



## Boston-Quincy 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, nearly one in three loans, or 32.4%, 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. More than one in four home purchase loans in the metropolitan area, or 27.7%, 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 Boston-Quincy 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.

**High-cost loans made up a significant proportion of the home refinance loans made to minorities.** In 2006, 47.4% or close to one out of two, home refinance loans made to African-Americans were high-cost loans and, 42.9%, or close to one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 29.4%, or nearly one out of three, 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	1927	913	47.4%	1.6
Latino	1069	459	42.9%	1.5
White	11022	3239	29.4%	
ALL <sup>2</sup>	17266	5588	32.4%	

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.6 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>3</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 1.8 times more likely to receive a high-cost loan than upper-income whites.

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 1.2 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.2 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 1.4 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	31.1%	28.0%	43.5%	0.9	1.4
Moderate Income	33.2%	39.0%	41.2%	1.2	1.2
Middle Income	32.8%	40.8%	46.3%	1.2	1.4
Upper Income	27.4%	49.2%	55.2%	1.8	2.0

<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 \$92,463 for the Boston-Quincy metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$38,850; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$38,850 and \$62,160; middle-income borrowers have incomes 80-119% of median income, or between \$62,160 and \$92,463.

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 16.3% of the high-cost refinance loans but only 8.7% of the prime refinance loans. Latinos received 8.2% of the high-cost loans originated but a smaller 5.2% of the prime loans originated. In contrast, whites received 66.6% of all prime loans originated which is greater than their 58.0% share of all high-cost loans originated. African-Americans represent 10.2% of the population in the metropolitan area while Latinos represent 7.2% of the population<sup>4</sup>.

<b>Distribution of High-cost Refinance Loans by Borrower Race and Ethnicity 2006</b>			
<b>Race/Ethnicity</b>	<b>Share of Population</b>	<b>Share of Prime Loans</b>	<b>Share of High-cost Loans</b>
African-American	10.2%	8.7%	16.3%
Latino	7.2%	5.2%	8.2%
White	74.2%	66.6%	58.0%



## **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 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.

**High-cost loans made up a significant proportion of the home purchase loans made to minorities.** In 2006, 62.4%, or over one out of two, home purchase loans received by African-Americans were high-cost loans and 53.9%, or over one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 20.9%, or about one out of five, home purchase loans received by whites were high-cost loans.

<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.

<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.



Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	1186	740	62.4%,	3.0
Latino	740	399	53.9%	2.6
White	6458	1352	20.9%,	
ALL	10408	2888	27.7%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 3.0 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2.6 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 69.4% of the home purchase loans received by upper-income African-Americans and 66.0% of the home purchase loans received by upper-income Latinos, compared to only 26.5% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 2.5 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

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	11.8%	37.5%	58.3%	3.2	4.9
Moderate Income	19.2%	38.1%	47.5%	2.0	2.5
Middle Income	26.1%	60.8%	61.6%	2.3	2.4
Upper Income	26.5%	66.0%	69.4%	2.5	2.6

Middle-income African-Americans were 2.4 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 2.3 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 4.9 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 3.2 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. 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 25.6% of all high-cost home purchase loans but only 5.9% of the prime home purchase loans. Latinos were issued 13.8% of all high-cost loans originated and 4.5% of the prime loans originated. In contrast, whites received 67.9% of the prime loans originated which is greater than their 46.8% share of the high-cost loans originated. African-Americans represent 10.2% of the population in the metropolitan area while Latinos represent 7.2% of the population.

<b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b>			
<b>Race/Ethnicity</b>	<b>Share of Population</b>	<b>Share of Prime Loans</b>	<b>Share of High-cost Loans</b>
African-American	10.2%	5.9%	25.6%
Latino	7.2%	4.5%	13.8%
White	74.2%	67.9%	46.8%

**Methodology**

The data for the Boston-Quincy metropolitan area includes Norfolk, Plymouth, Suffolk 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.



## Cambridge-Newton-Framingham 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, more than one in four loans, or 26.2%, 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 20.0%, 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 Cambridge-Newton-Framingham 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, 42.9% or close to one out of two, home refinance loans made to African-Americans were high-cost loans and, 38.1%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 25.0%, or 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	394	169	42.9%	1.7
Latino	680	259	38.1%	1.5
White	8030	2006	25.0%	
ALL <sup>7</sup>	11179	2930	26.2%	

**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 1.5 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 1.8 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.4 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.7 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 1.6 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.5 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 2.1 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	27.7%	58.1%	42.1%	2.1	1.5
Moderate Income	25.7%	39.3%	41.9%	1.5	1.6
Middle Income	27.4%	40.6%	47.9%	1.5	1.7
Upper Income	23.6%	34.0%	41.4%	1.4	1.8

<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 \$108,171 for the Cambridge-Newton-Framingham metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$45,450; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$45,450 and \$72,720; middle-income borrowers have incomes 80-119% of median income, or between \$72,720 and \$108,171.

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 5.8% of the high-cost refinance loans but only 2.7% of the prime refinance loans. Latinos received 8.8% of the high-cost loans originated but a smaller 5.1% of the prime loans originated. In contrast, whites received 73.0% of all prime loans originated which is greater than their 68.5% share of all high-cost loans originated. African-Americans represent 3.2% of the population in the metropolitan area while Latinos represent 4.5% of the population<sup>9</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	3.2%	2.7%	5.8%
Latino	4.5%	5.1%	8.8%
White	83.6%	73.0%	68.5%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 29.4%, or nearly one out of three, refinance loans made to low-income homeowners were high-cost loans, as were 28.1%, or over one out of every four, refinances made to moderate-income homeowners and 28.9% or over one of four loans to middle-income homeowners. In contrast, only 24.0%, 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	616	181	29.4%
Moderate-Income	2274	639	28.1%
Middle-Income	3551	1028	28.9%
Upper-Income	4065	976	24.0%

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 1.2 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, 56.0%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 56.6%, or more than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 15.8%, or close to one out of six, 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	275	154	56.0%,	3.5
Latino	544	308	56.6%	3.6
White	5333	842	15.8%,	
ALL	7795	1560	20.0%	

**Minority homebuyers were much more likely than white homebuyers 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 3.6 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 69.4% of the home purchase loans received by upper-income African-Americans and 61.3% of the home purchase loans received by upper-income Latinos, compared to only 18.4% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 3.8 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 3.3 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 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	14.0%	44.0%	33.3%	3.1	2.4
Moderate Income	19.7%	52.2%	37.7%	2.6	1.9
Middle Income	17.9%	61.7%	67.0%	3.4	3.7
Upper Income	18.4%	61.3%	69.4%	3.3	3.8

Middle-income African-Americans were 3.7 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 3.4 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 2.6 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.4 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 3.1 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 9.9% of all high-cost home purchase loans but only 1.9% of the prime home purchase loans. Latinos were issued 19.7% of all high-cost loans originated and 3.8% of the prime loans originated. In contrast, whites received 72.0% of the prime loans originated which is greater than their 54.0% share of the high-cost loans originated. African-Americans represent 3.2% of the population in the metropolitan area while Latinos represent 4.5% 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	3.2%	1.9%	9.9%
Latino	4.5%	3.8%	19.7%
White	83.6%	72.0%	54.0%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 19.0% of the loans received by low-income homebuyers were high-cost loans, or about one out of five loans. 23% of the loans received by moderate-income homebuyers, and 25.0% loans to middle-income homeowners were high-cost loans. In comparison, only 15.1% 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	59	310	19.0%
Moderate Income	314	1368	23%
Middle Income	577	2309	25.0%
Upper Income	539	3560	15.1%

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

### **Methodology**

The data for the Cambridge-Newton-Framingham metropolitan area includes Middlesex County.

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.



## Essex County MA 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, nearly one in three loans, or 31.8%, 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. Nearly one in three home purchase loans in the metropolitan area, or 30.0%, 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 Essex County MA 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.

**High-cost loans made up a significant proportion of the home refinance loans made to minorities.** In 2006, 49.0% or nearly one out of two, home refinance loans made to African-Americans were high-cost loans and, 51.3%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 27.9%, or over one out of four, 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	200	98	49.0%	1.8
Latino	1075	551	51.3%	1.8
White	5102	1421	27.9%	
ALL <sup>12</sup>	7397	2353	31.8%	

**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 1.8 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 1.6 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 2.1 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 1.8 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 1.5 times more likely to receive a high-cost refinance loan than moderate-income whites.

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	23.5%	27.5%	25.0%	1.2	1.1
Moderate Income	27.8%	41.4%	41.4%	1.5	1.5
Middle Income	31.5%	56.9%	59.0%	1.8	1.9
Upper Income	26.7%	56.2%	43.4%	2.1	1.6

<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 \$93,058 for the Essex County MA metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$39,100; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$39,100 and \$62,560; middle-income borrowers have incomes 80-119% of median income, or between \$62,560 and \$93,058.

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 4.2% of the high-cost refinance loans but only 2.0% of the prime refinance loans. Latinos received 23.4% of the high-cost loans originated but a smaller 10.4% of the prime loans originated. In contrast, whites received 73.0% of all prime loans originated which is greater than their 60.4% share of all high-cost loans originated. African-Americans represent 2.0% of the population in the metropolitan area while Latinos represent 11.0% of the population<sup>14</sup>.

<b>Distribution of High-cost Refinance Loans by Borrower Race and Ethnicity 2006</b>			
<b>Race/Ethnicity</b>	<b>Share of Population</b>	<b>Share of Prime Loans</b>	<b>Share of High-cost Loans</b>
African-American	2.0%	2.0%	4.2%
Latino	11.0%	10.4%	23.4%
White	83.1%	73.0%	60.4%



**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, 61.1%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 63.0%, or more than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 21.6%, or about one out of five, home purchase loans received by whites were high-cost loans.

<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.

<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 nor government-backed 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	126	77	61.1%,	2.8
Latino	629	396	63.0%	2.9
White	2747	593	21.6%,	
ALL	3981	1195	30.0%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.8 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2.9 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 67.9% of the home purchase loans received by upper-income African-Americans and 68.3% of the home purchase loans received by upper-income Latinos, compared to only 25.7% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 2.7 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

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	21.9%	70.0%	--	3.2	--
Moderate Income	19.4%	56.8%	55.6%	2.9	2.9
Middle Income	25.4%	62.1%	69.1%	2.4	2.7
Upper Income	25.7%	68.3%	67.9%	2.7	2.6

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

Moderate-income African-Americans were 2.9 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 2.9 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income Latinos were 3.2 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. 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 6.4% of all high-cost home purchase loans but only 1.8% of the prime home purchase loans. Latinos were issued 33.1% of all high-cost loans originated and 8.4% of the prime loans originated. In contrast, whites received 77.3% of the prime loans originated which is greater than their 49.6% share of the high-cost loans originated. African-Americans represent 2.0% of the population in the metropolitan area while Latinos represent 11.0% of the population.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	2.0%	1.8%	6.4%
Latino	11.0%	8.4%	33.1%
White	83.1%	77.3%	49.6%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 36.6% of the loans received by low-income homebuyers were high-cost loans, or more than one out of three loans. 30% of the loans received by moderate-income homebuyers, and 35.8% loans to middle-income homeowners were high-cost loans. In comparison, only 26.1% of loans made to upper-income homebuyers were high-cost loans.

	High-cost Loans	All Loans	% High-cost
Low Income	45	123	36.6%
Moderate Income	213	720	30%
Middle Income	448	1250	35.8%
Upper Income	461	1768	26.1%

In comparative terms, low-income homebuyers were 1.4 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 1.1 times more likely to receive a high-cost loan than upper-income homebuyers.

## **Methodology**

The data for the Essex County MA metropolitan area includes Essex County.

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.





## Springfield, MA 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, nearly one in two loans, or 45.0%, was a high-cost loan. When buying a home, borrowers of all races have a very high incidence of receiving a high-cost home purchase loan. More than one in three home purchase loans in the metropolitan area, or 35.2%, 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 Springfield, MA 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, 62.0% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 54.7%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 41.5%, or less than one out of two, 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	355	220	62.0%	1.5
Latino	483	264	54.7%	1.3
White	3590	1489	41.5%	
ALL <sup>17</sup>	5287	2378	45.0%	

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 1.5 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 2.0 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.5 times more likely to receive a high-cost loan than upper-income whites.

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 1.2 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.4 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 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	37.7%	54.4%	35.1%	1.4	0.9
Moderate Income	46.9%	56.4%	67.0%	1.2	1.4
Middle Income	43.6%	51.8%	61.2%	1.2	1.4
Upper Income	38.9%	58.6%	78.3%	1.5	2.0

<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 \$74,851 for the Springfield, MA metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$31,450; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$31,450 and \$50,320; middle-income borrowers have incomes 80-119% of median income, or between \$50,320 and \$74,851.

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 9.3% of the high-cost refinance loans but only 4.6% of the prime refinance loans. Latinos received 11.1% of the high-cost loans originated but a smaller 7.5% of the prime loans originated. In contrast, whites received 72.2% of all prime loans originated which is greater than their 62.6% share of all high-cost loans originated. African-Americans represent 5.5% of the population in the metropolitan area while Latinos represent 11.2% of the population<sup>19</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	5.5%	4.6%	9.3%
Latino	11.2%	7.5%	11.1%
White	79.9%	72.2%	62.6%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 49.1% or about one out of two, refinance loans made to low to moderate-income homeowners were high-cost loans, as were 46.1% loans to middle-income homeowners. In contrast, only 42.4%, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low to Moderate-Income	1790	898	49.1%
Middle-Income	1722	794	46.1%
Upper-Income	1550	657	42.4%

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

<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, 53.5%, or over one out of two, home purchase loans received by African-Americans were high-cost loans and 49.8%, or about one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 27.9%, or more than one out of four, home purchase loans received by whites were high-cost loans.

Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	303	162	53.5%	1.9
Latino	611	304	49.8%	1.8
White	2476	690	27.9%	
ALL	3738	1317	35.2%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 1.9 times as likely to receive a high-cost home purchase loan than 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 loan were issued to 59.3% of the home purchase loans received by upper-income African-Americans and 59.0% of the home purchase loans received by upper-income Latinos, compared to only 27.2% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.2 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 2.2 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 nor government-backed loans.

<b>High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006</b>					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	31.4%	34.0%	50.0%	1.1	1.6
Moderate Income	29.3%	47.1%	43.1%	1.6	1.5
Middle Income	27.1%	52.7%	57.0%	1.9	2.1
Upper Income	27.2%	59.0%	59.3%	2.2	2.2

Middle-income African-Americans were 2.1 times more likely than middle-income whites to be issued a high-cost home purchase loan, while middle-income Latinos were 1.9 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 1.5 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.6 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 1.6 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 12.3% of all high-cost home purchase loans but only 5.8% of the prime home purchase loans. Latinos were issued 23.1% of all high-cost loans originated and 12.7% of the prime loans originated. In contrast, whites received 73.8% of the prime loans originated which is greater than their 52.4% share of the high-cost loans originated. African-Americans represent 5.5% of the population in the metropolitan area while Latinos represent 11.2% 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	5.5%	5.8%	12.3%
Latino	11.2%	12.7%	23.1%
White	79.9%	73.8%	52.4%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 33.6% of the loans received by low-income homebuyers were high-cost loans, or about one out of three loans. 38% of the loans received by moderate-income

homebuyers, and 36.3% loans to middle-income homeowners were high-cost loans. In comparison, only 31.2% 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	49	146	33.6%
Moderate Income	398	1056	38%
Middle Income	471	1299	36.3%
Upper Income	344	1102	31.2%

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

**Methodology**

The data for the Springfield, MA metropolitan area includes Franklin, Hampden, Hampshire 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.



## Worcester 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 38.1%, was a high-cost loan. When buying a home, borrowers of all races have a very high incidence of receiving a high-cost home purchase loan. About one in three home purchase loans in the metropolitan area, or 33.5%, 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 Worcester 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, 62.5% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 51.0%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 37.1%, or over one out of three, 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	299	187	62.5%	1.7
Latino	484	247	51.0%	1.4
White	5748	2130	37.1%	
ALL <sup>22</sup>	7807	2971	38.1%	

**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 1.4 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 1.9 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.8 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 1.2 times more likely to receive a high-cost refinance loan than moderate-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	40.9%	45.8%	45.5%	1.1	1.1
Moderate Income	41.1%	51.2%	60.3%	1.2	1.5
Middle Income	41.0%	50.0%	67.2%	1.2	1.6
Upper Income	32.7%	57.4%	60.7%	1.8	1.9

<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 \$85,323 for the Worcester metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$35,850; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$35,850 and \$57,360; middle-income borrowers have incomes 80-119% of median income, or between \$57,360 and \$85,323.

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 6.3% of the high-cost refinance loans but only 2.3% of the prime refinance loans. Latinos received 8.3% of the high-cost loans originated but a smaller 4.9% of the prime loans originated. In contrast, whites received 74.8% of all prime loans originated which is greater than their 71.7% share of all high-cost loans originated. African-Americans represent 2.4% of the population in the metropolitan area while Latinos represent 2.7% of the population<sup>24</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	2.4%	2.3%	6.3%
Latino	2.7%	4.9%	8.3%
White	86.5%	74.8%	71.7%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 37.7%, or one out of three, refinance loans made to low-income homeowners were high-cost loans, as were 42.0%, or one out of every two, refinances made to moderate-income homeowners and 42.7% or one of two loans to middle-income homeowners. In contrast, only 33.4%, or one out of every three, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	355	134	37.7%
Moderate-Income	1609	676	42.0%
Middle-Income	2637	1126	42.7%
Upper-Income	2883	964	33.4%

In comparative terms, moderate-income homeowners were 1.3 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, 68.5%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 60.1%, or more than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 29.0%, or nearly 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	213	146	68.5%	2.4
Latino	338	203	60.1%	2.1
White	2894	840	29.0%	
ALL	4034	1350	33.5%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.4 times as likely to receive a high-cost home purchase loan than whites while Latinos were 2.1 times as likely to receive a high-cost loan.

**The racial disparity persists even among borrowers of the same income level.** High-cost loan were issued to 77.8% of the home purchase loans received by upper-income African-Americans and 65.5% of the home purchase loans received by upper-income Latinos, compared to only 33.3% 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 2.0 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 by Borrower Race and Ethnicity Among Income Levels 2006</b>					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	22.5%	63.6%	58.3%	2.8	2.6
Moderate Income	34.8%	57.9%	71.4%	1.7	2.1
Middle Income	34.2%	63.1%	74.4%	1.8	2.2
Upper Income	33.3%	65.5%	77.8%	2.0	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 1.8 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 2.1 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 1.7 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.6 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 2.8 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 10.8% of all high-cost home purchase loans but only 2.5% of the prime home purchase loans. Latinos were issued 15.0% of all high-cost loans originated and 5.0% of the prime loans originated. In contrast, whites received 76.5% of the prime loans originated which is greater than their 62.2% share of the high-cost loans originated. African-Americans represent 2.4% 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>			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	2.4%	2.5%	10.8%
Latino	2.7%	5.0%	15.0%
White	86.5%	76.5%	62.2%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 32.4% of the loans received by low-income homebuyers were high-

cost loans, or about one out of three loans. 41% of the loans received by moderate-income homebuyers, and 39.8% loans to middle-income homeowners were high-cost loans. In comparison, only 24.6% 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	33	102	32.4%
Moderate Income	314	768	41%
Middle Income	548	1377	39.8%
Upper Income	406	1653	24.6%

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

### **Methodology**

The data for the Worcester metropolitan area includes Worcester County.

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.