



Lexington-Fayette 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 31.5%, 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. One in six home purchase loans in the metropolitan area, or 15.8%, 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 Lexington-Fayette 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. 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, 54.9% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 42.9%, or about two out of five, home refinance loans made to Latinos were high-cost loans. In contrast, only 30.1%, or less than 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	253	139	54.9%	1.8
Latino	35	15	42.9%	1.4
White	2427	730	30.1%	
ALL ²	3081	972	31.5%	

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 1.4 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.

Middle-income African-Americans were 1.4 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 1.9 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.3 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.4 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	45.1%	62.5%	58.1%	1.4	1.3
Moderate Income	36.0%	33.3%	68.9%	0.9	1.9
Middle Income	35.8%	62.5%	51.9%	1.7	1.4
Upper Income	22.6%	25.0%	51.4%	1.1	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 \$73,542 for the Lexington-Fayette metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$30,900; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$30,900 and \$49,440; middle-income borrowers have incomes 80-119% of median income, or between \$49,440 and \$73,542.

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. 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 14.3% of the high-cost refinance loans but only 5.4% of the prime refinance loans. Latinos received 1.5% of the high-cost loans originated but a smaller 0.9% of the prime loans originated. In contrast, whites received 80.5% of all prime loans originated which is greater than their 75.1% share of all high-cost loans originated. African-Americans represent 10.3% of the population in the metropolitan area while Latinos represent 2.7% of the population⁴.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	10.3%	5.4%	14.3%
Latino	2.7%	0.9%	1.5%
White	83.8%	80.5%	75.1%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 44.9%, or close to one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 38.5%, or more than one out of every three, refinances made to moderate-income homeowners and 37.0% or more than one of three loans to middle-income homeowners. In contrast, only 23.6%, or less than one out of every four, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	247	111	44.9%
Moderate-Income	650	250	38.5%
Middle-Income	802	297	37.0%
Upper-Income	1239	292	23.6%

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 1.6 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 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, 36.8%, or more than one out of three, home purchase loans received by African-Americans were high-cost loans and 24.4%, or about one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 14.6%, or one out of seven, 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	193	71	36.8%,	2.5
Latino	86	21	24.4%	1.7
White	2724	399	14.6%,	
ALL	3476	549	15.8%	

Minority homebuyers were much more likely than white homebuyers to receive to receive a high-cost loan. African-American homebuyers were 2.5 times as likely to receive a high-cost home purchase loan than whites while Latinos were 1.7 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 27.8% of the home purchase loans received by upper-income African-Americans compared to only 13.7% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.0 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	24.5%	55.6%	39.1%	2.3	1.6
Moderate Income	19.5%	27.3%	44.4%	1.4	2.3
Middle Income	16.7%	11.5%	42.9%	0.7	2.6
Upper Income	13.7%	--	27.8%	--	2.0

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

Moderate-income African-Americans were 2.3 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 2.3 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. Middle-income African-American 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 12.9% of all high-cost home purchase loans but only 4.2% of the prime home purchase loans. Latinos were issued 3.8% of all high-cost loans originated and 2.2% of the prime loans originated. In contrast, whites received 79.4% of the prime loans originated which is greater than their 72.7% share of the high-cost loans originated. African-Americans represent 10.3% of the population in the metropolitan area while Latinos represent 2.7% 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	10.3%	4.2%	12.9%
Latino	2.7%	2.2%	3.8%
White	83.8%	79.4%	72.7%

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 25.6% of the loans received by low-income homebuyers were high-cost loans, or about one out of four loans. 21% of the loans received by moderate-income

homebuyers, and 17.8% loans to middle-income homeowners were high-cost loans. In comparison, only 9.3% 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	66	258	25.6%
Moderate Income	169	789	21.4%
Middle Income	167	937	17.8%
Upper Income	129	1390	9.3%

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 2.3 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Lexington-Fayette metropolitan area includes Bourbon, Clark, Fayette, Jessamine, Scott, Woodford 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.



Louisville-Jefferson County 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 36.7%, 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 23.2%, 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 Louisville-Jefferson County 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. African-American 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, 61.8% or more than three out of every five, home refinance loans made to African-Americans were high-cost loans and, 32.1%, or nearly one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 34.0%, 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	900	556	61.8%	1.8
Latino	78	25	32.1%	0.9
White	7506	2550	34.0%	
ALL ⁷	9561	3507	36.7%	

African-American 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 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 1.5 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.

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	42.8%	25.0%	70.3%	0.6	1.6
Moderate Income	40.8%	42.9%	61.6%	1.1	1.5
Middle Income	37.4%	33.3%	62.1%	0.9	1.7
Upper Income	27.6%	27.8%	58.8%	1.0	2.1

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 \$70,091 for the Louisville-Jefferson County metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$29,450; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$29,450 and \$47,120; middle-income borrowers have incomes 80-119% of median income, or between \$47,120 and \$70,091.

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 15.9% of the high-cost refinance loans but only 5.7% of the prime refinance loans. In contrast, whites received 81.9% of all prime loans originated, which is greater than their 72.7% share of all high-cost loans originated. African-Americans represent 13.7% of the population in the metropolitan area while Latinos represent 1.7% of the population⁹.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	13.7%	5.7%	15.9%
Latino	1.7%	0.9%	0.7%
White	82.3%	81.9%	72.7%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 47.6%, or almost one out of every two, refinance loans made to low-income homeowners were high-cost loans, as were 43.6%, or more than two out of five, refinances made to moderate-income homeowners and 38.8% or more than one of three loans to middle-income homeowners. In contrast, only 29.8%, 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	946	450	47.6%
Moderate-Income	2095	913	43.6%
Middle-Income	2547	988	38.8%
Upper-Income	3521	1051	29.8%

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.

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. 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, 52.5%, or more than one out of every two, home purchase loans received by African-Americans were high-cost loans and 21.6%, or greater than one out of five, home purchase loans received by Latinos were high-cost loans. In contrast, only 19.8%, or one out of five, home purchase loans received by whites were high-cost loans.

Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	773	406	52.5%	2.7
Latino	231	50	21.6%	1.1
White	7185	1420	19.8%	
ALL	9114	2115	23.2%	

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 2.7 times more 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 loans were issued to 41.6% of the home purchase loans received by upper-income African-Americans compared to only 17.5% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans 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 or 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	29.5%	28.6%	63.7%	1.0	2.2
Moderate Income	24.7%	18.8%	56.9%	0.8	2.3
Middle Income	20.4%	25.0%	47.9%	1.2	2.3
Upper Income	17.5%	--	41.6%	--	2.4

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 1.2 times more likely to be issued a high-cost purchase loan than middle-income whites.

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

Low-income African-Americans were 2.2 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.

African-Americans received a greater proportion of high-cost loans than they received of prime loans. African-Americans were issued 19.2% of all high-cost home purchase loans but only 5.2% of the prime home purchase loans. In contrast, whites received 82.4% of the prime loans originated, which is greater than their 67.1% share of the high-cost loans originated. African-Americans represent 13.7% of the population in the metropolitan area while Latinos represent 1.7% 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	13.7%	5.2%	19.2%
Latino	1.7%	2.6%	2.4%
White	82.3%	82.4%	67.1%

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 34.8% of the loans received by low-income homebuyers were high-cost loans, or more than one out of three loans. 29% of the loans received by moderate-income homebuyers, and 23.6% loans to middle-income homeowners were high-cost loans. In comparison, only 15.0% 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	287	824	34.8%
Moderate Income	682	2343	29%
Middle Income	541	2294	23.6%
Upper Income	511	3414	15.0%

In comparative terms, low-income homebuyers were 2.3 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 Louisville-Jefferson County metropolitan area includes Clark, Floyd, Harrison, and Washington Counties in IN and Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble Counties in KY.

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.

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