



## Evansville IN 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, over one in two loans, or 55.7%, 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. Over one in three home purchase loans in the metropolitan area, or 37.3%, 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 point 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 Evansville, IN 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 Loans<sup>1</sup>

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**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, 73.3%, or almost three out of four, home refinance loans made to African-Americans were high-cost loans and, 35.7%, or one out of three, home refinance loans made to the small Latino population were high-cost loans. 55.3%, or one out of two, home refinance loans made to whites were high-cost loans.

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<sup>1</sup> Includes conventional 1<sup>st</sup> 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                                    | 60                | 44                | 73.3%       | 1.3                |
| Latino  | 14                | 5                 | 35.7%       | 0.6                |
| White   | 1067              | 590               | 55.3%       |                    |
| ALL <sup>2</sup>                                    | 1238              | 689               | 55.7%       |                    |

**African-American minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.3 times more likely to receive a high-cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>3</sup>** In 2006, upper-income African-American homeowners were 1.3 times more likely than upper-income white homeowners to receive a high-cost refinance loan.

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

Moderate-income African-Americans were 1.3 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.2 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.7 times more likely to receive a high-cost loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans<br>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  | 58.0% | 100.0% | 69.2%            | 1.7                         | 1.2              |
| Moderate Income   | 60.1% | 40.0%  | 78.9%            | 0.7                         | 1.3              |
| Middle Income   | 60.4% | 33.3%  | 88.2%            | 0.6                         | 1.5              |
| Upper Income  | 48.3% | 20.0%  | 62.5%            | 0.4                         | 1.3              |

Middle-income African-Americans were more likely to receive a high-cost loan than low-income whites.

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

<sup>3</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$67,711 for the Evansville IN metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$28,450; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$28,450 and \$45,520; middle-income borrowers have incomes 80-119% of median income, or between \$45,520 and \$67,711.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 6.4% of the high-cost refinance loans but only 2.9% of the prime refinance loans. In contrast, whites received 86.9% of all prime loans originated which is greater than their 85.6% share of all high-cost loans originated. African-Americans represent 5.6% of the population in the metropolitan area while Latinos represent 0.9% of the population<sup>4</sup>.

| <b>Race/Ethnicity</b> | <b>Share of Population</b> | <b>Share of Prime Loans</b> | <b>Share of High-cost Loans</b> |
|-----------------------|----------------------------|-----------------------------|---------------------------------|
| African-American      | 5.6%                       | 2.9%                        | 6.4%                            |
| Latino                | 0.9%                       | 1.6%                        | 0.7%                            |
| White                 | 91.8%                      | 86.9%                       | 85.6%                           |

**Lower-, Moderate- and Middle-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 59.3%, or almost three out of five, refinance loans made to low-income homeowners were high-cost loans, as were 61.1%, or more than three out of every five, refinances made to moderate-income homeowners and 60.5% of loans to middle-income homeowners. In contrast, only 48.6%, or less than one out of every two, refinances to upper-income homeowners were high-cost loans.

|                 | <b># Refinance Loans</b> | <b># High-Cost Loans</b> | <b>% High-cost</b> |
|-----------------|--------------------------|--------------------------|--------------------|
| Low-Income      | 177                      | 105                      | 59.3%              |
| Moderate-Income | 311                      | 190                      | 61.1%              |
| Middle-Income   | 357                      | 216                      | 60.5%              |
| Upper-Income    | 350                      | 170                      | 48.6%              |

In comparative terms, low-income homeowners were 1.2 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.3 times more likely to receive a high-cost loan.

<sup>4</sup> 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 Loans<sup>5</sup>

### 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 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, 52.2%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 27.3%, or more than one out of four, home purchase loans received by the small Latino population were high-cost loans. 36.2%, or about one out of three, 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  | 69                    | 36                | 52.2%,      | 1.4                |
| Latino  | 22                    | 6                 | 27.3%       | 0.8                |
| White   | 1299                  | 470               | 36.2%,      |                    |
| ALL   | 1473                  | 549               | 37.3%       |                    |

**African-American homebuyers were much more likely than white homebuyers to receive to receive a high-cost loan.** African-American homebuyers were 1.4 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.** Low-income, middle-income and moderate-income African-Americans received a higher proportion of high-cost loans than did white borrowers in the same income range.

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

| <b>High-cost Loans as a Percentage of All Home Purchase Loans<br/>by Borrower Race and Ethnicity Among Income Levels 2006</b> |       |        |                      |                             |                      |
|---|-------|--------|----------------------|-----------------------------|----------------------|
|   | White | Latino | African-<br>American | Disparity Compared to White |                      |
|   |       |        |                      | Latino                      | African-<br>American |
| Low Income  | 50.5% | 0.0%   | 63.2%                | 0.0                         | 1.3                  |
| Moderate Income   | 43.8% | 0.0%   | 80.0%                | 0.0                         | 1.8                  |
| Middle Income   | 32.8% | 0.0%   | 42.9%                | 0.0                         | 1.3                  |
| Upper Income  | 30.3% | 0.0%   | 20.0%                | 0.0                         | 0.7                  |

Middle-income African-Americans were 1.3 times more likely than middle-income whites to be issued a high-cost home purchase loan.

Moderate-income African-Americans were 1.8 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.3 times more likely to be issued a high-cost home purchase loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans were issued 6.6% of all high-cost home purchase loans but only 3.6% of the prime home purchase loans. In contrast, whites received 89.7% of the prime loans originated which is greater than their 85.6% share of the high-cost loans originated. African-Americans represent 5.6% of the population in the metropolitan area while Latinos represent 0.9% of the population.

| <b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b> |                     |                      |                          |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American   | 5.6%                | 3.6%                 | 6.6%                     |
| Latino   | 0.9%                | 1.7%                 | 1.1%                     |
| White  | 91.8%               | 89.7%                | 85.6%                    |

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 51.9% of the loans received by low-income homebuyers were high-cost loans, or about one out of two loans. 47% of the loans received by moderate-income homebuyers, and 33.1% loans to middle-income homeowners were high-cost loans. In comparison, only 19.9% of loans made to upper-income homebuyers were high-cost loans.

| <b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b> |                 |           |             |
|--|-----------------|-----------|-------------|
|  | High-cost Loans | All Loans | % High-cost |
| Low Income   | 124             | 239       | 51.9%       |
| Moderate Income  | 200             | 430       | 47%         |
| Middle Income  | 118             | 356       | 33.1%       |
| Upper Income   | 82              | 412       | 19.9%       |

In comparative terms, low-income homebuyers were 2.6 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 2.3 times more likely to receive a high-cost loan than upper-income homebuyers.

### **Methodology**

The data for the Evansville IN metropolitan area includes Gibson, Posey, Vanderburgh, Warrick Counties in IN and Henderson, Webster Counties in KY 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](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas as well as recommendations.



## Fort Wayne 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, almost one in three loans, or 31.9%, 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. Two out of five home purchase loans in the metropolitan area, or 40.5%, 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 Fort Wayne 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 Loans<sup>6</sup>

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**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, 47.9% or almost one out of two, home refinance loans made to African-Americans were high-cost loans and, 35.6%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 23.8%, or less than one out of four, home refinance loans made to whites were high-cost loans.

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<sup>6</sup> Includes conventional 1<sup>st</sup> 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                                    | 6624              | 3175              | 47.9%       | 2.0                |
| Latino  | 6864              | 2445              | 35.6%       | 1.5                |
| White   | 13703             | 3256              | 23.8%       |                    |
| ALL <sup>7</sup>                                    | 31498             | 10037             | 31.9%       |                    |

**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 1.5 times more likely to receive a high-cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>8</sup>** 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. Upper-income Latinos were 1.6 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, while middle-income Latinos were 1.4 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.8 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.4 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<br>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  | 27.0% | 28.7%  | 39.2%            | 1.1                         | 1.5              |
| Moderate Income   | 27.1% | 36.9%  | 49.9%            | 1.4                         | 1.8              |
| Middle Income   | 27.4% | 39.0%  | 52.2%            | 1.4                         | 1.9              |
| Upper Income  | 22.7% | 36.3%  | 48.0%            | 1.6                         | 2.1              |

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

<sup>8</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$72,947 for the Fort Wayne metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$30,650; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$30,650 and \$49,040; middle-income borrowers have incomes 80-119% of median income, or between \$49,040 and \$72,947.

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. Upper-income and middle-income Latinos were more likely to receive a high-cost refinance loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 31.6% of the high-cost refinance loans but only 16.1% of the prime refinance loans. Latinos received 24.4% of the high-cost loans originated but a smaller 20.6% of the prime loans originated. In contrast, whites received 48.7% of all prime loans originated, which is greater than their 32.4% share of all high-cost loans originated. African-Americans represent 9.5% of the population in the metropolitan area while Latinos represent 3.7% of the population<sup>9</sup>.

| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 9.5%                | 16.1%                | 31.6%                    |
| Latino           | 3.7%                | 20.6%                | 24.4%                    |
| White            | 83.7%               | 48.7%                | 32.4%                    |

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 30.0%, or almost one out of three, refinance loans made to low-income homeowners were high-cost loans, as were 37.0%, or almost two out of every five, refinances made to moderate-income homeowners and 37.5% or one of three loans to middle-income homeowners. In contrast, only 30.1%, or almost one out of every three, refinances to upper-income homeowners were high-cost loans.

|                 | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income      | 1058              | 317               | 30.0%       |
| Moderate-Income | 4199              | 1553              | 37.0%       |
| Middle-Income   | 7609              | 2852              | 37.5%       |
| Upper-Income    | 16692             | 5022              | 30.1%       |

In comparative terms, moderate-income homeowners were 1.2 times more likely to receive a high-cost loan.

<sup>9</sup> 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 Loans<sup>10</sup>

### 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, 62.4%, or three out of five, home purchase loans received by African-Americans were high-cost loans and 49.0%, or one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 25.0%, or 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  | 4558                  | 2842              | 62.4%       | 2.5                |
| Latino  | 8571                  | 4201              | 49.0%       | 2                  |
| White   | 9045                  | 2263              | 25.0%       |                    |
| ALL   | 24714                 | 10005             | 40.5%       |                    |

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.5 times as likely to receive a high-cost home purchase loan as whites while Latinos were 2.0 times as likely to receive a high-cost loan as whites.

**The racial disparity persists even among borrowers of the same income level.** High-cost loans were issued to 67.5% of the home purchase loans received by upper-income African-Americans and 56.0% of the home purchase loans received by upper-income Latinos, compared to only 35.5% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 1.9 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 1.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>10</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders or government-backed loans.



| <b>High-cost Loans as a Percentage of All Home Purchase Loans<br/>by Borrower Race and Ethnicity Among Income Levels 2006</b> |              |               |                              |                                    |                      |
|---|--------------|---------------|------------------------------|------------------------------------|----------------------|
|   | <b>White</b> | <b>Latino</b> | <b>African-<br/>American</b> | <b>Disparity Compared to White</b> |                      |
|   |              |               |                              | Latino                             | African-<br>American |
| Low Income  | 12.2%        | 18.2%         | 35.3%                        | 1.5                                | 2.9                  |
| Moderate Income   | 21.2%        | 42.1%         | 52.0%                        | 2.0                                | 2.5                  |
| Middle Income   | 32.1%        | 54.2%         | 65.0%                        | 1.7                                | 2.0                  |
| Upper Income  | 35.5%        | 56.0%         | 67.5%                        | 1.6                                | 1.9                  |

Middle-income African-Americans were 2.0 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 1.7 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 2.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 2.0 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.9 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 1.5 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 and middle-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 28.4% of all high-cost home purchase loans but only 11.7% of the prime home purchase loans. Latinos were issued 42.0% of all high-cost loans originated and 29.7% of the prime loans originated. In contrast, whites received 46.1% of the prime loans originated, which is greater than their 22.6% share of the high-cost loans originated. African-Americans represent 9.5% of the population in the metropolitan area while Latinos represent 3.7% of the population.

| <b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b> |                     |                      |                          |
|--|---------------------|----------------------|--------------------------|
| <b>Race/Ethnicity</b>  | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American   | 9.5%                | 11.7%                | 28.4%                    |
| Latino   | 3.7%                | 29.7%                | 42.0%                    |
| White  | 83.7%               | 46.1%                | 22.6%                    |

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 21.0% of the loans received by low-income homebuyers were high-

cost loans, or more than one out of five loans. 37% of the loans received by moderate-income homebuyers, and 48.2% loans to middle-income homeowners were high-cost loans. In comparison, only 39.0% of loans made to upper-income homebuyers were high-cost loans.

| <b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b> |                 |           |             |
|--|-----------------|-----------|-------------|
|  | High-cost Loans | All Loans | % High-cost |
| Low Income   | 64              | 305       | 21.0%       |
| Moderate Income  | 630             | 1727      | 37%         |
| Middle Income  | 2487            | 5156      | 48.2%       |
| Upper Income   | 6436            | 16493     | 39.0%       |

### **Methodology**

The data for the Fort Wayne metropolitan area includes Allen, Wells, Whitley 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](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas and recommendations.



## Gary 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, one in two loans, or 49.5%, was a high-cost loan. When buying a home, borrowers of all races have an extremely high incidence of receiving a high-cost home purchase loan. Nearly one in two home purchase loans in the metropolitan area, or 46.6%, 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 Gary 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 Loans<sup>11</sup>

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**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, 75.0% or three out of every four, home refinance loans made to African-Americans were high-cost loans and, 56.1%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 43.2%, or less than one out of two, home refinance loans made to whites were high-cost loans.

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<sup>11</sup> Includes conventional 1<sup>st</sup> 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                                    | 776               | 582               | 75.0%       | 1.7                |
| Latino  | 424               | 238               | 56.1%       | 1.3                |
| White   | 3182              | 1375              | 43.2%       |                    |
| ALL <sup>12</sup>                                   | 4922              | 2434              | 49.5%       |                    |

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.7 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.3 times more likely to receive a high-cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>13</sup>** In 2006, upper-income African-American homeowners were 2.0 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.2 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.6 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 1.2 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.3 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.6 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<br>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  | 50.4% | 68.0%  | 82.9%            | 1.3                         | 1.6              |
| Moderate Income   | 50.3% | 63.1%  | 73.7%            | 1.3                         | 1.5              |
| Middle Income   | 46.2% | 55.1%  | 73.2%            | 1.2                         | 1.6              |
| Upper Income  | 38.0% | 47.1%  | 75.7%            | 1.2                         | 2.0              |

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

<sup>13</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$72,947 for the Gary metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$30,650; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$30,650 and \$49,040; middle-income borrowers have incomes 80-119% of median income, or between \$49,040 and \$72,947.

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.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 23.9% of the high-cost refinance loans but only 7.8% of the prime refinance loans. Latinos received 9.8% of the high-cost loans originated but a smaller 7.5% of the prime loans originated. In contrast, whites received 72.6% of all prime loans originated, which is greater than their 56.5% share of all high-cost loans originated. African-Americans represent 18.2% of the population in the metropolitan area while Latinos represent 9.9% of the population<sup>14</sup>.

| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 18.2%               | 7.8%                 | 23.9%                    |
| Latino           | 9.9%                | 7.5%                 | 9.8%                     |
| White            | 69.8%               | 72.6%                | 56.5%                    |

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 63.8%, or nearly two out of three, refinance loans made to low-income homeowners were high-cost loans, as were 56.9%, or three out of five, refinances made to moderate-income homeowners and 50.6% or one of two loans to middle-income homeowners. In contrast, only 42.4%, or less than one out of every two, refinances to upper-income homeowners were high-cost loans.

|                 | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income      | 456               | 291               | 63.8%       |
| Moderate-Income | 1100              | 626               | 56.9%       |
| Middle-Income   | 1431              | 724               | 50.6%       |
| Upper-Income    | 1721              | 730               | 42.4%       |

In comparative terms, low-income homeowners were 1.5 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.3 times more likely to receive a high-cost loan.

<sup>14</sup> 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 Loans<sup>15</sup>

### 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, 82.1%, or four out of every five, home purchase loans received by African-Americans were high-cost loans and 54.7%, or more than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 35.1%, or one out of three, 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  | 1039                  | 853               | 82.1%       | 2.3                |
| Latino  | 609                   | 333               | 54.7%       | 1.6                |
| White   | 3177                  | 1115              | 35.1%       |                    |
| ALL   | 5312                  | 2475              | 46.6%       |                    |

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.3 times as likely to receive a high-cost home purchase loan as whites, while Latinos were 1.6 times as likely to receive a high-cost loan.

**The racial disparity persists even among borrowers of the same income level.** High-cost loans were issued to 76.9% of the home purchase loans received by upper-income African-Americans and 54.5% of the home purchase loans received by upper-income Latinos, compared to only 34.0% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.3 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 1.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>15</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders or government-backed loans.

| <b>High-cost Loans as a Percentage of All Home Purchase Loans<br/>By Borrower Race and Ethnicity Among Income Levels 2006</b> |       |        |                  |                             |                  |
|---|-------|--------|------------------|-----------------------------|------------------|
|   | White | Latino | African-American | Disparity Compared to White |                  |
|   |       |        |                  | Latino                      | African-American |
| Low Income  | 51.3% | 63.5%  | 91.3%            | 1.2                         | 1.8              |
| Moderate Income   | 45.5% | 55.8%  | 85.6%            | 1.2                         | 1.9              |
| Middle Income   | 34.7% | 58.0%  | 81.2%            | 1.7                         | 2.3              |
| Upper Income  | 34.0% | 54.5%  | 76.9%            | 1.6                         | 2.3              |

Middle-income African-Americans were 2.3 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 1.7 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 1.9 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.2 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.8 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 1.2 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 34.5% of all high-cost home purchase loans but only 6.6% of the prime home purchase loans. Latinos were issued 13.5% of all high-cost loans originated and 9.7% of the prime loans originated. In contrast, whites received 72.7% of the prime loans originated, which is greater than their 45.1% share of the high-cost loans originated. African-Americans represent 18.2% of the population in the metropolitan area while Latinos represent 9.9% of the population.

| <b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b> |                     |                      |                          |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American   | 18.2%               | 6.6%                 | 34.5%                    |
| Latino   | 9.9%                | 9.7%                 | 13.5%                    |
| White  | 69.8%               | 72.7%                | 45.1%                    |

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 62.4% of the loans received by low-income homebuyers were high-cost loans, or about three out of every five loans. 57% of the loans received by moderate-income

homebuyers, and 46.8% loans to middle-income homeowners were high-cost loans. In comparison, only 34.6% of loans made to upper-income homebuyers were high-cost loans.

| <b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b> |                 |           |             |
|--|-----------------|-----------|-------------|
|  | High-cost Loans | All Loans | % High-cost |
| Low Income   | 287             | 460       | 62.4%       |
| Moderate Income  | 779             | 1359      | 57%         |
| Middle Income  | 695             | 1486      | 46.8%       |
| Upper Income   | 643             | 1858      | 34.6%       |

In comparative terms, low-income homebuyers were 1.8 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.7 times more likely to receive a high-cost loan than upper-income homebuyers.

**Methodology**

The data for the Gary metropolitan area includes Jasper, Lake, Newton, Porter 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](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas and recommendations.



## Indianapolis 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, almost two out of five loans, or 38.8%, 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 36.1%, 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 Indianapolis 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 Loans<sup>16</sup>

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**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, 59.7% or nearly three out of five, home refinance loans made to African-Americans were high-cost loans and, 45.7%, or almost one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 35.9%, less than two out of five, home refinance loans made to whites were high-cost loans.

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<sup>16</sup> Includes conventional 1<sup>st</sup> 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                                    | 1398              | 835               | 59.7%       | 1.7                |
| Latino  | 221               | 101               | 45.7%       | 1.3                |
| White   | 9792              | 3518              | 35.9%       |                    |
| ALL <sup>17</sup>                                   | 12601             | 4889              | 38.8%       |                    |

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.7 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.3 times more likely to receive a high-cost loan than whites.

**Racial disparities persisted even among homeowners of the same income level.<sup>18</sup>** 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.

Middle-income African-Americans were 1.6 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 1.4 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.3 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 1.3 times more likely to receive a high-cost loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans<br>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  | 44.4% | 56.1%  | 68.1%            | 1.3                         | 1.5              |
| Moderate Income   | 43.4% | 55.4%  | 65.8%            | 1.3                         | 1.5              |
| Middle Income   | 39.3% | 53.2%  | 64.0%            | 1.4                         | 1.6              |
| Upper Income  | 29.8% | 32.8%  | 54.1%            | 1.1                         | 1.8              |

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

<sup>18</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$77,469 for the Indianapolis metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$32,550; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$32,550 and \$52,080; middle-income borrowers have incomes 80-119% of median income, or between \$52,080 and \$77,469.

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.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 17.1% of the high-cost refinance loans but only 7.3% of the prime refinance loans. Latinos received 2.1% of the high-cost loans originated but a smaller 1.6% of the prime loans originated. In contrast, whites received 81.4% of all prime loans originated, which is greater than their 72.0% share of all high-cost loans originated. African-Americans represent 14.0% of the population in the metropolitan area while Latinos represent 2.7% of the population<sup>19</sup>.

| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 14.0%               | 7.3%                 | 17.1%                    |
| Latino           | 2.7%                | 1.6%                 | 2.1%                     |
| White            | 80.6%               | 81.4%                | 72.0%                    |

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 49.9%, or one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 46.8%, or almost one out of every two, refinances made to moderate-income homeowners and 41.9% or more than two out of five loans to middle-income homeowners. In contrast, only 31.6%, or less than one out of every three, refinances to upper-income homeowners were high-cost loans.

|                 | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income      | 1315              | 656               | 49.9%       |
| Moderate-Income | 2787              | 1303              | 46.8%       |
| Middle-Income   | 3302              | 1383              | 41.9%       |
| Upper-Income    | 4437              | 1402              | 31.6%       |

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 1.5 times more likely to receive a high-cost loan.

<sup>19</sup> 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 Loans<sup>20</sup>

### 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, 66.9%, or two out of three, home purchase loans received by African-Americans were high-cost loans and 55.0%, or more than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 30.4%, or less than one out of three, 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  | 2042                  | 1367              | 66.9%       | 2.2                |
| Latino  | 600                   | 330               | 55.0%       | 1.8                |
| White   | 10940                 | 3323              | 30.4%       |                    |
| ALL   | 15032                 | 5420              | 36.1%       |                    |

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.2 times as likely to receive a high-cost home purchase loan as whites while Latinos were 1.8 times as likely to receive a high-cost loan.

**The racial disparity persists even among borrowers of the same income level.** High-cost loans were issued to 65.7% of the home purchase loans received by upper-income African-Americans and 35.3% of the home purchase loans received by upper-income Latinos, compared to only 28.1% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.3 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 1.3 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>20</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders or government-backed loans.

| <b>High-cost Loans as a Percentage of All Home Purchase Loans<br/>By Borrower Race and Ethnicity Among Income Levels 2006</b> |              |               |                              |                                    |                      |
|---|--------------|---------------|------------------------------|------------------------------------|----------------------|
|   | <b>White</b> | <b>Latino</b> | <b>African-<br/>American</b> | <b>Disparity Compared to White</b> |                      |
|   |              |               |                              | Latino                             | African-<br>American |
| Low Income  | 38.5%        | 66.5%         | 70.9%                        | 1.7                                | 1.8                  |
| Moderate Income   | 34.3%        | 61.5%         | 69.2%                        | 1.8                                | 2.0                  |
| Middle Income   | 30.0%        | 48.6%         | 66.2%                        | 1.6                                | 2.2                  |
| Upper Income  | 28.1%        | 35.3%         | 65.7%                        | 1.3                                | 2.3                  |

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

Moderate-income African-Americans were 2.0 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.8 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.8 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 1.7 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. Middle-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 25.2% of all high-cost home purchase loans but only 7.0% of the prime home purchase loans. Latinos were issued 6.1% of all high-cost loans originated and 2.8% of the prime loans originated. In contrast, whites received 79.2% of the prime loans originated, which is greater than their 61.3% share of the high-cost loans originated. African-Americans represent 14.0% of the population in the metropolitan area while Latinos represent 2.7% of the population.

| <b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b> |                     |                      |                          |
|--|---------------------|----------------------|--------------------------|
| <b>Race/Ethnicity</b>  | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American   | 14.0%               | 7.0%                 | 25.2%                    |
| Latino   | 2.7%                | 2.8%                 | 6.1%                     |
| White  | 80.6%               | 79.2%                | 61.3%                    |

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 48.1% of the loans received by low-income homebuyers were high-

cost loans, or about one out of two loans. 41% of the loans received by moderate-income homebuyers, and 34.8% loans to middle-income homeowners were high-cost loans. In comparison, only 26.4% of loans made to upper-income homebuyers were high-cost loans.

| <b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b> |                 |           |             |
|--|-----------------|-----------|-------------|
|  | High-cost Loans | All Loans | % High-cost |
| Low Income   | 884             | 1836      | 48.1%       |
| Moderate Income  | 1627            | 3928      | 41%         |
| Middle Income  | 1267            | 3641      | 34.8%       |
| Upper Income   | 1334            | 5062      | 26.4%       |

In comparative terms, low-income homebuyers were 1.8 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 Indianapolis metropolitan area includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Putnam, Shelby 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](http://www.acorn.org)) for the complete list of lenders, analysis of national data comparisons of different metropolitan areas and recommendations.



## South Bend-Mishawaka 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, nearly one in two loans, or 46.1%, was a high-cost loan. When buying a home, borrowers of all races have an extremely high incidence of receiving a high-cost home purchase loan. Almost one in two home purchase loans in the metropolitan area, or 44.6%, 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 South Bend-Mishawaka 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 Loans<sup>21</sup>

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**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, 73.0% or almost three out of every four, home refinance loans made to African-Americans were high-cost loans and, 78.9%, or almost four out of five, home refinance loans made to Latinos were high-cost loans. In contrast, only 43.1%, or slightly more than two out of every five, home refinance loans made to whites were high-cost loans.

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<sup>21</sup> Includes conventional 1<sup>st</sup> 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                                    | 137               | 100               | 73.0%       | 1.7                |
| Latino  | 71                | 56                | 78.9%       | 1.8                |
| White   | 1631              | 703               | 43.1%       |                    |
| ALL <sup>22</sup>                                   | 2027              | 934               | 46.1%       |                    |

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.7 times more likely to receive a high-cost loan than whites. Latino homeowners 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.<sup>23</sup>** In 2006, upper-income African-American homeowners were 1.4 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 2.0 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, while middle-income Latinos were 1.7 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos 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 1.6 times more likely to receive a high-cost loan than low-income whites.

| High-cost Loans as a Percentage of Refinance Loans<br>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  | 52.0% | 82.4%  | 96.6%            | 1.6                         | 1.9              |
| Moderate Income   | 49.9% | 83.3%  | 73.7%            | 1.7                         | 1.5              |
| Middle Income   | 42.0% | 70.0%  | 76.5%            | 1.7                         | 1.8              |
| Upper Income  | 38.0% | 76.9%  | 53.1%            | 2.0                         | 1.4              |

<sup>22</sup> The category ALL loans includes borrowers from other racial/ethnic groups as well as borrowers who did not self-declare their race.

<sup>23</sup> Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$68,663 for the South Bend-Mishawaka metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$28,850; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$28,850 and \$46,160; middle-income borrowers have incomes 80-119% of median income, or between \$46,160 and \$68,663.

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. Upper-income and middle-income Latinos were more likely to receive a high-cost refinance loan than low-income whites.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 10.7% of the high-cost refinance loans but only 3.4% of the prime refinance loans. Latinos received 6.0% of the high-cost loans originated but a smaller 1.4% of the prime loans originated. In contrast, whites received 84.9% of all prime loans originated, which is greater than their 75.3% share of all high-cost loans originated. African-Americans represent 10.5% of the population in the metropolitan area while Latinos represent 4.4% of the population<sup>24</sup>.

| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
|------------------|---------------------|----------------------|--------------------------|
| African-American | 10.5%               | 3.4%                 | 10.7%                    |
| Latino           | 4.4%                | 1.4%                 | 6.0%                     |
| White            | 81.8%               | 84.9%                | 75.3%                    |

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 58.6%, or nearly three out of every five, refinance loans made to low-income homeowners were high-cost loans, as were 53.2%, or more than one out of two, refinances made to moderate-income homeowners and 44.4% or more than two out of five loans to middle-income homeowners. In contrast, only 39.4%, or less than two out of five, refinances to upper-income homeowners were high-cost loans.

|                 | # Refinance Loans | # High-Cost Loans | % High-cost |
|-----------------|-------------------|-------------------|-------------|
| Low-Income      | 244               | 143               | 58.6%       |
| Moderate-Income | 541               | 288               | 53.2%       |
| Middle-Income   | 536               | 238               | 44.4%       |
| Upper-Income    | 620               | 244               | 39.4%       |

In comparative terms, low-income homeowners were 1.5 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.4 times more likely to receive a high-cost loan.

<sup>24</sup> 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 Loans<sup>25</sup>

### 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, 81.4%, or almost five out of six, home purchase loans received by African-Americans were high-cost loans and 44.4%, or almost one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 41.5%, or two 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  | 231                   | 188               | 81.4%       | 2.0                |
| Latino  | 108                   | 48                | 44.4%       | 1.1                |
| White   | 2224                  | 924               | 41.5%       |                    |
| ALL   | 2725                  | 1216              | 44.6%       |                    |

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.0 times as likely to receive a high-cost home purchase loan as whites.

**The racial disparity persists even among borrowers of the same income level.** High-cost loans were issued to 80.6% of the home purchase loans received by upper-income African-Americans and 36.4% of the home purchase loans received by upper-income Latinos, compared to only 35.7% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.3 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<sup>25</sup> Includes 1<sup>st</sup> lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders nor government-backed loans.

| <b>High-cost Loans as a Percentage of All Home Purchase Loans<br/>by Borrower Race and Ethnicity Among Income Levels 2006</b> |       |        |                      |                             |                      |
|---|-------|--------|----------------------|-----------------------------|----------------------|
|   | White | Latino | African-<br>American | Disparity Compared to White |                      |
|   |       |        |                      | Latino                      | African-<br>American |
| Low Income  | 49.8% | 25.0%  | 78.4%                | 0.5                         | 1.6                  |
| Moderate Income   | 44.9% | 61.5%  | 87.7%                | 1.4                         | 2.0                  |
| Middle Income   | 39.1% | 53.8%  | 84.1%                | 1.4                         | 2.2                  |
| Upper Income  | 35.7% | 36.4%  | 80.6%                | 1.0                         | 2.3                  |

Middle-income African-Americans were 2.2 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 1.4 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 2.0 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.4 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.6 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 0.5 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 15.5% of all high-cost home purchase loans but only 2.8% of the prime home purchase loans. Latinos were issued 3.9% of all high-cost loans originated and 4.0% of the prime loans originated. In contrast, whites received 86.1% of the prime loans originated, which is greater than their 76.0% share of the high-cost loans originated. African-Americans represent 10.5% of the population in the metropolitan area while Latinos represent 4.4% of the population.

| <b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b> |                     |                      |                          |
|--|---------------------|----------------------|--------------------------|
| Race/Ethnicity   | Share of Population | Share of Prime Loans | Share of High-cost Loans |
| African-American   | 10.5%               | 2.8%                 | 15.5%                    |
| Latino   | 4.4%                | 4.0%                 | 3.9%                     |
| White  | 81.8%               | 86.1%                | 76.0%                    |

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 52.6% of the loans received by low-income homebuyers were high-cost loans, or more than one out of two loans. 50% of the loans received by moderate-income

homebuyers, and 43.8% loans to middle-income homeowners were high-cost loans. In comparison, only 34.6% of loans made to upper-income homebuyers were high-cost loans.

| <b>High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006</b> |                 |           |             |
|--|-----------------|-----------|-------------|
|  | High-cost Loans | All Loans | % High-cost |
| Low Income   | 170             | 323       | 52.6%       |
| Moderate Income  | 376             | 749       | 50%         |
| Middle Income  | 305             | 696       | 43.8%       |
| Upper Income   | 292             | 844       | 34.6%       |

In comparative terms, low-income homebuyers were 1.5 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 South Bend-Mishawaka metropolitan area includes St. Josephs County IN and Cass County MI 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.

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