



Jackson 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, more than one in two loans, or 58.8%, was a high-cost loan. When buying a home, borrowers of all races have an extremely high incidence of receiving a high-cost home purchase loan. Almost one in two home purchase loans in the metropolitan area, or 45.8%, were high-cost loans.

For the purposes of this report high-cost loans are defined as loans originated with an Annual Percentage Rate (APR) of at least 3 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 Jackson 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, 77.8% or more than three out of four, home refinance loans made to African-Americans were high-cost loans and, 66.7%, or more than one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 41.8%, or almost one out of two, 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	832	647	77.8%	1.9
Latino	24	16	66.7%	1.6
White	904	378	41.8%	
ALL ²	2027	1191	58.8%	

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.³ 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 2.2 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 1.3 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.

Low-income African-Americans were 1.5 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.7 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	59.0%	100.0%	88.0%	1.7	1.5
Moderate Income	56.3%	57.1%	85.5%	1.0	1.5
Middle Income	45.6%	57.1%	83.5%	1.3	1.8
Upper Income	35.1%	77.8%	64.8%	2.2	1.8

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 \$59,381 for the Jackson metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$24,950; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$24,950 and \$39,920; middle-income borrowers have incomes 80-119% of median income, or between \$39,920 and \$59,381.

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Middle-income African-Americans were more likely to receive a high-cost loan than low-income whites. Upper-income 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 54.3% of the high-cost refinance loans but only 22.1% of the prime refinance loans. Latinos received 1.3% of the high-cost loans originated but a smaller 1.0% of the prime loans originated. In contrast, whites received 62.9% of all prime loans originated which is greater than their 31.7% share of all high-cost loans originated. African-Americans represent 40.3% of the population in the metropolitan area while Latinos represent 1.2% of the population⁴.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	40.3%	22.1%	54.3%
Latino	1.2%	1.0%	1.3%
White	57.0%	62.9%	31.7%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 76.8%, or more than three out of four, refinance loans made to low-income homeowners were high-cost loans, as were 74.2%, or almost three out of every four, refinances made to moderate-income homeowners and 66.2% or one of two loans to middle-income homeowners. In contrast, only 45.4%, or almost one out of every two, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	155	119	76.8%
Moderate-Income	383	284	74.2%
Middle-Income	523	346	66.2%
Upper-Income	887	403	45.4%

In comparative terms, low-income homeowners were 1.7 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.6 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, 67.7%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 52.8%, or more than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 25.0%, or one out of four, home purchase loans received by whites were high-cost loans.

Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	1053	713	67.7%,	2.7
Latino	36	19	52.8%	2.1
White	1157	289	25.0%,	
ALL	2453	1124	45.8%	

Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan. African-American homebuyers were 2.7 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 69.7% of the home purchase loans received by upper-income African-Americans and 33.3% of the home purchase loans received by upper-income Latinos, compared to only 24.2% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.9 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 1.4 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

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

High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006					
	White	Latino	African- American	Disparity Compared to White	
				Latino	African- American
Low Income	40.0%	80.0%	80.3%	2.0	2.0
Moderate Income	29.5%	62.5%	69.5%	2.1	2.4
Middle Income	26.8%	16.7%	63.8%	0.6	2.4
Upper Income	24.2%	33.3%	69.7%	1.4	2.9

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

Moderate-income African-Americans were 2.4 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 2.1 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

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

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

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

African-Americans were issued 63.4% of all high-cost home purchase loans but only 25.6% of the prime home purchase loans. Latinos were issued 1.7% of all high-cost loans originated and 1.3% of the prime loans originated. In contrast, whites received 65.3% of the prime loans originated which is greater than their 25.7% share of the high-cost loans originated. African-Americans represent 40.3% of the population in the metropolitan area while Latinos represent 1.2% of the population.

Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	40.3%	25.6%	63.4%
Latino	1.2%	1.3%	1.7%
White	57.0%	65.3%	25.7%

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 73.9% of the loans received by low-income homebuyers were high-cost loans, or about one out of 1.4 loans. 58% of the loans received by moderate-income homebuyers,

and 46.7% loans to middle-income homeowners were high-cost loans. In comparison, only 34.5% 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	133	180	73.9%
Moderate Income	315	546	58%
Middle Income	279	598	46.7%
Upper Income	375	1086	34.5%

In comparative terms, low-income homebuyers were 2.1 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 Jackson metropolitan area includes Copiah, Hinds, Madison, Rankin, Simpson 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.