



Providence-New Bedford-Fall River Metropolitan Area

Homeowners of all races in the metropolitan area have a very high incidence of receiving a high-cost loan when refinancing. Out of all refinance loans made in the metropolitan area, more than one in three loans, or 36.8%, 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. 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 Providence-New Bedford-Fall River 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.

High-cost loans made up a significant proportion of the home refinance loans made to minorities. In 2006, 54.4% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 48.4%, or close to one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 34.3%, or more than 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	640	348	54.4%	1.6
Latino	1223	592	48.4%	1.4
White	11632	3992	34.3%	
ALL ²	16321	6008	36.8%	

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.

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 1.4 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 1.7 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.6 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 1.5 times more likely than middle-income whites to receive a high-cost refinance loan, while middle-income Latinos were 1.4 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.3 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 1.8 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	30.7%	38.3%	55.6%	1.2	1.8
Moderate Income	34.7%	39.0%	45.0%	1.1	1.3
Middle Income	38.7%	53.9%	56.5%	1.4	1.5
Upper Income	33.2%	54.4%	57.0%	1.6	1.7

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 2.8% of the prime refinance

³ Upper-income is defined as borrowers with incomes 120% or greater than the area median income or greater than \$76,160 for the Providence-New Bedford-Fall River metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$32,000; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$32,000 and \$51,200; middle-income borrowers have incomes 80-119% of median income, or between \$51,200 and \$76,160.

loans. Latinos received 9.9% of the high-cost loans originated but a smaller 6.1% of the prime loans originated. In contrast, whites received 74.1% of all prime loans originated which is greater than their 66.4% share of all high-cost loans originated. African-Americans represent 5.1% of the population in the metropolitan area while Latinos represent 8.7% of the population⁴.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	5.1%	2.8%	5.8%
Latino	8.7%	6.1%	9.9%
White	81.6%	74.1%	66.4%



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.

High-cost loans made up a significant proportion of the home purchase loans made to minorities. In 2006, 54.1%, or more than one out of two, home purchase loans received by African-Americans were high-cost loans and 49.7%, or about one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 28.8%, or nearly one out of three, home purchase loans received by whites were high-cost loans.

Race/Ethnicity	# Home Purchase Loans	# High Cost Loans	% High Cost	Disparity to White
African-American	473	256	54.1%	1.9
Latino	1132	563	49.7%	1.7
White	6183	1778	28.8%	
ALL	8909	2984	33.5%	

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.

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.



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 1.7 times as likely to receive a high-cost loan.

The racial disparity persists even among borrowers of the same income level. High-cost loan were issued to 57.5% of the home purchase loans received by upper-income African-Americans and 67.0% of the home purchase loans received by upper-income Latinos, compared to only 35.5% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 1.6 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 1.9 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	16.7%	35.7%	42.9%	2.1	2.6
Moderate Income	25.9%	22.7%	40.5%	0.9	1.6
Middle Income	34.8%	53.6%	56.3%	1.5	1.6
Upper Income	35.5%	67.0%	57.5%	1.9	1.6

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

Moderate-income African-Americans were 1.6 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 2.1 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 8.6% of all high-cost home purchase loans but only 3.7% of the prime home purchase loans. Latinos were issued 18.9% of all high-cost loans originated and 9.6% of the prime loans originated. In contrast, whites received 74.3% of the prime loans originated which is greater than their 59.6% share of the high-cost loans originated. African-Americans represent 5.1% of the population in the metropolitan area while Latinos represent 8.7% of the population.

Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006			
Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	5.1%	3.7%	8.6%
Latino	8.7%	9.6%	18.9%
White	81.6%	74.3%	59.6%

Methodology

The data for the Providence-New Bedford-Fall River metropolitan area includes Bristol, Kent, Newport, Providence and Washington Counties in RI and Bristol County in MA.

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.