

Homeownership and Wealth Building Impeded

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

April 2006



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.

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The Opportunity Agenda

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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.

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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

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.freddie.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

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.

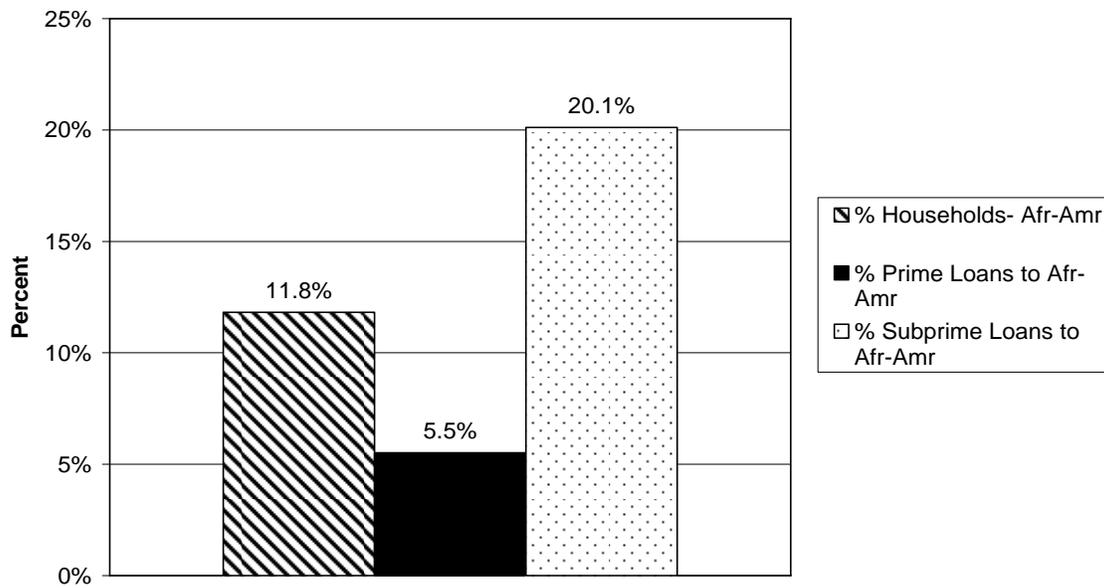
⁹ Anthony Pennington-Cross, Anthony Yezer, and Joseph Nichols, *Credit Risk and Mortgage Lending: Who Uses Subprime and Why?* Working Paper No. 00-03, published by the Research Institute for Housing America, September 2000.

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 losses, 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.

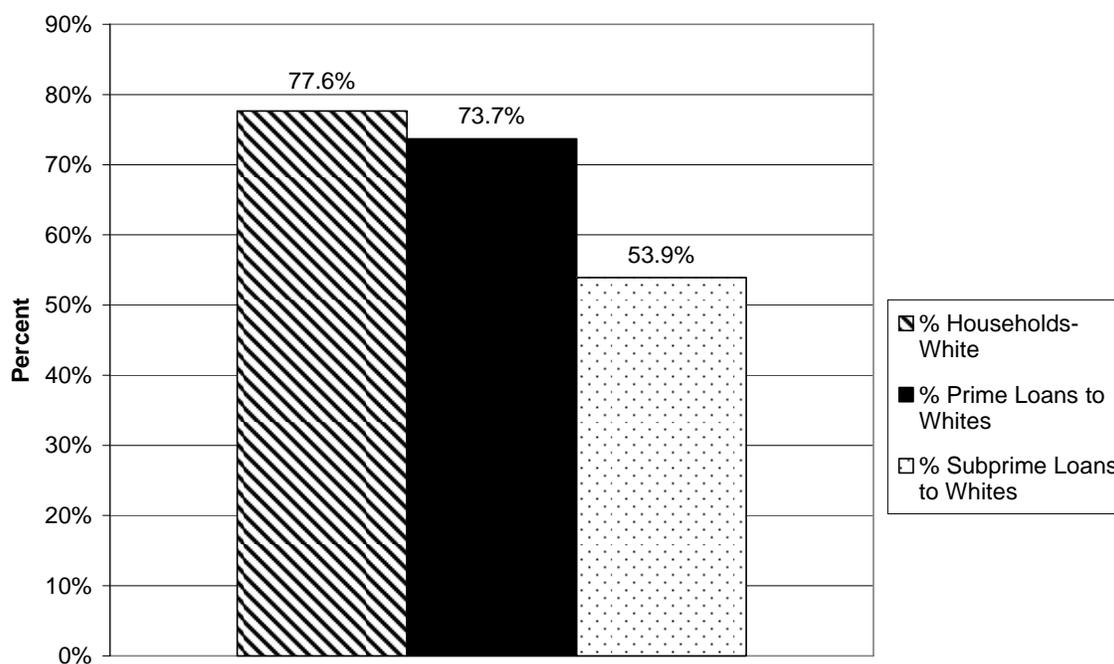
Graph 1: African-American Share of Home Purchase Loans and Households



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

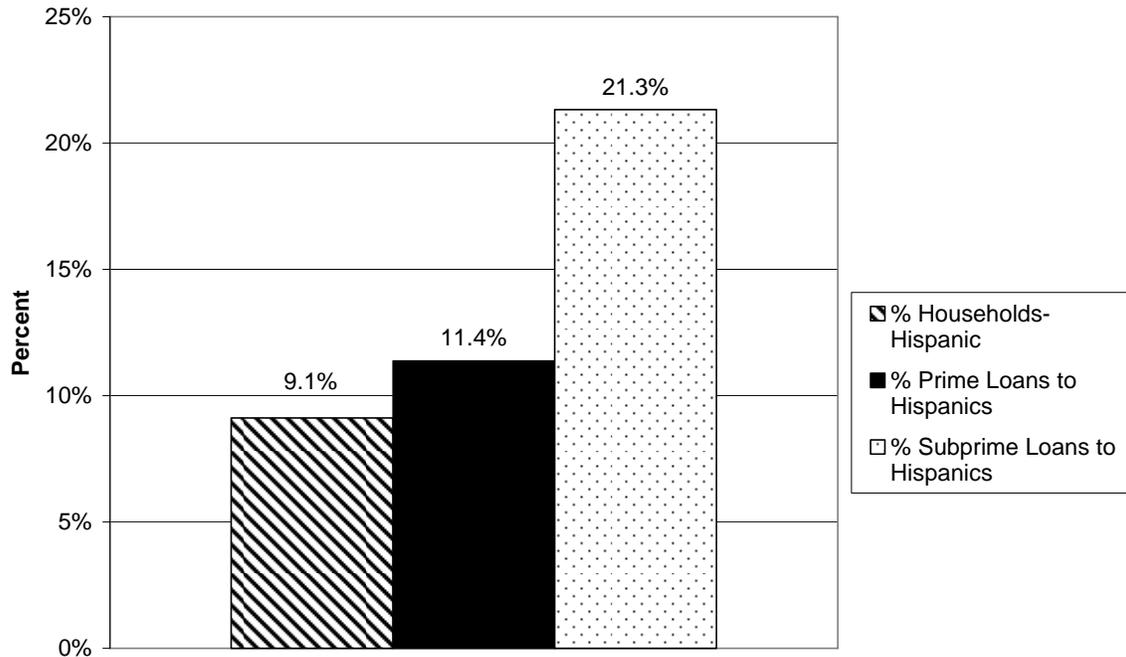


Whites, in contrast, received a share of subprime home purchase loans that was considerable lower than their share of the nation's households. Whites received 53.9 percent of the subprime home purchase loans but were 77.6 percent of the nation's households. Whites did not quite receive prime loans in 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.

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



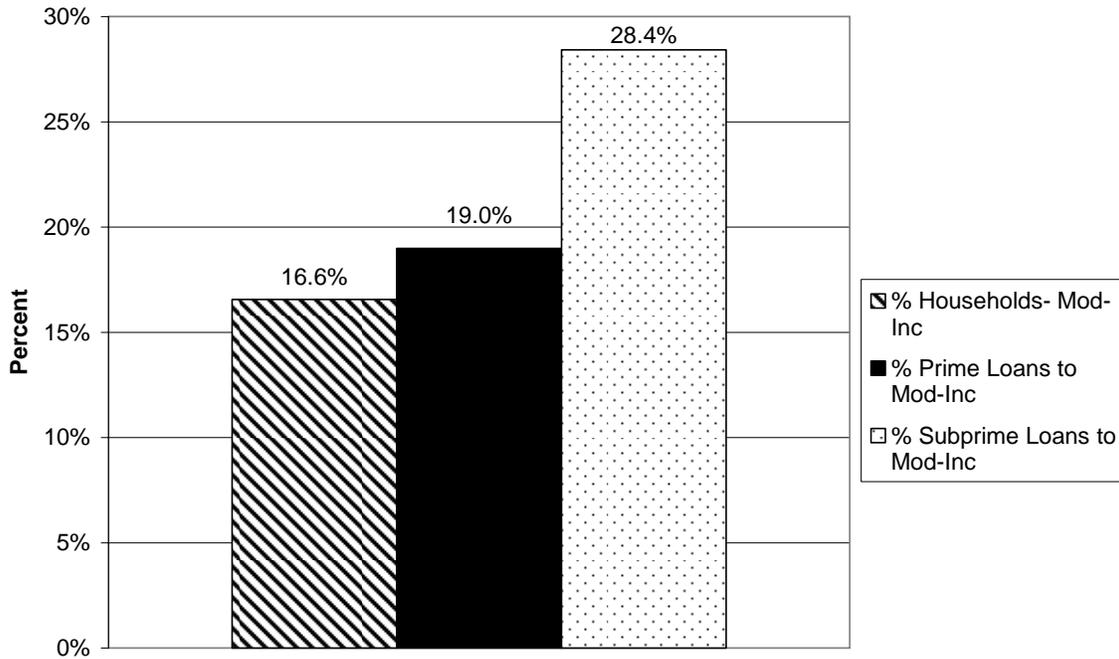
In contrast to the other racial groups including Whites, Asians received a higher portion of prime loans than their share of the nation's households. Asians were about 3.1 percent of the nation's households and received 6.4 percent of the prime home purchase loans during 2004. Asians received 3.1 percent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

Income of Borrowers and Households

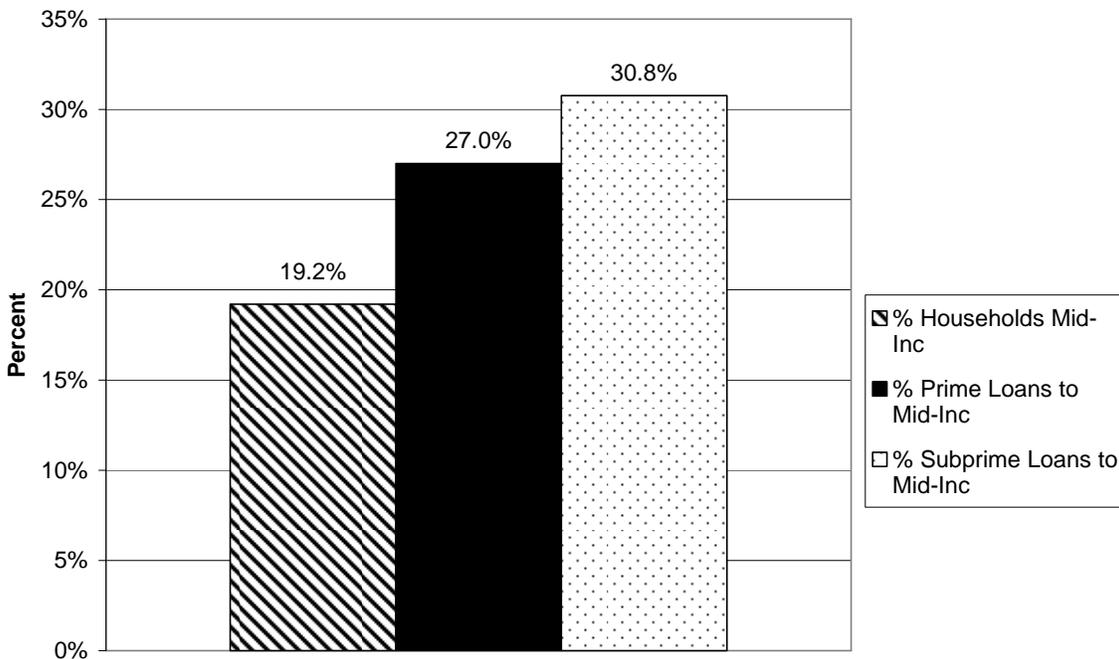
Due to various financial constraints, low-income households had the most difficulty obtaining prime and subprime loans in proportion to their share of the nation's households. Lending trends to moderate-income households exhibited greater disparities in their share of prime and subprime loans than their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



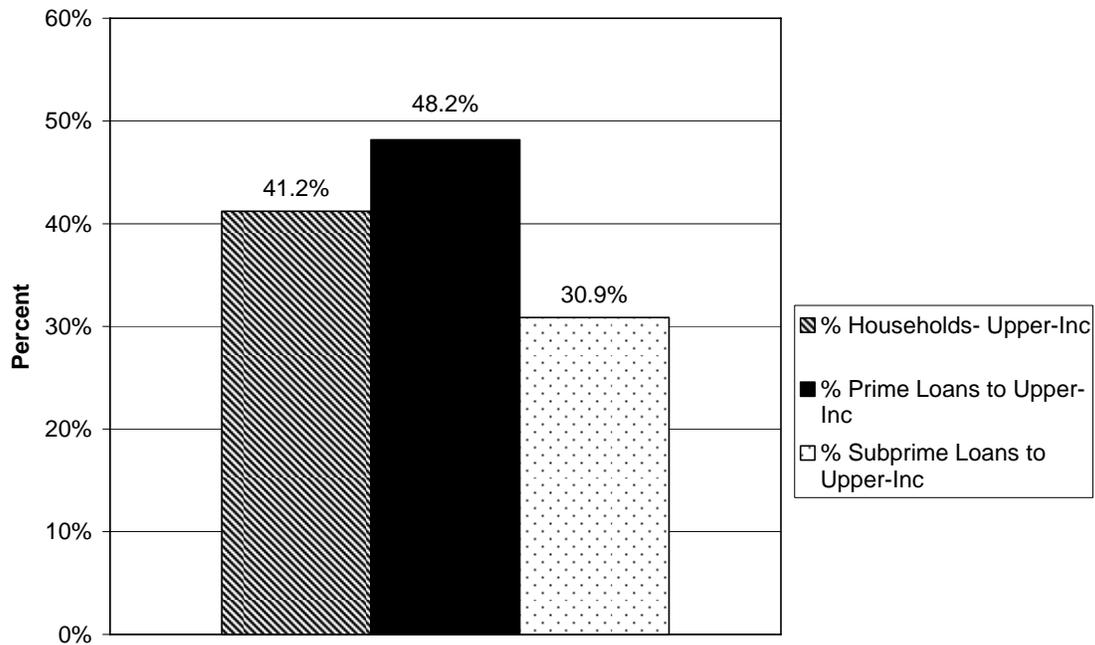
Graph 5: Middle-Income Share of Home Purchase Loans and Households



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.

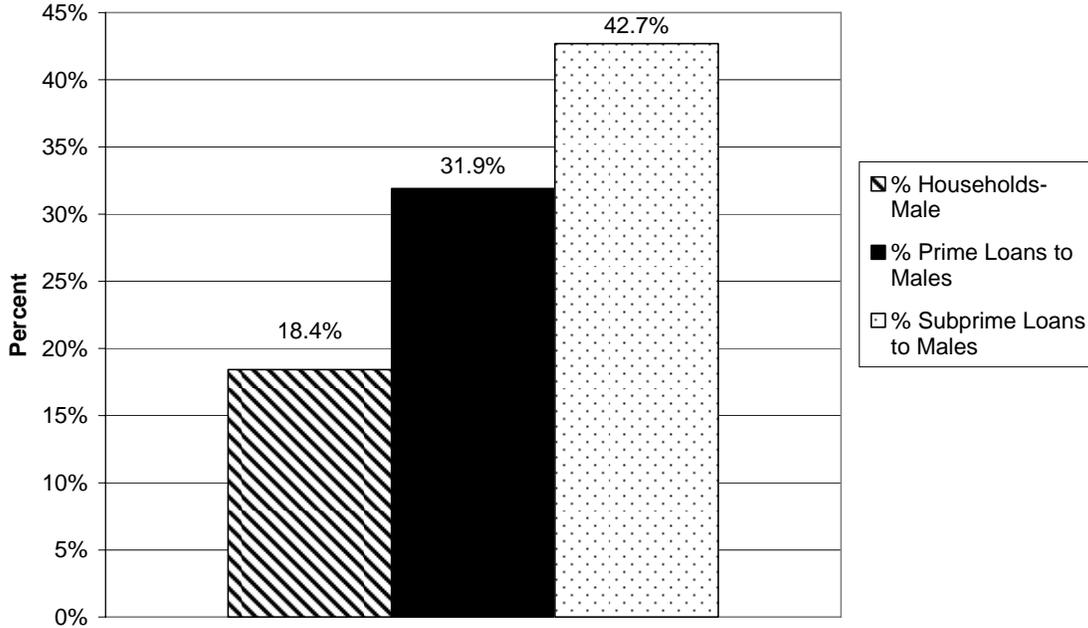
Gender of Borrowers and Households

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.

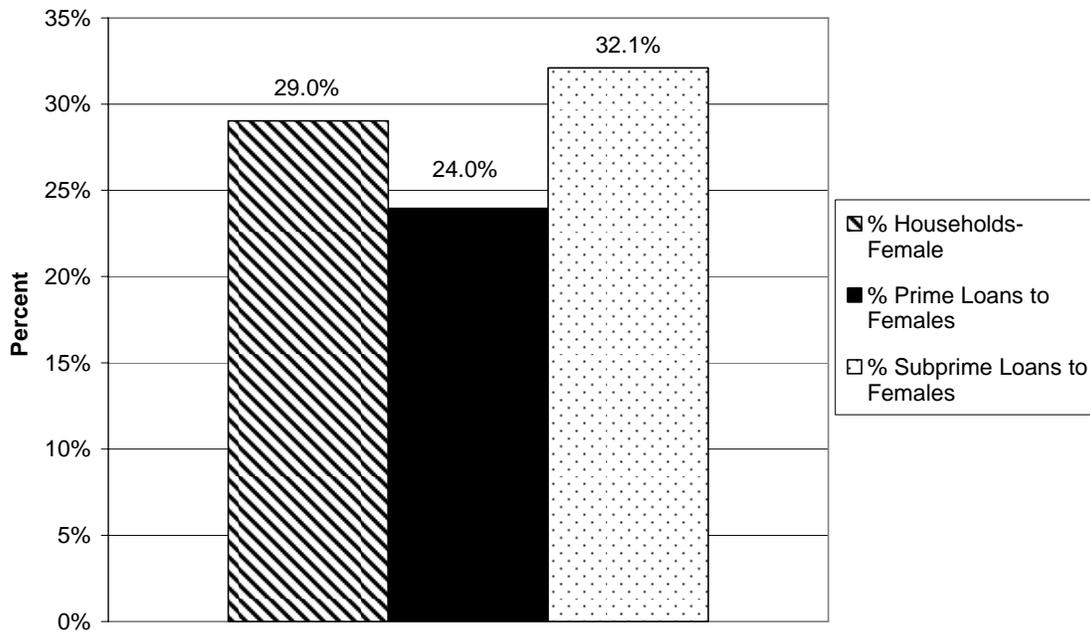
Females constituted 29 percent of the nation’s households but obtained just 24 percent of the prime home purchase loans (see Table 1A). In contrast, females received 32.1 percent of subprime home purchase loans, a percent of loans that was greater than their percent of households. Unlike females, males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



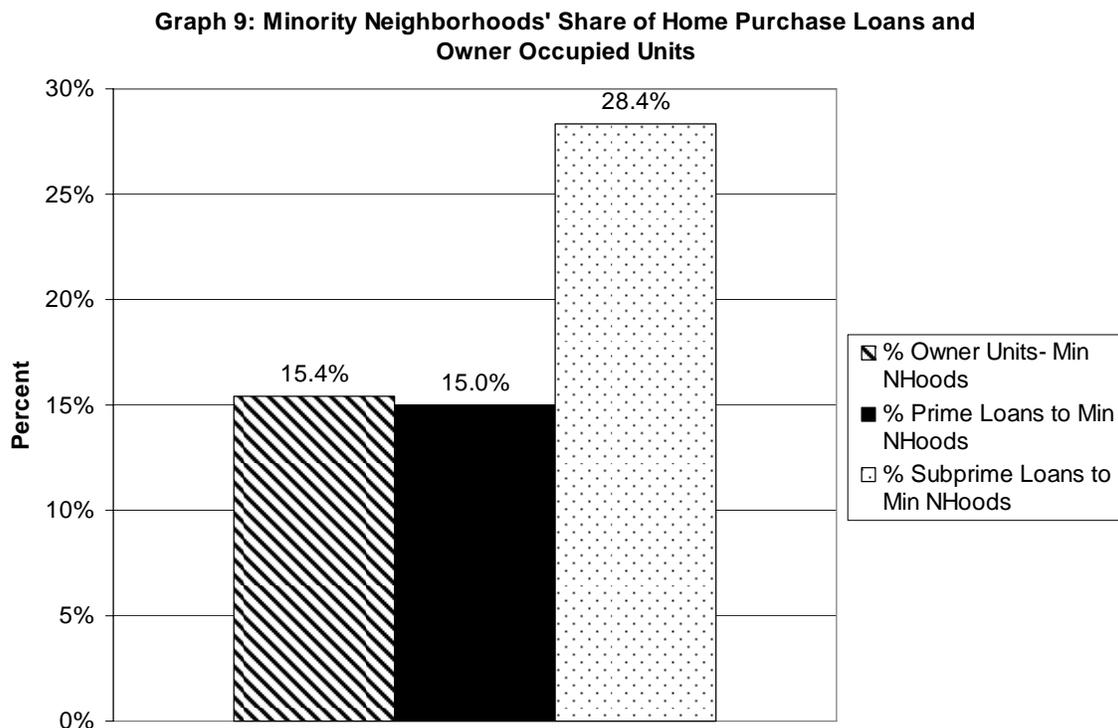
Graph 8: Female Share of Home Purchase Loans and Households



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



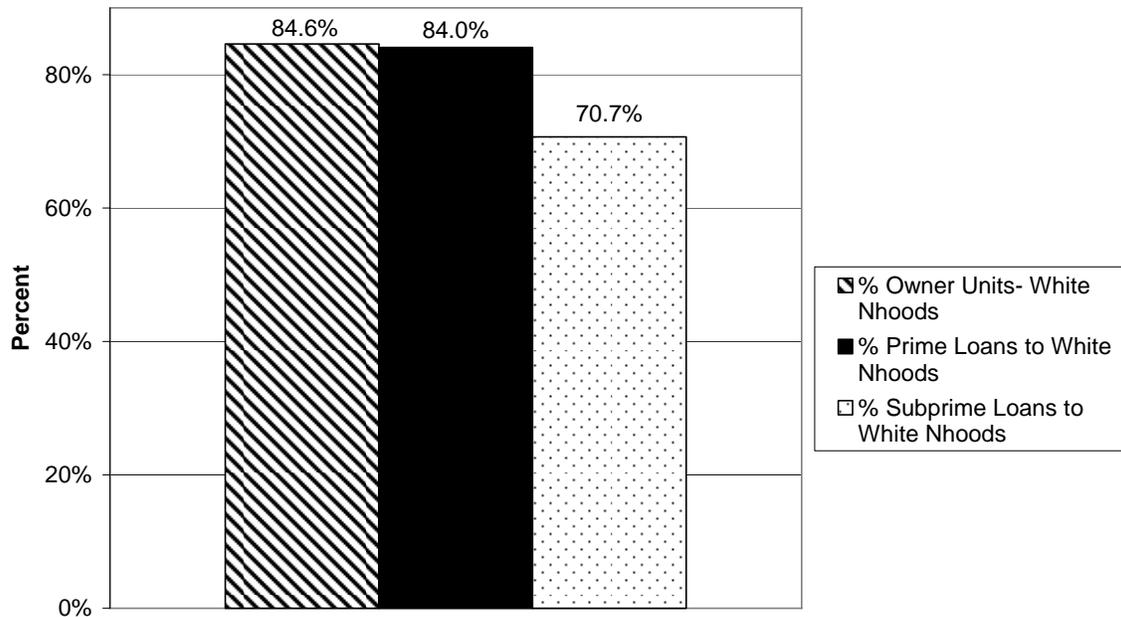
For neighborhoods, the portion of loans was compared to the portion of owner-occupied housing units. Above, comparisons were made between the share of households and the share of loans for borrowers. In contrast, a neighborhood analysis considered how many loans financial institutions were issuing to 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.

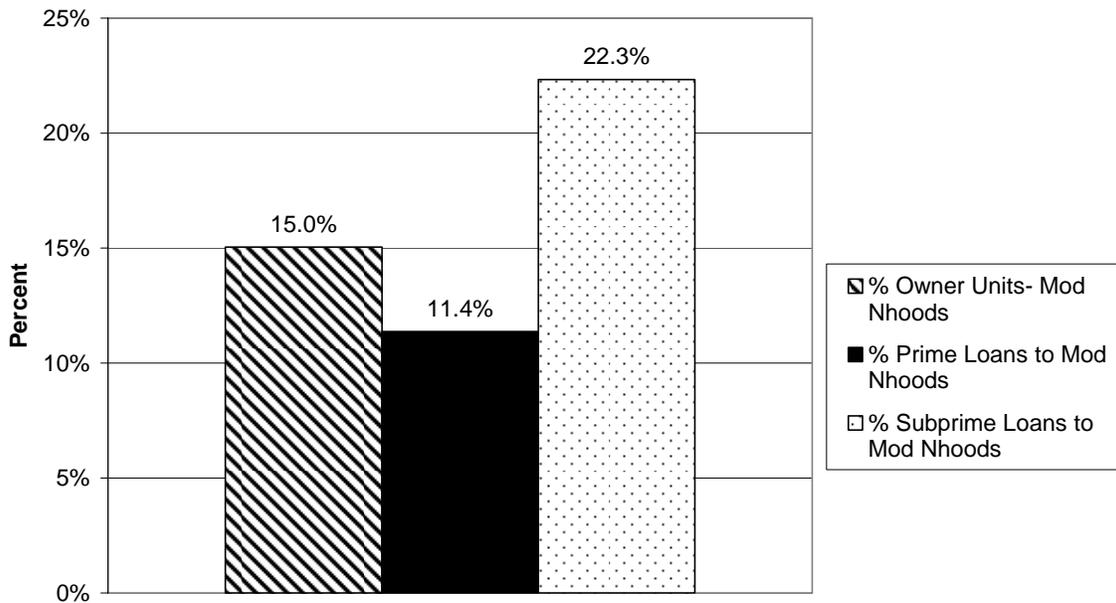
often compare the number and percent of loans to the number and percent of owner-occupied units. Federal regulators conduct these types of analyses on Community Reinvestment Act (CRA) exams. In contrast, analyses on a metropolitan or national level compare loans to households. In a metropolitan area 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

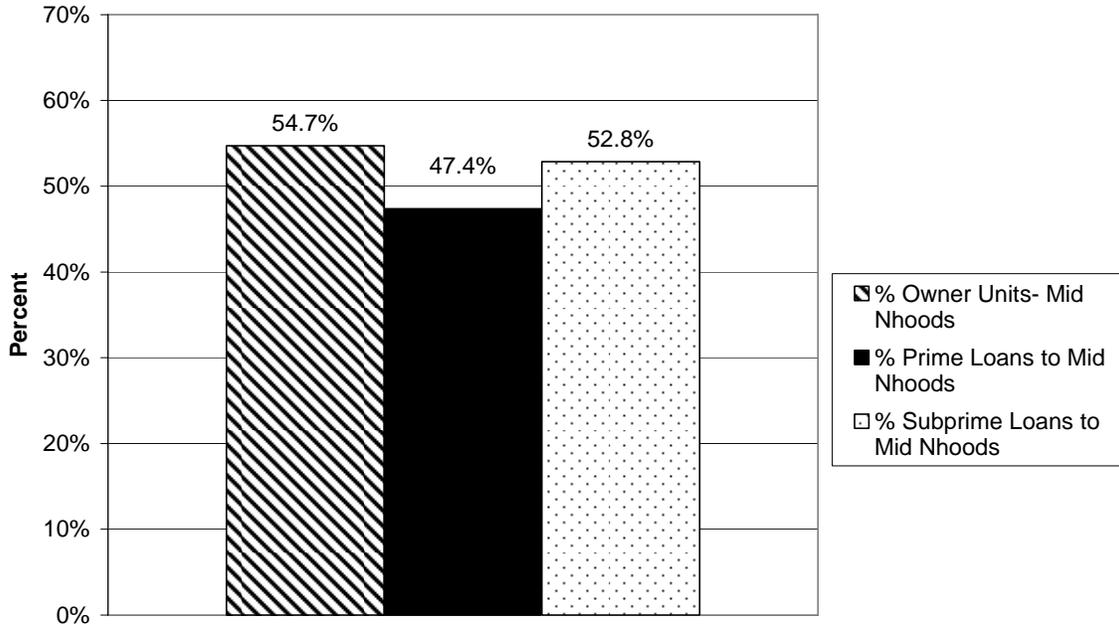


Low-income and moderate-income neighborhoods obtained 3.4 percent and 22.3 percent of the subprime home purchase loans, respectively. This was a greater percent than their share of the nation’s owner-occupied units at 1.7 percent and 15 percent, respectively. In addition, their share of prime loans was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

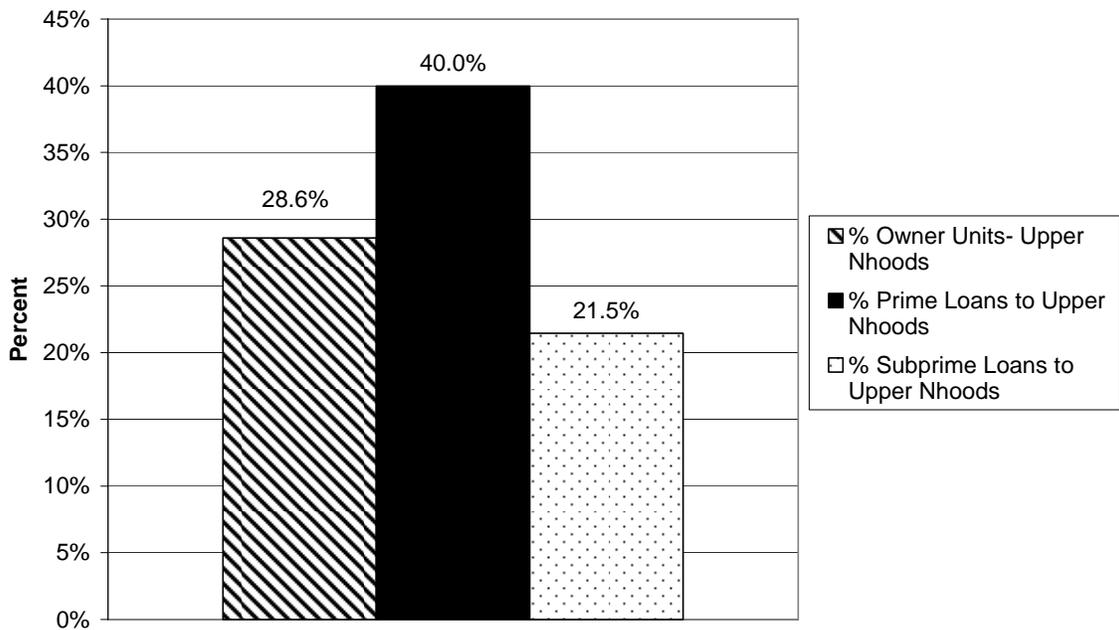
¹⁴ There are 1,542 census tracts in the country in which 50 percent or more of the population are foreign-born.

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

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

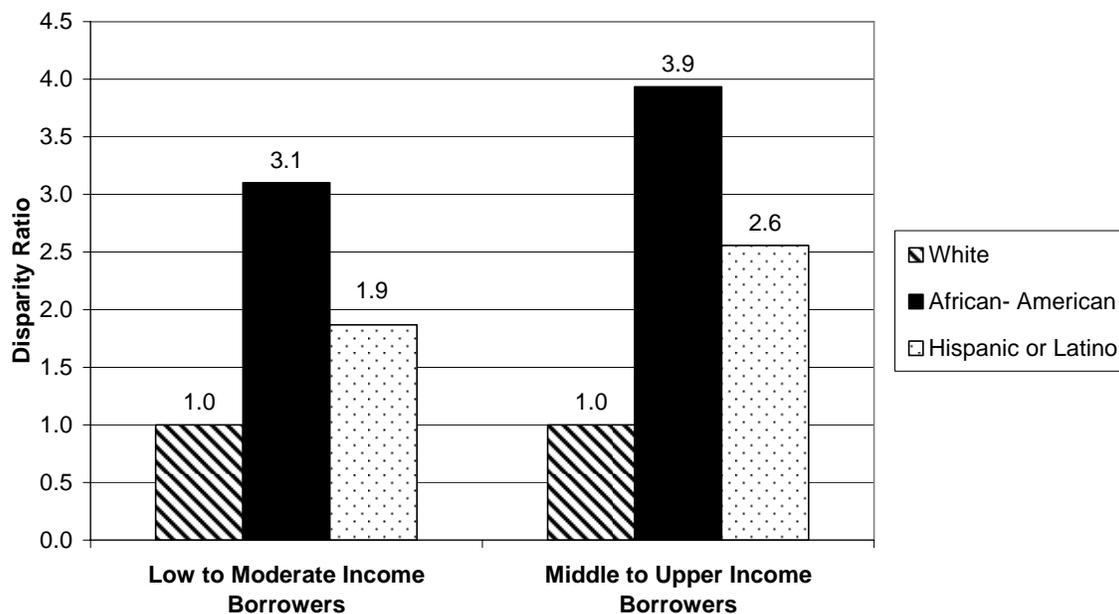
subprime loans are 30 percent of the loans to African-Americans versus 10 percent of the loans to whites, the market share of financial institutions making subprime loans is 3 times greater to African-Americans than their market share to whites. In other words, African-Americans are 3 times more likely 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.

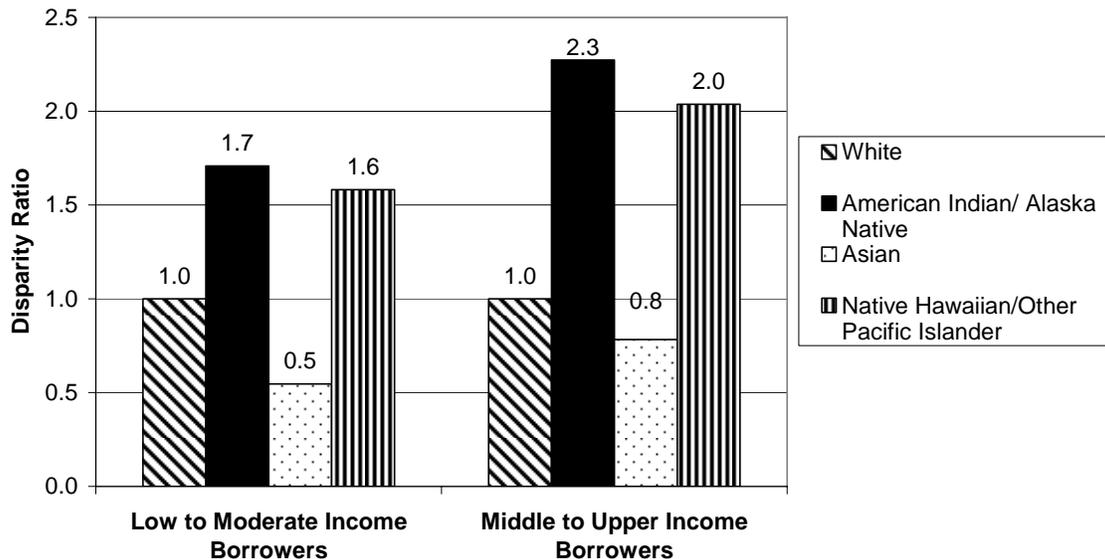
**Graph 14: Home Purchase Lending-
Racial Disparities in Subprime Market Share Relative to Whites**
Whites Compared to African-Americans and Hispanics by Borrower Income



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



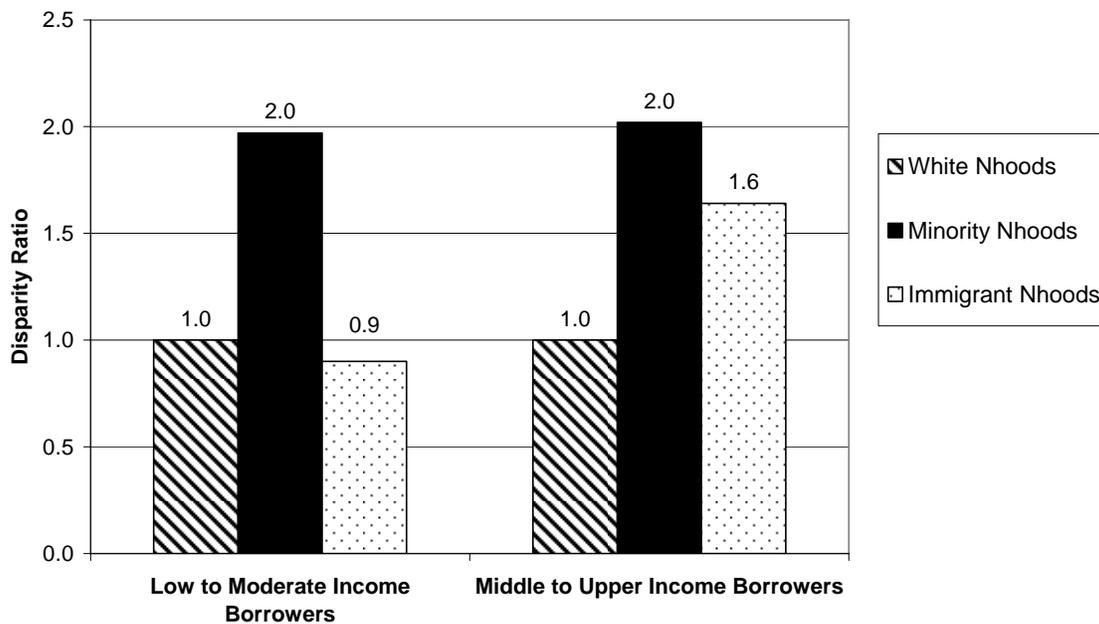
LMI Native Hawaiians were 1.6 more times likely than LMI whites to receive subprime loans but MUI Hawaiians were 2 times more likely than MUI whites to receive subprime loans. Finally, LMI Native Americans were 1.7 times more likely than LMI whites to

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.

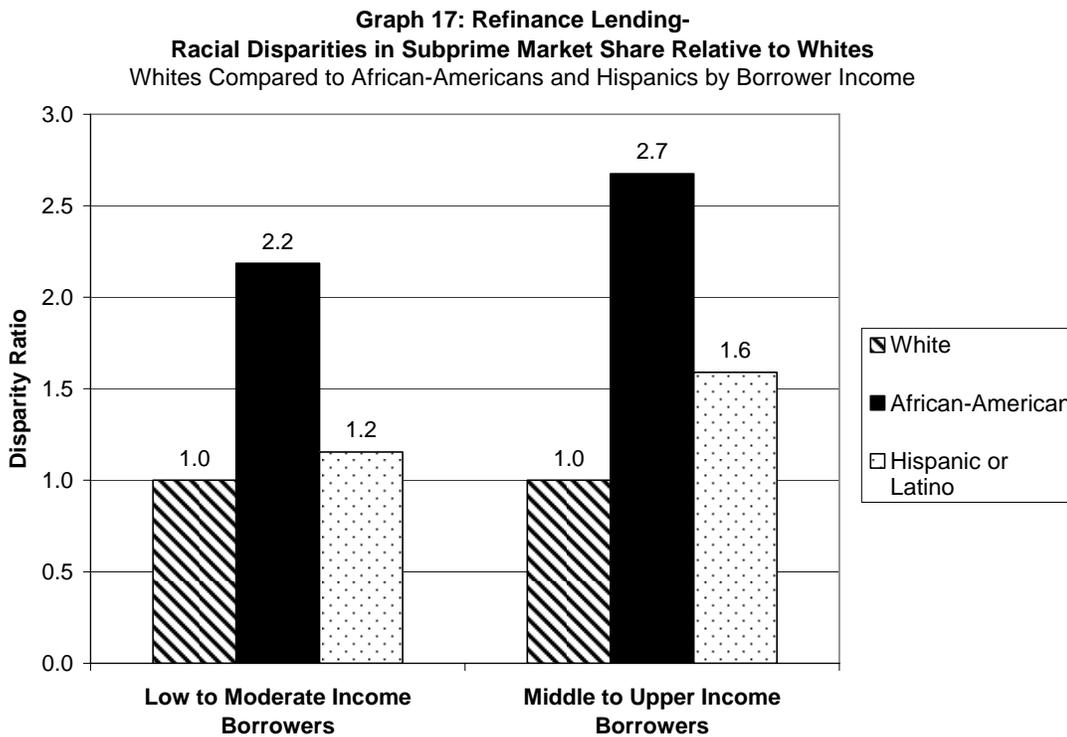
**Graph 16: Home Purchase Lending-
Racial Disparities in Subprime Market Share Relative to White Neighborhoods**
White Neighborhoods Compared to Minority and Immigrant Neighborhoods by
Borrower Income



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.



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

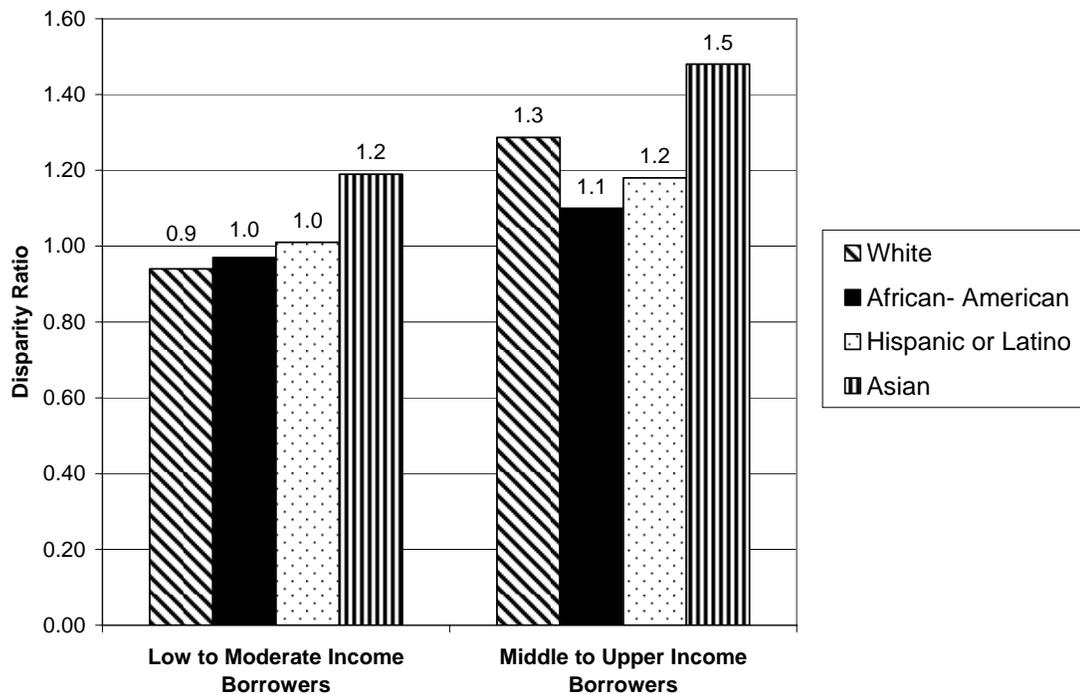
When examining the interplay among race, gender, and income the familiar patterns of subprime market share emerged with a new twist. Subprime market share of loans was a greater percentage of loans for LMI borrowers than MUI borrowers. However, the difference in subprime market share between white and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

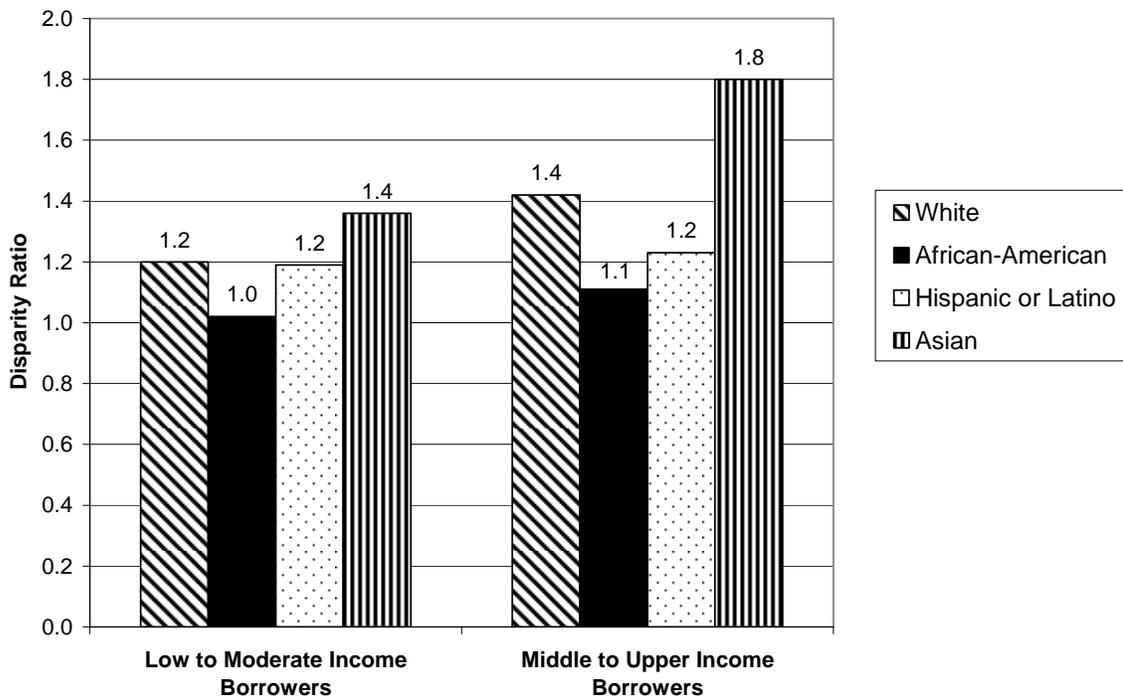
Within the races, the disparity in subprime market share of loans to females relative to males increased for MUI borrowers as opposed to LMI borrowers. For instance, subprime loans were 23.4 percent of the loans to LMI Hispanic males and 23.8 percent of the loans to LMI Hispanic females. However, subprime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

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

Subprime Home Purchase	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	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

Subprime Home Improvement	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	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.