



Birmingham-Hoover Metropolitan Area

Homeowners of all races in the metropolitan area have an extremely high incidence of receiving a high-cost loan when refinancing. Out of all refinance loans made in the metropolitan area, almost one in two loans, or 43.3%, was a high-cost loan. When buying a home, borrowers of all races have a very high incidence of receiving a high-cost home purchase loan. Almost one in three home purchase loans in the metropolitan area, or 32.3%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 points above the comparable rate on U.S. Treasury Securities. During 2006 many of these loans are also exploding ARMs which are likely to lead to foreclosures.

In this summary of lending in the Birmingham-Hoover area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



High-cost Refinance Loans¹

For refinance loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. African-Americans received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

High-cost loans made up a significant proportion of the home refinance loans made to minorities. In 2006, 67.3% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 40.0%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 33.2%, or one out of three, home refinance loans made to whites were high-cost loans.

¹ Includes conventional 1st lien refinances and does not include government-backed refinance loans.

| REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006 | | | | |
|---|-------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Refinance Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 2165 | 1456 | 67.3% | 2.0 |
| Latino | 90 | 36 | 40.0% | 1.2 |
| White | 5057 | 1677 | 33.2% | |
| ALL ² | 8221 | 3558 | 43.3% | |

Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 2.0 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.2 times more likely to receive a high cost loan than whites.

Racial disparities persisted even among homeowners of the same income level.³ In 2006, upper-income African-American homeowners were 2.3 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.4 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.9 times more likely than middle-income whites to receive a high-cost refinance loan.

Moderate-income African-Americans were 1.7 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.9 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.3 times more likely to receive a high-cost loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|-------|--------|------------------|-----------------------------|------------------|
| Borrower Income Level | White | Latino | African-American | Disparity Compared to White | |
| | | | | Latino | African-American |
| Low Income | 38.4% | 50.0% | 73.1% | 1.3 | 1.9 |
| Moderate Income | 42.1% | 40.0% | 71.0% | 1.0 | 1.7 |
| Middle Income | 36.3% | 40.0% | 67.8% | 1.1 | 1.9 |
| Upper Income | 27.8% | 37.8% | 62.8% | 1.4 | 2.3 |

² The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

³ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$68,306 for the Birmingham-Hoover metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$28,700; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$28,700 and \$45,920; middle-income borrowers have incomes 80-119% of median income, or between \$45,920 and \$68,306.

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Upper-income and middle-income African-Americans were more likely to receive a high-cost refinance loan than low-income whites.

African-Americans received a greater proportion of high-cost loans than they received of prime loans. African-Americans received 40.9% of the high-cost refinance loans but only 15.2% of the prime refinance loans. In contrast, whites received 72.5% of all prime loans originated which is greater than their 47.1% share of all high-cost loans originated. African-Americans represent 27.5% of the population in the metropolitan area while Latinos represent 1.8% of the population⁴.

| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 27.5% | 15.2% | 40.9% |
| Latino | 1.8% | 1.2% | 1.0% |
| White | 69.2% | 72.5% | 47.1% |

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 56.3%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 53.9%, or a little more than one out of every two, refinances made to moderate-income homeowners and 45.7% or almost less than one of two loans to middle-income homeowners. In contrast, only 34.4%, or a little more than one out of every three, refinances to upper-income homeowners were high-cost loans.

| | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income | 847 | 477 | 56.3% |
| Moderate-Income | 1732 | 933 | 53.9% |
| Middle-Income | 2013 | 920 | 45.7% |
| Upper-Income | 3281 | 1128 | 34.4% |

In comparative terms, low-income homeowners were 1.6 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.6 times more likely to receive a high-cost loan.

⁴ 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



High-cost Home Purchase Loans⁵

For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

High-cost loans made up a significant proportion of the home purchase loans made to minorities. In 2006, 64.4%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 42.8%, or slightly less than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 20.3%, or one out of five, home purchase loans received by whites were high-cost loans.

| Home Purchase Loans By Borrower Race and Ethnicity 2006 | | | | |
|---|-----------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Home Purchase Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 1785 | 1150 | 64.4% | 3.2 |
| Latino | 187 | 80 | 42.8% | 2.1 |
| White | 4555 | 923 | 20.3% | |
| ALL | 7106 | 2293 | 32.3% | |

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 3.2 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2.1 times as likely to receive a high-cost loan.

The racial disparity persists even among borrowers of the same income level. High-cost loan were issued to 60.9% of the home purchase loans received by upper-income African-Americans and 47.1% of the home purchase loans received by upper-income Latinos, compared to only 22.1% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.8 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 2.1 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

⁵ Includes 1st lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

| High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|--------------|---------------|------------------------------|------------------------------------|----------------------|
| | White | Latino | African- American | Disparity Compared to White | |
| | | | | Latino | African- American |
| Low Income | 38.4% | 29.2% | 78.1% | 0.8 | 2.0 |
| Moderate Income | 26.2% | 50.0% | 68.0% | 1.9 | 2.6 |
| Middle Income | 22.9% | 44.7% | 60.2% | 2.0 | 2.6 |
| Upper Income | 22.1% | 47.1% | 60.9% | 2.1 | 2.8 |

Middle-income African-Americans were 2.6 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 2.0 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 2.6 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.9 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.0 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Upper-income and middle-income African-Americans homebuyers were more likely to receive a high-cost loan than low-income whites. Upper-income Latino homebuyers were more likely to receive a high-cost loan than low-income whites.

Minorities received a greater proportion of high-cost loans than they received of prime loans.

African-Americans were issued 50.2% of all high-cost home purchase loans but only 13.2% of the prime home purchase loans. Latinos were issued 3.5% of all high-cost loans originated and 2.2% of the prime loans originated. In contrast, whites received 75.5% of the prime loans originated which is greater than their 40.3% share of the high-cost loans originated. African-Americans represent 27.5% of the population in the metropolitan area while Latinos represent 1.8% of the population.

| Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006 | | | |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American | 27.5% | 13.2% | 50.2% |
| Latino | 1.8% | 2.2% | 3.5% |
| White | 69.2% | 75.5% | 40.3% |

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 56.9% of the loans received by low-income homebuyers were high-cost loans, or more than one out of two loans. 41% of the loans received by moderate-income

homebuyers, and 33.9% loans to middle-income homeowners were high-cost loans. In comparison, only 21.2% of loans made to upper-income homebuyers were high-cost loans.

| High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006 | | | |
|--|-----------------|-----------|-------------|
| | High-cost Loans | All Loans | % High-cost |
| Low Income | 337 | 592 | 56.9% |
| Moderate Income | 673 | 1633 | 41% |
| Middle Income | 612 | 1805 | 33.9% |
| Upper Income | 619 | 2921 | 21.2% |

In comparative terms, low-income homebuyers were 2.7 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.9 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Birmingham-Hoover metropolitan area includes Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby & Walker counties.

This report analyzes data available to the public under the Home Mortgage Disclosure Act (HMDA). It uses a sample of 363 individual lenders owned by 19 different parent companies. They represent the largest mortgage lenders in the country and include the largest subprime mortgage lenders.

High-cost loans are defined as loans originated with an Annual Percentage Rate (APR) at least 3 points above the comparable rate on U.S. Treasury Securities. As such, HMDA regulations require that these loans include information on the difference or “rate spread” between the APR on the loan and the comparable Treasury Rate. Prime loans as counted in this report were loans where no rate spread was reported because the APR on that loan was less than 3 points above the comparable Treasury rate.

This report analyzed data on first liens and does not include government-backed loans (FHA, VA, FmHA).

HMDA data reports race in addition to ethnicity of the applicant. For this report, any borrower of Latino ethnicity is not included in a racial group but only in the Latino category. For example, a borrower of Latino ethnicity and white race is counted as Latino and not counted as white.

See the main text of the report (www.acorn.org) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas as well as recommendations.



Huntsville Metropolitan Area

Homeowners of all races in the metropolitan area have a very high incidence of receiving a high-cost loan when refinancing. Out of all refinance loans made in the metropolitan area, more than one in three loans, or 40.0%, was a high-cost loan. When buying a home, borrowers of all races have a moderate incidence of receiving a high-cost home purchase loan. Almost one in five home purchase loans in the metropolitan area, or 18.4%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 points above the comparable rate on U.S. Treasury Securities. During 2006 many of these loans are also exploding ARMs which are likely to lead to foreclosures.

In this summary of lending in the Huntsville area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



High-cost Refinance Loans⁶

For refinance loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. African-Americans received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

High-cost loans made up a significant proportion of the home refinance loans made to minorities. In 2006, 59.7% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 35.0%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 33.4%, or one out of three, home refinance loans made to whites were high-cost loans.

⁶ Includes conventional 1st lien refinances and does not include government-backed refinance loans.

| REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006 | | | | |
|---|-------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Refinance Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 439 | 262 | 59.7% | 1.8 |
| Latino | 40 | 14 | 35.0% | 1.0 |
| White | 1437 | 480 | 33.4% | |
| ALL ⁷ | 2207 | 882 | 40.0% | |

Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 1.8 times more likely to receive a high-cost loan than whites.

Racial disparities persisted even among homeowners of the same income level.⁸ In 2006, upper-income African-American homeowners were 1.8 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.7 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.8 times more likely than middle-income whites to receive a high-cost refinance loan.

Moderate-income African-Americans were 1.6 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.7 times more likely to receive a high-cost refinance loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|-------|--------|------------------|-----------------------------|------------------|
| Borrower Income Level | White | Latino | African-American | Disparity Compared to White | |
| | | | | Latino | African-American |
| Low Income | 42.5% | -- | 71.0% | -- | 1.7 |
| Moderate Income | 44.3% | 33.3% | 68.7% | 0.8 | 1.6 |
| Middle Income | 36.5% | 33.3% | 64.9% | 0.9 | 1.8 |
| Upper Income | 24.9% | 42.1% | 44.7% | 1.7 | 1.8 |

⁷ The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

⁸ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$77,112 for the Huntsville metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$32,400; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$32,400 and \$51,840; middle-income borrowers have incomes 80-119% of median income, or between \$51,840 and \$77,112.

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Middle-income African-Americans were more likely to receive a high-cost loan than low-income whites.

African-Americans received a greater proportion of high-cost loans than they received of prime loans. African-Americans received 29.7% of the high-cost refinance loans but only 13.4% of the prime refinance loans. In contrast, whites received 72.2% of all prime loans originated which is greater than their 54.4% share of all high-cost loans originated. African-Americans represent 20.8% of the population in the metropolitan area while Latinos represent 2.0% of the population⁹.

| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 20.8% | 13.4% | 29.7% |
| Latino | 2.0% | 2.0% | 1.6% |
| White | 73.2% | 72.2% | 54.4% |

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 52.0%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 51.3%, or more than one out of every two, refinances made to moderate-income homeowners and 43.8% or almost one out of two loans to middle-income homeowners. In contrast, only 28.7%, or more than one out of every four, refinances to upper-income homeowners were high-cost loans.

| | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income | 277 | 144 | 52.0% |
| Moderate-Income | 474 | 243 | 51.3% |
| Middle-Income | 552 | 242 | 43.8% |
| Upper-Income | 790 | 227 | 28.7% |

In comparative terms, low-income homeowners were 1.8 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.8 times more likely to receive a high-cost loan.

⁹ 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



High-cost Home Purchase Loans¹⁰

For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

High-cost loans made up a significant proportion of the home purchase loans made to minorities. In 2006, 39.4%, or more than one out of three, home purchase loans received by African-Americans were high-cost loans and 28.4%, or more than one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 12.1%, or one out of eight, home purchase loans received by whites were high-cost loans.

| Home Purchase Loans By Borrower Race and Ethnicity 2006 | | | | |
|---|-----------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Home Purchase Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 637 | 251 | 39.4%, | 3.3 |
| Latino | 102 | 29 | 28.4% | 2.3 |
| White | 2409 | 292 | 12.1%, | |
| ALL | 3411 | 626 | 18.4% | |

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 3.3 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2.3 times as likely to receive a high-cost loan.

The racial disparity persists even among borrowers of the same income level. High-cost loan were issued to 34.5% of the home purchase loans received by upper-income African-Americans and 20.0% of the home purchase loans received by upper-income Latinos, compared to only 8.2% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 4.2 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 2.4 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

¹⁰ Includes 1st lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

| High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|--------------|---------------|------------------------------|------------------------------------|----------------------|
| | White | Latino | African- American | Disparity Compared to White | |
| | | | | Latino | African- American |
| Low Income | 22.0% | 58.3% | 59.3% | 2.7 | 2.7 |
| Moderate Income | 12.0% | 37.5% | 41.8% | 3.1 | 3.5 |
| Middle Income | 9.8% | 17.9% | 32.9% | 1.8 | 3.4 |
| Upper Income | 8.2% | 20.0% | 34.5% | 2.4 | 4.2 |

Middle-income African-Americans were 3.4 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 1.8 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 3.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 3.1 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.7 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 2.7 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Upper-income and middle-income African-Americans homebuyers were more likely to receive a high-cost loan than low-income whites.

Minorities received a greater proportion of high-cost loans than they received of prime loans. African-Americans were issued 40.1% of all high-cost home purchase loans but only 13.9% of the prime home purchase loans. Latinos were issued 4.6% of all high-cost loans originated and 2.6% of the prime loans originated. In contrast, whites received 76.0% of the prime loans originated which is greater than their 46.6% share of the high-cost loans originated. African-Americans represent 20.8% of the population in the metropolitan area while Latinos represent 2.0% of the population.

| Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006 | | | |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American | 20.8% | 13.9% | 40.1% |
| Latino | 2.0% | 2.6% | 4.6% |
| White | 73.2% | 76.0% | 46.6% |

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 37.6% of the loans received by low-income homebuyers were high-cost loans, or about more than one out of three loans. 21% of the loans received by moderate-income

homebuyers, and 15.3% loans to middle-income homeowners were high-cost loans. In comparison, only 13.5% of loans made to upper-income homebuyers were high-cost loans.

| High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006 | | | |
|--|-----------------|-----------|-------------|
| | High-cost Loans | All Loans | % High-cost |
| Low Income | 123 | 327 | 37.6% |
| Moderate Income | 124 | 601 | 21% |
| Middle Income | 133 | 869 | 15.3% |
| Upper Income | 206 | 1521 | 13.5% |

In comparative terms, low-income homebuyers were 2.8 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.5 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Huntsville metropolitan area includes Limestone, Madison counties.

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Mobile Metropolitan Area

Homeowners of all races in the metropolitan area have a extremely high incidence of receiving a high-cost loan when refinancing. Out of all refinance loans made in the metropolitan area, almost one in two loans, or 49.1%, was a high-cost loan. When buying a home, borrowers of all races have a very high incidence of receiving a high-cost home purchase loan. More than one in three home purchase loans in the metropolitan area, or 35.8%, were high-cost loans.

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High-cost Refinance Loans¹¹

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3. Racial disparities persisted even among homeowners of the same income level.
4. African-Americans received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

High-cost loans made up a significant proportion of the home refinance loans made to minorities. In 2006, 74.3% or almost three out of four, home refinance loans made to African-Americans were high-cost loans and, 37.0%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. 39.1%, or more than one out of three, home refinance loans made to whites were high-cost loans.

¹¹ Includes conventional 1st lien refinances and does not include government-backed refinance loans.

| REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006 | | | | |
|--|--------------------------|--------------------------|--------------------|---------------------------|
| Race/Ethnicity | # Refinance Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 678 | 504 | 74.3% | 1.9 |
| Latino | 27 | 10 | 37.0% | 0.9 |
| White | 1586 | 620 | 39.1% | |
| ALL ¹² | 2643 | 1299 | 49.1% | |

African-American homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 1.9 times more likely to receive a high-cost loan than whites.

Racial disparities persisted even among homeowners of the same income level.¹³ In 2006, upper-income African-American homeowners were 2.1 times more likely than upper-income white homeowners to receive a high-cost refinance loan.

Middle-income African-Americans were 1.7 times more likely than middle-income whites to receive a high-cost refinance loan.

Moderate-income African-Americans were 1.6 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.9 times more likely to receive a high-cost loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|--------------|---------------|-------------------------|------------------------------------|-------------------------|
| Borrower Income Level | White | Latino | African-American | Disparity Compared to White | |
| | | | | Latino | African-American |
| Low Income | 52.2% | 100.0% | 80.4% | 1.9 | 1.5 |
| Moderate Income | 48.6% | 25.0% | 76.6% | 0.5 | 1.6 |
| Middle Income | 43.7% | 50.0% | 75.5% | 1.1 | 1.7 |
| Upper Income | 32.6% | 26.7% | 68.9% | 0.8 | 2.1 |

¹² The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

¹³ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$58,905 for the Mobile metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$24,750; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$24,750 and \$39,600; middle-income borrowers have incomes 80-119% of median income, or between \$39,600 and \$58,905.

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Upper-income and middle-income African-Americans were more likely to receive a high-cost refinance loan than low-income whites.

African-Americans received a greater proportion of high-cost loans than they received of prime loans. African-Americans received 38.8% of the high-cost refinance loans but only 12.9% of the prime refinance loans. In contrast, whites received 71.9% of all prime loans originated which is greater than their 47.7% share of all high-cost loans originated. African-Americans represent 33.2% of the population in the metropolitan area while Latinos represent 1.2% of the population¹⁴.

| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 33.2% | 12.9% | 38.8% |
| Latino | 1.2% | 1.3% | 0.8% |
| White | 62.5% | 71.9% | 47.7% |

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 68.3%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 59.1%, or more than one out of every two, refinances made to moderate-income homeowners and 53.4% or more than one of two loans to middle-income homeowners. In contrast, only 39.7%, or more than one out of every three, refinances to upper-income homeowners were high-cost loans.

| | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income | 183 | 125 | 68.3% |
| Moderate-Income | 501 | 296 | 59.1% |
| Middle-Income | 698 | 373 | 53.4% |
| Upper-Income | 1161 | 461 | 39.7% |

In comparative terms, low-income homeowners were 1.7 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.5 times more likely to receive a high-cost loan.

¹⁴ 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



High-cost Home Purchase Loans¹⁵

For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. African-Americans received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

High-cost loans made up a significant proportion of the home purchase loans made to minorities. In 2006, 67.8%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 30.4%, or almost one out of three, home purchase loans received by Latinos were high-cost loans. In contrast, only 26.2%, or more than one out of four, home purchase loans received by whites were high-cost loans.

| Home Purchase Loans By Borrower Race and Ethnicity 2006 | | | | |
|---|-----------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Home Purchase Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 615 | 417 | 67.8% | 2.6 |
| Latino | 69 | 21 | 30.4% | 1.2 |
| White | 1907 | 500 | 26.2% | |
| ALL | 2827 | 1011 | 35.8% | |

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 2.6 times as likely to receive a high-cost home purchase loan than whites while Latinos were 1.2 times as likely to receive a high-cost loan.

The racial disparity persists even among borrowers of the same income level. High-cost loan were issued to 61.0% of the home purchase loans received by upper-income African-Americans compared to only 27.6% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.2 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

¹⁵ Includes 1st lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

| High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|-------|--------|----------------------|-----------------------------|----------------------|
| | White | Latino | African- American | Disparity Compared to White | |
| | | | | Latino | African- American |
| Low Income | 25.4% | -- | 76.6% | -- | 3.0 |
| Moderate Income | 28.7% | 25.0% | 73.7% | 0.9 | 2.6 |
| Middle Income | 31.5% | 29.4% | 71.5% | 0.9 | 2.3 |
| Upper Income | 27.6% | 25.0% | 61.0% | 0.9 | 2.2 |

Middle-income African-Americans were 2.3 times more likely than middle-income whites to be issued a high-cost home purchase loan.

Moderate-income African-Americans were 2.6 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 3.0 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Upper-income and middle-income African-Americans homebuyers were more likely to receive a high-cost loan than low-income whites.

African-Americans received a greater proportion of high-cost loans than they received of prime loans. African-Americans were issued 41.2% of all high-cost home purchase loans but only 10.9% of the prime home purchase loans. In contrast, whites received 77.5% of the prime loans originated which is greater than their 49.5% share of the high-cost loans originated. African-Americans represent 33.2% of the population in the metropolitan area while Latinos represent 1.2% of the population.

| Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006 | | | |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American | 33.2% | 10.9% | 41.2% |
| Latino | 1.2% | 2.6% | 2.1% |
| White | 62.5% | 77.5% | 49.5% |

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 50.0% of the loans received by low-income homebuyers were high-cost loans, or one out of two loans. 43% of the loans received by moderate-income homebuyers, and 41.0% loans to middle-income homeowners were high-cost loans. In comparison, only 26.8% of loans made to upper-income homebuyers were high-cost loans.

| High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006 | | | |
|--|-----------------|-----------|-------------|
| | High-cost Loans | All Loans | % High-cost |
| Low Income | 69 | 138 | 50.0% |
| Moderate Income | 247 | 569 | 43% |
| Middle Income | 315 | 769 | 41.0% |
| Upper Income | 343 | 1280 | 26.8% |

In comparative terms, low-income homebuyers were 1.9 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.6 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Mobile metropolitan area includes Mobile counties.

This report analyzes data available to the public under the Home Mortgage Disclosure Act (HMDA). It uses a sample of 363 individual lenders owned by 19 different parent companies. They represent the largest mortgage lenders in the country and include the largest subprime mortgage lenders.

High-cost loans are defined as loans originated with an Annual Percentage Rate (APR) at least 3 points above the comparable rate on U.S. Treasury Securities. As such, HMDA regulations require that these loans include information on the difference or “rate spread” between the APR on the loan and the comparable Treasury Rate. Prime loans as counted in this report were loans where no rate spread was reported because the APR on that loan was less than 3 points above the comparable Treasury rate.

This report analyzed data on first liens and does not include government-backed loans (FHA, VA, FmHA).

HMDA data reports race in addition to ethnicity of the applicant. For this report, any borrower of Latino ethnicity is not included in a racial group but only in the Latino category. For example, a borrower of Latino ethnicity and white race is counted as Latino and not counted as white.

See the main text of the report (www.acorn.org) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas as well as recommendations.



Montgomery Metropolitan Area

Homeowners of all races in the metropolitan area have an extremely high incidence of receiving a high-cost loan when refinancing. Out of all refinance loans made in the metropolitan area, almost one in two loans, or 43.2%, was a high-cost loan. When buying a home, borrowers of all races have a high incidence of receiving a high-cost home purchase loan. One in four home purchase loans in the metropolitan area, or 25.1%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 points above the comparable rate on U.S. Treasury Securities. During 2006 many of these loans are also exploding ARMs which are likely to lead to foreclosures.

In this summary of lending in the Montgomery area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



High-cost Refinance Loans¹⁶

For refinance loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. Minorities received a greater proportion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.

High-cost loans made up a significant proportion of the home refinance loans made to minorities. In 2006, 61.1% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 53.3%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 34.3%, or more than one out of three, home refinance loans made to whites were high-cost loans.

¹⁶ Includes conventional 1st lien refinances and does not include government-backed refinance loans.

| REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006 | | | | |
|---|-------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Refinance Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 656 | 401 | 61.1% | 1.8 |
| Latino | 15 | 8 | 53.3% | 1.6 |
| White | 1264 | 434 | 34.3% | |
| ALL ¹⁷ | 2249 | 972 | 43.2% | |

Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 1.8 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.6 times more likely to receive a high cost loan than whites.

Racial disparities persisted even among homeowners of the same income level.¹⁸ In 2006, upper-income African-American homeowners were 1.7 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.7 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.5 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 1.9 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.7 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|-------|--------|------------------|-----------------------------|------------------|
| Borrower Income Level | White | Latino | African-American | Disparity Compared to White | |
| | | | | Latino | African-American |
| Low Income | 50.6% | --- | 74.3% | --- | 1.5 |
| Moderate Income | 40.8% | 50.0% | 67.4% | 1.2 | 1.7 |
| Middle Income | 38.5% | 75.0% | 58.8% | 1.9 | 1.5 |
| Upper Income | 29.9% | 50.0% | 50.9% | 1.7 | 1.7 |

¹⁷ The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

¹⁸ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$66,521 for the Montgomery metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$27,950; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$27,950 and \$44,720; middle-income borrowers have incomes 80-119% of median income, or between \$44,720 and \$66,521.

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Middle-income Latinos were more likely to receive a high-cost loan than low-income whites.

Minorities received a greater proportion of high-cost loans than they received of prime loans. African-Americans received 41.3% of the high-cost refinance loans but only 20.0% of the prime refinance loans. Latinos received 0.8% of the high-cost loans originated but a smaller 0.5% of the prime loans originated. In contrast, whites received 65.0% of all prime loans originated which is greater than their 44.7% share of all high-cost loans originated. African-Americans represent 40.1% of the population in the metropolitan area while Latinos represent 1.2% of the population¹⁹.

| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 40.1% | 20.0% | 41.3% |
| Latino | 1.2% | 0.5% | 0.8% |
| White | 56.7% | 65.0% | 44.7% |

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 64.2%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 52.2%, or more than one out of every two, refinances made to moderate-income homeowners and 45.6% or almost one of two loans to middle-income homeowners. In contrast, only 34.4%, or more than one out of every three, refinances to upper-income homeowners were high-cost loans.

| | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income | 212 | 136 | 64.2% |
| Moderate-Income | 464 | 242 | 52.2% |
| Middle-Income | 562 | 256 | 45.6% |
| Upper-Income | 912 | 314 | 34.4% |

In comparative terms, low-income homeowners were 1.9 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.5 times more likely to receive a high-cost loan.

¹⁹ 2000 Census data based on the counties that are included in the metropolitan area. See methodology section for a list of counties included for this metropolitan area.



High-cost Home Purchase Loans²⁰

For home purchase loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.
3. The racial disparity persisted even among borrowers of the same income level.
4. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Lower-income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.

High-cost loans made up a significant proportion of the home purchase loans made to minorities. In 2006, 37.5%, or more than one out of three, home purchase loans received by African-Americans were high-cost loans and 23.3%, or almost one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 20.3%, or one out of five, home purchase loans received by whites were high-cost loans.

| Home Purchase Loans By Borrower Race and Ethnicity 2006 | | | | |
|---|-----------------------|-------------------|-------------|--------------------|
| Race/Ethnicity | # Home Purchase Loans | # High Cost Loans | % High Cost | Disparity to White |
| African-American | 734 | 275 | 37.5%, | 1.8 |
| Latino | 30 | 7 | 23.3% | 1.1 |
| White | 1511 | 306 | 20.3%, | |
| ALL | 2651 | 666 | 25.1% | |

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 1.8 times as likely to receive a high-cost home purchase loan than whites.

The racial disparity persists even among borrowers of the same income level. High-cost loan were issued to 32.1% of the home purchase loans received by upper-income African-Americans and 16.7% of the home purchase loans received by upper-income Latinos, compared to only 19.9% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 1.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

²⁰ Includes 1st lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

| High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006 | | | | | |
|---|--------------|---------------|------------------------------|------------------------------------|----------------------|
| | White | Latino | African- American | Disparity Compared to White | |
| | | | | Latino | African- American |
| Low Income | 25.0% | -- | 36.0% | -- | 1.4 |
| Moderate Income | 18.8% | 30.0% | 40.7% | 1.6 | 2.2 |
| Middle Income | 21.7% | 22.2% | 33.2% | 1.0 | 1.5 |
| Upper Income | 19.9% | 16.7% | 32.1% | 0.8 | 1.6 |

Middle-income African-Americans were 1.5 times more likely than middle-income whites to be issued a high-cost home purchase loan.

Moderate-income African-Americans were 2.2 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.6 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.4 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Upper-income and middle-income African-Americans homebuyers were more likely to receive a high-cost loan than low-income whites.

Minorities received a greater proportion of high-cost loans than they received of prime loans. African-Americans were issued 41.3% of all high-cost home purchase loans but only 23.1% of the prime home purchase loans. Latinos were issued 1.1% of all high-cost loans originated and 1.2% of the prime loans originated. In contrast, whites received 60.7% of the prime loans originated which is greater than their 45.9% share of the high-cost loans originated. African-Americans represent 40.1% of the population in the metropolitan area while Latinos represent 1.2% of the population.

| Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006 | | | |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American | 40.1% | 23.1% | 41.3% |
| Latino | 1.2% | 1.2% | 1.1% |
| White | 56.7% | 60.7% | 45.9% |

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 31.0% of the loans received by low-income homebuyers were high-cost loans, or about one out of three loans. 29% of the loans received by moderate-income homebuyers, and 23.8% loans to middle-income homeowners were high-cost loans. In comparison, only 22.4% of loans made to upper-income homebuyers were high-cost loans.

| High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006 | | | |
|--|-----------------|-----------|-------------|
| | High-cost Loans | All Loans | % High-cost |
| Low Income | 77 | 248 | 31.0% |
| Moderate Income | 172 | 603 | 29% |
| Middle Income | 173 | 726 | 23.8% |
| Upper Income | 232 | 1036 | 22.4% |

In comparative terms, low-income homebuyers were 1.4 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.3 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Montgomery metropolitan area includes Autauga, Elmore, Lowndes, Montgomery counties.

This report analyzes data available to the public under the Home Mortgage Disclosure Act (HMDA). It uses a sample of 363 individual lenders owned by 19 different parent companies. They represent the largest mortgage lenders in the country and include the largest subprime mortgage lenders.

High-cost loans are defined as loans originated with an Annual Percentage Rate (APR) at least 3 points above the comparable rate on U.S. Treasury Securities. As such, HMDA regulations require that these loans include information on the difference or "rate spread" between the APR on the loan and the comparable Treasury Rate. Prime loans as counted in this report were loans where no rate spread was reported because the APR on that loan was less than 3 points above the comparable Treasury rate.

This report analyzed data on first liens and does not include government-backed loans (FHA, VA, FmHA).

HMDA data reports race in addition to ethnicity of the applicant. For this report, any borrower of Latino ethnicity is not included in a racial group but only in the Latino category. For example, a borrower of Latino ethnicity and white race is counted as Latino and not counted as white.

See the main text of the report (www.acorn.org) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas as well as recommendations.