



## Sioux Falls 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, almost one in three loans, or 31.0%, was a high-cost loan. When buying a home, borrowers of all races have a moderate incidence of receiving a high-cost home purchase loan. One in six home purchase loans in the metropolitan area, or 17.6%, 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 Sioux Falls 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. Because of the small number of loans to African-American and Latino homeowners, the data on income is the most important to look at.



### 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.
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, 75.0% or three out of four, home refinance loans made to African-Americans were high-cost loans and, 47.1%, or almost one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 30.7%, or 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	4	3	75.0%	2.4
Latino	17	8	47.1%	1.5
White	1198	368	30.7%	
ALL <sup>2</sup>	1321	409	31.0%	

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 2.4 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>** Moderate-income African-Americans were 2.4 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 0.5 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 2.1 times more likely to receive a high-cost refinance loan than low-income whites, while low-income Latinos were 1.6 times more likely to receive a high-cost loan than low-income whites.

High-cost Loans as a Percentage of Refinance Loans By Borrower Race and Ethnicity Among Income Levels 2006					
Borrower Income Level	White	Latino	African-American	Disparity Compared to White	
				Latino	African-American
Low Income	47.1%	75.0%	100.0%	1.6	2.1
Moderate Income	42.4%	20.0%	100.0%	0.5	2.4
Middle Income	31.3%	80.0%	--	2.6	--
Upper Income	24.2%	--	--	--	--

Minority homeowners with higher incomes were more likely to receive a high-cost refinance loan than white homeowners with lower incomes. Middle-income Latinos were more likely to receive a high-cost loan than low-income whites.

<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 \$74,732 for the Sioux Falls metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$31,400; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$31,400 and \$50,240; middle-income borrowers have incomes 80-119% of median income, or between \$50,240 and \$74,732.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 0.7% of the high-cost refinance loans but only 0.1% of the prime refinance loans. Latinos received 2.0% of the high-cost loans originated but a smaller 1.0% of the prime loans originated. In contrast, whites received 91.0% of all prime loans originated which is greater than their 90.0% share of all high-cost loans originated. African-Americans represent 3.1% of the population in the metropolitan area while Latinos represent 1.8% of the population<sup>4</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	3.1%	0.1%	0.7%
Latino	1.8%	1.0%	2.0%
White	93.3%	91.0%	90.0%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 46.9%, or almost one out of two, refinance loans made to low-income homeowners were high-cost loans, as were 41.7%, or four out of ten, refinances made to moderate-income homeowners and 32.4% or one of three loans to middle-income homeowners. In contrast, only 24.2%, or one out of every four, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	98	46	46.9%
Moderate-Income	266	111	41.7%
Middle-Income	404	131	32.4%
Upper-Income	458	111	24.2%

In comparative terms, low-income homeowners were 1.9 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.7 times more likely to receive a high-cost loan.

<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.



## 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. The racial disparity persisted even among borrowers of the same income level.
3. African-Americans received a greater portion of high-cost loans than they received of prime loans.
4. 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, 30.8%, or one out of three, home purchase loans received by African-Americans were high-cost loans and 17.1%, or one out of six, home purchase loans received by Latinos were high-cost loans. 16.7%, or 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	13	4	30.8%,	1.8
Latino	41	7	17.1%	1
White	1441	240	16.7%,	
ALL	1666	293	17.6%	

### The racial disparity persists even among borrowers of the same income level.

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	20.8%	37.5%	33.3%	1.8	1.6
Moderate Income	22.7%	7.1%	50.0%	0.3	2.2
Middle Income	19.7%	25.0%	25.0%	1.3	1.3
Upper Income	18.2%	--	--	--	--

<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.

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

Moderate-income African-Americans were 2.2 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 0.3 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, while low-income Latinos were 1.8 times more likely to be issued a high-cost home purchase loan than low-income whites.

Minority homebuyers with higher incomes were more likely to receive a high-cost loan than white homebuyers with lower incomes. Middle-income African-American homebuyers were more likely to receive a high-cost loan than low-income whites. Middle-income Latino homebuyers were more likely to receive a high-cost loan than low-income whites.

**African-Americans received a greater proportion of high-cost loans than they received of prime loans.** African-Americans were issued 1.4% of all high-cost home purchase loans but only 0.7% of the prime home purchase loans. In contrast, whites received 87.5% of the prime loans originated which is greater than their 81.9% share of the high-cost loans originated. African-Americans represent 3.1% of the population in the metropolitan area while Latinos represent 1.8% of the population.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	3.1%	0.7%	1.4%
Latino	1.8%	2.5%	2.4%
White	93.3%	87.5%	81.9%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 23.7% of the loans received by low-income homebuyers were high-cost loans, or about one out of four loans. 23% of the loans received by moderate-income homebuyers, and 20.7% loans to middle-income homeowners were high-cost loans. In comparison, only 10.4% of loans made to upper-income homebuyers were high-cost loans.

	High-cost Loans	All Loans	% High-cost
Low Income	40	169	23.7%
Moderate Income	100	430	23%
Middle Income	92	445	20.7%
Upper Income	54	517	10.4%

In comparative terms, low-income homebuyers were 2.3 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home. Moderate-income homebuyers were 2.2 times more likely to receive a high-cost loan than upper-income homebuyers.

## **Methodology**

The data for the Sioux Falls metropolitan area includes Lincoln, McCook, Minnehaha, Turner 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.