



## Seattle-Bellevue-Everett 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, close to one in four loans, or 22.7%, 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. About one in six home purchase loans in the metropolitan area, or 16.4%, 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 Seattle-Bellevue-Everett 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.
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, 44.0% or close to one out of two, home refinance loans made to African-Americans were high-cost loans and, 35.0%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 22.1%, or about one out of five, 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	1368	602	44.0%	2.0
Latino	1372	480	35.0%	1.6
White	24695	5467	22.1%	
ALL <sup>2</sup>	36285	8222	22.7%	

**Minority homeowners were more likely than white homeowners to receive a high-cost loan when refinancing.** In relative terms, African-Americans were 2.0 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.<sup>3</sup>** In 2006, upper-income African-American homeowners were 2.2 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 1.9 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 1.7 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.6 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 2.0 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	21.9%	17.6%	44.7%	0.8	2.0
Moderate Income	23.6%	37.2%	40.5%	1.6	1.7
Middle Income	25.4%	38.7%	47.6%	1.5	1.9
Upper Income	20.3%	32.8%	45.2%	1.6	2.2

<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 \$88,417 for the Seattle-Bellevue-Everett metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$37,150; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$37,150 and \$59,440; middle-income borrowers have incomes 80-119% of median income, or between \$59,440 and \$88,417.

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 7.3% of the high-cost refinance loans but only 2.7% of the prime refinance loans. Latinos received 5.8% of the high-cost loans originated but a smaller 3.2% of the prime loans originated. In contrast, whites received 68.5% of all prime loans originated which is greater than their 66.5% share of all high-cost loans originated. African-Americans represent 4.3% of the population in the metropolitan area while Latinos represent 5.3% of the population<sup>4</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	4.3%	2.7%	7.3%
Latino	5.3%	3.2%	5.8%
White	76.0%	68.5%	66.5%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 24.0%, or about one out of four, refinance loans made to Moderate to low-income homeowners were high-cost loans, as were 26.4% or more than one of four loans to middle-income homeowners. In contrast, only 20.6%, or one out of every five, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low to Moderate-Income	6989	1677	24.0%
Middle-Income	10969	2897	26.4%
Upper-Income	16863	3471	20.6%

In comparative terms, low- and moderate-income homeowners were 1.2 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. 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, 38.3%, or more than one out of three, home purchase loans received by African-Americans were high-cost loans and 45.4%, or close to one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 15.0%, or about one out of seven, 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	805	308	38.3%,	2.6
Latino	1757	798	45.4%	3
White	20428	3060	15.0%,	
ALL	33143	5452	16.4%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.6 times as likely to receive a high-cost home purchase loan than whites while Latinos were 3 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 34.1% of the home purchase loans received by upper-income African-Americans and 52.9% of the home purchase loans received by upper-income Latinos, compared to only 16.8% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.0 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home. Upper-income Latinos were 3.1 times more likely than upper-income whites to be issued a high-cost loan when purchasing a home.

<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.



<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	16.5%	48.3%	47.1%	2.9	2.9
Moderate Income	18.2%	43.4%	42.3%	2.4	2.3
Middle Income	17.6%	53.0%	39.1%	3.0	2.2
Upper Income	16.8%	52.9%	34.1%	3.1	2.0

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 3.0 times more likely to be issued a high-cost purchase loan than middle-income whites.

Moderate-income African-Americans were 2.3 times more likely to be issued a high-cost home purchase loan than moderate-income whites, while moderate-income Latinos were 2.4 times more likely to be issued a high-cost home purchase loan than moderate-income whites.

Low-income African-Americans were 2.9 times more likely to be issued a high-cost home purchase loan than low-income whites, while low-income Latinos were 2.9 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 5.6% of all high-cost home purchase loans but only 1.8% of the prime home purchase loans. Latinos were issued 14.6% of all high-cost loans originated and 3.5% of the prime loans originated. In contrast, whites received 62.7% of the prime loans originated which is greater than their 56.1% share of the high-cost loans originated. African-Americans represent 4.3% of the population in the metropolitan area while Latinos represent 5.3% 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	4.3%	1.8%	5.6%
Latino	5.3%	3.5%	14.6%
White	76.0%	62.7%	56.1%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 17.9% of the loans received by low-income homebuyers were high-

cost loans, or about more than one out of six loans. 20% of the loans received by moderate-income homebuyers, and 20.5% loans to middle-income homeowners were high-cost loans. In comparison, only 13.7% 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	104	582	17.9%
Moderate Income	812	4082	20%
Middle Income	1822	8888	20.5%
Upper Income	2546	18582	13.7%

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 Seattle-Bellevue-Everett metropolitan area includes King and Snohomish 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.



## Spokane 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, close to one in three loans, or 30.8%, 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. About one in five home purchase loans in the metropolitan area, or 19.4%, 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 Spokane 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, 56.3% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, 37.7%, or more than one out of three, home refinance loans made to Latinos were high-cost loans. In contrast, only 30.5%, or less than one out of three, 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	48	27	56.3%	1.8
Latino	114	43	37.7%	1.2
White	4455	1358	30.5%	
ALL <sup>7</sup>	5264	1620	30.8%	

**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 1.2 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 1.9 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.2 times more likely to receive a high-cost loan than upper-income whites.

Middle-income African-Americans were 2.6 times more likely than middle-income whites to receive a high-cost refinance loan.

Moderate-income Latinos were 1.8 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	35.1%	11.1%	33.3%	0.3	0.9
Moderate Income	34.9%	61.9%	27.3%	1.8	0.8
Middle Income	34.0%	39.0%	87.5%	1.1	2.6
Upper Income	26.1%	31.7%	50.0%	1.2	1.9

Upper-income and middle-income African-Americans were more likely to receive a high-cost refinance loan than low-income whites.

<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 \$64,141 for the Spokane metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$26,950; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$26,950 and \$43,120; middle-income borrowers have incomes 80-119% of median income, or between \$43,120 and \$64,141.

**Minorities received a greater proportion of high-cost loans than they received of prime loans.** African-Americans received 1.7% of the high-cost refinance loans but only 0.6% of the prime refinance loans. Latinos received 2.7% of the high-cost loans originated but a smaller 1.9% of the prime loans originated. In contrast, whites received 85.0% of all prime loans originated which is greater than their 83.8% share of all high-cost loans originated. African-Americans represent 1.5% of the population in the metropolitan area while Latinos represent 2.8% of the population<sup>9</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	1.5%	0.6%	1.7%
Latino	2.8%	1.9%	2.7%
White	89.8%	85.0%	83.8%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 36.1%, or more than one out of three, refinance loans made to low-income homeowners were high-cost loans, as were 35.9%, or more than one out of every three, refinances made to moderate-income homeowners and 34.6% or more than one of three loans to middle-income homeowners. In contrast, only 25.9%, or about one out of every four, refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low-Income	330	119	36.1%
Moderate-Income	1170	420	35.9%
Middle-Income	1412	489	34.6%
Upper-Income	2174	562	25.9%

In comparative terms, low-income homeowners were 1.4 times more likely to receive a high-cost loan than upper-income homeowners and moderate-income homeowners were 1.4 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, 27.3%, or more than one out of four, home purchase loans received by African-Americans were high-cost loans and 27.3%, or more than one out of four, home purchase loans received by Latinos were high-cost loans. In contrast, only 18.9%, or about one out of five, 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	44	12	27.3%,	1.4
Latino	121	33	27.3%	1.4
White	4218	796	18.9%,	
ALL	4883	948	19.4%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 1.4 times as likely to receive a high-cost home purchase loan than whites while Latinos were 1.4 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 40.0% of the home purchase loans received by upper-income African- compared to only 17.0% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.4 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.



<b>High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006</b>					
	<b>White</b>	<b>Latino</b>	<b>African- American</b>	<b>Disparity Compared to White</b>	
				Latino	African- American
Low Income	13.9%	28.6%	0.0%	2.1	0.0
Moderate Income	22.7%	26.1%	50.0%	1.1	2.2
Middle Income	20.0%	24.2%	42.9%	1.2	2.1
Upper Income	17.0%	14.3%	40.0%	0.8	2.4

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 1.2 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.

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. 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 1.3% of all high-cost home purchase loans but only 0.8% of the prime home purchase loans. Latinos were issued 3.5% of all high-cost loans originated and 2.2% of the prime loans originated. In contrast, whites received 87.0% of the prime loans originated which is greater than their 84.0% share of the high-cost loans originated. African-Americans represent 1.5% of the population in the metropolitan area while Latinos represent 2.8% of the population.

<b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b>			
<b>Race/Ethnicity</b>	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	1.5%	0.8%	1.3%
Latino	2.8%	2.2%	3.5%
White	89.8%	87.0%	84.0%

**Lower income homeowners of all races are more likely to receive a high-cost loan than upper-income homebuyers.** In 2006, 21.8% of the loans received by low to moderate-income homebuyers were high-cost loans, or about one out of five loans and 20.9% of the loans to middle-income

homeowners were high-cost loans. In comparison, only 16.7% 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 to Moderate Income	255	1169	21.8%
Middle Income	244	1170	20.9%
Upper Income	394	2361	16.7%

In comparative terms, low to moderate-income homebuyers were 1.3 times more likely than upper-income borrowers to receive a high-cost loan to purchase their home

**Methodology**

The data for the Spokane metropolitan area includes Spokane 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.



## Tacoma 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 31.5%, 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 27.3%, 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 Tacoma 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.
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, 54.6% or more than one out of two, home refinance loans made to African-Americans were high-cost loans and, close to 40.9%, or one out of two, home refinance loans made to Latinos were high-cost loans. In contrast, only 29.3%, or less than one out of three, 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	755	412	54.6%	1.9
Latino	482	197	40.9%	1.4
White	9804	2871	29.3%	
ALL <sup>12</sup>	13485	4246	31.5%	

**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 1.4 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 1.9 times more likely than upper-income white homeowners to receive a high-cost refinance loan. Upper-income Latinos were 1.2 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 1.4 times more likely to receive a high-cost loan than middle-income whites.

Moderate-income African-Americans were 1.9 times more likely to receive a high-cost refinance loan than moderate-income whites, while moderate-income Latinos were 1.6 times more likely to receive a high-cost refinance loan than moderate-income whites.

Low-income African-Americans were 2.5 times more likely to receive a high-cost refinance loan than low-income whites, while 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	23.5%	33.3%	58.3%	1.4	2.5
Moderate Income	31.4%	51.1%	60.4%	1.6	1.9
Middle Income	31.3%	43.2%	55.6%	1.4	1.8
Upper Income	28.5%	35.3%	53.0%	1.2	1.9

<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 \$72,590 for the Tacoma metropolitan area. Low-income borrowers have incomes below 50% of the median income, or less than \$30,500; moderate-income borrowers have incomes between 50% and 79% of median income, or between \$30,500 and \$48,800; middle-income borrowers have incomes 80-119% of median income, or between \$48,800 and \$72,590.

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 9.7% of the high-cost refinance loans but only 3.7% of the prime refinance loans. Latinos received 4.6% of the high-cost loans originated but a smaller 3.1% of the prime loans originated. In contrast, whites received 75.0% of all prime loans originated which is greater than their 67.6% share of all high-cost loans originated. African-Americans represent 6.8% of the population in the metropolitan area while Latinos represent 5.5% of the population<sup>14</sup>.

Race/Ethnicity	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	6.8%	3.7%	9.7%
Latino	5.5%	3.1%	4.6%
White	76.0%	75.0%	67.6%

**Lower-income homeowners of all races were more likely to receive a high-cost loan than upper-income borrowers.** In 2006, 33.7%, or one out of four about one out of every three, refinance loans made to moderate to low-income homeowners were high-cost loans, 34.1% or about one of three loans to middle-income homeowners. In contrast, only 30.0% refinances to upper-income homeowners were high-cost loans.

	# Refinance Loans	# High-Cost Loans	% High-cost
Low to Moderate-Income	2140	721	33.7%
Middle-Income	4238	1447	34.1%
Upper-Income	6703	2014	30.0%

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

<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.



## 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.

**High-cost loans made up a significant proportion of the home purchase loans made to minorities.** In 2006, 51.6%, or about one out of two, home purchase loans received by African-Americans were high-cost loans and 44.6%, or less than one out of two, home purchase loans received by Latinos were high-cost loans. In contrast, only 25.2%, or about 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	405	209	51.6%,	2.0
Latino	460	205	44.6%	1.8
White	5840	1473	25.2%,	
ALL	8534	2326	27.3%	

**Minority homebuyers were much more likely than white homebuyers to receive a high-cost loan.** African-American homebuyers were 2.0 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 57.4% of the home purchase loans received by upper-income African-Americans and 54.8% of the home purchase loans received by upper-income Latinos, compared to only 28.9% of the home purchase loans to upper-income whites.

In comparative terms, upper-income African-Americans were 2.0 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.

<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.



<b>High-cost Loans as a Percentage of All Home Purchase Loans by Borrower Race and Ethnicity Among Income Levels 2006</b>					
	<b>White</b>	<b>Latino</b>	<b>African- American</b>	<b>Disparity Compared to White</b>	
				Latino	African- American
Low Income	7.1%	20.0%	25.0%	2.8	3.5
Moderate Income	25.5%	43.1%	44.4%	1.7	1.7
Middle Income	29.7%	52.8%	52.1%	1.8	1.8
Upper Income	28.9%	54.8%	57.4%	1.9	2.0

Middle-income African-Americans were 1.8 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 1.7 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 3.5 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 9.0% of all high-cost home purchase loans but only 3.2% of the prime home purchase loans. Latinos were issued 8.8% of all high-cost loans originated and 4.1% of the prime loans originated. In contrast, whites received 70.3% of the prime loans originated which is greater than their 63.3% share of the high-cost loans originated. African-Americans represent 6.8% of the population in the metropolitan area while Latinos represent 5.5% of the population.

<b>Distribution of High-cost Home Purchase Loans by Borrower Race and Ethnicity 2006</b>			
<b>Race/Ethnicity</b>	Share of Population	Share of Prime Loans	Share of High-cost Loans
African-American	6.8%	3.2%	9.0%
Latino	5.5%	4.1%	8.8%
White	76.0%	70.3%	63.3%

## **Methodology**

The data for the Tacoma metropolitan area includes Pierce 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.

