



Billings 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 37.5%, was a high-cost loan. When buying a home, borrowers of all races have a moderate incidence of receiving a high-cost home purchase loan. One in six home purchase loans in the metropolitan area, or 15.9%, 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 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 Billings 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 Latinos.
2. Racial disparities persisted even among homeowners of the same income level.
3. Latinos received a greater proportion of high-cost loans than they received of prime loans.
4. 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 Latinos. In 2006, 43.5%, or about one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, 38.1%, or only one out of three, home refinance loans made to whites were high-cost loans.

REFINANCE LOANS BY BORROWER RACE AND ETHNICITY 2006				
Race/Ethnicity	# Refinance Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	3	2	66.7%	1.8
Latino	23	10	43.5%	1.1
White	784	299	38.1%	
ALL ²	879	330	37.5%	

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

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

Racial disparities persisted even among homeowners of the same income level.³ In 2006, middle-income African-Americans were 2.2 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 2.2 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 1.1 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income Latinos were 1.8 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	Disparity Compared to White
			Latino
Low Income	55.6%	100.0%	1.8
Moderate Income	40.1%	42.9%	1.1
Middle Income	45.1%	100.0%	2.2
Upper Income	33.9%	30.0%	0.9

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

Latinos received 3.0% of the high-cost loans originated but a smaller 2.4% of the prime loans originated. In contrast, whites received 88.3% of all prime loans originated which is greater than their 90.6% share of all high-cost loans originated. Latinos represent 3.6% of the population⁴.

Distribution of High-cost Refinance Loans by Borrower Race and Ethnicity 2006			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
Latino	3.6%	2.4%	3.0%
White	91.3%	88.3%	90.6%

Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers. In 2006, 52.5%, or one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 39.1%, or about one out of every three, refinances made to moderate-income homeowners and 45.4% or almost one of two loans to middle-income homeowners.

³ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$64,022 for the Billings metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$26,900; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$26,900 and \$43,040; middle-income borrowers have incomes 80-119% of median income, or between \$43,040 and \$64,022.

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.

In contrast, only 33.3%, or one out of every three, refinances to upper-income homeowners were high-cost loans.

Refinance Loans by Borrower Income Level 2006			
	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	40	21	52.5%
Moderate-Income	161	63	39.1%
Middle-Income	251	114	45.4%
Upper-Income	381	127	33.3%

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



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 Latinos.
2. Latinos 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. Latinos 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, 18.2%, or more than one out of six, home purchase loans received by Latinos were high-cost loans. In contrast, a smaller 15.6% home purchase loans received by whites were high-cost loans.

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.

Home Purchase Loans By Borrower Race and Ethnicity 2006				
Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
Latino	22	4	18.2%	1.2
White	925	144	15.6%	
ALL	998	159	15.9%	

Latino homebuyers were much more likely than white homebuyers to receive to receive a high-cost loan. Latinos were 1.2 times as likely to receive a high-cost loan.

The racial disparity persists even among borrowers of the same income level. High-cost loans made up 33.3% of the home purchase loans received by upper-income Latinos, compared to only 19.8% of the home purchase loans to upper-income whites.

In comparative terms, upper-income Latinos were 1.7 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	Disparity Compared to White
			Latino
Low Income	13.9%	0.0%	--
Moderate Income	20.0%	66.7%	3.3
Middle Income	17.6%	22.2%	1.3
Upper Income	19.8%	33.3%	1.7

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

Moderate-income Latinos were 3.3 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

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

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

Latinos were issued 2.5% of all high-cost loans originated and 2.1% of the prime loans originated. In contrast, whites received 93.1% of the prime loans originated which is greater than their 90.6% share of the high-cost loans originated. Latinos represent 3.6% of the population.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
Latino	3.6%	2.1%	2.5%
White	91.3%	93.1%	90.6%

Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers. In 2006, 13.2% of the loans received by low-income homebuyers were high-cost loans, or about one out of eight loans. 21% of the loans received by moderate-income homebuyers, and 18.1% loans to middle-income homeowners were high-cost loans. In comparison, only 12.4% of loans made to upper-income homebuyers were high-cost loans.

	High-cost Loans	All Loans	% High-cost
Low Income	5	38	13.2%
Moderate Income	36	171	21.1%
Middle Income	47	260	18.1%
Upper Income	60	482	12.4%

In comparative terms, moderate-income homebuyers were 1.7 times more likely to receive a high-cost loan than upper-income homebuyers.

Methodology

The data for the Billings metropolitan area includes Carbon, Yellowstone 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.