inside the assessment areas.

CRA Exams Must Scrutinize Subprime Lending More Rigorously

Currently, CRA exams are not adequately assessing the CRA performance of subprime lenders. For example, the CRA exam of the subprime lender, Superior Bank, FSB, called its lending innovative and flexible before that thrift's spectacular collapse.[11] Previous NCRC comment letters to the regulators have documented cursory fair lending reviews

[10] Avery and Canner, op. cit.
[11] Office of Thrift Supervision Central Region's CRA Evaluation of Superior Bank, FSB, Docket #: 08566, September 1999. Available via http://www.ots.treas.gov, go to the CRA search engine and select "inactive" for the status of the institution being searched.

for the great majority of banks and thrifts involved in subprime lending.[12] If CRA exams continue to mechanistically consider subprime lending, subprime lenders will earn good ratings since they usually offer a larger portion of their loans to low- and moderate-income borrowers and communities than prime lenders.

At this point, the federal regulatory agencies have amended the CRA regulation to penalize banks if their lending violates federal anti-predatory law. NCRC has not seen rigorous action to implement this aspect of the CRA regulation. Fair lending reviews that accompany CRA exams do not usually scrutinize subprime lending for compliance with anti-predatory law, for possible pricing discrimination, or whether abusive loans are exceeding borrower ability to repay. NCRC recommends that all CRA exams of subprime lenders must be accompanied by a comprehensive fair lending and anti-predatory lending audit. In addition, CRA exams must ensure that prime lenders are not financing predatory lending through their secondary market activity or servicing abusive loans.

GSEs Must Abide by Anti-Predatory Safeguards

The Government-Sponsored Enterprises (GSEs), including Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, purchase more than half of the home loans made on an annual basis in this country. It is vitally important, therefore, that the GSEs have adopted adequate protections against purchasing predatory loans. Fannie Mae and Freddie Mac have voluntarily adopted significant protections such as purchasing no loans with fees exceeding five percent of the loan amount, no loans involving price discrimination or steering, no loans with prepayment penalties beyond three years, and no loans with mandatory arbitration. The Department of Housing and Urban Development (HUD) has ruled that Fannie Mae and Freddie Mac will not receive credit towards their Affordable Housing Goals for any loans that contain certain abusive features.

HUD's ruling is an important first step, but it needs to be enhanced. HUD's ruling, for example, does not include disqualification from goals consideration of loans with mandatory arbitration. The Federal Housing Finance Board, as the regulator for the Federal Home Loan Banks, has not formally applied protections against abusive loans to the Home Loan Banks. Congress has an opportunity to further bolster the anti-predatory protections applied to GSE loan purchasing activity as Congress considers GSE regulatory reform.

[12] NCRC comment letter to federal banking agencies on joint CRA proposal, April 2, 2004. Available via: http://www.ncrc.org.

Lender Affiliates Used in Report

This list includes many, but not all the affiliates of lenders analyzed in this report.

- **Ameriquest:**

  Argent Mortgage
  AMC Mortgage Services, Inc.
  Ameriquest Mortgage Company
  Town & Country Credit Corp.

- **Bank of America:**

  Bank of America
  MBNA America
  Nexstar Financial

- **BB&T:**

  BB&T NC
  BB&T SC
  BB&T VA
  Laureate Capital Public
  Lendmark Financial Public
  Lendmark Mortgage Public
  Liberty Mortgage Public

- **Chase:**

  JP Morgan Chase Bank, NA
  Chase USA, NA

- **Citigroup:**

  Citibank, FSB
  Citibank, N.A.
  Citicorp Trust Bank, fsb
  Citibank (West), FSB
  California Commerce Bank
  Citibank Texas, N.A.
  CitiFinancial Inc (a Hawaii corporation)
  CitiFinancial, Inc. (an Ohio corporation)
  CitiFinancial Services, Inc. (a Pennsylvania corporation)
  CitiFinancial Services, Inc. (a Minnesota corporation)
  CitiFinancial, Inc. (a West Virginia corporation)
  CitiFinancial, Inc. (a Tennessee corporation)
  CitiFinancial Services, Inc. (an Ohio corporation)
  CitiFinancial Services, Inc. (a Delaware corporation)
  CitiFinancial Services, Inc. (a Missouri corporation)

CitiFinancial of Virginia, Inc. (a Virginia corporation)
CitiFinancial Services, Inc. (a Georgia corporation)
CitiFinancial, Inc. (a South Carolina corporation)
CitiFinancial, Inc. (a Maryland corporation)
CitiFinancial Services, Inc. (an Oklahoma corporation)
CitiFinancial Services, Inc. (a Kentucky corporation)
CitiFinancial, Inc. (an Iowa corporation)
CitiFinancial Services, Inc. (a California corporation)
CitiFinancial Company (a Delaware corporation)
CitiFinancial Corporation (a Colorado corporation)
CitiFinancial, Inc. (a Texas corporation)
CitiFinancial Services, Inc. (a Massachusetts corporation)
CitiFinancial Mortgage Corp.
Associates Housing Finance
CitiFinancial Corporation, LLC (an Iowa corporation)
CitiFinancial Services of Puerto Rico
Associates International Holding Corp.
CitiMortgage, Inc.
CMFC, Inc. / PRCM

- **Countrywide:**

  Countrywide Bank
  Countrywide Real Estate Finance
  Countrywide LLC

- **HSBC:**

  HSBC Bank
  HFC
  HMS (HSBC Mortgage Services)
  HSBC Mortgage
  Decision One
  Beneficial

- **KeyBank:** *No affiliates*

- **National City:**

  1st Choice Mortgage, LLC
  1st Premier Mortgage, LLC
  1st Residential Mortgage, LLC
  Acculend Mortgage, LP
  Action Home Mortgage, LLC
  Affirmative Mortgage, LLC
  All American First Mortgage, L
  American Best Mortgage, LLC
  Americorp First Mortgage, LLC
  Amerimax Mortgage, LLC
  Ameritrust Home Mortgage, LP

Cape Henry Mortgage, LLC
Capstone Mortgage Funding, LLC
Classic First Mortgage, LLC
Colonial Home Finance, LLC
County CORP Mortgage, LLC
Covenant Mortgage, LLC
Delmarva Mortgage, LLC
Dominion Trust Mortgage, LLC
Enter Mortgage, LLC
Executive Home Mortgage
FCB Mortgage, LLC
First Capital Home Mortgage, L
First Flight Mortgage, LLC
First Independent Mortgage, LL
First Patriot Mortgage, LLC
First Washington Mortgage, LLC
Gateway First Mortgage, LLC
Global Home Mortgage
Heartland Security Mortgage, L
Heritage Home Mortgage, LLC
Home Financing, LLC
Home Mortgage Centre, LLC
Homeland First Mortgage
Homesource Mortgage Services,
Homesync Financial Services, L
Hometown Mortgage, LLC
Intercoastal Mortgage, LLC
Liberty West Mortgage, LLC
Lincoln First Mortgage, LLC
Lower Bucks Mortgage, LLC
Mid Atlantic Mortgage, LLC
Millstone Mortgage, LLC
MNC Mortgage, LP
Mortgage Construction Finance,
Mortgage One, LP
National American Mortgage, LL
NCS First Mortgage, LP
Oak Street Capital, LP
Peninsula Mortgage, LLC
Platinum First Mortgage, LP
Premier Lending Services, LP
Regent Financial Services, LLC
Regional First Mortgage, LLC
Reliable Mortgage Investors, L
REO Mortgage Services, LLC
Summit First Financial, LLC
Supreme Capital Mortgage, LLC
The First Mortgage Group, LLC
Tidewater First Mortgage, LLC
Tower Mortgage, LLC
Town and Country Lending, LLC

Town Square Mortgage, LLC
Valley Mortgage Services, LLC
Virginia First Mortgage, LLC
Virginia Home Mortgage, LL

- **New Century*:***

  New Century Mortgage
  Home 123

- **Option One:**

  Option One Mortgage Corp.
  H&R Block Mortgage Corp.

- **Suntrust:**

  Suntrust Bank
  Suntrust Mortgage

- **TD BankNorth:** *No affiliates*

- **U.S. Bank:**

  U.S. Bank, NA
  U.S. Bank, North Dakota

- **Wachovia:**

  Wachovia Bank
  Wachovia Mortgage Corporation
  Wachovia Bank of Delaware
  SouthTrust d/b/a EquiBanc
  American Mortgage Network

- **Washington Mutual:**

  Washington Mutual Bank
  Washington Mutual Bank, FSB
  Long Beach Mortgage Company

- **Wells Fargo:**

  Wells Fargo Bank, N.A.
  Wells Fargo Funding
  Wells Fargo Financial California, Inc.
  Wells Fargo Financial Texas, Inc.
  Wells Fargo Financial System Fl, Inc.
  Wells Fargo Financial Illinois, Inc.
  Wells Fargo Financial Pennsylvania Inc.

Wells Fargo Financial Arizona, Inc.
Wells Fargo Financial Ohio 1 Inc.
Wells Fargo Financial Washington 1, Inc.
Wells Fargo Financial America, Inc.
Wells Fargo Financial Minnesota, Inc.
Wells Fargo Financial Nevada 2, Inc.
Wells Fargo Financial Alabama, Inc.
Wells Fargo Financial Credit Services NY, Inc.
Wells Fargo Financial, Wisconsin, Inc.
Wells Fargo Financial Missouri, Inc.
Wells Fargo Financial Oregon, Inc.
Wells Fargo Financial Maryland, Inc.
Wells Fargo Financial Colorado, Inc.
Wells Fargo Financial Georgia, Inc.
Wells Fargo Financial Indiana, Inc.
Wells Fargo Financial Tennessee 1, LLC
Wells Fargo Financial North Carolina 1, Inc.
Wells Fargo Financial New Mexico Inc.
Wells Fargo Financial System Virginia, Inc.
Wells Fargo Financial Louisiana, Inc.
Wells Fargo Financial New Jersey Inc.
Wells Fargo Financial Iowa 3, Inc.
Prosperity Mortgage Company
Wells Fargo Financial Utah, Inc.
Wells Fargo Financial South Carolina, Inc.
Wells Fargo Financial Massachusetts, Inc.
Wells Fargo Financial Nebraska, Inc.
Wells Fargo Financial Alaska, Inc.
Wells Fargo Financial Mississippi 2, Inc.
Wells Fargo Financial Kentucky, Inc.
Wells Fargo Financial Idaho, Inc.
Wells Fargo Financial Oklahoma, Inc.
Wells Fargo Financial West Virginia, Inc.
Wells Fargo Financial Kansas, Inc.
Wells Fargo Home Mortg. Hawaii
Wells Fargo Financial Montana, Inc.
Wells Fargo Financial Hawaii, Inc.
Homeservices Lending, LLC
Wells Fargo Financial Tennessee, Inc.
Wells Fargo Financial South Dakota, Inc.
Wells Fargo Financial North Dakota, Inc.
Wells Fargo Financial Wyoming, Inc.
Wells Fargo Financial Maine, Inc.
Wells Fargo Financial Delaware, Inc.
Wells Fargo Financial Rhode Island, Inc.
Academy Financial Services LLC
Wells Fargo Financial New Hampshire 1 Inc.
UBS Mortgage LLC
Legacy Mortgage
Linear Financial, LP
Mercantile Mortgage, LLC

Real Living Mortgage, LLC
Edward Jones Mortgage, LLC
BW Mortgage, LLC
Morrison Financial Services
Westfield Home Mortgage, LLC
Ashton Woods Mortgage, LLC
Advance Mortgage
Private Mortgage Advisors, LLC
Meridian Mome Mortgage, LP
PCM Mortgage, LLC
River City Group, LLC
Hewitt Mortgage Services, LLC
John Laing Mortgage, LP
Colorado Mortgage Alliance LLC
First Foundation Mortgage, LLC
Residential Comt'y Mortgage Co
MSC Mortgage, LLC
Security First Finl Group, LLC
Santa Fe Mortgage, LLC
American Priority Mortgage, LLC
Home Loan Express, LLC
Priority Mortgage, LLC
Related Financial, LLC
Choice Home Financing, LLC
DH Financial, LLC
Windward Home Mortgage, LLC
Mortgage One
Securesource Mortgage, LLC
Benefit Mortgage, LLC
Resortquest Mortgage, LLC
Mortgages On-Site, LLC
Properties Mortgage, LLC
Playground Financial Services
Southern Ohio Mortgage, LLC
Trinity Mortgage Affiliates
Pinnacle Mortgage of Nevada
Personal Mortgage Group, LLC
Trademark Mortgage, LLC
Great East Mortgage, LLC
First Mortgage Consultants LLC
WF/TW Mortgage Venture, LLC
Southeast Home Mortgage, LLC
Max Mortgage, LLC
Central Federal Mortgage Co
Hallmark Mortgage Group, LLC
Greenridge Mortgage Services
Horizon Mortgage, LLC
Fulton Homes Mortgage, LLC
Roddel Mortgage Company, LP
American Southern Mortgage Srv
New England Home Loans, LLC

Professl Finl Servs of Arizona
Builders Mortgage Company, LLC
Smart Mortgage, LLC
Traditions Mortgage, LLC
Stock Financial Services, LLC
Real Estate Financial
Avenue Financial Services, LLC
Capital Pacific Home Loans, LP
Colorado Professionals Mortgage
Mortgages Unlimited, LLC
Express Fin'l & Mortgage Servc
Certified Home Loans, LLC
MJC Mortgage Company, LLC
Realty Home Mortgage, LLC
NDC Financial Services, LLC
Discovery Home Loans, LLC
Touchstone Home Mortgage, LLC
Mortgage 100, LLC
Summit National Mortgage, LLC
Ennis Home Mortgage, LP 12/05
Hendricks Mortgage, LLC
Family Home Mortgage, LLC
Vista Mortgage, LLC
JTS Financial, LLC
1st Capital Mortgage, LLC
IMS Mortgage Company
Foundation Mortgage Services
Northwest Home Finance, LLC
PNC Mortgage, LLC
Smith Family Mortgage, LLC
First Rate Home Mortgage, LLC
Bellwether Mortgage, LLC
Empire Homes Financial Servs
First Associates Mortgage, LLC
Ohio Executive Mortgage Co
Realtec Financial Services LLC
Keller Mortgage, LLC
Gold Coast Mortgage
Steinbeck Advantage Mortgage
1st Fin'l Services of Colorado
Guanantee Pacific Mortgage LLC
Next Home Mortgage
Gold Coast Home Mortgage
Real Estate Lenders
MC of America, LLC
Sunsouth Mortgage, LLC
Paramount Mortgage of Polk County, LLC
Washington Mortgage, LLC
Premier Home Mortgage
Financial Resources Mortgage
Builders Capital Mortgage, LLC

Belgravia Mortgage Group, LLC
Silver State Home Mortgage LL
Servicing Mortgage Company LL
Central Bucks Mortgage, LLC
Hearthside Funding, LP
Waterways Home Mortgage, LLC
Alpha Home Loans, LLC
Riverside Home Loans, LLC
Mutual Service Mortgage, LLC
Precedent Mortgage, LLC
Leader Mortgage, LLC
Homeland Mortgage, LLC
Tricom Mortgage, LLC
Genesis Mortgage, LLC
Stoneridge Mortgage, LLC
Parkway Mortgage Financial Ctr
Triple Diamond Mortgage & Finl
EDI Mortgage, LLC
APM Mortgage, LLC
Pageantry Mortgage, LLC
Sundance Mortgage, LLC
United Michigan Mortgage, LLC
Amber Mortgage, LLC
Capstone Home Mortgage, LLC
Russ Lyon Mortgage, LLC
Hometown Mortgage, LLC
Mortgage Dymanics, LLC
BHS Home Loans, LLC
Choice Mortgage Servicing, LLC
National Condo Lending, LLC
South County Mortgage
Advantage Mortgage Partners, LLC
Provident Mortgage Company LLC
Advantage Home Mortgage, LLC
Homebuilders Choice Mortgage
New West Mortgage Services, LLC
Alliance Home Mortgage, LLC
Peak Home Mortgage, LLC
Hubble Home Loans, LLC
Marben Mortgage, LLC
RWF Mortgage, LLC
United Mortgage Group
KD Mortgage, LLC
Master Home Mortgage, LLC
Pacific Coast Home Mortgage, LLC
Forecast Home Mortgage, LLC
Michigan Home Mortgage, LLC

Appendix – Tables 1 through 13

Table 1 - Conventional Single Family Loans

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	149,452	6,966	33,803	235,985	7,715	726,960	241,924	1,402,805	844,457	523,412	34,932	4	1,402,805	222,885	346,246	818,339	1,387,470
	Row %	10.70%	0.50%	2.40%	16.80%	0.50%	51.80%	17.20%		60.20%	37.30%	2.50%	0.00%		16.10%	25.00%	59.00%	
	Col %	28.30%	35.00%	14.50%	54.50%	31.20%	23.30%	40.70%		26.20%	34.40%	16.20%	0.10%		44.80%	39.00%	24.40%	
	Table %	3.00%	0.10%	0.70%	4.80%	0.20%	14.70%	4.90%		17.00%	10.60%	0.70%	0.00%		4.70%	7.30%	17.30%	
	Mean	4.80	4.68	4.47	4.81	4.54	4.65	4.59		4.65	4.71	4.69	3.97		4.91	4.76	4.60	
	Median	4.7	4.54	4.4	4.72	4.44	4.53	4.52		4.55	4.62	4.51	3.53		4.8	4.66	4.51	
Market Rate	Count	378,686	12,910	199,421	196,846	16,992	2,397,472	352,131	3,554,458	2,374,320	996,060	180,383	3,695	3,554,458	274,537	542,473	2,534,931	3,351,941
	Row %	10.70%	0.40%	5.60%	5.50%	0.50%	67.40%	9.90%		66.80%	28.00%	5.10%	0.10%		8.20%	16.20%	75.60%	
	Col %	71.70%	65.00%	85.50%	45.50%	68.80%	76.70%	59.30%		73.80%	65.60%	83.80%	99.90%		55.20%	61.00%	75.60%	
	Table %	7.60%	0.30%	4.00%	4.00%	0.30%	48.40%	7.10%		47.90%	20.10%	3.60%	0.10%		5.80%	11.40%	53.50%	

Table 2 - Government Insured Single Family Loans

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	59	7	7	173	1	442	101	790	462	301	27		790	226	246	289	761
	Row %	7.50%	0.90%	0.90%	21.90%	0.10%	55.90%	12.80%		58.50%	38.10%	3.40%			29.70%	32.30%	38.00%	
	Col %	0.50%	0.70%	0.40%	0.70%	0.20%	0.40%	0.60%		0.40%	0.60%	0.50%			0.70%	0.50%	0.50%	
	Table %	0.00%	0.00%	0.00%	0.10%	0.00%	0.30%	0.10%		0.30%	0.20%	0.00%			0.20%	0.20%	0.20%	
	Mean	3.49	4.12	3.35	3.38	3.96	3.62	3.78		3.42	3.82	3.58	.		3.53	3.48	3.65	
	Median	3.19	3.5	3.31	3.29	3.96	3.31	3.29		3.28	3.35	3.34	.		3.26	3.27	3.33	
Market Rate	Count	10,855	1,014	1,893	25,687	570	115,917	17,352	173,288	118,489	49,656	5,140	3	173,288	33,682	50,504	59,149	143,335
	Row %	6.30%	0.60%	1.10%	14.80%	0.30%	66.90%	10.00%		68.40%	28.70%	3.00%	0.00%		23.50%	35.20%	41.30%	
	Col %	99.50%	99.30%	99.60%	99.30%	99.80%	99.60%	99.40%		99.60%	99.40%	99.50%	100.00%		99.30%	99.50%	99.50%	
	Table %	6.20%	0.60%	1.10%	14.80%	0.30%	66.60%	10.00%		68.10%	28.50%	3.00%	0.00%		23.40%	35.00%	41.00%	

Table 3 - Conventional & Government Single Family Loans

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	149,511	6,973	33,810	236,158	7,716	727,402	242,025	1,403,595	844,919	523,713	34,959	4	1,403,595	223,111	346,492	818,628	1,388,231
	Row %	10.70%	0.50%	2.40%	16.80%	0.50%	51.80%	17.20%		60.20%	37.30%	2.50%	0.00%		16.10%	25.00%	59.00%	
	Col %	27.70%	33.40%	14.40%	51.50%	30.50%	22.40%	39.60%		25.30%	33.40%	15.90%	0.10%		42.00%	36.90%	24.00%	
	Table %	2.90%	0.10%	0.70%	4.60%	0.20%	14.20%	4.70%		16.50%	10.20%	0.70%	0.00%		4.60%	7.10%	16.80%	
	Mean	4.80	4.68	4.47	4.81	4.54	4.65	4.59		4.65	4.71	4.69	3.97		4.91	4.76	4.60	
	Median	4.7	4.54	4.4	4.71	4.44	4.53	4.52		4.55	4.62	4.51	3.53		4.8	4.66	4.5	
Market Rate	Count	389,541	13,924	201,314	222,533	17,562	2,513,389	369,483	3,727,746	2,492,809	1,045,716	185,523	3,698	3,727,746	308,219	592,977	2,594,080	3,495,276
	Row %	10.40%	0.40%	5.40%	6.00%	0.50%	67.40%	9.90%		66.90%	28.10%	5.00%	0.10%		8.80%	17.00%	74.20%	
	Col %	72.30%	66.60%	85.60%	48.50%	69.50%	77.60%	60.40%		74.70%	66.60%	84.10%	99.90%		58.00%	63.10%	76.00%	
	Table %	7.60%	0.30%	3.90%	4.30%	0.30%	49.00%	7.20%		48.60%	20.40%	3.60%	0.10%		6.30%	12.10%	53.10%	

Table 4 - Conventional Refinance Single Family Loans

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	108,067	4,183	12,438	129,159	4,113	429,310	107,902	795,172	468,952	303,247	22,970	3	795,172	137,194	208,778	445,500	791,472
	Row %	13.60%	0.50%	1.60%	16.20%	0.50%	54.00%	13.60%		59.00%	38.10%	2.90%	0.00%		17.30%	26.40%	56.30%	
	Col %	34.30%	36.50%	14.60%	52.20%	31.30%	26.00%	37.30%		28.10%	36.90%	18.60%	0.30%		46.80%	41.00%	26.80%	
	Table %	4.10%	0.20%	0.50%	4.90%	0.20%	16.40%	4.10%		17.90%	11.60%	0.90%	0.00%		5.60%	8.50%	18.10%	
	Mean	4.87	4.68	4.49	4.80	4.59	4.66	4.64		4.68	4.74	4.73	4.28		4.89	4.76	4.63	
	Median	4.78	4.54	4.4	4.7	4.48	4.55	4.56		4.57	4.65	4.56	3.54		4.79	4.66	4.53	
Market Rate	Count	207,291	7,272	72,992	118,213	9,029	1,222,473	181,762	1,819,032	1,198,215	519,211	100,551	1,055	1,819,032	156,012	299,983	1,214,571	1,670,566
	Row %	11.40%	0.40%	4.00%	6.50%	0.50%	67.20%	10.00%		65.90%	28.50%	5.50%	0.10%		9.30%	18.00%	72.70%	
	Col %	65.70%	63.50%	85.40%	47.80%	68.70%	74.00%	62.70%		71.90%	63.10%	81.40%	99.70%		53.20%	59.00%	73.20%	
	Table %	7.90%	0.30%	2.80%	4.50%	0.30%	46.80%	7.00%		45.80%	19.90%	3.80%	0.00%		6.30%	12.20%	49.30%	

Table 5 - Conventional Home Purchase Loans

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	35,541	1,999	20,167	93,072	3,203	258,516	122,305	534,803	333,183	191,498	10,121	1	534,803	67,540	118,566	337,311	523,417
	Row %	6.60%	0.40%	3.80%	17.40%	0.60%	48.30%	22.90%		62.30%	35.80%	1.90%	0.00%		12.90%	22.70%	64.40%	
	Col %	18.30%	30.00%	14.40%	58.30%	31.40%	19.30%	45.20%		23.60%	30.80%	12.00%	0.00%		39.90%	35.50%	21.70%	
	Table %	1.70%	0.10%	1.00%	4.40%	0.20%	12.20%	5.80%		15.70%	9.00%	0.50%	0.00%		3.30%	5.80%	16.40%	
	Mean	4.63	4.67	4.46	4.82	4.47	4.62	4.53		4.61	4.66	4.61	3.05		4.91	4.76	4.56	
	Median	4.5	4.57	4.41	4.73	4.4	4.52	4.48		4.52	4.58	4.45	3.05		4.81	4.67	4.49	
Market Rate	Count	158,335	4,671	119,881	66,663	6,990	1,078,341	148,345	1,583,226	1,076,898	429,980	73,881	2,467	1,583,226	101,635	215,394	1,216,325	1,533,354
	Row %	10.00%	0.30%	7.60%	4.20%	0.40%	68.10%	9.40%		68.00%	27.20%	4.70%	0.20%		6.60%	14.00%	79.30%	
	Col %	81.70%	70.00%	85.60%	41.70%	68.60%	80.70%	54.80%		76.40%	69.20%	88.00%	100.00%		60.10%	64.50%	78.30%	
	Table %	7.50%	0.20%	5.70%	3.10%	0.30%	50.90%	7.00%		50.80%	20.30%	3.50%	0.10%		4.90%	10.50%	59.10%	

Table 6 - Conventional Home Improvement Loans

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	5,844	784	1,198	13,754	399	39,134	11,717	72,830	42,322	28,667	1,841		72,830	18,151	18,902	35,528	72,581
	Row %	8.00%	1.10%	1.60%	18.90%	0.50%	53.70%	16.10%		58.10%	39.40%	2.50%			25.00%	26.00%	48.90%	
	Col %	30.90%	44.80%	15.50%	53.50%	29.10%	28.80%	34.70%		29.90%	38.00%	23.60%			51.80%	41.10%	25.50%	
	Table %	2.60%	0.30%	0.50%	6.10%	0.20%	17.40%	5.20%		18.80%	12.70%	0.80%			8.20%	8.60%	16.10%	
	Mean	4.74	4.68	4.49	4.86	4.46	4.68	4.73		4.70	4.76	4.63	.		5.02	4.76	4.56	
	Median	4.58	4.43	4.35	4.71	4.3	4.51	4.54		4.53	4.59	4.34	.		4.85	4.59	4.41	
Market Rate	Count	13,060	967	6,548	11,970	973	96,658	22,024	152,200	99,207	46,869	5,951	173	152,200	16,890	27,096	104,035	148,021
	Row %	8.60%	0.60%	4.30%	7.90%	0.60%	63.50%	14.50%		65.20%	30.80%	3.90%	0.10%		11.40%	18.30%	70.30%	
	Col %	69.10%	55.20%	84.50%	46.50%	70.90%	71.20%	65.30%		70.10%	62.00%	76.40%	100.00%		48.20%	58.90%	74.50%	
	Table %	5.80%	0.40%	2.90%	5.30%	0.40%	43.00%	9.80%		44.10%	20.80%	2.60%	0.10%		7.70%	12.30%	47.20%	

Table 7 - Manufactured Housing

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	2,823	228	91	1,685	29	20,743	1,645	27,244	17,059	8,778	1,407		27,244	9,655	8,586	8,990	27,231
	Row %	10.40%	0.80%	0.30%	6.20%	0.10%	76.10%	6.00%		62.60%	32.20%	5.20%			35.50%	31.50%	33.00%	
	Col %	56.70%	57.60%	36.40%	75.80%	42.60%	47.20%	48.40%		46.70%	54.40%	54.90%			55.00%	50.80%	43.50%	
	Table %	5.10%	0.40%	0.20%	3.00%	0.10%	37.50%	3.00%		30.90%	15.90%	2.50%			17.50%	15.60%	16.30%	
	Mean	4.98	4.80	4.32	4.89	5.07	4.71	4.65		4.69	4.79	5.08	.		4.95	4.75	4.52	
	Median	4.78	4.45	4.14	4.64	4.82	4.48	4.44		4.46	4.56	4.89	.		4.71	4.52	4.29	
Market Rate	Count	2,153	168	159	537	39	23,207	1,751	28,014	19,433	7,367	1,158	56	28,014	7,896	8,301	11,654	27,851
	Row %	7.70%	0.60%	0.60%	1.90%	0.10%	82.80%	6.30%		69.40%	26.30%	4.10%	0.20%		28.40%	29.80%	41.80%	
	Col %	43.30%	42.40%	63.60%	24.20%	57.40%	52.80%	51.60%		53.30%	45.60%	45.10%	100.00%		45.00%	49.20%	56.50%	
	Table %	3.90%	0.30%	0.30%	1.00%	0.10%	42.00%	3.20%		35.20%	13.30%	2.10%	0.10%		14.30%	15.10%	21.20%	

Table 8 - Subordinate Liens

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	31,587	1,744	12,838	55,117	2,557	197,212	85,700	386,755	236,997	137,118	12,483	157	386,755	31,840	84,840	265,509	382,189
	Row %	8.20%	0.50%	3.30%	14.30%	0.70%	51.00%	22.20%		61.30%	35.50%	3.20%	0.00%		8.30%	22.20%	69.50%	
	Col %	35.10%	43.00%	38.30%	66.40%	53.20%	38.70%	67.30%		44.40%	51.90%	23.40%	35.70%		57.10%	54.70%	42.10%	
	Table %	3.70%	0.20%	1.50%	6.50%	0.30%	23.20%	10.10%		27.80%	16.10%	1.50%	0.00%		3.80%	10.10%	31.60%	
	Mean	6.87	6.96	6.38	6.92	6.54	6.87	6.43		6.72	6.80	7.10	6.86		7.16	6.93	6.64	
	Median	6.61	6.61	6.21	6.72	6.34	6.57	6.28		6.48	6.55	6.81	6.62		10.63	5.43	5.43	
Market Rate	Count	58,289	2,311	20,690	27,913	2,252	311,956	41,595	465,006	296,608	127,284	40,831	283	465,006	23,943	70,132	364,914	458,989
	Row %	12.50%	0.50%	4.40%	6.00%	0.50%	67.10%	8.90%		63.80%	27.40%	8.80%	0.10%		5.20%	15.30%	79.50%	
	Col %	64.90%	57.00%	61.70%	33.60%	46.80%	61.30%	32.70%		55.60%	48.10%	76.60%	64.30%		42.90%	45.30%	57.90%	
	Table %	6.80%	0.30%	2.40%	3.30%	0.30%	36.60%	4.90%		34.80%	14.90%	4.80%	0.00%		2.80%	8.30%	43.40%	

Table 9 - Home Purchase Only -- Preapproval Requested

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	1,183	55	319	2,424	56	6,653	2,501	13,191	8,224	4,635	332		13,191	2,182	3,723	7,108	13,013
	Row %	9.00%	0.40%	2.40%	18.40%	0.40%	50.40%	19.00%		62.30%	35.10%	2.50%			16.80%	28.60%	54.60%	
	Col %	11.70%	13.50%	5.30%	33.90%	12.70%	10.90%	24.80%		13.30%	16.70%	5.60%			22.60%	21.60%	10.60%	
	Table %	1.20%	0.10%	0.30%	2.50%	0.10%	7.00%	2.60%		8.60%	4.90%	0.30%			2.30%	4.00%	7.50%	
	Mean	4.92	5.31	4.99	5.54	4.95	5.23	5.10		5.20	5.28	5.24	.		5.48	5.33	5.13	
	Median	4.87	5.18	5.01	5.49	5.04	5.19	5.1		5.15	5.25	5.26	.		5.49	5.29	5.11	
Market Rate	Count	8,924	353	5,741	4,732	386	54,577	7,599	82,312	53,580	23,129	5,594	9	82,312	7,455	13,496	60,203	81,154
	Row %	10.80%	0.40%	7.00%	5.70%	0.50%	66.30%	9.20%		65.10%	28.10%	6.80%	0.00%		9.20%	16.60%	74.20%	
	Col %	88.30%	86.50%	94.70%	66.10%	87.30%	89.10%	75.20%		86.70%	83.30%	94.40%	100.00%		77.40%	78.40%	89.40%	
	Table %	9.30%	0.40%	6.00%	5.00%	0.40%	57.10%	8.00%		56.10%	24.20%	5.90%	0.00%		7.90%	14.30%	63.90%	

Table 10 - Home Purchase Only -- Preapproval Not Requested

		Race and Ethnicity								Gender					Median Income			
		Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total	Male	Female	Information not provided by applicant	Not applicable	Total	Low & Moderate	Middle	High	Total
High-Cost	Count	7,907	352	2,109	12,977	341	52,054	12,763	88,503	55,732	30,223	2,548		88,503	15,179	22,463	45,939	83,581
	Row %	8.90%	0.40%	2.40%	14.70%	0.40%	58.80%	14.40%		63.00%	34.10%	2.90%			18.20%	26.90%	55.00%	
	Col %	9.30%	12.30%	3.40%	26.80%	8.90%	7.90%	14.60%		8.70%	11.20%	6.90%			19.40%	14.40%	6.70%	
	Table %	0.80%	0.00%	0.20%	1.40%	0.00%	5.50%	1.30%		5.90%	3.20%	0.30%			1.60%	2.40%	5.00%	
	Mean	4.52	4.57	4.27	4.71	4.40	4.51	4.33		4.50	4.52	4.57	.		4.73	4.64	4.46	
	Median	4.27	4.37	4.06	4.53	4.17	4.27	4.07		4.26	4.29	4.31	.		4.48	4.45	4.26	
Market Rate	Count	77,155	2,503	59,826	35,423	3,477	605,049	74,465	857,898	584,921	238,495	34,356	126	857,898	63,033	133,984	640,337	837,354
	Row %	9.00%	0.30%	7.00%	4.10%	0.40%	70.50%	8.70%		68.20%	27.80%	4.00%	0.00%		7.50%	16.00%	76.50%	
	Col %	90.70%	87.70%	96.60%	73.20%	91.10%	92.10%	85.40%		91.30%	88.80%	93.10%	100.00%		80.60%	85.60%	93.30%	
	Table %	8.20%	0.30%	6.30%	3.70%	0.40%	63.90%	7.90%		61.80%	25.20%	3.60%	0.00%		6.80%	14.50%	69.50%	

Table 11 - HOEPA Loans by Race

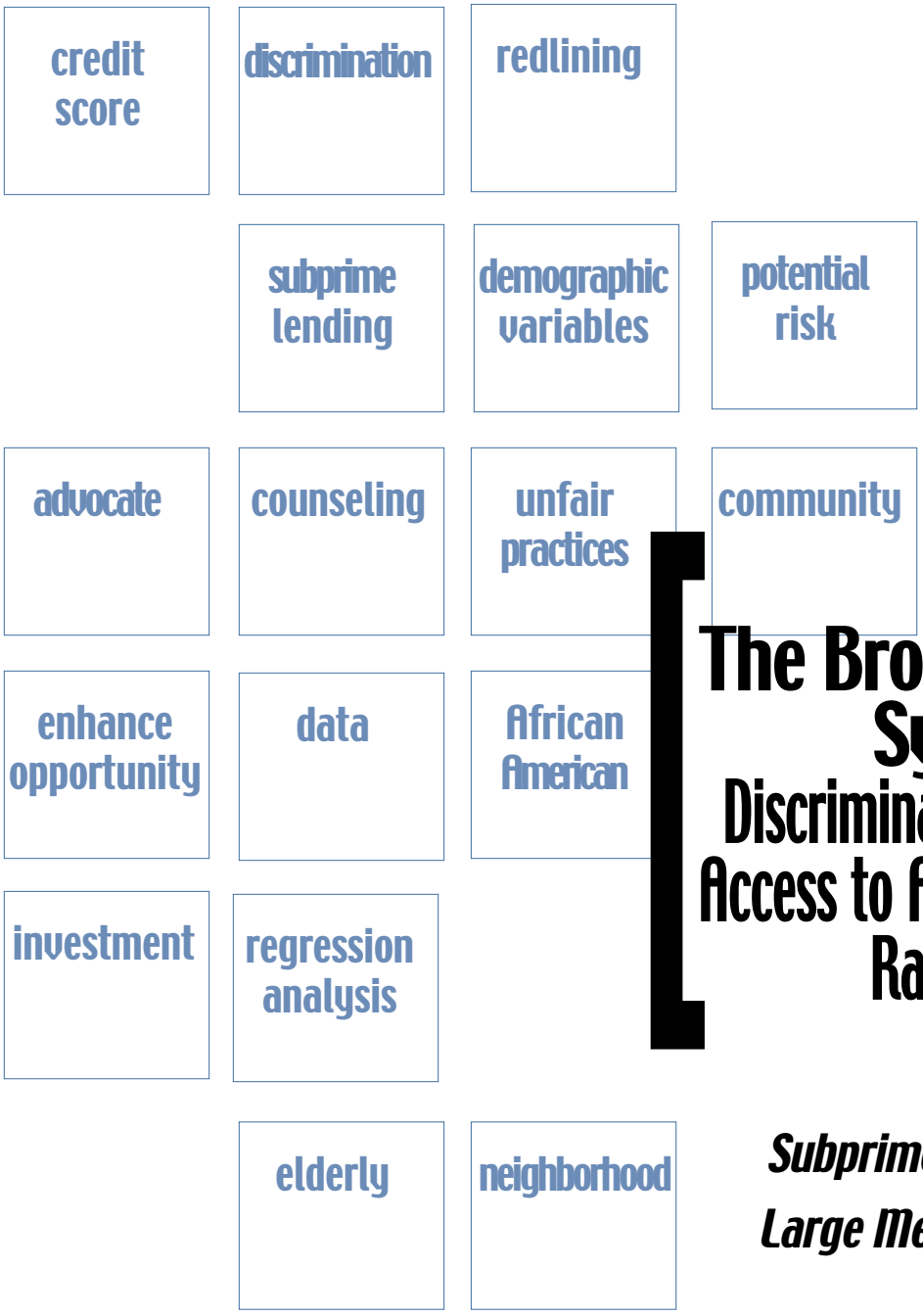
			Race and Ethnicity							
			Not applicable or information not provided by applicant	American Indian or Alaska Native (non-Hispanic)	Asian (non-Hispanic)	Black or African American (Hispanic & non-Hispanic)	Native Hawaiian or Other Pacific Islander (non-Hispanic)	White (non-Hispanic)	Hispanic (non-Black)	Total
High-Cost	HOEPA loan	Count	707	62	58	874	27	3,907	463	6,098
		Row %	11.59%	1.02%	0.95%	14.33%	0.44%	64.07%	7.59%	
		Mean	11.14	13.01	12.46	12.37	12.87	12.45	11.63	
		Median	10.89	13.42	12.49	12.36	13.97	12.52	11.34	
	Non-HOEPA loan	Count	130,353	5,867	16,185	160,705	5,307	566,530	133,989	1,018,936
		Row %	12.79%	0.58%	1.59%	15.77%	0.52%	55.60%	13.15%	
		Mean	5.12	5.02	4.82	5.07	4.89	5.04	4.88	
		Median	4.98	4.75	4.64	4.87	4.71	4.8	4.7	
Market-Rate	HOEPA loan	Count	2	0	0	2	0	13	2	19
		Row %	10.53%	0.00%	0.00%	10.53%	0.00%	68.42%	10.53%	
	Non-HOEPA loan	Count	262,349	10,283	87,940	153,950	11,239	1,526,978	227,459	2,280,198
		Row %	11.51%	0.45%	3.86%	6.75%	0.49%	66.97%	9.98%	

Table 12 - HOEPA Loans by Gender

			Gender				
			Male	Female	Information not provided by applicant	Not applicable	Total
High-Cost	HOEPA loan	Count	3,272	2,237	589	0	6,098
		Row %	53.66%	36.68%	9.66%	0.00%	
		Mean	12.4	12.34	10.92	.	
		Median	12.41	12.4	10.68	.	
	Non-HOEPA loan	Count	602,476	383,504	32,797	159	1,018,936
		Row %	59.13%	37.64%	3.22%	0.02%	
		Mean	5.01	5.04	5.29	6.82	
		Median	4.79	4.84	5.05	6.61	
Market-Rate	HOEPA loan	Count	12	5	2	0	19
		Row %	63.16%	26.32%	10.53%	0.00%	
	Non-HOEPA loan	Count	1,490,981	650,131	137,587	1,499	2,280,198
		Row %	65.39%	28.51%	6.03%	0.07%	

Table 13 - HOEPA Loans by Income of Borrower

			Median Income			
			Low & Moderate	Middle	High	Total
High-Cost	HOEPA loan	Count	1,163	1,894	3,035	6,092
		Row %	19.09%	31.09%	49.82%	
		Mean	11.52	12.39	12.42	
		Median	10.53	12.52	12.29	
	Non-HOEPA loan	Count	174,209	265,447	574,862	1,014,518
		Row %	17.17%	26.16%	56.66%	
		Mean	5.12	5.08	4.99	
		Median	4.93	4.86	4.77	
Market-Rate	HOEPA loan	Count	3	3	10	16
		Row %	18.75%	18.75%	62.50%	
	Non-HOEPA loan	Count	191,890	371,566	1,530,896	2,094,352
		Row %	9.16%	17.74%	73.10%	



The Broken Credit System:
Discrimination and Unequal Access to Affordable Loans by Race and Age

Subprime Lending in Ten Large Metropolitan Areas

The National Community Reinvestment Coalition

The National Community Reinvestment Coalition (NCRC) is the nation's trade association for economic justice whose members consist of local community based organizations. Since its inception in 1990, NCRC has spearheaded the economic justice movement. NCRC's mission is to build wealth in traditionally underserved communities and bring low- and moderate-income populations across the country into the financial mainstream. NCRC members have constituents in every state in America, in both rural and urban areas.

The Board of Directors would like to express their appreciation to the NCRC professional staff who contributed to this publication and serve as a resource to all of us in the public and private sector who are committed to responsible lending. For more information, please contact:

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A special word of thanks to Mark Treskon, Milena Kornil, Josh Silver, and Dan Immergluck. As a former NCRC Research Analyst, Mark started this report and conducted the initial analysis that informed the methodology. Josh Silver and Milena Kornil teamed up to complete the data analysis and write the report narrative. Without their invaluable contributions, this report would not be as timely or comprehensive. Dr. Dan Immergluck, a professor at Grand Valley State University, provided expert peer review, consulting, and quick and thorough proofreading. His skilled assistance augmented the statistical rigor and meaning of the report.

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Executive Summary

The credit system is broken and discrimination is widespread in America. NCRC finds that African-American and predominantly elderly communities receive a considerably higher level of high cost subprime loans than is justified based on the credit risk of neighborhood residents. President Bush has declared an Administration's goal of 5.5 million new minority homeowners by the end of the decade. The widespread evidence of price discrimination, however, threatens the possibility of creating sustainable and affordable homeownership opportunities for residents of traditionally underserved neighborhoods.

The widespread evidence of price discrimination threatens the possibility of creating sustainable and affordable homeownership opportunities . . .

A subprime loan has an interest rate higher than prevailing and competitive rates in order to compensate for the added risk of lending to a borrower with impaired credit. NCRC defines a predatory loan as an unsuitable loan designed to exploit vulnerable and unsophisticated borrowers. Predatory loans are a subset of subprime loans. A predatory loan has one or more of the following features: 1) charges more in interest and fees than is required to cover the added risk of lending to borrowers with credit imperfections, 2) contains abusive terms and conditions that trap borrowers and lead to increased indebtedness, 3) does not take into account the borrower's ability to repay the loan, and 4) violates fair lending laws by targeting women, minorities and communities of color. Using the best available industry data on credit worthiness, NCRC uncovered a substantial amount of predatory lending involving rampant pricing discrimination and the targeting of minority and elderly communities.

Sadly, it is still the case in America that the lending marketplace is a dual

marketplace, segmented by race and age. If a consumer lives in a predominantly minority community, he or she is much more likely to receive a high cost and discriminatory loan than a similarly qualified borrower in a white community. At the same time, the elderly, who have often built up substantial amounts of equity and wealth in their homes, are much more likely to receive a high cost refinance loan than a similarly qualified younger borrower. The disproportionate amount of subprime refinance lending in predominantly elderly neighborhoods imperils the stability of long-term wealth in communities and the possibilities of the elderly passing their wealth to the next generation.

Lending discrimination in the form of steering high cost loans to minorities and elderly borrowers qualified for market rate loans results in equity stripping and has contributed to inequalities in wealth. According to the Federal Reserve Survey of Consumer Finances, the median value of financial assets was $38,500 for whites, but only $7,200 for minorities in 2001. Whites have more than five times the dollar amount of financial assets than minorities. Likewise the median home value for whites was $130,000 and only $92,000 for minorities in 2001.[1]

This report confirms Americans' perceptions of bias in lending. In the winter of 2002, NCRC hired Republican pollster Frank Luntz and Democratic pollster Jennifer Laszlo Mizrahi to conduct a nationally representative poll of Americans' views of lending institutions. In the poll, fully 76 percent of Americans believed that steering creditworthy minorities and women to costly loan products was a significant problem. About 47

[1] Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, *Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances*, Federal Reserve Bulletin, January 2003.

percent of the survey respondents believed that a white man would be more likely than an African-American man with the same credit history to be approved for a loan. Only 10 percent of the respondents believed that the African-American would be more likely to be approved for a loan. Among African-American survey respondents, 74 percent thought the white man would be approved, and only 3.6 percent thought that a similarly qualified African-American would be approved over the white man. Unfortunately, this report verifies that these perceptions of discriminatory treatment are reality in too many instances.[2]

The single most utilized defense of lenders and their trade associations concerning bias is that credit scoring systems allow lenders to be color-blind in their loan decisions. This study, the largest and among the first of its kind, debunks that argument and clearly makes the case that African-American and elderly neighborhoods, regardless of the creditworthiness of their residents, receive a disproportionate amount of high cost subprime loans.

NCRC selected ten large metropolitan areas for the analysis: Atlanta, Baltimore, Cleveland, Detroit, Houston, Los Angeles, Milwaukee, New York, St. Louis, and Washington, D.C. As expected, the amount of subprime loans increased as the amount of neighborhood residents in higher credit risk categories increased. After controlling for risk and housing market conditions, however, the race and age composition of the neighborhood had an independent and strong effect, increasing the amount of high cost subprime lending. In particular:

[2] A Laszlo/Luntz Poll, conducted January 21 to February 13, 2002. Overall poll of 1,258 adults, margin of error 3.3%. Available via NCRC.

- The level of refinance subprime lending increased as the portion of African-Americans in a neighborhood increased in nine of the ten metropolitan areas. In the case of home purchase subprime lending, the African-American composition of a neighborhood boosted lending in six metropolitan areas.

- The percent of African-Americans in a census tract had the strongest impact on subprime refinance lending in Houston, Milwaukee, and Detroit. Even after holding income, creditworthiness, and housing market factors constant, going from an all white to an all African-American neighborhood (100 percent of the census tract residents are African-American) increased the portion of subprime loans by 41 percentage points in Houston. For example, if 10 percent of the refinance loans in the white neighborhood were subprime, then 51 percent of the loans in an African-American neighborhood in Houston would be subprime. The portion of subprime refinance loans increased by 29, 26, and 20 percentage points in Milwaukee, Detroit, and Cleveland, respectively, from an all white to an all African-American neighborhood. Graph 1 provides details of this phenomenon across the metropolitan areas and shows a strong race factor in Atlanta, St. Louis, and Los Angeles as well.

- Solely because the percentage of the African-American population increased, the amount of subprime home purchase lending surged in Cleveland, Milwaukee, and Detroit. From an all white to an all African-American neighborhood in Cleveland, the portion of subprime home purchase loans climbed 24 percentage points. Graph 2 reveals that the portion of subprime purchase loans similarly rose by 18 and 17 percentage points in Milwaukee and Detroit, respectively, in African-American neighborhoods compared to white neighborhoods.

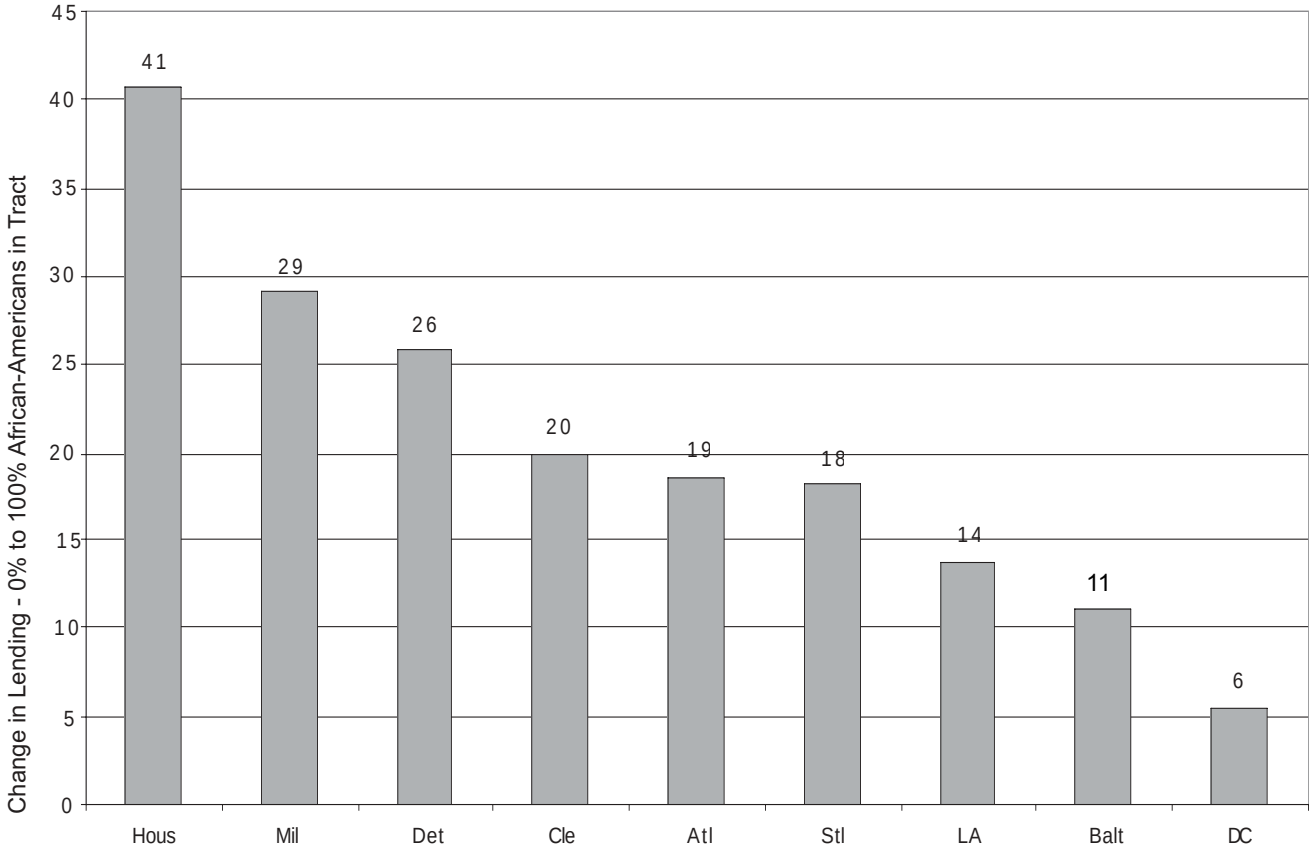
- The impact of the age of borrowers was strong in refinance lending. In seven metropolitan areas, the portion of subprime refinance lending increased solely when the number of residents over 65 increased in a neighborhood.

- Elderly neighborhoods experienced the greatest increases in subprime refinance lending in St. Louis, Atlanta, and Houston. Even after holding income, creditworthiness, and housing market factors constant, the portion of subprime refinance lending would surge 31 percentage points in St. Louis from a neighborhood with none of its residents over 65 to all of its residents over 65. Likewise, the increases were 27 and 25 percentage points in Atlanta and Houston, respectively. Although neighborhoods with such extreme age distributions (none or all residents over 65) are unusual, the regression analysis

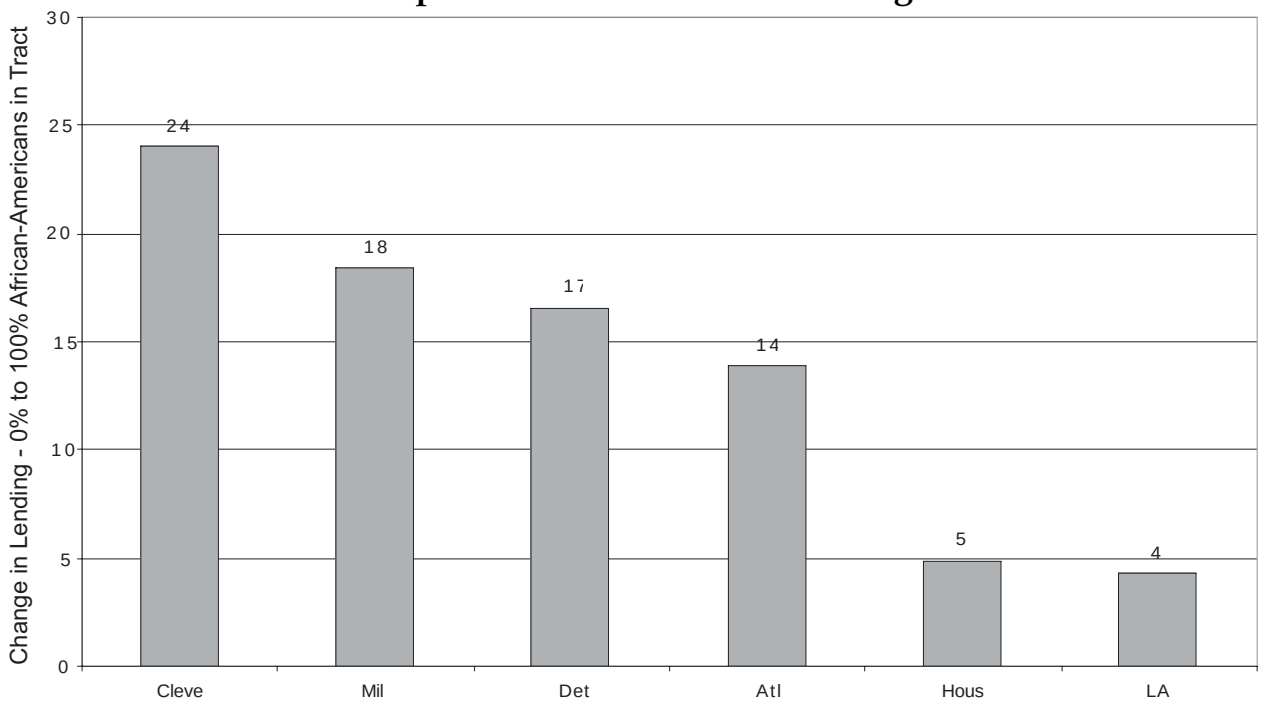
highlights and isolates the impacts of age on the level of subprime lending. Indeed, the level of subprime lending is likely to be considerably higher in neighborhoods with large concentrations of senior citizens.

- The level of subprime lending increased in a statistically significant fashion in the great majority of metropolitan areas as the percentage of neighborhood residents with no credit scores increased. Subprime refinance and home purchase lending climbed in nine and seven metropolitan areas, respectively, as the portion of neighborhood residents without credit scores increased. This is a significant issue for recent immigrants and other unbanked populations, many of whom are creditworthy for loans at prevailing interest rates, but receive high cost loans simply because they lack conventional credit histories.

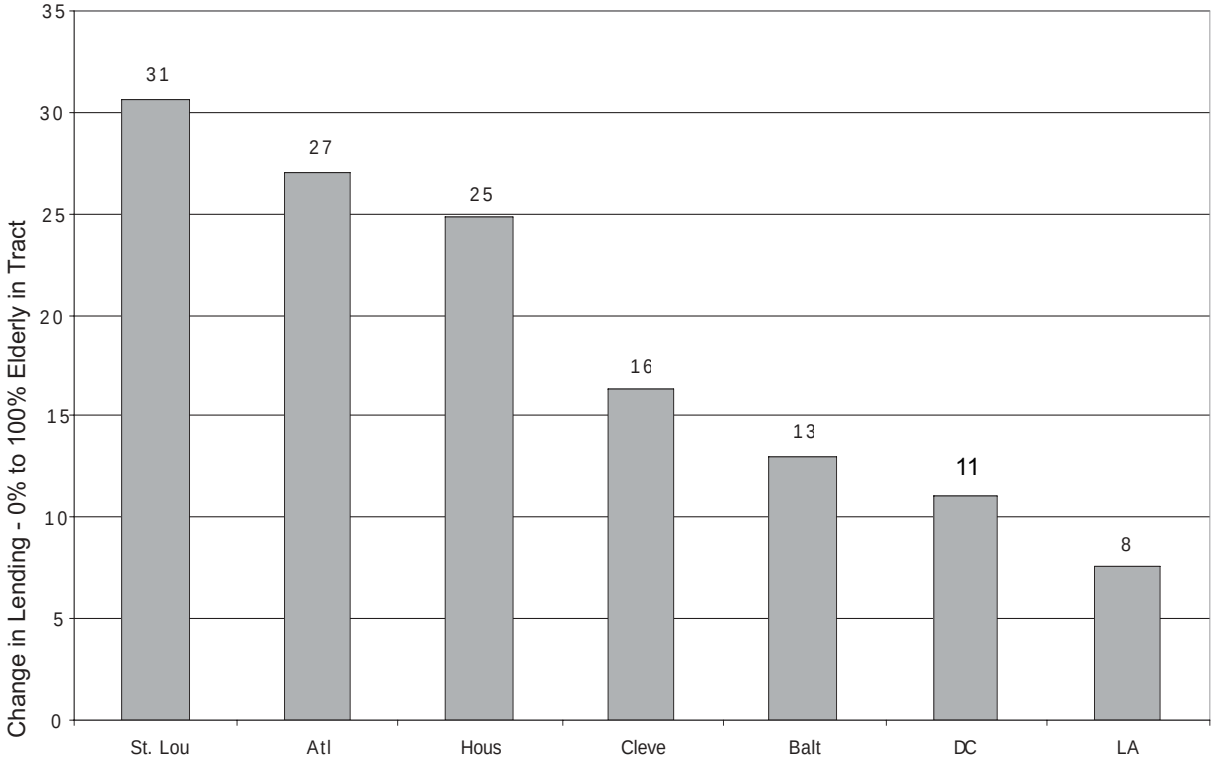
Graph 1: Index of Discrimination Against African-American Neighborhoods: Subprime Refinance Lending



Graph 2: Index of Discrimination Against African-American Neighborhoods: Subprime Home Purchase Lending



Graph 3: Index of Discrimination Against the Elderly: Subprime Refinance Lending



Recommendations

Legislative Recommendations

Reform FCRA to Mandate Complete and Accurate Credit Reports

As Congress renews the Fair Credit Reporting Act (FCRA), it must ensure that credit reports are complete and accurate. Anti-predatory lending bills introduced by members of Congress from both parties (Sarbanes and Ney) require creditors, once every three months, to provide a complete credit report and payment history to credit bureaus regarding all loans they made or serviced. A number of large subprime lenders currently withhold critical information regarding borrower on-time payments.[3] The practice of withholding information victimizes borrowers by trapping them in high cost loans and also victimizes lenders by reducing the overall reliability of the credit reporting system. A bipartisan consensus should be quickly achieved regarding this essential reform, yet the bipartisan House bill, HR 2622, does not contain this requirement. The FCRA bill proceeding in the Senate also does not require frequent reporting to the credit bureaus.

Our study also found that as the percent of neighborhood residents with no credit scores increases, so does the level of subprime lending. This is blatantly unfair since large numbers of consumers without traditional credit reports and credit scores are responsible and should qualify for loans at prevailing interest rates. One major reason why a large segment of consumers lack credit scores is that the credit reporting system does not capture non-traditional payment histories such as rental and utility

[3] Remarks by John D. Hawke, Jr., Comptroller of the Currency, Consumers Bankers Association Conference in San Francisco on June 7, 1999, available via http://www.occ.treas.gov.

payments. Congress must require the reporting of these two essential payment history items to the credit bureaus in order to reduce pricing discrimination and make the lending system fairer.

NCRC also recommends that an FCRA renewal bill requires additional studies on credit scoring and fund and promote nationwide financial education initiatives.

Comprehensive Anti-Predatory Legislation

Congress must enact comprehensive anti-predatory lending legislation along the lines of bills introduced by Senator Sarbanes and Representative Schakowsky. Comprehensive and strong anti-predatory lending legislation would eliminate the profitability of exploitative practices by making these practices illegal. It could also reduce the amount of price discrimination since fee packing and other abusive practices would be prohibited. A comprehensive anti-predatory law would also strengthen the Community Reinvestment Act (CRA) if regulatory agencies severely penalize lenders through failing CRA ratings when the lenders violate anti-predatory law.

Congress Must Pass a CRA Modernization Bill

In the 107th Congress, Representatives Luis Gutierrez and Thomas Barrett introduced HR 865, the CRA Modernization Act. This vital bill would increase the rigor of CRA exams by requiring the federal banking agencies to scrutinize the level of lending to minorities as well as low- and moderate-income borrowers. In addition, the CRA Modernization Act would expand CRA to cover independent mortgage companies and all non-depository affiliates of banks. Since price discrimination on the basis of race is prevalent, CRA must be used to prod lenders to offer more

prime loans at prevailing interest rates to minorities. At the same time, expanding CRA to large numbers of lenders would also result in an influx of affordable loans to traditionally underserved communities.

Enhance the Quality of HMDA Data

NCRC believes that Congress and the Federal Reserve Board (which implements the HMDA regulations) must enhance HMDA data so that regular and comprehensive studies can scrutinize fairness in lending. Specifically, are minorities, the elderly, women, and low- and moderate-income borrowers and communities able to receive loans that are fairly priced? While NCRC is confident in the findings of our study, we believe that more information in HMDA data is critical to fully explore the intersection of price, race, gender, and income. HMDA data must contain credit score information similar to the data used in this report. For each HMDA reportable loan, a financial institution must indicate whether it used a credit score system and if the system was their own or one of the widely used systems such as FICO (a new data field in HMDA could contain 3 to 5 categories with the names of widely-used systems). The HMDA data also would contain one more field indicating which quintile of risk the credit score system placed the borrowers.

Using this data, regulators, researchers, the media, and the public could determine if any of the credit score systems were placing minorities and other protected classes in the higher risk categories a disproportionate amount of time. The data would facilitate more econometric analysis to assess whether the prices of loans are based on risk, race, gender, or age. In addition, other critical underwriting variables are needed in the HMDA data including information on debt-to-income ratios and loan-to-value ratios.

Financial Education Critical, Especially for Populations Lacking Credit Scores

In the metropolitan areas examined, about 15 percent of the population lacked credit scores. The percentage was even higher in minority census tracts. A significant finding of this report is that consumers are more likely to receive subprime loans when they lack credit scores. Increased financial education initiatives by Congress, government at all levels, the private sector, and the nonprofit sector are necessary to reach out to the segment of the population that lack credit scores and/or are "unbanked." The segment of the population without credit scores is unlikely to have a fair chance at receiving affordable loans as long as they lack credit histories and remain outside the financial mainstream. In order for financial education to be universal, NCRC recommends that the Department of Education require basic financial literacy to be part of the curriculum of all public schools.

A significant finding of this report is that consumers are more likely to receive subprime loans when they lack credit scores.

Regulatory Recommendations

Federal Agencies Must Step Up Enforcement of Existing Laws to Promote Full Product Choice and Prevent Product Steering

Periodically, the Federal agencies regulating financial institutions will make great fanfare announcing a settlement of a major discrimination lawsuit or the publication of new "interagency" fair lending guidelines. The sad fact, however, is that federal agency efforts to eliminate discrimination and steering creditworthy borrowers to expensive products are failing. The agencies must step up their enforcement of the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act and other fair lending laws in order to ensure full product choice for all Americans.

Halt Preemption of State Anti-Predatory and Consumer Protection Law

The Office of the Comptroller of the Currency (OCC) has preempted Georgia's anti-predatory law for large national banks and has proposed to preempt anti-predatory and consumer protection laws in all states. The OCC's proposed regulations are much weaker in combating abusive practices than state law that would be preempted. At the same time, the Office of Thrift Supervision (OTS) has been preempting anti-predatory law, one state at a time, for federally chartered thrifts. Given the evidence of widespread pricing discrimination, anti-predatory and consumer protection law at all levels need to be strengthened, not weakened. For many decades, banking laws have co-existed on a Federal and state level in many areas such as privacy and disclosures of mortgage terms. This is precisely the wrong time to wipe out critical state anti-predatory and consumer protection law. The credit system is broken, and needs more oversight, not less.

Anti-predatory and consumer protection law at all levels need to be strengthened, not weakened

Federal Reserve Board Must Step Up Anti-Discrimination and Fair Lending Oversight

The General Accounting Office concluded that the Federal Reserve Board has the authority to conduct fair lending reviews of affiliates of bank holding companies. The Federal Reserve Board, however, continues to insist that it lacks this authority.[4] This issue must be resolved because comprehensive anti-discrimination exams of all parts of bank holding companies are critical. Most of the major banks have acquired large subprime lenders that are then considered affiliates and become off-limits to Federal Reserve examination. A pressing question is the extent to

[4] General Accounting Office, *Large Bank Mergers: Fair Lending Review Could be Enhanced with Better Coordination*, November 1999, GAO/GGD-00-16.

which the subprime affiliates refer creditworthy customers to the prime parts of the bank so that the customers receive loans at prevailing rates instead of higher subprime rates. Or does the subprime affiliate steer creditworthy borrowers to high cost loans? These questions remain largely unanswered. Consequently, we do not know the extent to which steering by subprime affiliates and/or their parent banks contributed to the discrimination documented by this report. Thus, it is past time for the Federal Reserve to examine affiliates as well as the parent bank.

Increase Fair Lending Enforcement of Non-Bank Lending

CRA and fair lending reviews cover depository institutions. Large non-bank lenders comprise a significant segment of subprime lenders but are not covered by regular CRA exams and fair lending reviews. As far as we know, neither the Department of Housing and Urban Development, the Department of Justice, nor the Federal Trade Commission has established a proactive program to conduct fair lending investigations of large non-bank lenders. The Department of Justice has settled lawsuits regarding price discrimination with the Long Beach Mortgage Company and other institutions.[5] These lawsuits, however, are usually reactive and in response to complaints or referrals from other regulatory agencies. In cooperation with state regulatory agencies, NCRC calls upon federal agencies to undertake a proactive and aggressive program to enforce the fair lending laws in the case of non-bank lenders.

CRA Exams Must Scrutinize Non-Prime Lending More Rigorously

Currently, CRA exams are not adequately assessing the CRA performance

[5] Department of Justice settlement with Long Beach Mortgage Company, September 5, 1996.

of subprime lenders. For example, the CRA exam of the subprime lender, Superior Bank, FSB, called its lending innovative and flexible before that thrift's spectacular collapse.[6] If CRA exams continue to mechanistically consider subprime lending, subprime lenders will earn good ratings since they usually offer a larger portion of their loans to low- and moderate-income borrowers and communities than prime lenders.

At this point, the regulatory agencies have stated in an "Interagency Question and Answer" document that banks will be downgraded if their lending violates federal anti-predatory law. NCRC has not seen rigorous action to implement this guidance. Fair lending reviews that accompany CRA exams do not usually scrutinize subprime lending for compliance with anti-predatory law, for possible pricing discrimination, or whether abusive loans are exceeding borrower ability to repay. NCRC recommends that all CRA exams of subprime lenders must be accompanied by a comprehensive fair lending and anti-predatory lending audit. In addition, CRA exams must ensure that prime lenders are not financing predatory lending through their secondary market activity or servicing abusive loans.

NCRC also recommends that any bank or thrift whose subprime lending exceeds a nominal amount such as 5 percent of its total loan amount must have a separate prime and subprime CRA lending exam. As NCRC stated in our comment letter during the Advance Notice of Proposed Rulemaking on the CRA during the fall of 2001, a bank or thrift must not pass its lending test if it does not score at least a satisfactory rating on the

[6] Office of Thrift Supervision Central Region's CRA Evaluation of Superior Bank, FSB, Docket #: 08566, September 1999. Available via http://www.ots.treas.gov, go to the CRA search engine and select "inactive" for the status of the institution being searched.

prime portion of its lending test. The lending test is currently the most important part of CRA exams for large banks and the only element of small bank exams. Prime lending must likewise be elevated as the most important part of the lending test. NCRC's study contributes to a significant amount of evidence that minority communities receive too much subprime lending due to discrimination. In order to correct for market failure and increase product choice in underserved communities, NCRC believes that prime lending must be emphasized on CRA exams.

Full Disclosure of Automated Underwriting Systems

This report focused on the impact of credit scores as well as race and age composition of neighborhoods in determining the level of subprime lending. Automated underwriting systems use credit scores and variables similar to the ones in this report in guiding financial institutions in their lending decisions. Since our report found a substantial amount of price discrimination, we believe that automated underwriting systems must be made more transparent in order to assess whether they are contributing to discrimination. Factors and the weights of factors used by the automated systems must be disclosed. The Department of Housing and Urban Development must release the results of its fair lending examination of Fannie Mae's and Freddie Mac's automated underwriting systems.

Recommendations for Lenders, Community Groups, and Consumers

Lenders Must Adopt Risk-Based, Not Race-Based or Age-Based Pricing: Best Practices Needed

This report finds that discrimination on the basis of race and age is wide-

spread in America. Too many subprime lenders disregard risk, as measured by credit scores, in pricing their loans. NCRC calls upon the lending industry to adopt comprehensive best practices so that they can avoid pricing discrimination and other predatory practices. The best practices approach must also include rigorous compliance training for loan officers as well as mystery shopping and testing initiatives to identify and eliminate discriminatory practices. NCRC is in the process of completing a mystery shopper report that documents the need for additional industry compliance efforts because the report reveals disparate treatment regarding interest rate and loan terms for white and minority testers.

Community Groups Must Advocate and Offer Financial Education and Counseling Programs

NCRC's findings reinforce the need for community group advocacy as well as program delivery. Community groups must be active in the CRA process, offering comments during CRA exams and merger applications, particularly when they believe a lender is violating fair lending law and discriminating against minorities, women, and the elderly. Each time a community group and/or coalitions of community groups change the practices of a major lender (engaged in both prime and subprime lending), the impact on the industry as a whole is profound and cannot be underestimated. At the same time, community groups should continue pursuing programmatic opportunities, including mystery shopping, financial education, and counseling programs. Community groups should increase their skill and sophistication of using data compiled from their program delivery for their advocacy and policy positions.

Consumers Must Shop for Affordable Loans and Obtain Credit Reports, Credit Scores, and Pursue Inaccuracies

NCRC recommends that consumers consult with NCRC's *Best and Worst Lenders* at http://www.ncrc.org to find a list of lenders most likely to approve minorities, women, and low- and moderate-income consumers for affordable loans. *Best and Worst Lenders* provides detailed information on lenders in 25 major metropolitan areas. Consulting with *Best and Worst Lenders* increases the chances that consumers will be approved for loans. In addition, *Best and Worst Lenders* enables consumers to identify responsible banks that reinvest consumer deposits back into minority and low- and moderate-income communities instead of redlining local communities and investing their deposits elsewhere.

Once a year, consumers should also purchase their credit reports and scores from each major credit bureau (Experian at www.experian.com, Equifax at www.equifax.com; and Trans Union at www.transunion.com). If a consumer believes that his or her credit report contains an inaccuracy, he or she should ask the credit bureaus to investigate and correct any mistakes. If the consumer believes that the credit bureaus have not fairly resolved disputes over mistakes, he or she should contact the Federal Trade Commission at www.ftc.gov.

Background and Literature Review

NCRC benefited from industry data on creditworthiness in order to produce a comprehensive study on the relationship between loan pricing and the race and age of neighborhoods. NCRC used credit scoring data provided by one of the three large credit bureaus. A credit score is a numerical score estimating the chances a consumer will be delinquent in loan payments or default altogether. The credit score is derived from statistical analysis of information contained in credit reports regarding a

consumer's past payment history and use of credit. On a census tract level, the credit scoring data indicated how many consumers were in various categories of risk. NCRC was then able to analyze the impact of credit scores on the level of subprime home lending by combining the credit scoring information with the Home Mortgage Disclosure Act (HMDA) data, and demographic and housing stock data from the Census Bureau.

NCRC employed regression analysis to predict the level of subprime lending on a census tract level in ten large metropolitan areas. The analysis allowed NCRC to determine whether increases in the African-American, Hispanic, or elderly population in a neighborhood led to increases in the amount of subprime loans after controlling for credit-worthiness (as revealed by the credit score data) and important housing stock characteristics. As stated above, the findings revealed that minority and elderly neighborhoods do, in fact, receive substantially higher levels of subprime lending than is justified based on the creditworthiness of their residents, housing values, and other measures of housing market conditions.

NCRC's findings are consistent with a body of research on subprime lending. A recent survey study conducted by Freddie Mac analysts finds that two-thirds of subprime borrowers were not satisfied with their loans, while three-quarters of prime borrowers believed they received fair rates and terms.[7] In previous years, Freddie Mac and Fannie Mae have often been quoted as stating that between a third to a half of

[7] Freddie Mac analysts Marsha J. Courchane, Brian J. Surette, Peter M. Zorn, *Subprime Borrowers: Mortgage Transitions and Outcomes*, September 2002, prepared for Credit Research Center, Subprime Lending Symposium in McLean, VA.

borrowers who qualify for low cost loans receive subprime loans.[8] Dan Immergluck, a professor at Grand Valley State University, was one of the first researchers to document the "hypersegmentation" of lending by race of neighborhood.[9] Like Immergluck's work, the Department of Housing and Urban Development found that after controlling for housing stock characteristics and the income level of the census tract, subprime lending increases as the minority level of the tract increases.[10] The Research Institute for Housing America, an offshoot of the Mortgage Bankers Association, released a controversial study in 2000 which concluded that minorities were more likely to receive loans from subprime institutions, even after controlling for the creditworthiness of the borrowers.[11]

A recent survey study conducted by Freddie Mac analysts finds that two-thirds of subprime borrowers were not satisfied with their loans,

NCRC's study is quite similar and builds upon important research conducted by a Federal Reserve economist and two researchers from the Wharton School at the University of Pennsylvania. Paul Calem of the Federal Reserve, and Kevin Gillen and Susan Wachter of the Wharton School also use credit scoring data to conduct econometric analysis scrutinizing the influence of credit scores, demographic characteristics, and economic conditions on the level of subprime lending. Their study found that after controlling for creditworthiness and housing market

[8] "Fannie Mae Vows More Minority Lending," in the Washington Post, March 16, 2000, page E01. Freddie Mac web page, http://www.freddiemac.com/corporate/reports/moseley/chap5.htm.

[9] Dan Immergluck, *Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development*, the Woodstock Institute, November 1999.

[10] Randall M. Scheessele, *Black and White Disparities in Subprime Mortgage Refinance Lending*, April 2002, published by the Office of Policy Development and Research, the U.S. Department of Housing and Urban Development.

[11] Anthony Pennington-Cross, Anthony Yezer, and Joseph Nichols, *Credit Risk and Mortgage Lending: Who Uses Subprime and Why*? Working Paper No. 00-03, published by the Research Institute for Housing America, September 2000.

conditions, the level of subprime refinance and home purchase loans increased in a statistically significant fashion as the portion of African-Americans increased on a census tract level in Philadelphia and Chicago.[12]

Relatively few studies examine the relationship between the number of elderly residents of a neighborhood and the level of subprime lending although anecdotal evidence suggests that abusive lenders target the elderly. In one study, the South West office of Consumers Union found that every 1 percentage point increase in the portion of people over 65 in a neighborhood increased subprime refinance lending by 1.3 percentage points. The Consumers Union study examined neighborhoods in Dallas and Austin, and included demographic variables and a few underwriting variables such as loan amount to income ratios in its regression equations.[13] The AARP also conducted a national survey of elderly borrowers and found that older borrowers who were widowed, female, African-American, and less educated were more likely to receive subprime loans than their married, male, white, and more educated counterparts. The survey also found that seniors receiving subprime loans were more likely to have been approached by brokers, to have refinanced two or more times in the past three years, and to be dissatisfied with their loans.[14]

Another body of literature examines whether consumer credit reports are

[12] Paul S. Calem, Kevin Gillen, and Susan Wachter, *The Neighborhood Distribution of Subprime Mortgage Lending*, October 30, 2002. Available via pcalem@frb.gov.

[13] Consumers Union, *Elderly in the Subprime Market*, October 2002, www.consumersunion.org.

[14] Neal Walters and Sharon Hermanson, *Older Subprime Refinance Mortgage Borrowers*, AARP Public Policy Institute, Data Digest Number 74, July 2002, http://www.aarp.org/ppi.

accurate. If consumer credit reports are incomplete and inaccurate, then the credit scores used to assess risk could be seriously flawed. Troubling evidence suggests that substantial inaccuracies exist in credit reports and could be contributing to racial disparities in lending. In the summer of 2002, the Consumer Federation of America (CFA) shed more light on how credit report flaws can disproportionately impact borrowers on the edge between prime and subprime credit. CFA's analysis of credit scores in more than 500,000 merged credit files revealed that 29 percent of consumers had scores with a range of at least 50 points when using the credit reports from each of the three major bureaus. Focusing in more detail on 1,704 at-risk mortgage purchasers with marginal scores between prime and higher cost subprime credit, CFA found that at least one-fifth would be harmed, and one-fifth would benefit from score inaccuracy if they tried to purchase mortgage loans. The upshot of this finding is that at least 8 million Americans may be erroneously placed into subprime loans and thus pay tens of thousands of dollars each in unnecessarily high mortgage interest payments.[15]

In the winter of 2003, a Federal Reserve Bulletin article revealed that almost one third of sampled credit accounts lacked information on borrower credit limits, which is a key variable for credit scores. Furthermore, subprime specialists reported credit limits 77 percent of the time for their prime customers, but only 40 percent of the time for their subprime customers.[16] Not reporting the credit limit makes borrower credit appear

[15] Consumer Federation of America and National Credit Reporting Association, *Credit Score Accuracy and Implication for Consumers*, December 2002, http://www.consumerfed.org.

[16] Robert B. Avery, Paul S. Calem, Glenn B. Canner, Raphael Bostic, *An Overview of Consumer Data and Credit Reporting*, Federal Reserve Bulletin, February 2003, http://www.federalreserve.gov.

to be much worse than it actually is. The absence of this information results in borrowers appearing to be much closer to fully utilizing their credit cards and other open ended credit than they are in reality.

The findings of NCRC, the Calem, Gillen, and Wacther study, as well as other research, are disturbing but not surprising. Predatory lenders brazenly disregard credit scores and also do not engage in other conventional and prudent underwriting techniques. They discriminate by offering minority and elderly borrowers higher interest rate loans than is justified based on credit scores. At the same time, credit scores are not accurately predicting risk due to omitted variables that are key for traditionally underserved populations. In short, the credit system is broken and discrimination will only be eliminated if the recommendations outlined above are implemented.[17]

Methodology

As stated above, the key goal of the analysis is to determine the relationship between the portion of minority and elderly persons in a census tract and the percentage of home purchase and refinance loans that are made by subprime lenders. After controlling for economic and risk factors, does the portion of subprime loans increase as the minority and elderly population in a census tract increases? In other words, this study explores the likelihood of discrimination and reverse redlining in home

[17] Given the problems with credit reports, the credit scores used here are more likely to overstate risks for minority borrowers than for white borrowers. Accordingly, the scores are more likely to overstate the percent of borrowers in high risk groups in African-American rather than white census tracts. If such bias does occur in scores, then the use of these scores means that the true impact of race on subprime lending is higher than that indicated by the results found here. That is, our estimates of discrimination or redlining are biased low. The credit report and score data needs to be improved via renewal of Fair Credit Reporting Act.

lending. NCRC chose 10 metropolitan statistical areas (MSAs) from different parts of the United States and conducted a statistical analysis in each area. In particular, the MSAs selected are: Atlanta, Baltimore, Cleveland, Detroit, Houston, Los Angeles, Milwaukee, New York, St. Louis, and Washington DC. These areas have different demographic and economic characteristics, which will allow us to make credible and generalizable conclusions about the home lending patterns across large metropolitan areas. In the ten MSAs, the sample consists of about 7,000 census tracts (6,741 for home purchase and 7,097 for refinance). A multivariate regression approach controlled for demographic and risk factors.

NCRC conducted separate analyses for home purchase and refinance lending. We expected a higher degree of pricing disparities by race and age of neighborhood in refinance lending since subprime lenders specialize in refinance lending and make fewer home purchase loans. NCRC's previous work, including *Best and Worst Lenders*, also found more disparities in refinance lending than home purchase lending. Abusive subprime lenders are particularly active in refinance lending since their intention is to strip equity from homeowners through repeated refinancings or flipping.

Variables for the analysis belong to three categories: home lending, credit scoring, and demographics. NCRC used 2001 HMDA data for home lending, 1999 credit scoring data, and 1990 census tract demographic information. NCRC obtained the 1999 credit scoring data on a one-time basis from one of the three large credit bureaus. NCRC chose 2001 HMDA data, not 1999 data, as we believe that the distribution of credit scores on a census tract level does not vary significantly over a three year time period. NCRC ran regression equations using 1999 and 2000 home

loan data to confirm the hypothesis. The results were similar over the years. Also, 2001 was a year of lower interest rates. NCRC wanted to see if minority neighborhoods were benefiting from lower interest rates as measured by a decrease in the statistical significance of race of neighborhood on the level of subprime lending. NCRC would have preferred to use 2000 census tract data, but the HMDA data will not use 2000 census data until the 2003 release in the summer of 2004. The 2001 HMDA data uses 1990 census tract boundaries. NCRC believes the results will be similar with HMDA data using 2000 census tract boundaries, but we intend to do follow-up research.[18]

HUD Subprime and Manufactured Home Lender List

In order to classify loans as subprime, NCRC used a list of subprime and manufactured home lenders developed by HUD. Since HMDA data does not have information on the Annual Percentage Rate (APR) or other loan terms and conditions, HUD developed its list by complementing data analysis with interviews of lending institutions and a literature search. As an additional step, HUD called the lenders on its list and asked them if they considered themselves subprime and manufactured home specialists. Generally speaking, a lender was included on the list if more than 50 percent of the loans in its portfolio was subprime or manufactured home.[19]

[18] Important characteristics of the HMDA data are discussed separately in an appendix.

[19] HUD itself admits that the list is not complete. A number of institutions considered to be prime specialists make a significant number of subprime loans, even if 50 percent or more of their loans are not subprime. Also, the list may not be complete due to name changes and omissions. HUD refines its lists on an annual basis and also corrects mistakes on previous years' lists. HUD's web page (http://www.huduser.org/datasets/manu.html) has more information about the lists and has copies of the lists.

Until more information on loan terms and conditions are available in HMDA data, HUD's list is a valuable resource for conducting subprime and manufactured home loan analysis. Although the list is incomplete, it still captures significant differences in lending behavior as revealed by this report and a substantial body of research.

Data and variables

Home lending data in the analysis represents only originations of home loans, not applications for the loans. We included all types of loans: conventional, and government insured (FHA, VA, and FSA/RHS) to owner-occupants only. NCRC also separated two types of home loans: home purchase loans and refinance loans. By doing so, we aimed to see for which loan type the race and age of neighborhood residents had a stronger influence. We excluded manufactured home lenders from the analysis as initial regressions revealed that the level of manufactured home lending did not vary in a statistically significant manner with the race of neighborhood residents.[20] Future research should explore this in more detail. The study excluded census tracts in which the number of originated loans was less than 20. This was done to ensure a sufficient number of loans for meaningful characterization of each tract's lending patterns.

[20] Manufactured home lenders specialize in making loans to borrowers purchasing manufactured homes. These lenders tend to make high interest rate loans; abusive lending has been widespread in the manufactured home sector as indicated by massive foreclosures and the failures of large national manufactured home lenders. According to HUD, "A manufactured home (formerly known as a mobile home) is built to the Manufactured Home Construction and Safety Standards (HUD Code) and displays a red certification label on the exterior of each transportable section. Manufactured homes are built in the controlled environment of a manufacturing plant and are transported in one or more sections on a permanent chassis." HUD has detailed information about manufactured housing on its web page of http://www.hud.gov.

The analysis chose the following variables that would hypothetically influence subprime lending in an area.

Home lending variables (dependent variables):

%**subHP** – percent of home purchase loans in a census tract that were subprime.

%**subREF** – percent of refinance loans in a census tract that were subprime.

Demographic variables included:

%**black** – percent of residents in a census tract who were African-American;

%**hisp** – percent of residents in a census tract who were Hispanic;

%**65age** – percent of residents in a census tract who were over 65 years old;

medage – dummy variable. The variable revealed the median age of houses in a census tract.

0 when the median age of housing was between 0-20 years old (built in 1970-1990);
1 when the median age of housing was between 21-50 years old (built in 1969-1940);
2 when the median age of housing was 51 years and older (built before 1940);

medhhinc – 1989 median household income in a census tract;

HT – housing turnover. This variable is a ratio of all home purchase loans made in 2001 divided by owner occupied units in 1990. The literature indicates that a higher amount of housing turnover (as revealed by larger values of this variable) suggests a more vibrant market and faster home value appreciation. This should make a census tract more attractive to prime lenders and thus decrease the portion of subprime lending.

capitaliz – The "capitalization" variable is a ratio of gross median rent divided by median housing value. The literature suggests that owner-occupied units appreciate slower in neighborhoods where the median rent is higher relative to the median housing value (higher ratio values for this variable). Therefore, prime lenders may find neighborhoods less attractive with higher values for the capitalization variable, meaning that the portion of subprime loans will be higher in these neighborhoods.

Credit scoring variables included:

%**vhigh** – is a credit score variable that indicated the percent of people in a census tract in the very high credit risk category;

%**NC –** is the percent of neighborhood residents lacking credit scores;

vh+h+m – the cumulative percent of neighborhood residents in very high, high, and moderate credit risk categories added together.

The credit risk scores used in this report measure the likelihood of future delinquencies and foreclosures. The database had a credit score range from 0 to 1,000 with lower scores indicating lower risk or chance of borrower delinquency. The scores were divided into five equal categories or quintiles of risk; the specific categories are Very Low, Low, Moderate, High and Very High risk. The credit score range was separated into quintiles, not the population totals within the quintiles. In other words, each score quintile did not have equal numbers of people, but each score range was of equal length (about 200 units for each quintile since the total range is from 0 to 1,000).

For each census tract, the database contains the number and percent of neighborhood residents in each of the five risk categories, and the number and percent of neighborhood residents with no credit scores.

NCRC's analysis focuses on the "vh+h+m" credit score variable. Our regression analysis was iterative. One equation (Column 1 on Tables 1 through 10) included the combined risk variable of "vh+h+m" and the NC or no credit score variable. Column 2 is another regression in which the very high risk and no credit score variables are included as separate variables (see the tables below).

Columns 3 through 4 repeat the iterative approach for the risk variables in the same order as Columns 1 through 2. The difference between Columns 1 and 2 and Columns 3 and 4 is that the race and age variables are omitted in Columns 3 and 4. This is done in order to understand better the added explanatory power obtained by including the race and age variables (see discussion below in the Functional Form section).

The "vh+h+m" variable was statistically significant across all ten MSAs for home purchase lending and nine MSAs for refinance lending. The impact of the variable was as expected; that is, subprime lending was more prevalent as the percentage of people in a census tract with very high, high, and moderate risk increased. The regression equations including only the very high risk and no credit score variables had very similar outcomes to the equations with the "vh+h+m" combined risk and no credit score variables. Although the very high risk equations (Column 2) were similar to the "vh+h+m" equations (Column 1), we focused on the "vh+h+m" equations since subprime lenders would likely make loans to consumers with high and moderate risk as well as very high risk. The coefficients and R squares in the "vh+h+m" equations were consistent with these expectations.

In contrast to our report, the Calem, Gillen, and Wacther study focuses on the equations with the very high risk and no credit score variables. The fact that two different series of equations (those with very high risk and no credit score variables and those with the combined risk and no credit score variables) produced similar results adds to the robustness of the overall findings.

Impact of Demographic Versus Economic Factors

As stated above, we conducted multivariate regression analysis with the dependent variable represented by the percentage of subprime loans in a census tract and independent variables that control for demographic, economic and risk factors. Our variables of interest were the minority and elderly populations in a census tract. NCRC hypothesized that the percent of minorities and elderly people in a census tract was positively related to the percent of subprime loans originated in a census tract.

Table 11 shows the statistical significance of variables at the 10%, 5%, and 1% precision level, sign of estimated coefficients, and adjusted R square for every regression. The adjusted R square was rather high for most MSAs and loan types (the higher the R square, the better the equation accounts for and explains patterns of subprime lending on a neighborhood level). The R square was higher for refinance than home purchase, suggesting that our model was better at predicting patterns in refinance lending. For refinance lending, the R square ranged from 0.5252 in Los Angeles to 0.8993 in Detroit. For home purchase lending, the R square fell between 0.0843 in Baltimore and 0.6865 in Cleveland. The R square was above 0.3 in five out of ten MSAs in home purchase lending. In contrast, the R square was above 0.3 in all MSAs in refinance lending. Overall, we believe our model is robust and a good predictor of lending patterns. The model's results were consistent with the Calem, Gillen, and Wachter study.

> ...the percent of minorities and elderly people in a census tract was positively related to the percent of subprime loans originated in a census tract.

The African-American population in a census tract was statistically significant in six MSAs for home purchase lending and in nine MSAs for

refinance lending. As expected, after controlling for risk and housing stock characteristics, the effect of the percentage of African-American population on the portion of subprime loans in a census tract was positive in all MSAs. Lenders still associated high risk with race and thus, compensated by making a substantially higher level of subprime loans in African-American than white tracts.

The percent of Hispanic population in a census tract was significant in only one MSA for home purchase and in five MSAs for refinance lending. The sign of the coefficients was not consistent for each MSA.[21] The sign was negative in one MSA for home purchase lending and in two MSAs for refinance lending. In contrast, the sign was positive in three MSAs for refinance lending, meaning that the level of subprime refinance lending increased as the portion of Hispanics increased in a census tract. Our study results suggest no consistent relationship between the level of subprime lending and the portion of Hispanics in a neighborhood. However, the portion of Hispanics in a neighborhood was associated with an increase in subprime lending, all else equal, in a subset of the MSAs.

The portion of people over 65 was a strong factor for three out of ten MSAs for home purchase lending. For refinance lending, the age of the census tract population was significant in eight MSAs. For refinance and

[21] A coefficient expresses the effect of an independent variable on the dependent variable. In this report, the portion of subprime loans is the dependent variable. The level of subprime lending changes because of the racial composition of the neighborhood and other "independent" variables. For the racial composition of the neighborhood, the coefficient measures the impact in percentage point terms. For every percentage point increase in African-American or Hispanic residents in a census tract, the portion of subprime loans increases or decreases by a certain number of percentage points as revealed by the value and sign of the coefficient. The coefficient only has an impact if it is statistically significant (as revealed by legends in the charts capturing the regression results).

home purchase lending, the sign of the coefficients was positive in all MSAs except in two of the eleven cases. This supports the contention that abusive lenders target the elderly to take advantage of the fact that the elderly have substantial amounts of equity but are often short on cash. These results contradict those obtained by Calem, Gillen, and Wachter. They mentioned that this variable "yielded no additional insights," but their study looked at only two MSAs.

Median household income of a census tract was statistically significant in four out of ten MSAs in home purchase lending and in refinance lending. Except in one case, the sign of the coefficients was positive, which is counterintuitive. The literature, however, discusses that a segment of high income borrowers do not report income level to lenders nor do they want to undergo a lengthy application process. Hence, they receive subprime loans. It must be added that the coefficient values were very small, meaning that the income variable had a small impact on the level of subprime lending in census tracts.

Except for Detroit refinance lending, the combined risk variable in all MSAs for both loan types was statistically significant. Coefficients were positive, meaning that a larger percentage of people with higher risk factors was associated with a higher percent of subprime loans in a census tract. These findings are quite consistent with those discussed in the Calem, Gillen, and Wachter report. Also, the level of subprime home purchase and refinance lending increased in a statistically significant fashion in the great majority of MSAs as the percentage of neighborhood residents with no credit scores increased.

The other variables including housing turnover and capitalization be-

haved in the expected manner. Housing turnover was significant in most MSAs and the coefficients' signs were negative, which supported our expectations. Higher housing turnover indicates more vibrancy in the market of the neighborhood, which in turn leads to less subprime lending. The capitalization variable was significant in six MSAs for home purchase and in ten MSAs for refinance lending. Except in one case, it also had the expected effect on subprime lending. Specifically, it was positively related to the percent of subprime loans, proving that faster appreciation of the owner-occupied units (smaller capitalization ratios) leads to less subprime lending in a neighborhood.

Subprime lending increased significantly as the portion of African-Americans and elderly people increased in a neighborhood.

In summary, after controlling for risk and housing stock characteristics, subprime lending increased significantly as the portion of African-Americans and elderly people increased in a neighborhood. Pricing discrimination is widespread in the dual lending marketplace in America.

Metropolitan Areas Compared

Tables 12 through 14 sort MSAs by the effect of race and age factors on the level of subprime home purchase and refinance lending in a census tract. As Table 12 reveals, the percentage of African-Americans in a census tract imposed the strongest effect on subprime home purchase lending in Cleveland, Milwaukee, Detroit, and Atlanta. The African-American variable had the largest effect in Houston, Milwaukee, Detroit, and Cleveland for refinance lending. For example, in Houston a ten percentage point increase of African-Americans in a census tract, holding all other variables constant, would lead to an increase in the portion of subprime refinance loans of 4.058 percentage points. In contrast, in Baltimore a 10 percentage point increase in the portion of African-Ameri-

cans would lead to only a 1.107 percentage point increase in the portion of subprime refinance loans.

In Tables 12 through 14, the coefficients with one, two, or three asterisks are coefficients estimated at the 10%, 5%, and 1% level of statistical significance, respectively. In other words, these coefficients are valid in predicting the portion of subprime loans. In contrast, when the coefficients do not have asterisks, they cannot be used to predict the level of subprime loans.

The coefficient values for the African-American variables in this report are consistent with those in Calem, Gillen, and Wachter. The ordinary least squares regressions in the Calem, Gillen, and Wachter study estimated the African-American coefficient at about 0.2, which was approximately the median coefficient in our equations as reported in Table 12.

The portion of Hispanics in a census tract had the strongest impact in the Detroit and Houston MSAs for refinance lending, according to Table 13. In Detroit for example, a 10 percentage point increase in the Hispanic population would lead to 1.282 percentage point increase in the portion of subprime refinance lending.

The portion of people over 65 was a relatively strong variable in Detroit and Houston for home purchase lending and in St. Louis, Atlanta, and Houston for refinance lending. In particular, in the St. Louis MSA, a 10 percentage point increase of people over 65 would lead to a 3.065 percentage point increase in the portion of subprime refinance loans in a neighborhood.

In refinance and home purchase lending, the African-American portion of people in a census tract increased subprime lending regardless of the level of segregation in a MSA (see Table 12 which shows segregation levels as well as estimated coefficients for the African-American variable). For African-Americans, discrimination poses great difficulties across a wide swath of MSAs of different economic and demographic conditions. Regardless of the level of segregation, the African-American variable increased subprime refinance lending. No trends appeared regarding the level of segregation and the impact of the Hispanic variable on the amount of subprime lending.

Functional Form

Another dimension that should be discussed in this analysis is functional form: how it affects the results and what conclusions it informs. As stated above, NCRC used two forms when running the regressions: including and excluding race and age factors. The outputs are presented in the Tables 1 through 10. In most cases, the R square was lower when the race and age variables were excluded (this is observed clearly when comparing Columns 1 and 3 with the vh+h+m combined risk variable). This suggests that the equations explained a greater amount of the variation in the dependent variable when the race and age variables were included.

Calem, Gillen, and Wachter took a different iterative approach, but their findings were similar to our study. They ran some regressions with only demographic characteristics while we ran some regressions with only non-race variables. The end result of both approaches was that the R square was higher when the race variables were included.

Conclusion

After controlling for risk and housing market conditions, the race and age composition of the neighborhood had an independent and strong effect, increasing the amount of high cost subprime lending. The level of refinance subprime lending increased as the portion of African-Americans in a neighborhood increased in nine of the ten metropolitan areas. In the case of home purchase subprime lending, the African-American composition of a neighborhood boosted lending in six metropolitan areas. The impact of the age of borrowers was strong in refinance lending. In seven metropolitan areas, the portion of subprime refinance lending increased solely when the number of residents over 65 increased in a neighborhood. In America today, lenders engage in widespread price discrimination, making high cost loans based on the race and age of neighborhoods, not solely based on risk.

Appendix

HMDA Data: Its Strengths and Weaknesses

Enacted by Congress in 1975, the Home Mortgage Disclosure Act (HMDA) requires banks, savings and loan associations, credit unions, and other financial institutions to publicly report detailed data on their home lending activity. Under HMDA, lenders are required to disclose annually the number of loan applications by census tract, and by the income, race, and gender of the borrower. The law also requires institutions to indicate the number and dollar amount of the loans made.

Prior to 1990, lenders were required to report the census tract containing

the property for which the applicant succeeded or failed in obtaining a home loan. The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) required lenders to report the race, gender, and income of loan applicants and borrowers starting in 1990. Thus, HMDA data before 1990 reveals information only on the census tract location of the application or loan, whereas HMDA data after 1990 includes information on borrower characteristics. Also, starting in 1993, independent mortgage companies were required to report HMDA data.

HMDA requires lenders to report on a number of possible actions or "dispositions" on loan applications. Each year, the lender must report the number of loan applications it approved and denied. The lender must also indicate how many of its loan approvals were unaccepted (the bank approved the application but the applicant did not want the loan). Finally, the lender must specify how many applications were withdrawn (the applicant withdrew his application before the bank made a credit decision), and how many applications were incomplete (the application was not considered because the applicant did not provide all the necessary information).

Housing loans covered by HMDA include home purchase, home improvement, and refinance loans for single family dwellings (1 to 4 units) and loans for multi-family units. Lenders must disclose whether the loan was a conventional loan or a loan insured by a government agency such as the Federal Housing Administration (FHA), the Veterans Administration (VA), the Farm Service Agency (FSA), and the Rural Housing Service (RHS). Additional information reported includes the occupancy status of the property (owner occupied or non-owner occupied). The lender must also indicate if the loan was purchased on the secondary market and the

type of institution that bought the loan (for example, another bank or Fannie Mae or Freddie Mac).

Who is Covered by HMDA

A depository institution (bank, thrift, and credit union) must report HMDA data if it has a home office or branch in a metropolitan statistical area (MSA) and has assets above a threshold level that is adjusted upward every year by the rate of inflation. Before 1997, small depository institutions were exempt if they had assets less than $10 million. The Economic Growth and Regulatory Paperwork Reduction Act of 1996 amended HMDA to adjust the exemption level to take into account annual inflation as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers. For the 1997 data, the asset level for exemption was increased from $10 million to $28 million (to take into account inflation occurring between 1975, the first year of HMDA data, through 1996). For 1998 and 1999 data collection, the Federal Reserve increased the asset level for exemption to $29 million. For the year 2000 and 2001, the Federal Reserve set the asset level for exemption to be $30 million and $31 million, respectively.

In addition, a depository institution is not required to report HMDA data if it did not make a home purchase loan on a 1-to-4 unit dwelling (or if it did not refinance a home purchase loan) during the previous calendar year.

Many non-depository institutions must also report HMDA data. An example of a non-depository institution is a mortgage company that does not accept deposits but raises funds for lending by borrowing from

investors. A non-depository institution must report HMDA data if it has more than $10 million in assets and it originated 100 or more home purchase loans (including refinances of home purchase loans) during the previous calendar year. A non-depository institution is exempt from HMDA reporting requirements if its home purchase loans (including refinances of home purchase loans) were less than 10 percent of all of its loan originations, measured in dollars, during the previous calendar year.

Gaps in HMDA Data

Small lenders and lenders with offices only in non-metropolitan areas (as noted above) are exempt from HMDA data reporting requirements. Data for rural areas is also incomplete, particularly information on the census tract location of loans. If banks and thrifts have assets under $250 million dollars (or are part of holding companies under $1 billion dollars), they do not have to report the census tract location for loans in MSAs (metropolitan statistical areas) in which they do not have any branch offices. They also do not have to report the census tract location for loans outside of MSAs.

Non-depository institutions do not have to report the census tract location of loans made in non-metropolitan areas. They have to report the census tract location of loans in those MSAs in which they received applications for, originated, or purchased five or more home purchase or home improvement loans during the preceding calendar year.

Another area of incompleteness concerns race and gender data of applications taken via the telephone. When applications are made in person, the loan officer is required to ask the applicant about his/her race. If the

applicant refuses, the loan officer is required to record race on the basis of visual observation or applicant surname. The loan officer is required to inform the applicant that federal law designed to combat discrimination requires this information. In contrast, when applications are received over the phone, the loan officer is not required to ask for the race and gender of the applicant (but this is about to change, see immediately below). When applications are received through the mail, the lending institution is required to ask for the race and gender of the applicant.

In the case of the electronic media, the official staff commentary of the Federal Reserve Board regarding the HMDA regulation states that lenders are required to ask for race and gender when applications are received over the Internet. When lenders are using electronic media with a video component, lenders are to use the same procedures as if the application is made in person.

Finally, a lender is not required to report the race, gender, and income data for loans that they purchase from another institution.

Improvements in HMDA Data

In the summer of 2002, the Federal Reserve Board made some significant changes to HMDA (the Federal Reserve Board has statutory responsibility to promulgate HMDA regulations). Lending institutions will be required to ask borrowers applying over the phone for their race and gender, starting in 2003.

In 2004, non-depository institutions making at least $25 million in home purchase loans will be required to report HMDA data. This will capture

more non-depository institutions as HMDA reporters than the thresholds described above. Lending institutions will be required to indicate in the HMDA data if the loans were for manufactured homes or traditional single family residences. The Federal Reserve Board will also require lenders to report price information if the APR on their loans exceeds the rate on Treasury securities by three percentage points for first-lien loans and five percentage points for second-lien loans.

Other changes to HMDA data beginning in 2004 include improving the definition of home improvement and refinance loans, requiring an indication if a loan is covered by the Home Ownership and Equity Protection Act, and requiring pre-approvals to be reported for home purchase loans. Finally, but importantly, lenders will be required to indicate the identity of their parent companies in the HMDA data.

Table 1: Detailed Regressions for Atlanta

Atlanta - Home Purchase					
	Column 1	Column 2	Column 3	Column 4	
Variable					Variable
Intercept	-0.0736	0.0001	-0.2301	-0.0743	Intercept
	-1.6899	0.0057	-6.9928	-3.4637	
%black [est. coeff.]	0.1393	0.1327			%black
[t-Score]	***8.4146***	***7.4253***			
%hisp [est. coeff.]	-0.2080	-0.2475			%hisp
[t-Score]	-1.3761	-1.6392			
%65age [est. coeff.]	0.0845	0.0404			%65age
[t-Score]	1.2000	0.6217			
medage [est. coeff.]	-0.0060	-0.0052	0.0114	0.0104	medage
[t-Score]	-0.9145	-0.7775	*1.7122*	1.6101	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	**2.0566**	1.6146	***3.8901***	***3.1293***	
HT [est. coeff.]	-0.0007	0.0000	-0.0042	-0.0034	HT
[t-Score]	-0.3130	-0.0374	**-1.9974**	*-1.6600*	
capitaliz [est. coeff.]	2.2945	2.3405	0.3412	0.0582	capitaliz
[t-Score]	1.3955	1.4269	0.1905	0.0336	
%vhigh [est. coeff.]		0.1635		0.4289	%vhigh
[t-Score]		***2.8298***		***8.9836***	
% NC [est. coeff.]	0.0756	-0.0036	0.5576	0.2826	%NC
[t-Score]	0.8172	-0.0403	***7.3417***	***3.4278***	
vh+h+m [est. coeff.]	0.1621		0.3740		vh+h+m
[t-Score]	***2.8550***		***7.7943***		
Adj R-square	0.4566	0.4564	0.3429	0.3684	**Adj R-square**

Atlanta - Refinance					
Variable					Variable
Intercept	-0.2316	-0.0823	-0.4070	-0.1572	Intercept
	-4.9917	-3.1144	-10.8020	-6.5746	
%black [est. coeff.]	0.1886	0.1682			%black
[t-Score]	***11.1936***	***9.2579***			
%hisp [est. coeff.]	-0.2456	-0.3350			%hisp
[t-Score]	-1.5388	**-2.1166**			
%65age [est. coeff.]	0.2701	0.1899			%65age
[t-Score]	***3.6791***	***2.8195***			
medage [est. coeff.]	0.0016	0.0043	0.0325	0.0310	medage
[t-Score]	0.2257	0.6160	***4.2526***	***4.3506***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***2.7783***	**1.9990**	***4.0840***	***3.1652***	
HT [est. coeff.]	-0.0021	-0.0008	-0.0065	-0.0052	HT
[t-Score]	-0.8715	-0.3277	***-2.7204***	**-2.3121**	
capitaliz [est. coeff.]	7.9826	7.7769	5.7983	4.8837	capitaliz
[t-Score]	***4.7224***	***4.6556***	***2.9185***	***2.6230***	
%vhigh [est. coeff.]		0.3827		0.7148	%vhigh
[t-Score]		***6.2345***		***13.6511***	
%NC [est. coeff.]	0.1760	0.0061	0.8036	0.3462	%NC
[t-Score]	*1.8166*	0.0654	***9.1324***	***3.7494***	
vh+h+m [est. coeff.]	0.3458		0.6046		vh+h+m
[t-Score]	***5.6966***		***11.0804***		
Adj R-square	0.6903	0.6944	0.5654	0.6091	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 2: Detailed Regressions for Baltimore

Baltimore - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.0274	0.0012	-0.0174	0.0128	Intercept
	-0.9384	0.0629	-0.9437	0.8683	
%black [est. coeff.]	0.0063	-0.0096			%black
[t-Score]	0.5582	-0.7825			
%hisp [est. coeff.]	-0.0890	-0.1080			%hisp
[t-Score]	-0.5333	-0.6547			
%65age [est. coeff.]	0.0367	0.0270			%65age
[t-Score]	0.9263	0.7600			
medage [est. coeff.]	0.0014	0.0017	0.0027	0.0026	medage
[t-Score]	0.3706	0.4567	0.7710	0.7620	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.6878	1.1145	0.4214	0.7548	
HT [est. coeff.]	-0.0209	-0.0133	-0.0267	-0.0164	HT
[t-Score]	-1.0024	-0.6474	-1.3083	-0.8145	
capitaliz [est. coeff.]	-1.5117	-2.3430	-1.4297	-2.1868	capitaliz
[t-Score]	-1.2807	*-1.9550*	-1.2171	*-1.8440*	
%vhigh [est. coeff.]		0.1912		0.1605	%vhigh
[t-Score]		***4.1024***		***5.0770***	
%NC [est. coeff.]	0.1625	0.1064	0.1432	0.0865	%NC
[t-Score]	**2.4925**	*1.6110*	**2.3639**	1.3829	
vh+h+m [est. coeff.]	0.1096		*0.1076*		vh+h+m
[t-Score]	***2.7570***		***3.9710***		
Adj R-square	0.0843	0.1028	0.0864	0.1059	**Adj R-square**

Baltimore - Refinance

Variable					**Variable**
Intercept	-0.1032	-0.0535	-0.1591	-0.0692	Intercept
	-2.7780	-2.0886	-6.0809	-3.2914	
%black [est. coeff.]	0.1107	0.1016			%black
[t-Score]	***8.0671***	***6.7403***			
%hisp [est. coeff.]	-0.4806	-0.5125			%hisp
[t-Score]	**-2.2312**	**-2.3859**			
%65age [est. coeff.]	0.1307	0.1012			%65age
[t-Score]	**2.5661**	**2.2017**			
medage [est. coeff.]	0.0041	0.0044	0.0104	0.0096	medage
[t-Score]	0.8486	0.9049	**2.0732**	**1.9929**	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.2127	0.1780	0.3565	0.8598	
HT [est. coeff.]	-0.1173	-0.1081	-0.1724	-0.1429	HT
[t-Score]	***-4.3461***	***-4.0315***	***-5.9525***	***-5.1085***	
capitaliz [est. coeff.]	11.4350	11.0128	12.1084	10.2778	capitaliz
[t-Score]	***7.4773***	***7.0691***	***7.2380***	***6.2013***	
%vhigh [est. coeff.]		0.1915		0.4338	%vhigh
[t-Score]		***3.2109***		***9.8300***	
%NC [est. coeff.]	0.3391	0.2854	0.3476	0.2013	%NC
[t-Score]	***3.9410***	***3.2582***	***3.9729***	**2.2663**	
vh+h+m [est. coeff.]	0.1471		0.3089		vh+h+m
[t-Score]	***2.9374***		***8.0034***		
Adj R-square	0.6306	0.6320	0.5539	0.5801	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 3: Detailed Regressions for Cleveland

Cleveland - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.0968	-0.0667	-0.2787	-0.1445	Intercept
	-2.4616	-2.6279	-9.6417	-6.9277	
%black [est. coeff.]	0.2400	0.2159			%black
[t-Score]	***15.6258***	***11.9307***			
%hisp [est. coeff.]	-0.0317	-0.0693			%hisp
[t-Score]	-0.5279	-1.1269			
%65age [est. coeff.]	0.0698	0.0496			%65age
[t-Score]	1.2876	1.0664			
medage [est. coeff.]	0.0114	0.0104	0.0029	0.0008	medage
[t-Score]	**2.1543**	**1.9885**	0.4430	0.1363	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.0055	0.5456	**2.3867**	***4.2976***	
HT [est. coeff.]	-0.0425	-0.0405	-0.2003	-0.1330	HT
[t-Score]	-0.8212	-0.7884	***-3.1160***	**-2.2735**	
capitaliz [est. coeff.]	8.3768	7.5255	10.5030	6.1981	capitaliz
[t-Score]	***5.2034***	***4.5995***	***5.1443***	***3.2482***	
%vhigh [est. coeff.]		0.2395		0.8201	%vhigh
[t-Score]		***3.3621***		***15.3546***	
%NC [est. coeff.]	0.1226	0.0691	0.2533	0.0019	%NC
[t-Score]	**2.2792**	1.2988	***4.0533***	0.0307	
vh+h+m [est. coeff.]	0.1274		0.5215		vh+h+m
[t-Score]	**2.2510**		***10.6801***		
Adj R-square	0.6865	0.6904	0.4906	0.5747	**Adj R-square**

Cleveland – Refinance

Variable					**Variable**
Intercept	-0.2596	-0.1557	-0.3936	-0.1729	Intercept
	-6.1378	-5.8013	-13.4316	-8.6214	
%black [est. coeff.]	0.1988	0.1238			%black
[t-Score]	***12.4492***	***6.7255***			
%hisp [est. coeff.]	0.0693	-0.0251			%hisp
[t-Score]	1.1136	-0.4123			
%65age [est. coeff.]	0.1635	0.1104			%65age
[t-Score]	***2.8461***	**2.2404**			
medage [est. coeff.]	0.0134	0.0094	0.0028	0.0019	medage
[t-Score]	**2.1879**	1.6132	0.3966	0.3124	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	-0.5386	1.0357	0.8153	***2.8402***	
HT [est. coeff.]	0.0142	0.0298	-0.2029	-0.0665	HT
[t-Score]	0.2246	0.4945	***-2.8433***	-1.0777	
capitaliz [est. coeff.]	16.4428	14.1417	16.9059	12.1840	capitaliz
[t-Score]	***9.4880***	***8.3802***	***8.4575***	***6.9456***	
%vhigh [est. coeff.]		0.7923		1.1672	%vhigh
[t-Score]		***10.3537***		***24.0454***	
%NC [est. coeff.]	0.3718	0.1896	0.4998	0.1288	%NC
[t-Score]	***5.9831***	***3.1951***	***7.5462***	**2.1248**	
vh+h+m [est. coeff.]	0.4403			0.8241	vh+h+m
[t-Score]	***7.0236***			***16.8755***	
Adj R-square	0.8108	0.8268	0.7400	0.8060	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 4: Detailed Regressions for Detroit

Detroit - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.1612	-0.0673	-0.2883	-0.1217	Intercept
	-6.5514	-4.5959	-15.3291	-10.5391	
%black [est. coeff.]	0.1661	0.1414			%black
[t-Score]	***17.3528***	***12.6615***			
%hisp [est. coeff.]	0.0645	0.0671			%hisp
[t-Score]	0.8549	0.8940			
%65age [est. coeff.]	0.1606	0.1108			%65age
[t-Score]	***4.5974***	***3.5032***			
medage [est. coeff.]	-0.0009	-0.0006	0.0073	0.0064	medage
[t-Score]	-0.2483	-0.1527	*1.6466*	1.5942	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***7.0185***	***7.2346***	***9.5542***	***11.2168***	
HT [est. coeff.]	-0.0487	-0.0422	-0.0668	-0.0487	HT
[t-Score]	***-2.7491***	***-2.3909***	***-3.1544***	**-2.5180**	
capitaliz [est. coeff.]	0.9817	0.2664	2.6210	-0.0667	capitaliz
[t-Score]	1.5908	0.4177	***3.6241***	-0.0964	
%vhigh [est. coeff.]		0.2817		0.5624	%vhigh
[t-Score]		***7.9450***		***21.2638***	
%NC [est. coeff.]	0.2134	0.0892	0.3806	0.0654	%NC
[t-Score]	***4.3575***	*1.7369*	***7.1284***	1.2392	
vh+h+m [est. coeff.]	0.2435		0.4483		vh+h+m
[t-Score]	***7.3623***		***15.2271***		
Adj R-square	0.6267	0.6302	0.4622	0.5494	**Adj R-square**

Detroit - Refinance

Variable					**Variable**
Intercept	0.0163	0.0239	0.0160	0.0166	Intercept
	1.2207	2.3102	0.7742	1.0967	
%black [est. coeff.]	0.2577	0.2578			%black
[t-Score]	***40.0263***	***40.0004***			
%hisp [est. coeff.]	0.1282	0.1295			%hisp
[t-Score]	***2.6175***	***2.6440***			
%65age [est. coeff.]	-0.0634	-0.0633			%65age
[t-Score]	**-2.2064**	**-2.2031**			
medage [est. coeff.]	0.0059	0.0059	0.0071	0.0070	medage
[t-Score]	1.6232	1.6277	1.2371	1.2299	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***-5.1794***	***-5.1494***	***-5.6100***	***-5.5512***	
HT [est. coeff.]	-0.0940	-0.0940	-0.1672	-0.1674	HT
[t-Score]	***-4.2685***	***-4.2686***	***-4.6023***	***-4.6095***	
capitaliz [est. coeff.]	12.4840	12.4769	21.6557	21.6289	capitaliz
[t-Score]	***25.9571***	***25.9340***	***32.1928***	***32.1477***	
%vhigh [est. coeff.]		0.0088		-0.0266	%vhigh
[t-Score]		0.4675		-0.8586	
%NC [est. coeff.]	-0.0270	-0.0244	-0.0912	-0.0518	%NC
[t-Score]	-0.9466	-0.6699	*-1.9387*	-0.8615	
vh+h+m [est. coeff.]	0.0190		-0.0006		vh+h+m
[t-Score]	0.9414		-0.0181		
Adj R-square	0.8993	0.8992	0.7224	0.7226	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 5: Detailed Regressions for Houston

Houston - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.0716	-0.0121	-0.0638	0.0024	Intercept
	-2.3607	-0.6369	-2.4380	0.1439	
%black [est. coeff.]	0.0492	0.0061			%black
[t-Score]	***3.5117***	0.3776			
%hisp [est. coeff.]	-0.0260	-0.0244			%hisp
[t-Score]	-1.4890	-1.4337			
%65age [est. coeff.]	0.1597	0.1507			%65age
[t-Score]	***2.5969***	***2.5793***			
medage [est. coeff.]	-0.0021	-0.0009	0.0026	0.0037	medage
[t-Score]	-0.3409	-0.1577	0.5345	0.8384	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.9668	*1.6872*	1.0104	*1.9404*	
HT [est. coeff.]	-0.0030	0.0002	-0.0025	-0.0003	HT
[t-Score]	-1.0546	0.0876	-0.8813	-0.0933	
capitaliz [est. coeff.]	-0.3612	-1.4909	-1.0640	-2.2156	capitaliz
[t-Score]	-0.3971	-1.6291	-1.1510	**-2.5192**	
%vhigh [est. coeff.]		0.3416		0.3347	%vhigh
[t-Score]		***7.2297***		***9.3429***	
%NC [est. coeff.]	0.0590	-0.0969	0.0596	-0.1120	%NC
[t-Score]	1.0204	*-1.6705*	1.0468	**-1.9726**	
vh+h+m [est. coeff.]	0.2145		0.2307		vh+h+m
[t-Score]	***5.3134***		***6.4863***		
Adj R-square	0.1762	0.2121	0.1302	0.1969	**Adj R-square**

Houston - Refinance

Variable					**Variable**
Intercept	-0.2230	-0.1553	-0.4695	-0.2285	Intercept
	-4.2211	-4.7643	-8.2199	-7.2035	
%black [est. coeff.]	0.4058	0.3194			%black
[t-Score]	***17.8827***	***11.8561***			
%hisp [est. coeff.]	0.0694	0.0660			%hisp
[t-Score]	**2.2102**	**2.1770**			
%65age [est. coeff.]	0.2483	0.2632			%65age
[t-Score]	**2.2765**	***2.5762***			
medage [est. coeff.]	0.0397	0.0446	0.0859	0.0888	medage
[t-Score]	***3.7532***	***4.3637***	***8.0243***	***10.2813***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.2985	1.3561	0.9242	***2.9685***	
HT [est. coeff.]	-0.0296	-0.0227	-0.0206	-0.0101	HT
[t-Score]	***-6.1039***	***-4.6654***	***-3.2921***	*-1.8924*	
capitaliz [est. coeff.]	14.4833	11.5724	10.9087	4.9465	capitaliz
[t-Score]	***9.0106***	***7.1455***	***5.1527***	***2.8008***	
%vhigh [est. coeff.]		0.6078		1.2788	%vhigh
[t-Score]		***6.9964***		***18.2973***	
%NC [est. coeff.]	0.2893	-0.0187	0.5737	-0.2016	%NC
[t-Score]	***2.6597***	-0.1652	***4.0848***	-1.5846	
vh+h+m [est. coeff.]	0.3045		0.8178		vh+h+m
[t-Score]	***4.1601***		***10.1633***		
Adj R-square	0.7364	0.7529	0.5333	0.6690	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 6: Detailed Regressions for Los Angeles

Los Angeles - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.0148	0.0871	-0.0453	0.0472	Intercept
	-0.5055	4.7543	-2.0613	3.4345	
%black [est. coeff.]	0.0434	0.0278			%black
[t-Score]	***3.7431***	**2.2361**			
%hisp [est. coeff.]	-0.0738	-0.0662			%hisp
[t-Score]	***-6.5858***	***-6.0490***			
%65age [est. coeff.]	-0.0702	-0.1048			%65age
[t-Score]	*-1.6689*	**-2.5966**			
medage [est. coeff.]	0.0094	0.0088	0.0066	0.0050	medage
[t-Score]	**2.1647**	**2.0267**	1.5305	1.1809	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.4378	0.8086	*1.7249*	***3.0392***	
HT [est. coeff.]	-0.0514	-0.0332	-0.0211	-0.0031	HT
[t-Score]	*-1.9595*	-1.2885	-0.8087	-0.1218	
capitaliz [est. coeff.]	-7.2678	-8.6568	-7.7193	-11.1339	capitaliz
[t-Score]	***-3.8854***	***-4.5039***	***-4.0284***	***-5.8148***	
%vhigh [est. coeff.]		0.3435		0.4428	%vhigh
[t-Score]		***7.7136***		***11.8946***	
%NC [est. coeff.]	0.1144	-0.0043	0.0208	-0.1125	%NC
[t-Score]	**2.4322**	-0.0945	0.5577	***-2.9010***	
vh+h+m [est. coeff.]	0.2952		0.3193		vh+h+m
[t-Score]	***7.3164***		***9.0717***		
Adj R-square	0.1407	0.1441	0.0644	0.0997	**Adj R-square**

Los Angeles - Refinance

Variable					**Variable**
Intercept [est. coeff.]	-0.0906	-0.0129	-0.1650	-0.0638	Intercept
	-4.3821	-1.0019	-9.8654	-6.2372	
%black [est. coeff.]	0.1378	0.1286			%black
[t-Score]	***16.9109***	***14.6106***			
%hisp [est. coeff.]	0.0280	0.0342			%hisp
[t-Score]	***3.5810***	***4.4814***			
%65age [est. coeff.]	0.0756	0.0452			%65age
[t-Score]	**2.5679**	1.6024			
medage [est. coeff.]	0.0091	0.0087	0.0194	0.0177	medage
[t-Score]	***2.9504***	***2.8080***	***5.8533***	***5.5704***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***3.0705***	***3.1206***	***3.3433***	***5.2530***	
HT [est. coeff.]	-0.0318	-0.0192	-0.0829	-0.0660	HT
[t-Score]	*-1.7193*	-1.0509	***-4.2070***	***-3.5052***	
capitaliz [est. coeff.]	5.5637	4.8410	7.4860	3.8030	capitaliz
[t-Score]	***4.2604***	***3.6001***	***5.1977***	***2.7021***	
%vhigh [est. coeff.]		0.2280		0.4768	%vhigh
[t-Score]		***7.3062***		***17.5866***	
%NC [est. coeff.]	0.1631	0.0799	0.2772	0.1393	%NC
[t-Score]	***4.9454***	**2.5321**	***9.9885***	***4.9591***	
vh+h+m [est. coeff.]	0.2113		0.3472		vh+h+m
[t-Score]	***7.4171***		***13.0532***		
Adj R-square	0.5252	0.5247	0.4009	0.4467	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 7: Detailed Regressions for Milwaukee

Milwaukee - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept [est. coeff.]	-0.0561	0.0130	-0.1595	-0.0106	Intercept
	-1.3438	0.3896	-5.7474	-0.4008	
%black [est. coeff.]	0.1844	0.1457			%black
[t-Score]	***6.8455***	***4.3336***			
%hisp [est. coeff.]	-0.0610	-0.0752			%hisp
[t-Score]	-0.6171	-0.7587			
%65age [est. coeff.]	0.0231	-0.0225			%65age
[t-Score]	0.4227	-0.4502			
medage [est. coeff.]	-0.0010	-0.0006	-0.0124	-0.0095	medage
[t-Score]	-0.1977	-0.1161	***-2.4492***	**-2.0155**	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	-0.3238	-0.6619	0.9549	0.5907	
HT [est. coeff.]	-0.1624	-0.1526	-0.1719	-0.1504	HT
[t-Score]	***-3.8946***	***-3.6747***	***-3.8059***	***-3.6134***	
capitaliz [est. coeff.]	3.8248	2.5950	7.2203	1.5137	capitaliz
[t-Score]	*1.6469*	1.0752	***2.9384***	0.6136	
%vhigh [est. coeff.]		0.2419		0.5094	%vhigh
[t-Score]		**3.3803**		***10.5301***	
%NC [est. coeff.]	0.0356	-0.0717	0.0597	-0.2022	% NC
[t-Score]	0.3727	-0.7106	0.6883	-2.2449	
vh+h+m [est. coeff.]	0.1751		0.3760		vh+h+m
[t-Score]	***3.1259***		***7.8538***		
Adj R-square	0.5929	0.5953	0.4931	0.5567	**Adj R-square**

Milwaukee - Refinance

Variable					**Variable**
Intercept [est. coeff.]	-0.1289	-0.0553	-0.3075	-0.0990	Intercept
	-3.3313	-1.9004	-9.9169	-4.1451	
%black [est. coeff.]	0.2913	0.2290			%black
[t-Score]	***13.4897***	***8.8845***			
%hisp [est. coeff.]	0.0253	-0.0129			%hisp
[t-Score]	0.3411	-0.1760			
%65age [est. coeff.]	0.0682	0.0207			%65age
[t-Score]	1.2791	0.4296			
medage [est. coeff.]	-0.0010	-0.0014	-0.0226	-0.0161	medage
[t-Score]	-0.2040	-0.2998	***-3.7912***	***-3.2240***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.9831	1.0871	**2.4469**	***3.0354***	
HT [est. coeff.]	-0.2229	-0.2103	-0.2733	-0.2261	HT
[t-Score]	***-5.4905***	***-5.3254***	***-5.1182***	***-5.0763***	
capitaliz [est. coeff.]	7.0170	5.3346	13.0116	5.1581	capitaliz
[t-Score]	***3.6779***	***2.7993***	***5.4563***	**2.4298**	
%vhigh [est. coeff.]		0.3505		0.7782	%vhigh
[t-Score]		***6.0860***		***18.1084***	
%NC [est. coeff.]	0.2398	0.1268	0.3423	0.0121	%NC
[t-Score]	***2.8523***	1.5293	***4.1184***	0.1611	
vh+h+m [est. coeff.]	0.2216		0.5925		vh+h+m
[t-Score]	***4.4829***		***11.8902***		
Adj R-square	0.8391	0.8470	0.7107	0.7952	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 8: Detailed Regressions for New York

New York - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					Variable
Intercept	-0.0831	-0.0156	-0.0693	-0.0026	Intercept
	-3.7671	-1.1341	-5.2760	-0.2874	
%black [est. coeff.]	-0.0028	-0.0333			%black
[t-Score]	-0.2905	***-2.9956***			
%hisp [est. coeff.]	-0.0176	-0.0175			%hisp
[t-Score]	-1.1753	-1.1991			
%65age [est. coeff.]	0.0245	-0.0133			%65age
[t-Score]	0.8318	-0.4858			
medage [est. coeff.]	0.0063	-0.0049	-0.0066	-0.0052	medage
[t-Score]	**-2.2128**	*-1.7481*	**-2.3241**	*-1.8580*	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.8508	1.2882	0.8606	0.9210	
HT [est. coeff.]	-0.0671	-0.0652	-0.0698	-0.0650	HT
[t-Score]	***-5.1135***	***-5.0214***	***-5.3603***	***-5.0273***	
capitaliz [est. coeff.]	4.5458	4.0967	4.5306	4.1659	capitaliz
[t-Score]	***4.6141***	***4.1908***	***4.6271***	***4.2846***	
%vhigh [est. coeff.]		0.3385		0.2506	%vhigh
[t-Score]		***8.6606***		***10.5744***	
%NC [est. coeff.]	0.1373	0.0628	0.1113	0.0342	%NC
[t-Score]	***3.1419***	1.4733	***3.0438***	0.8812	
vh+h+m [est. coeff.]	0.2211		0.2046		vh+h+m
[t-Score]	***7.0687***		***9.6398***		
Adj R-square	0.2235	0.2412	0.2237	0.2366	**Adj R-square**

New York - Refinance

Variable					Variable
Intercept	-0.3449	-0.0956	-0.3494	-0.1038	Intercept
	-15.0857	-5.5738	-16.6523	-7.0802	
%black [est. coeff.]	-0.0045	-0.0048			%black
[t-Score]	-0.5259	-0.5912			
%hisp [est. coeff.]	-0.0181	-0.0238			%hisp
[t-Score]	-1.3867	*-1.9461*			
%65age [est. coeff.]	-0.0054	-0.0127			%65age
[t-Score]	-0.1350	-0.3377			
medage [est. coeff.]	0.0244	0.0173	0.0246	0.0175	medage
[t-Score]	***4.8576***	***3.6681***	***5.0704***	***3.8485***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	0.9236	1.1906	0.9846	1.2698	
HT [est. coeff.]	-0.2578	-0.2235	-0.2623	-0.2303	HT
[t-Score]	***-5.0285***	***-4.6395***	***-5.1396***	***-4.7978***	
capitaliz [est. coeff.]	8.2697	5.9878	8.3394	6.0702	capitaliz
[t-Score]	***3.7790***	***2.9259***	***3.8197***	***2.9704***	
%vhigh [est. coeff.]		0.8740		0.8669	%vhigh
[t-Score]		***25.6367***		***25.5495***	
%NC [est. coeff.]	0.6245	0.3339	0.6313	0.3443	%NC
[t-Score]	***9.7477***	***5.2304***	***9.8874***	***5.4100***	
vh+h+m [est. coeff.]	0.7021		0.6974		vh+h+m
[t-Score]	***21.3501***		***21.3121***		
Adj R-square	0.5878	0.6363	0.5881	0.6358	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 9: Detailed Regressions for St. Louis

St. Louis - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.3851	-0.2098	-0.3840	-0.2093	Intercept
	-10.3472	-8.2588	-10.7522	-8.4073	
%black [est. coeff.]	0.0060	0.0068			%black
[t-Score]	0.5060	0.6852			
%hisp [est. coeff.]	0.2666	0.3189			%hisp
[t-Score]	1.2764	*1.6922*			
%65age [est. coeff.]	-0.0294	-0.0279			%65age
[t-Score]	-0.4692	-0.4977			
medage [est. coeff.]	0.0287	0.0140	0.0290	0.0148	medage
[t-Score]	***3.2903***	*1.7411*	***3.9000***	**2.1538**	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***5.2746***	***6.0803***	***5.2586***	***6.0563***	
HT [est. coeff.]	-0.2985	-0.2102	-0.3006	-0.2131	HT
[t-Score]	***-3.9183***	***-3.1781***	***-3.9678***	***-3.2254***	
capitaliz [est. coeff.]	10.5586	4.7064	10.6740	4.9026	capitaliz
[t-Score]	***4.6207***	**2.1910**	***4.7203***	**2.2988**	
%vhigh [est. coeff.]		0.8341		0.8276	%vhigh
[t-Score]		***12.1652***		***12.2001***	
%NC [est. coeff.]	0.5673	0.1533	0.5672	0.1557	%NC
[t-Score]	***6.4062***	*1.7063*	***6.4251***	*1.7330*	
vh+h+m	0.4893		0.4862		vh+h+m
[t-Score]	***7.3599***		***7.4763***		
Adj R-square	0.5441	0.6289	0.5453	0.6284	**Adj R-square**

St. Louis - Refinance

Variable					**Variable**
Intercept	-0.4462	-0.2706	-0.5173	-0.2867	Intercept
	-8.9409	-8.9943	-12.3150	-10.8358	
%black [est. coeff.]	0.1822	0.1405			%black
[t-Score]	***10.4092***	***8.0440***			
%hisp [est. coeff.]	0.2816	0.2517			%hisp
[t-Score]	0.7563	0.7189			
%65age [est. coeff.]	0.3065	0.2401			%65age
[t-Score]	***4.2338***	***3.7708***			
medage [est. coeff.]	0.0189	0.0192	0.0347	0.0322	medage
[t-Score]	***2.8394***	***3.0790***	***4.9275***	***5.2674***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***4.7326***	***5.0831***	***5.3023***	***5.8190***	
HT [est. coeff.]	-0.1380	-0.1004	-0.3125	-0.2252	HT
[t-Score]	*-1.8453*	-1.4468	***-3.7234***	***-3.0865***	
capitaliz [est. coeff.]	15.1680	12.6709	15.6756	11.5736	capitaliz
[t-Score]	***8.7029***	***7.5884***	***7.7473***	***6.3298***	
%vhigh [est. coeff.]		0.7636		1.0054	%vhigh
[t-Score]		***10.3399***		***14.6164***	
%NC [est. coeff.]	0.5985	0.2600	0.9368	0.3687	%NC
[t-Score]	***6.8804***	***2.9608***	***10.9743***	***4.0613***	
vh+h+m [est. coeff.]	0.5096		0.6599		vh+h+m
[t-Score]	***7.0111***		***9.2071***		
Adj R-square	0.8156	0.8368	0.7509	0.8032	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 10: Detailed Regressions for Washington, D.C.

Washington - Home Purchase

	Column 1	Column 2	Column 3	Column 4	
Variable					**Variable**
Intercept	-0.0921	-0.0403	-0.0839	-0.0303	Intercept
	-4.7182	-3.9111	-6.9137	-3.8307	
%black [est. coeff.]	0.0007	-0.0162			%black
[t-Score]	0.0815	*-1.9010*			
%hisp [est. coeff.]	-0.0230	-0.0117			%hisp
[t-Score]	-1.0384	-0.5382			
%65age [est. coeff.]	0.0415	0.0265			%65age
[t-Score]	1.6110	1.1546			
medage [est. coeff.]	0.0035	0.0043	0.0050	0.0034	medage
[t-Score]	1.4144	*1.7684*	**2.3703**	*1.6626*	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	***6.7120***	***7.7899***	***7.4649***	***7.9575***	
HT [est. coeff.]	-0.0152	-0.0083	-0.0159	-0.0082	HT
[t-Score]	**-2.5370**	-1.4396	***-2.6972***	-1.4197	
capitaliz [est. coeff.]	2.7519	1.2741	2.8480	1.7619	capitaliz
[t-Score]	***3.2323***	1.4574	***3.4670***	**2.1306**	
%vhigh [est. coeff.]		0.2455		0.1992	%vhigh
[t-Score]		***8.2219***		***11.1844***	
%NC [est. coeff.]	0.1122	0.0371	0.1043	0.0239	%NC
[t-Score]	***4.0712***	1.5746	***4.7132***	1.0587	
vh+h+m [est. coeff.]	0.1611		0.1530		vh+h+m
[t-Score]	***5.8323***		***9.3834***		
Adj R-square	0.1876	0.2180	0.1853	0.2168	**Adj R-square**

Washington - Refinance

Variable					**Variable**
Intercept	-0.0885	-0.0067	-0.1401	-0.0285	Intercept
	-4.4291	-0.6134	-10.6061	-3.3379	
%black [est. coeff.]	0.0557	0.0522			%black
[t-Score]	***6.6773***	***6.0619***			
%hisp [est. coeff.]	-0.1044	-0.0916			%hisp
[t-Score]	***-4.7428***	***-4.1683***			
%65age [est. coeff.]	0.1105	0.0694			%65age
[t-Score]	***3.9719***	***2.7602***			
medage [est. coeff.]	0.0015	0.0014	0.0126	0.0094	medage
[t-Score]	0.6225	0.5641	***5.4239***	***4.2054***	
medhhinc [est. coeff.]	0.0000	0.0000	0.0000	0.0000	medhhinc
[t-Score]	1.5437	0.4820	***3.1343***	**2.5557**	
HT [est. coeff.]	-0.0326	-0.0234	-0.0469	-0.0296	HT
[t-Score]	***-4.9534***	***-3.6294***	***-6.7679***	***-4.4176***	
capitaliz [est. coeff.]	5.3927	4.4650	4.8013	2.8950	capitaliz
[t-Score]	***6.2500***	***4.8876***	***5.3119***	***3.2051***	
%vhigh [est. coeff.]		0.2274		0.3725	%vhigh
[t-Score]		***7.3702***		***19.4870***	
%NC [est. coeff.]	0.0900	-0.0049	0.1492	0.0014	%NC
[t-Score]	***3.1698***	-0.2003	***6.0717***	0.0573	
vh+h+m [est. coeff.]	0.2006		0.3043		vh+h+m
[t-Score]	***7.2331***		***17.2681***		
Adj R-square	0.5908	0.5917	0.5151	0.5473	**Adj R-square**

Italic - 10% level of significance
Bolded - 5% level of significance
Bolded and Italicized - 1% level of significance

Table 11: Summary of Regression Results

Home Purchase Lending

	Atl.	Balt.	Cleve.	Det.	Hous.	LA	Milw.	NYC	St. L.	D.C.
Variable										
%black	+++		+++	+++	+++	+++	+++			
%hisp						- - -				
%65age				+++	+++	-				
medage			++			++		- -	+++	
medhhinc	++			+++					+++	+++
HT				- - -		-	- - -	- - -	- - -	- -
capitaliz			+++			- - -	+	+++	+++	+++
NC		++	++	+++		++		+++	+++	+++
vh+h+m	+++	+++	++	+++	+++	+++	+++	+++	+++	+++
Adj R-square	0.4566	0.0843	0.6865	0.6267	0.1762	0.1407	0.5929	0.2235	0.5441	0.1876

Refinance Lending

	Atl.	Balt.	Cleve.	Det.	Hous.	LA	Milw.	NYC	St. L.	D.C.
Variable										
%black	+++	+++	+++	+++	+++	+++	+++		+++	+++
%hisp		- -		+++	++	+++				- - -
%65age	+++	++	+++	- -	++	++			+++	+++
medage			++		+++	+++		+++	+++	
medhhinc	+++			- - -		+++			+++	
HT		- - -		- - -	- - -	-	- - -	- - -	-	- - -
capitaliz	+++	+++	+++	+++	+++	+++	+++	+++	+++	+++
NC	+	+++	+++		+++	+++	+++	+++	+++	+++
vh+h+m	+++	+++	+++		+++	+++	+++	+++	+++	+++
Adj R-square	0.6903	0.6306	0.8108	0.8993	0.7364	0.5252	0.8391	0.5878	0.8156	0.5908

\+ positive relationship
\- negative relationship
\+ or - 10% significance level
++ or - - 5% significance level
+++ or - - - 1% significance level

Table 12: Impact of Number of African-Americans in a Neighborhood

Percent African-Americans in a census tract

Home Purchase

	Estimated coefficient	Level of Significance	White/African-American Segregation Index
Cleveland	0.2400	***	79.7
Milwaukee	0.1844	***	84.4
Detroit	0.1661	***	86.7
Atlanta	0.1393	***	68.8
Houston	0.0492	***	71.8
Los Angeles	0.0434	***	70.5
Baltimore	0.0063		71.8
St. Louis	0.0060		78.0
Washington	0.0007		66.2
New York	-0.0028		84.3

Refinance

	Estimated coefficient	Level of Significance	White/African-American Segregation Index
Houston	0.4058	***	71.8
Milwaukee	0.2913	***	84.4
Detroit	0.2577	***	86.7
Cleveland	0.1988	***	79.7
Atlanta	0.1866	***	68.8
St. Louis	0.1822	***	78.0
Los Angeles	0.1378	***	70.5
Baltimore	0.1107	***	71.8
Washington	0.0557	***	66.2
New York	-0.0045		84.3

* - 10% level of significance
** - 5% level of significance
*** - 1% level of significance

The dissimilarity index varies between 0 and 100, and measures the percentage of one group that would have to move across neighborhoods to be distributed the same way as the second group. A dissimilarity index of 0 indicates conditions of total integration. A dissimilarity index of 100 indicates conditions of total segregation. For more information see www.CensusScope.org of the Social Science Data Analysis Network at the University of Michigan.

Table 13: Impact of Number of Hispanics in a Neighborhood

Percent Hispanics in a census tract			
Home Purchase			
	Estimated coefficient	Level of Significance	White/Hispanic Segregation Index
St. Louis	0.2666		36.7
Detroit	0.0645		48.3
New York	-0.0176		69.3
Washington	-0.0230		52.5
Houston	-0.0260		59.2
Cleveland	-0.0317		59.0
Milwaukee	-0.0610		60.6
Los Angeles	-0.0738	***	64.4
Baltimore	-0.0890		40.3
Atlanta	-0.2080		56.8

Refinance			
	Estimated coefficient	Level of Significance	White/Hispanic Segregation Index
St. Louis	0.2816		36.7
Detroit	0.1282	***	48.3
Houston	0.0694	**	59.2
Cleveland	0.0693		59.0
Los Angeles	0.0280	***	64.4
Milwaukee	0.0253		60.6
New York	-0.0181		69.3
Washington	-0.1044	***	52.5
Atlanta	-0.2456		56.8
Baltimore	-0.4806	**	40.3

* - 10% level of significance
** - 5% level of significance
*** - 1% level of significance

The dissimilarity index varies between 0 and 100, and measures the percentage of one group that would have to move across neighborhoods to be distributed the same way as the second group. A dissimilarity index of 0 indicates conditions of total integration. A dissimilarity index of 100 indicates conditions of total segregation. For more information see www.CensusScope.org of the Social Science Data Analysis Network at the University of Michigan.

Table 14: Impact of Number of Elderly Residents in a Neighborhood

Percent People over 65		
Home Purchase		
	Estimated coefficient	Level of Significance
Detroit	0.1606	***
Houston	0.1597	***
Atlanta	0.0845	
Cleveland	0.0698	
Washington	0.0415	
Baltimore	0.0367	
New York	0.0245	
Milwaukee	0.0231	
St. Louis	-0.0294	
Los Angeles	-0.0702	*
Refinance		
	Estimated coefficient	Level of Significance
St. Louis	0.3065	***
Atlanta	0.2701	***
Houston	0.2483	**
Cleveland	0.1635	***
Baltimore	0.1307	**
Washington	0.1105	***
Los Angeles	0.0756	**
Milwaukee	0.0682	
New York	-0.0054	
Detroit	-0.0634	**

* - 10% level of significance
** - 5% level of significance
*** - 1% level of significance

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