



Baltimore-Towson 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, one in three loans, or 34.5%, 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 24.9%, 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 Baltimore-Towson 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, 52.0% or one out of two, home refinance loans made to African-Americans were high-cost loans and, 38.7%, or more than one out of every three, home refinance loans made to Latinos were high-cost loans. In contrast, only 26.7%, or one out of four, 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	10803	5620	52.0%	1.9
Latino	911	353	38.7%	1.4
White	21349	5709	26.7%	
ALL ²	40057	13802	34.5%	

Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 1.9 times more likely to receive a high-cost loan than whites. 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 2.1 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.7 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.8 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 1.5 times more likely to receive a high-cost loan than middle-income whites.

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

Low-income African-Americans were 1.7 times more likely to receive a high-cost refinance loan than low-income whites, 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 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	36.9%	57.4%	60.9%	1.6	1.7
Moderate Income	33.3%	38.5%	57.8%	1.2	1.7
Middle Income	28.9%	42.0%	52.1%	1.5	1.8
Upper Income	21.1%	35.3%	43.6%	1.7	2.1

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 \$86,632 for the Baltimore-Towson metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$36,400; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$36,400 and \$58,240; middle-income borrowers have incomes 80-119% of median income, or between \$58,240 and \$86,632.

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.

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

African-Americans received 40.7% of the high-cost refinance loans but only 19.7% of the prime refinance loans. Latinos received 2.6% of the high-cost loans originated and 2.1% of the prime loans originated. In contrast, whites received 59.6% of all prime loans originated, which is greater than their 41.4% share of all high-cost loans originated. African-Americans represent 27.2% of the population in the metropolitan area while Latinos represent 2.0% of the population⁴.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	27.2%	19.7%	40.7%
Latino	2.0%	2.1%	2.6%
White	66.3%	59.6%	41.4%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 49.0%, or one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 42.5%, or more than two out of every five, refinances made to moderate-income homeowners and 35.8% or one of three loans to middle-income homeowners. In contrast, only 26.0%, or one out of every four, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	3871	1898	49.0%
Moderate-Income	9201	3913	42.5%
Middle-Income	10997	3936	35.8%
Upper-Income	14393	3745	26.0%

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 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, 48.1%, or nearly one out of two, home purchase loans received by African-Americans were high-cost loans and 40.1%, or two out of every five, home purchase loans received by Latinos were high-cost loans. In contrast, only 14.2%, 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	5451	2623	48.1%	3.4
Latino	1070	429	40.1%	2.8
White	11819	1675	14.2%	
ALL	22424	5588	24.9%	

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 3.4 times more likely to receive a high-cost home purchase loan as whites while Latinos were 2.8 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 53.2% of the home purchase loans received by upper-income African-Americans and 44.4% of the home purchase loans received by upper-income Latinos, compared to only 14.4% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 3.7 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 3.1 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

⁵ Includes 1st lien conventional home purchase loans made to owner-occupied households and does not include loans made by manufactured lenders 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	17.4%	31.4%	39.4%	1.8	2.3
Moderate Income	14.9%	35.1%	40.3%	2.4	2.7
Middle Income	16.0%	42.4%	49.9%	2.7	3.1
Upper Income	14.4%	44.4%	53.2%	3.1	3.7

Middle-income African-Americans were 3.1 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 2.7 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 2.7 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 2.4 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.3 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 1.8 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 46.9% of all high-cost home purchase loans but only 16.8% of the prime home purchase loans. Latinos were issued 7.7% of all high-cost loans originated and 3.8% of the prime loans originated. In contrast, whites received 60.3% of the prime loans originated, which is greater than their 30.0% share of the high-cost loans originated. African-Americans represent 27.2% of the population in the metropolitan area while Latinos represent 2.0% of the population.

Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	27.2%	16.8%	46.9%
Latino	2.0%	3.8%	7.7%
White	66.3%	60.3%	30.0%

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 29.0% of the loans received by low-income homebuyers were high-

cost loans, or about one out of three loans. 26% of the loans received by moderate-income homebuyers, and 28.0% loans to middle-income homeowners were high-cost loans. In comparison, only 21.5% of loans made to upper-income homebuyers were high-cost loans.

High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006			
	High-cost Loans	All Loans	% High-cost
Low Income	302	1041	29.0%
Moderate Income	1064	4158	26%
Middle Income	1724	6161	28.0%
Upper Income	2227	10342	21.5%

In comparative terms, low-income homebuyers were 1.3 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.2 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Baltimore-Towson metropolitan area includes Anne Arundel, Baltimore, Carroll, Harford, Howard, Queen Annes, Baltimore City 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 and recommendations.



Bethesda-Gaithersburg-Frederick Metropolitan Area

Homeowners of all races in the metropolitan area have a high incidence of receiving a high-cost loan when refinancing. Out of all refinance loans made in the metropolitan area, nearly one of every four loans, or 22.5%, 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 five home purchase loans in the metropolitan area, or 19.2%, 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 Bethesda-Gaithersburg-Frederick area, we examine data for the area concerning refinance loans, including the disparities in the issuance of high-cost loans by race and income, and the data concerning purchase loans including the disparities in the issuance of high-cost loans by race and income.



High-cost Refinance Loans⁶

For refinance loans, our findings show that in 2006:

1. High-cost loans made up a significant proportion of the home refinance loans made to minorities.
2. Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.
3. Racial disparities persisted even among homeowners of the same income level.
4. 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, 38.0% or almost two out of five, home refinance loans made to African-Americans were high-cost loans and, 32.1%, or one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 17.2%, or one out of six, 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	2350	893	38.0%	2.2
Latino	2154	692	32.1%	1.9
White	7199	1236	17.2%	
ALL ⁷	15336	3447	22.5%	

Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 2.2 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.9 times more likely to receive a high cost-loan than whites.

Racial disparities persisted even among homeowners of the same income level.⁸ In 2006, upper-income African-American homeowners were 2.5 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 2.5 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 2.3 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 2.1 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, 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 1.7 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.0 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	21.9%	21.6%	36.4%	1.0	1.7
Moderate Income	21.3%	28.5%	40.3%	1.3	1.9
Middle Income	18.4%	38.3%	42.8%	2.1	2.3
Upper Income	13.1%	33.4%	32.5%	2.5	2.5

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 \$117,096 for the Bethesda-Gaithersburg-Frederick metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$49,200; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$49,200 and \$78,720; middle-income borrowers have incomes 80-119% of median income, or between \$78,720 and \$117,096.

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 25.9% of the high-cost refinance loans but only 12.3% of the prime refinance loans. Latinos received 20.1% of the high-cost loans originated but a smaller 12.3% of the prime loans originated. In contrast, whites received 50.2% of all prime loans originated, which is greater than their 35.9% share of all high-cost loans originated. African-Americans represent 13.5% of the population in the metropolitan area while Latinos represent 9.9% of the population⁹.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	13.5%	12.3%	25.9%
Latino	9.9%	12.3%	20.1%
White	66.4%	50.2%	35.9%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 24.3%, or nearly one out of four, refinance loans made to low-income homeowners were high-cost loans, as were 26.0%, or one out of every four, refinances made to moderate-income homeowners and 25.6% or one of four loans to middle-income homeowners. In contrast, only 17.6%, or one out of every six, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	1305	317	24.3%
Moderate-Income	3689	958	26.0%
Middle-Income	4481	1148	25.6%
Upper-Income	5040	888	17.6%

In comparative terms, low-income homeowners were 1.4 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. Minorities received a greater portion of high-cost loans than they received of prime loans.
5. Moderate- and middle-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, 40.6%, or two out of five, home purchase loans received by African-Americans were high-cost loans and 44.7%, or more than two out of every five, home purchase loans received by Latinos were high-cost loans. In contrast, only 7.5%, or one out of thirteen, 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	1206	490	40.6%	5.4
Latino	1998	894	44.7%	6.0
White	4901	366	7.5%	
ALL	10694	2049	19.2%	

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 5.4 times as likely to receive a high-cost home purchase loan as whites while Latinos were 6 times more likely to receive a high-cost loan than whites.

The racial disparity persists even among borrowers of the same income level. High-cost loans were issued to 52.7% of the home purchase loans received by upper-income African-Americans and 57.4% of the home purchase loans received by upper-income Latinos, compared to only 7.0% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 7.5 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 8.2 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

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

High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	5.5%	9.1%	28.3%	1.7	5.1
Moderate Income	6.8%	37.3%	29.8%	5.5	4.4
Middle Income	8.0%	53.0%	50.6%	6.6	6.3
Upper Income	7.0%	57.4%	52.7%	8.2	7.5

Middle-income African-Americans were 6.3 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 6.6 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 4.4 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 5.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 5.1 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. 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 23.9% of all high-cost home purchase loans but only 8.3% of the prime home purchase loans. Latinos were issued 43.6% of all high-cost loans originated and 12.8% of the prime loans originated. In contrast, whites received 52.5% of the prime loans originated, which is greater than their 17.9% share of the high-cost loans originated. African-Americans represent 13.5% of the population in the metropolitan area while Latinos represent 9.9% 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	13.5%	8.3%	23.9%
Latino	9.9%	12.8%	43.6%
White	66.4%	52.5%	17.9%

Moderate and middle income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 18% of the loans received by moderate-income

homebuyers, and 26.4% loans to middle-income homeowners were high-cost loans. In comparison, only 14.3% 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	45	418	10.8%
Moderate Income	387	2130	18%
Middle Income	917	3473	26.4%
Upper Income	610	4279	14.3%

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

Methodology

The data for the Bethesda-Gaithersburg-Frederick metropolitan area includes Frederick and Montgomery counties.

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

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

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

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

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



Salisbury 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, two out of every five loans, or 40.7%, 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 17.1%, 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 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 Salisbury 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 Loans¹¹

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, 67.0%, or two out of every three, home refinance loans made to African-Americans were high-cost loans and, 55.6%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 34.4%, or one out of three, home refinance loans made to whites were high-cost loans.

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

REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006				
Race/Ethnicity	# Refinance Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	227	152	67.0%	1.9
Latino	18	10	55.6%	1.6
White	844	290	34.4%	
ALL ¹²	1320	537	40.7%	

Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing. In relative terms, African-Americans were 1.9 times more likely to receive a high-cost loan than whites. Latino homeowners were 1.6 times more likely to receive a high cost loan than whites.

Racial disparities persisted even among homeowners of the same income level.¹³ In 2006, upper-income African-American homeowners were 2.4 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 1.5 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 2.5 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.7 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.2 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	43.2%	50.0%	71.9%	1.2	1.7
Moderate Income	40.5%	100.0%	71.4%	2.5	1.8
Middle Income	38.9%	60.0%	60.7%	1.5	1.6
Upper Income	28.2%	33.3%	68.4%	1.2	2.4

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

¹³ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$65,807 for the Salisbury metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$27,650; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$27,650 and \$44,240; middle-income borrowers have incomes 80-119% of median income, or between \$44,240 and \$65,807.

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 28.3% of the high-cost refinance loans but only 9.6% of the prime refinance loans. Latinos received 1.9% of the high-cost loans originated but a smaller 1.0% of the prime loans originated. In contrast, whites received 70.8% of all prime loans originated which is greater than their 54.0% share of all high-cost loans originated. African-Americans represent 27.0% of the population in the metropolitan area while Latinos represent 2.0% of the population¹⁴.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	27.0%	9.6%	28.3%
Latino	2.0%	1.0%	1.9%
White	68.0%	70.8%	54.0%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 57.3%, or more than one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 47.5%, or just under one out of every two, refinances made to moderate-income homeowners and 40.8% or two out of five loans to middle-income homeowners. In contrast, only 35.6%, or one out of every three, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	96	55	57.3%
Moderate-Income	278	132	47.5%
Middle-Income	365	149	40.8%
Upper-Income	533	190	35.6%

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

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



High-cost Home Purchase Loans¹⁵

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

1. High-cost loans made up a significant proportion of the home purchase loans made to minorities.
2. Minority homebuyers were much more likely than white homebuyers to receive 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, 47.3%, or almost one out of two, home purchase loans received by African-Americans were high-cost loans and 26.9%, or one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 13.4%, 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	93	44	47.3%,	3.5
Latino	26	7	26.9%	2
White	659	88	13.4%,	
ALL	939	161	17.1%	

Minority homebuyers were much more likely than white homebuyers to receive to receive a high-cost loan. African-American homebuyers were 3.5 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2 times as likely to receive a high-cost loan.

The racial disparity persists even among borrowers of the same income level. High-cost loan were issued to half of the home purchase loans received by upper-income African-Americans compared to only 8.9% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 5.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

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

High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	23.5%	--	16.7%	--	0.7
Moderate Income	15.2%	20.0%	38.1%	1.3	2.5
Middle Income	12.6%	20.0%	39.1%	1.6	3.1
Upper Income	8.9%	--	50.0%	--	5.6

Middle-income African-Americans were 3.1 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 2.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.3 times more likely to be issued a high-cost home purchase loan than moderate-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 27.3% of all high-cost home purchase loans but only 6.3% of the prime home purchase loans. Latinos were issued 4.3% of all high-cost loans originated and 2.4% of the prime loans originated. In contrast, whites received 73.4% of the prime loans originated which is greater than their 54.7% share of the high-cost loans originated. African-Americans represent 27.0% of the population in the metropolitan area while Latinos represent 2.0% of the population.

Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	27.0%	6.3%	27.3%
Latino	2.0%	2.4%	4.3%
White	68.0%	73.4%	54.7%

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 19.4% of the loans received by low-income homebuyers were high-cost loans, or about one out of five loans. 17% of the loans received by moderate-income homebuyers, were high-cost loans. In comparison, only 15.8% of loans made to upper-income homebuyers were high-cost loans.

High-cost Lender Share of Home Purchase Loans by Borrower Income Level 2006			
	High-cost Loans	All Loans	% High-cost
Low Income	7	36	19.4%
Moderate Income	26	151	17.2%
Middle Income	38	252	15.1%
Upper Income	74	468	15.8%

In comparative terms, low-income homebuyers were 1.2 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home.

Methodology

The data for the Salisbury metropolitan area includes Somerset, Wicomico 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.