

Paying More for the American Dream

The subprime shakeout and its impact on lower income and minority communities

March 2008



A Joint Report By:

California Reinvestment Coalition

Community Reinvestment Association of North Carolina

Empire Justice Center

Massachusetts Affordable Housing Alliance

Neighborhood Economic Development Advocacy Project

Ohio Fair Lending Coalition

Woodstock Institute



California Reinvestment Coalition advocates for the right of low-income communities and communities of color to have fair and equal access to banking and other financial services. CRC has a membership of more than 240 nonprofit organizations and public agencies across the State.



Community Reinvestment Association of North Carolina is a nonprofit, nonpartisan research and advocacy organization whose mission is to promote and protect community wealth. We advocate for change in the lending practices of financial institutions to promote wealth building for underserved communities and to end predatory lending practices that strip wealth.



Empire Justice Center is a statewide non-profit law firm that works to protect and strengthen the legal rights of people in New York State who are poor, disabled or disenfranchised through: systems change advocacy, training and support to other advocates and organizations, and high quality direct civil legal representation.



Massachusetts Affordable Housing Alliance's mission is to organize for increases in public and private sector investment in affordable housing and to break down the barriers facing minority and low to moderate income first time homebuyers as they seek affordable and sustainable homeownership opportunities. Our campaigns have resulted in more than \$3.3 billion of public and private sector investment in affordable housing in Massachusetts since 1985. Our grassroots Homebuyers Union organizing, in both urban and suburban communities, has been effective in engaging banks, insurance companies, and elected officials around the issues of affordable homeownership and responsible mortgage lending.



Neighborhood Economic Development Advocacy Project (NEDAP) is a resource and advocacy center that works with community groups to promote financial justice in New York City's low income communities and communities of color. NEDAP's mission is to promote community economic justice, and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

Ohio Fair Lending Coalition is composed of The Toledo Fair Housing Center, Empowering & Strengthening Ohio's People, formerly known as East Side Organizing Project, SEIU Local 3 and fair lending advocates, Paul Bellamy and Charles Bromley. The Coalition challenged the merger of Sky and Huntington Banks in 2007 and it continues to be Ohio's Fair Lending Organization.



Woodstock Institute is a 35-year old Chicago-based policy and advocacy nonprofit that works locally, nationally, and internationally to promote community reinvestment and economic development in lower-income and minority communities. The Institute engages in applied research, policy analysis, technical assistance, coalition building, public education, program design, and evaluation and works with community organizations, financial institutions, foundations, government agencies including regulatory bodies, the media, and others to promote its goals.

PREFACE

The *Paying More for the American Dream* series is a collaborative effort of seven state and regional research, policy, and advocacy organizations. This is the second such annual report focused on examining systematic inequalities in the housing finance system and the impact of these inequalities on lower-income and minority families and communities. The previous report, released in March 2007, examined mortgage pricing disparities found in a group of the country's largest mortgage lenders who offered both prime and subprime loans. It found that African American and Latino borrowers remain much more likely to pay more for their home purchase loans than white borrowers, and the pricing disparities found for this group of lenders were greater than the overall disparities found in the metropolitan areas examined. The current report looks at the geographic lending patterns of a set of now defunct subprime lenders whose loans largely fueled the foreclosure wave that is currently devastating communities across the country.

The authors hope these reports inform the debate around fair lending policy and access to responsible mortgage credit for lower-income and minority families and communities.

The principal researchers and authors of this report are: Charles Bromley (Ohio Fair Lending Coalition), Jim Campen (Massachusetts Affordable Housing Alliance), Saara Nafici (Neighborhood Economic Development Advocacy Project), Adam Rust (Community Reinvestment Association of North Carolina), Geoff Smith (Woodstock Institute), Kevin Stein (California Reinvestment Coalition), and Barbara van Kerkhove (Empire Justice Center).

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EXECUTIVE SUMMARY

Mounting home loan defaults and foreclosures in 2007 threaten gains in homeownership in communities across the United States. In recent years, innovative mortgage products in the subprime market allowed many families to become new homeowners. However the growing flexibility in mortgage lending terms was often abused by unscrupulous lenders and mortgage brokers who increasingly put borrowers into loans they were unable to afford.

Increases in defaults and foreclosures of subprime mortgages affect families struggling to maintain homeownership. Up to 2.2 million homeowners with subprime loans may lose their homes through foreclosure, resulting in a loss of \$164 billion in household wealth, mainly in lost equity.

Defaults and foreclosures also directly and indirectly impact neighborhoods and cities that see mounting vacant and abandoned properties, decreased property values, and losses to their tax base and local economies. One foreclosed home can lower the property values of all neighboring homes, decreasing local property values by thousands of dollars. Decreased property values mean that neighboring homeowners may be less able to refinance their own loans or sell their homes, putting them at greater risk of foreclosure and potentially creating a vicious and repeating cycle of neighborhood decline. Foreclosure can require that local governments provide additional municipal services to the property at a cost to local government of tens of thousands of dollars.

All told, approximately \$71 billion in housing wealth may be lost directly from foreclosures, \$32 billion in wealth lost indirectly through resulting lower property values, and \$917 million in property tax revenue lost to state and local governments that rely on such funds to provide basic services to residents.

Numerous reports have show that high-cost subprime mortgage lending is disproportionately concentrated in low-income neighborhoods and communities of color. Because subprime loans have a higher risk of default and foreclosure, is likely that these same communities are disproportionately impacted by the foreclosure crisis.

This report focuses on a subset of subprime lenders - distressed mortgage lenders that have gone out of business as a part of the collapse of the subprime lending industry. In many cases the failure of these lender were tied to aggressive lending practices. Many of their loans were clearly unaffordable to the borrowers from the very beginning, an indication of the lenders' high-risk lending practices. Additionally, as these lenders have left the market, distressed homeowners may face increasing difficulty in finding an interested party to negotiate a loan modification or other alternative to foreclosure.

This report examines whether certain neighborhoods in Boston, Charlotte, Chicago, Cleveland, Los Angeles, New York City, and Rochester, NY are more prone to the negative impacts of lending by high-risk lenders.

Key findings of this analysis include:

High-Risk Lenders are Concentrated in Minority Neighborhoods

The analysis suggests that high-risk lenders were very active in 2006 in predominantly minority neighborhoods. High-risk lenders made a substantially higher proportion of their loans and captured a much greater percentage of the market in predominantly minority neighborhoods than in predominantly white neighborhoods.

- Almost 56,000 loans were made by high-risk lenders in the predominantly minority neighborhoods in the seven metro areas, giving them a 20 percent market share in these neighborhoods, compared to a 4 percent market share in predominantly white neighborhoods.
- Over 40 percent of the 136,483 loans made by high-risk lenders in the seven metro areas were in neighborhoods where 80 percent or more of the residents were people of color. Less than 10 percent of high-risk lender loans were in areas where less than 10 percent of the residents were people of color.
- In Boston, high-risk lenders had 22 percent of the home loan market in neighborhoods where more than 80 percent of residents were people of color, while they captured only 5 percent of the market for home loans in neighborhoods where less than 10 percent of the residents were people of color.
- In six of the seven metro areas analyzed, the high-risk lender market share in predominantly minority neighborhoods was at least three times the high-risk lender market share in predominantly white neighborhoods. In Los Angeles, the market share of high-risk lenders was 9.5 times higher in neighborhoods with over 80 percent residents of color than it was in neighborhoods with less than 10 percent residents of color. The market shares of high-risk lenders in predominantly minority neighborhoods was 4.2 times in Boston, 3.7 times in Chicago, and 3.5 times in New York City, their market shares in predominantly white neighborhoods.

As these high-risk lender loans go into default and foreclosure, minority neighborhoods are at substantially greater risk of vacant properties, declining property values and lost wealth than communities where less than 10 percent of the residents are people of color.

High-Risk Lenders are Prevalent in Lower-Income Neighborhoods

High-risk lenders captured a larger share of the market in low- or moderate-income communities than in upper-income neighborhoods. They also high percent of their loans in lower income neighborhoods than the market as a whole.

- In the seven metro areas as a whole, high-risk lenders captured almost 20 percent of the market in low-income neighborhoods, while they had less than 7 percent of the market in upper-income neighborhoods.
- In Los Angeles, high-risk lenders had 23 percent of the home loan market in low-income neighborhoods, while capturing less than 10 percent of the market for home loans in upper-income neighborhoods.
- In every metropolitan area, high-risk lenders captured at least 40 percent more of the market in lower income (low- and moderate-income) neighborhoods than in higher income (middle- and upper-income) areas, for disparity ratios of at least 1.4.
- When compared to all lenders, high-risk lenders do more of their lending in low- and moderate-income neighborhoods, and less of their lending in upper-income areas.

Minority and Lower Income Neighborhoods Will Bear Brunt of Foreclosure Crisis

Our analysis reveals that high-risk subprime lenders that are no longer in business made a majority of their loans to residents of minority neighborhoods, and were thus able to capture a significant share of the home mortgage market in these neighborhoods. These high-risk subprime lenders also made more of their loans than other lenders in low-income neighborhoods. These are often the same neighborhoods that are

not being sufficiently served by mainstream financial institutions. The high concentration of these high-risk loans in minority communities means that these communities will bear the brunt of the negative impacts of concentrated foreclosures as these loans go bad.

Recommendations

In order to combat discriminatory lending and unequal access to fairly priced credit and to preserve homeownership and stability in our communities, we recommend the following:

1. To protect borrowers facing foreclosure, policy makers should:
 - Require loan servicers to conduct broad scale, streamlined loan modifications on all loans with interest rate resets.
 - Amend the bankruptcy code to allow the modification of loans on a primary residence as a part of the bankruptcy process.
 - Require that the federal government purchase, at a discount, securitized loan pools for loan modifications.
 - Develop rescue refinance loan products operated by state housing finance agencies for homeowners at risk of foreclosure.
 - Increase funding for housing counselors, civil legal services, and land banking.
2. Protect the rights of tenants living in properties in foreclosure.
3. To protect borrowers and communities in the future, pass comprehensive mortgage reform legislation, including provisions that adequately regulate mortgage brokers, hold Wall Street liable for financing bad loans, and prohibit abusive loan features.
4. Policy makers should expand Community Reinvestment Act (CRA) obligations to cover more lenders and communities, and regulators should increase enforcement of CRA and fair lending laws.
5. To ensure that borrowers are benefiting from industry-led workout and loan modification programs, data disclosure should be expanded to include loss mitigation outcomes. Additionally, data collected under the federal Home Mortgage Disclosure Act (HMDA) must be expanded to include information on underwriting characteristics and loan terms.

INTRODUCTION

The Subprime Shakeout and Its Impact in Lower-Income and Minority Communities

Mounting home loan defaults and foreclosures are threatening gains in homeownership in communities across the United States. In recent years, innovative mortgage products in the subprime market allowed many families to become new homeowners. However, this new flexibility in mortgage lending terms was often abused by unscrupulous lenders and mortgage brokers who increasingly put borrowers into loans they were unable to afford. Increases in defaults and foreclosures of subprime mortgages directly and indirectly impact families struggling to maintain homeownership and neighborhoods seeing mounting vacant and abandoned properties.

Many of the subprime loans now at risk of foreclosure were problematic at best and predatory at worst. The U.S. Government Accountability Office (GAO) recently noted that a major cause of the current foreclosure crisis was “more aggressive lending practices,” including an easing of underwriting standards and wider use of certain loan features that, while potentially helping to expand homeownership, also reduced the likelihood that some borrowers would be able to meet their mortgage obligations, particularly in times of economic hardship or slowing property value appreciation.¹ A 2005 study of Loan Performance data found that 55 percent of the securitized subprime loans studied had pre-payment penalties of three years or longer and 14 percent had balloon payments—features that increase the likelihood of foreclosure and are prohibited under several state anti-predatory lending laws. Additionally, 49 percent of the loans examined were adjustable rate mortgages (ARMs).²

Beginning in 2006, defaults and foreclosures of subprime ARMs began to grow, and now these foreclosures have reached record levels. According to the most recent data available, almost 1.3 million properties, or one for every 97 households, in the U.S. in 2007 had some type of foreclosure action taken against them.³ It is estimated that 2.2 million homeowners with subprime loans will lose their homes through foreclosure, resulting in a loss of \$164 billion in wealth to these households, mainly in lost equity.⁴

Foreclosures impact individuals through the loss of their homes and built up equity as well as damage to their credit history, but it has become increasingly clear that foreclosures also harm neighborhoods, local governments, and the broader economy. Research has shown that one foreclosed home can lower the property values of all homes within an eighth of a mile (essentially a city block) by approximately 1 percent, and property value declines may be even greater in low and moderate income neighborhoods.⁵

¹Government Accountability Office (GAO), *Home Mortgage Defaults and Foreclosures: Recent Trends and Associated Economic and Market Developments: Briefing to the Committee on Financial Services, U.S. House of Representatives*. Report No.: GAO-08-78R, October 2007, <http://www.gao.gov/new.items/d0878r.pdf> (accessed February 26, 2008).

²Roberto G. Quercia, Michael A. Stegman and Walter R. Davis, *The Impact of Predatory Loan Terms on Subprime Foreclosures: The Special Case of Prepayment Penalties and Balloon Payments*, Center for Community Capitalism, University of North Carolina at Chapel Hill, January 2005, <http://www.ccc.unc.edu/documents/foreclosurepaper.pdf> (accessed February 26, 2008).

³“U.S. Foreclosure Activity Increases 75 Percent in 2007,” *RealtyTrac*, January 29, 2008, <http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=3988&acct=64847> (accessed on February 26, 2008).

⁴Ellen Schloemer, Wei Li, Keith Ernst, and Kathleen Keest, *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners*, Center for Responsible Lending, December 2006, <http://www.responsiblelending.org/pdfs/FC-paper-12-19-new-cover-1.pdf> (accessed on February 26, 2008).

⁵Dan Immergluck and Geoff Smith, *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values*, Woodstock Institute, June 2005, <http://www.woodstockinst.org/publications/download/there-goes-the-neighborhood%3a-the-effect-of-single%1family-mortgage-foreclosures-on-property-values/> (accessed February 26, 2008).

Estimates indicate that homeowners living near foreclosed properties will see their property values decrease \$5,000 on average.⁶ Foreclosures can require that local governments provide additional municipal services to the property, such as policing, fire suppression, building inspection, legal fees, and managing the foreclosure process. The costs to local government for providing these services can exceed \$30,000 per property.⁷ Additionally, lost revenue from unpaid property taxes can impact a municipality's overall budget and ability to offer services. All told, by 2009 \$32 billion in housing wealth may be lost indirectly through resulting lower property values and \$917 million in property tax revenue lost to state and local governments that rely on such funds to provide basic services to residents.⁸

The devastating impact of abusive lending on communities is illustrated by the variety of ways municipalities are trying to make lenders take responsibility for the surge in foreclosures and subsequent vacant and abandoned properties that result in increased costs and lost tax revenue. The cities of Cleveland and Buffalo, as well as others, are imposing fines on banks that do not take care of foreclosed properties.⁹ Cleveland also is using the state public nuisance law to sue 21 major investment banks, alleging that they "creat[ed] a public nuisance by making mortgages available to people who had 'no realistic means of keeping up with their loan payments.'"¹⁰ The city of Baltimore filed a lawsuit against Wells Fargo alleging the bank unfairly discriminated against black borrowers by charging them higher interest rates than they qualified for, which increased their chances of default and foreclosure.¹¹ Like Cleveland, Baltimore is seeking damages to pay for the reduction in tax revenues and increased costs of dealing with foreclosed and abandoned properties.

The Focus of This Report

High-Risk Lenders

This report focuses on a subset of subprime lenders - distressed mortgage lenders that have gone out of business as a part of the collapse of the subprime lending industry. In many cases these lenders' failures were tied to overly aggressive lending practices such as offering adjustable rate mortgages with low initial teaser rates, 100 percent financing, and low or no income documentation loans.¹² These institutions predominantly made loans through networks of unregulated mortgage brokers. Many of these institutions' loans entered into default very soon after origination, a clear indication that these loans were unaffordable to the borrowers from the very beginning and that these lenders engaged in very risky lending practices.

⁶Center for Responsible Lending. *Subprime Spillover: Foreclosures Cost Neighbors \$223 Billion; 44.5 Million Homes Lose \$5,000 on Average*, CRL Issue Paper, November 2007, <http://www.responsiblelending.org/pdfs/subprime-spillover.pdf> (accessed February 26, 2008).

⁷William C. Apgar and Mark Duda, *Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom*, Homeownership Preservation Foundation, May 2005, http://www.995hope.org/content/pdf/Apgar_Duda_Study_Short_Version.pdf, (accessed February 26, 2008).

⁸Majority Staff of the Joint Economic Committee, "The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values and Tax Revenue, and How We Got Here," October 2007, <http://jec.senate.gov/Documents/Reports/10.25.07OctoberSubprimeReport.pdf> (accessed February 26, 2008).

⁹Michael Orey, "Dirty deeds: As housing crisis deepens, cities fight lenders over abandoned homes." *Business Week*, *MSNBC.com* January 7, 2008, <http://www.msnbc.msn.com/id/22506609/> (accessed February 26, 2008).

¹⁰Henry J. Gomez and Thomas Ott, "Cleveland sues 21 banks over subprime mess," *The Plain Dealer*, January 11, 2008, http://blog.cleveland.com/metro/2008/01/cleveland_sues_21_investment_b.html (accessed February 26, 2008)

¹¹Gretchen Morgenson, "Baltimore Is Suing Bank Over Foreclosure Crisis," *New York Times*, January 8, 2008, <http://www.nytimes.com/2008/01/08/us/08baltimore.html> (accessed February 26, 2008).

¹²Vikas Bajaj and Christine Haughney, "Home Finance Center: Tremors at the Door.," *New York Times*, January 26, 2007, <http://homefinance.nytimes.com/ny/article/news/2007.01.26.26mortgage/> (accessed February 26, 2008). See also GAO, Report No.: GAO-08-78R, October 2007.

Loans made by these “high-risk” lenders over the past few years have largely been sold on the secondary market as part of private mortgage back securities. An analysis performed by Empire Justice Center shows that 88 percent of the 48,462 loans originated by high-risk lenders in New York State in 2006 were sold to private institutions. Of these, 62 percent were privately securitized or sold to banks, life insurance companies, credit unions, mortgage banks, finance companies or affiliate institutions.¹³

Additionally, as these lenders have left the market, distressed homeowners with loans from these institutions may face increasing difficulty in finding an interested party to negotiate a loan modification or other alternative to foreclosure. The GAO reported that: “The extent to which current default and foreclosure trends continue depends on a number of factors, including lenders’ willingness to modify loan terms, the amount of liquidity available for refinancing, changes in home prices and interest rates, and general economic conditions.”¹⁴ It is likely that distressed lenders are less willing or able to do loan modifications or to have the liquidity for refinancing. The Federal Trade Commission recently went so far as to develop a consumer fact sheet called, “How to Manage Your Mortgage If Your Lender Closes or Files for Bankruptcy.”¹⁵

Our list of 35 high-risk lenders is a subset of the 228 lenders that have “imploded” since late 2006.¹⁶ Since subprime loans are more likely to go into default and foreclosure, this report focuses on the now defunct, or high-risk, lenders that specialized in subprime lending.¹⁷ Starting with a list published by the Wall Street Journal called “Subprime Shakeout: Lenders that Have Closed Shop, Been Acquired or Stopped Loans,” we included in our list of high-risk lenders, only those lenders listed as “closed,” “bankrupt,” “bankrupt/sold,” “closed/sold,” or “sold unit,” and for which a majority (more than 50 percent) of their loans were subprime.¹⁸

Together, these high-risk lenders made over 1.1 million loans nationally. However, a relatively small number of high-risk lenders account for a large share of total lending by the group. Four of the lenders included in this analysis made over 100,000 loans each, accounting for almost 57 percent of the total loans made by the 35 high-risk lenders. They are (along with their share of the total lending):

- New Century Mortgage Corporation (19 percent)
- WMC Mortgage Corporation (14 percent)
- Fremont Investment & Loan (13 percent)
- Argent Mortgage Company (10 percent)

The complete list of high-risk lenders is found in Appendix II.

¹³Analysis performed on 2006 HMDA data by Empire Justice Center, Rochester, NY.

¹⁴GAO, Report No.: GAO-08-78R, October 2007, 30.

¹⁵Federal Trade Commission, “How to Manage Your Mortgage If Your Lender Closes or Files for Bankruptcy,” December 2007, <http://www.ftc.gov/bcp/edu/pubs/consumer/homes/real2.shtm> (accessed February 26, 2008).

¹⁶According to The Mortgage Lender Implode-O-Meter at: <http://ml-implode.com/> on 2/21/08, “since late 2006, 228 major U.S. lending operations have ‘imploded.’”

¹⁷The Center for Responsible Lending estimates that one in five subprime loans have or will go into foreclosure. See Schloemer, et al, December 2006. See also Majority Staff of the Joint Economic Committee, October 2007.

¹⁸This information may be found at: <http://online.wsj.com/public/resources/documents/info-subprimeloans0706-sort.html> . As of this report, the WSJ list was last updated on 9/23/07. Since that date, additional lenders have gone out of business.

Multi-City Analysis

This report examines the distribution of loans by these institutions in seven metropolitan areas to understand what types of neighborhoods have been, and will continue to be, most heavily impacted by the practices of these high-risk lenders.¹⁹ Metropolitan areas examined include large urban areas such as New York City, Los Angeles, Chicago, Boston and Cleveland, as well as smaller urban areas of Charlotte, NC and Rochester, NY, and represent communities in which the authors of this report work. A review of publicly available federal lending data shows clear and dramatic disparities with regard to which neighborhoods are likely to be the most impacted by the concentrations of loans made by these high-risk lenders.

Risky Lending in Seven Metropolitan Areas

High-risk Lenders are Concentrated in Minority Neighborhoods.

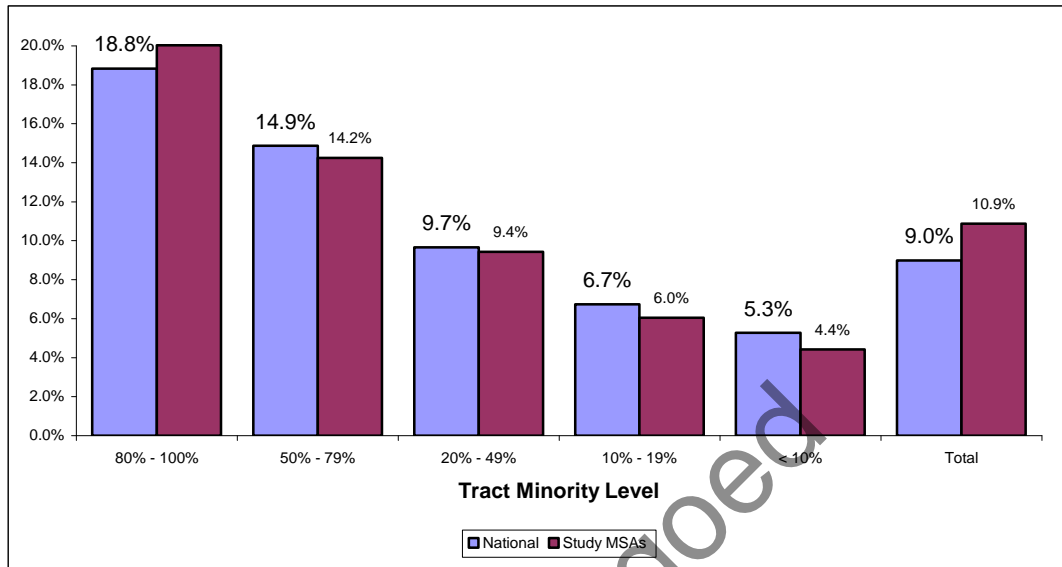
Chart 1 reveals the extent to which high-risk lenders have penetrated different communities nationally and within the seven metro areas analyzed. On average, 11 percent of all home loans made in the seven metro areas, and 9 percent nationwide, came from high-risk lenders no longer in business.

Of even greater concern is the extent to which these loans are concentrated in minority neighborhoods in the seven metro areas.²⁰ A whopping 55,698 loans were made by high-risk lenders in predominantly minority neighborhoods, giving them a 20 percent market share in these neighborhoods (see Chart 1). In comparison, high-risk lenders had only a 4 percent market share in neighborhoods with less than 10 percent minority residents.

¹⁹Loans included in the analysis are first and subordinate-lien home purchase, home improvement and refinance loans on 1-4 family, owner-occupied, site-built units.

²⁰We focus on the seven study metropolitan areas here. However, as seen by Chart 1, the study high-risk lender market share numbers are similar to the national numbers.

Chart 1.
High-Risk Lender Market Share by Census Tract Minority Composition, 2006²¹



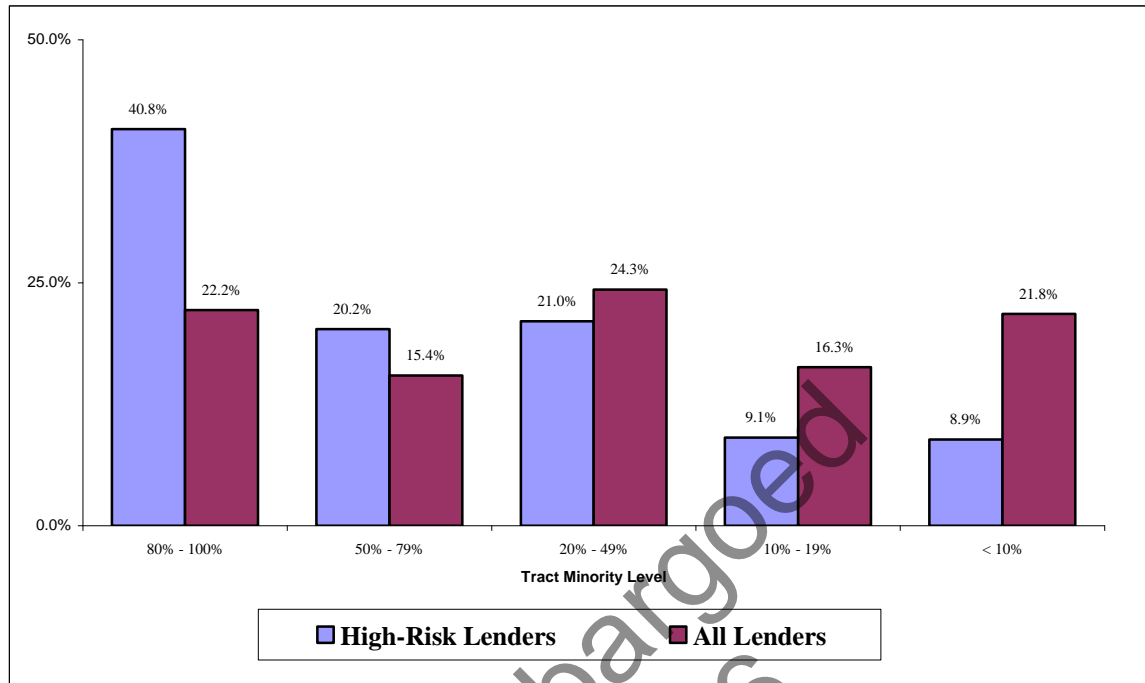
Source: Home Mortgage Disclosure Act

Chart 2 shows that over 40 percent of the 136,483 loans made by high-risk lenders in the seven metro areas were in predominantly minority neighborhoods, while less than 10 percent of their loans were in predominantly white neighborhoods. In comparison, all mortgages in these metropolitan areas were distributed relatively evenly across neighborhood composition type. This suggests that these neighborhoods were targeted by high-risk lenders, and that minority neighborhoods will feel the brunt of these loans going into default and foreclosure.

Table 2 in Appendix III shows the extent to which the high-risk lenders are more prevalent in communities of color than in predominantly white neighborhoods in each of the seven metro areas examined. In most cases, high-risk lenders had their greatest market share in communities with the largest percentage of residents of color, and their lowest market share in neighborhoods that less than 10 percent minority. For example, in Boston, high-risk lenders had 22 percent of the home loan market in neighborhoods where more than 80 percent of residents were people of color, with a decreasing market share down to a mere 5 percent of the market for home loans in neighborhoods where less than 10 percent of the residents were people of color.

²¹See Table 1 in Appendix III for data used to compile this table.

Chart 2.
Distribution of High-Risk Lender Loans by Tract Minority Composition, 2006²²



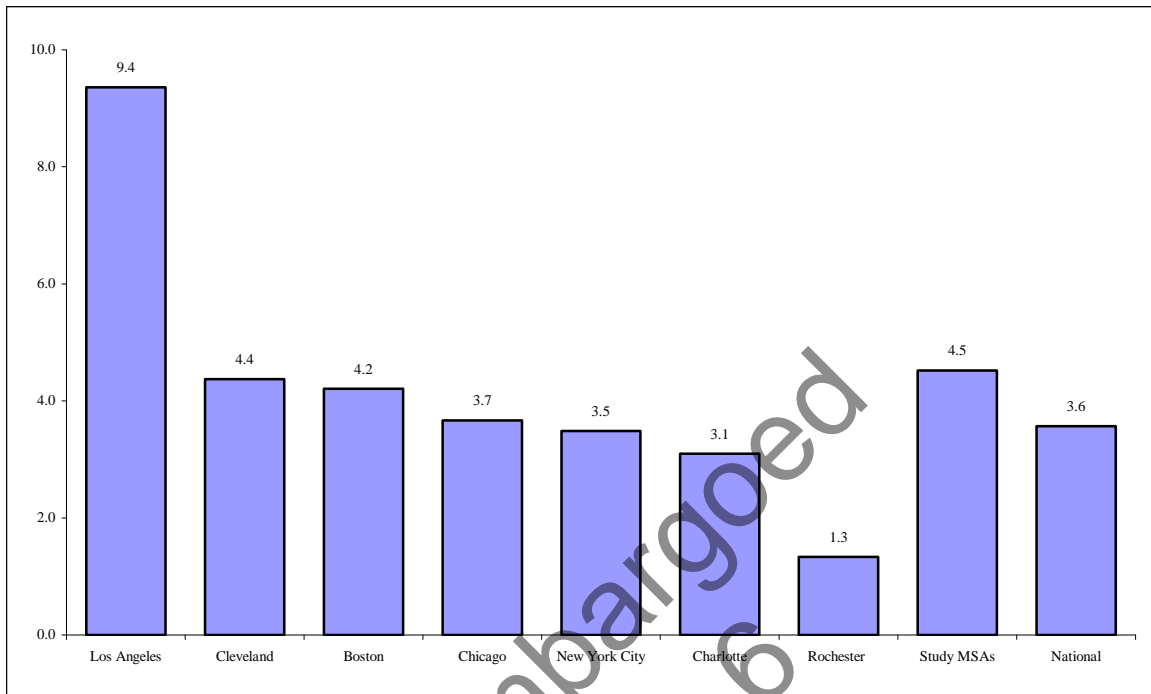
Source: Home Mortgage Disclosure Act

In every metropolitan area, the market share for high-risk lenders in neighborhoods with the greatest percentage of people of color exceeded their market share in neighborhoods that are predominantly white, in some cases by wide margins. As seen in Chart 3 the high-risk lender market share in predominantly minority neighborhoods was at least three times the high-risk lender market share in predominantly white neighborhoods for six of the seven metro areas analyzed. At the national level, the high-risk lender market share in neighborhoods where at least 80 percent of the residents are people of color was 3.6 times higher than the high-risk lender market share in neighborhoods where less than 10 percent of the residents are people of color.

Los Angeles had the greatest high-risk lender market share disparity between its predominantly minority neighborhoods and predominantly white neighborhoods, where the market share of high-risk lenders was 9.5 times higher in neighborhoods with over 80 percent residents of color than it was in neighborhoods with less than 10 percent residents of color. Cleveland and Boston, with disparity ratios of 4.4 and 4.2 respectively, were also above the national disparity average of 3.6. Chicago and New York City had disparity ratios similar to the national average, 3.7 and 3.5 respectively. While slightly less than the national average, Charlotte still had a disparity ratio of over 3. Even in Rochester, high-risk lenders had a market share 2.5 times higher in 50-79 percent minority neighborhoods than in neighborhoods with less than 10 percent people of color.

²²See Table 2 in Appendix II for the data used to compile this table.

Chart 3.
High-Risk Lender Market Share Disparities Between High and Low Minority Neighborhoods, 2006²³



Source: Home Mortgage Disclosure Act

The high concentration of high-risk lender loans in minority communities is clearly illustrated in Figure 1. The dot density map illustrates the geographic lending patterns for the group of high-risk lenders in New York City and shows that these institutions' loans were highly concentrated in minority neighborhoods in New York's outer boroughs. The cross hatching represents neighborhoods where at least 50 percent of the residents are minority. Appendix 5 contains similar maps for each of the metropolitan areas examined.

This analysis suggests that high-risk lenders were very active in 2006 in neighborhoods of color. High-risk lenders made a substantially higher proportion of their loans and captured a much greater percentage of the market in predominantly minority neighborhoods than in predominantly white neighborhoods. As these high-risk loans go into default and foreclosure, minority neighborhoods are at substantially greater risk of vacant properties, declining property values and lost wealth than communities where less than 10 percent of the residents are people of color.

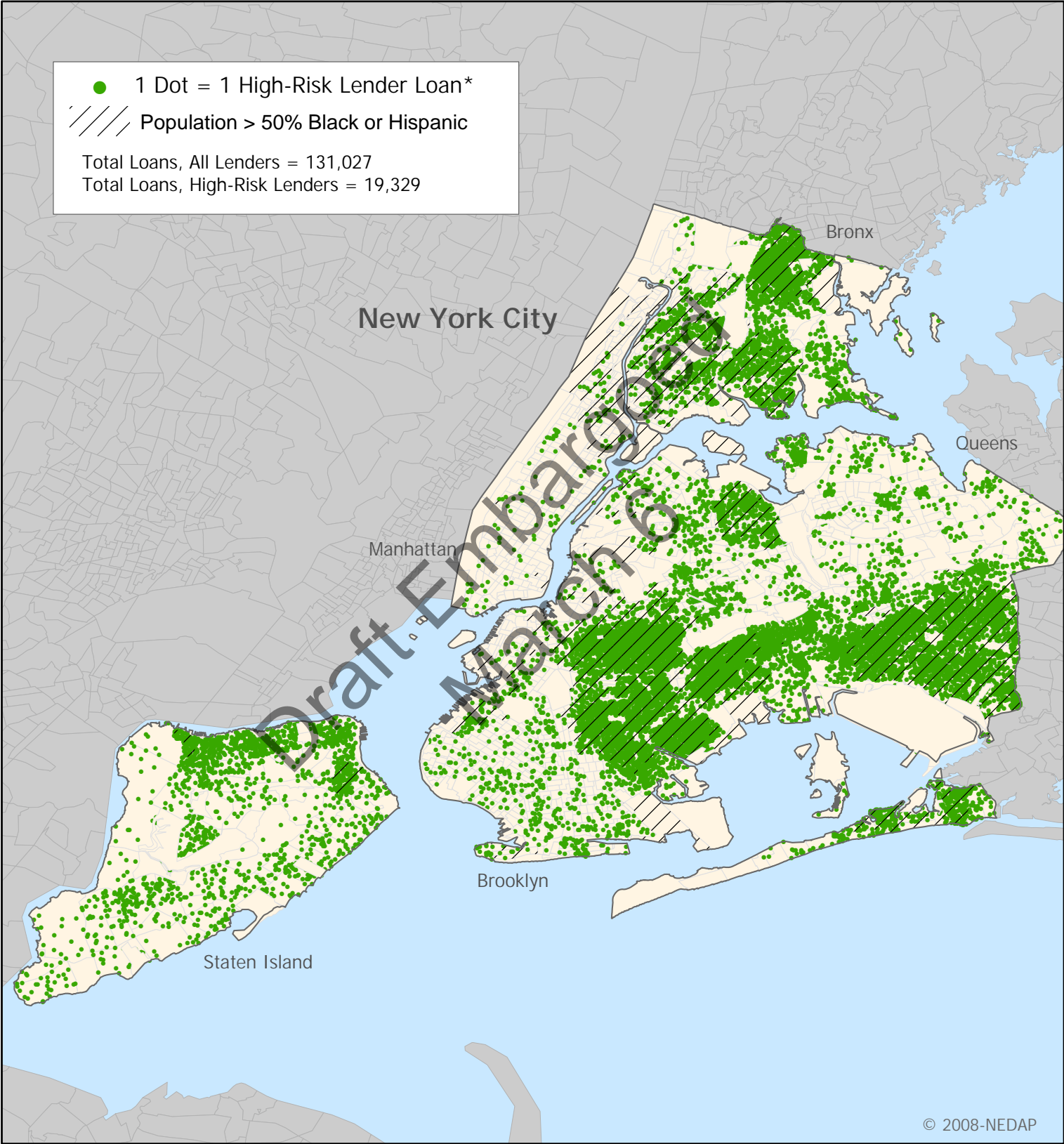
High-risk Lenders are Prevalent in Low-Income Neighborhoods

At the national level and among the seven metro areas as a whole, high-risk lenders capture a higher percentage of the single family, owner-occupied home lending market in low-income communities than in upper-income communities. Chart 4 shows that in the seven metro areas, high-risk lenders captured almost 20 percent of the market in low-income neighborhoods, while they had less than 7 percent of the market in upper-income neighborhoods. This change in market share across neighborhood income levels

²³The disparity ratio was calculated by dividing the 80-100% minority tract market share by the < 10% minority tract market share. See Table 2 in Appendix II for the data used to compile this table.

High-Risk Lender Loans, 2006

New York, New York



Map prepared and data provided by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."

is similar to the pattern found when comparing high-risk lender market share across neighborhood racial/ethnic composition.

Chart 4.
High-Risk Lender Market Share by Neighborhood Income Level, 2006²⁴



Source: Home Mortgage Disclosure Act

Table 3 in Appendix III compares across the seven metro areas the extent to which high-risk lenders are more prevalent in low-income communities as compared to upper-income ones. It shows patterns similar to those across neighborhood race/ethnicity and by income at the national level.

In all seven metro areas, high-risk lenders had the greatest market share in low- or moderate-income communities and the lowest market share in upper-income neighborhoods. For example, in Los Angeles, high-risk lenders had 23 percent of the home loan market in low-income neighborhoods, with a decreasing market share down to less than 10 percent of the market for home loans in upper-income neighborhoods. In Chicago, high-risk lenders had a market share of 19 percent in low-income communities and a 6 percent marketshare in upper-income areas.

Chart 5 shows that in every metropolitan area, high-risk lenders captured at least 40 percent more of the market in lower-income (low- and moderate-income) neighborhoods than in higher income (middle- and upper-income) ones, for disparity ratios of at least 1.4. Three metro areas had market share disparities that were higher than the national and study average of 1.9, indicating that high-risk lenders in these areas had a market share in lower income neighborhoods that was at least twice as large as their market share in higher income areas. In Cleveland, the market share of high-risk lenders was 3 times greater in lower

²⁴See Table 3 in Appendix II for the data used to compile this table.

income neighborhoods than in higher income neighborhoods. For Boston, the high-risk lender market share disparity between lower and higher income neighborhoods was 2.6, while for Chicago it was 2.0.

Chart 5.
High-Risk Lender Market Share Disparities Between Higher- and Lower-Income Neighborhoods, 2006²⁵



Source: Home Mortgage Disclosure Act

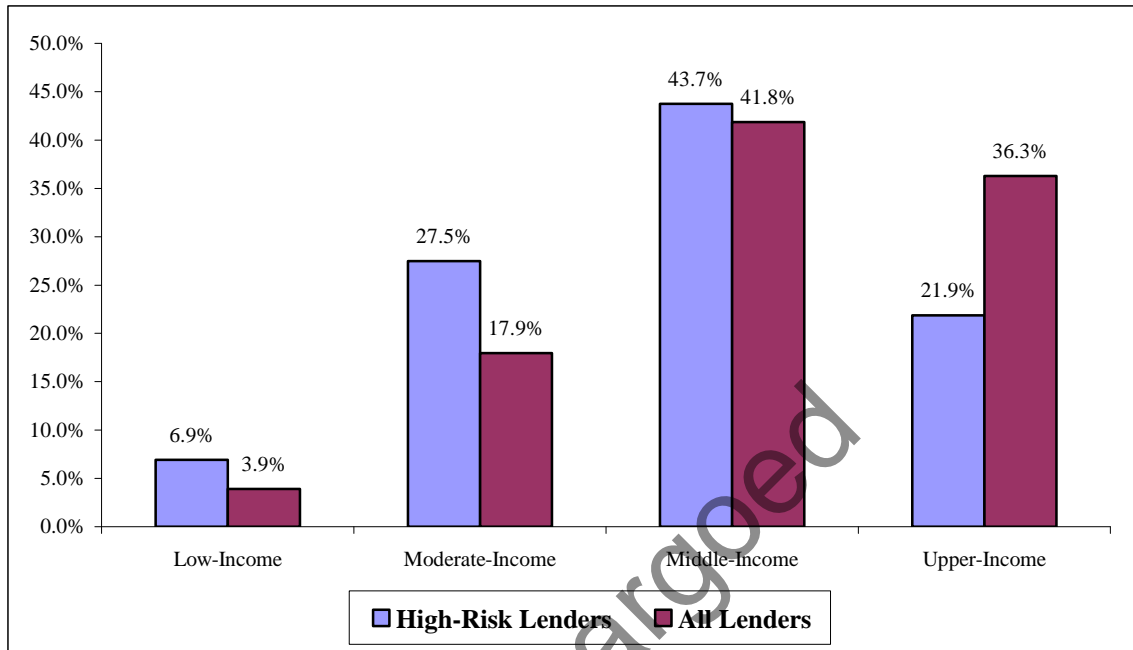
Chart 6 shows that in the seven metro areas studied high-risk lenders do a similar proportion of their lending in middle income areas when compared to all lenders. However, high-risk lenders make higher proportions of their loans in low- and moderate- income neighborhoods, and a lower proportion of their loans in upper-income areas, than do all lenders.

Almost 7 percent of 136,479 loans made by high-risk lenders were in low-income neighborhoods, compared to 4 percent of loans made by all lenders. About 22 percent of high-risk lender loans were in upper-income communities compared to 36 percent of the loans made by all lenders.

A comparison of Chart 6 with Chart 2 above shows significant differences in the distribution of high-risk lender loans to minority neighborhoods versus lower income neighborhoods. High-risk lenders focus a substantially higher proportion of their lending in predominantly minority neighborhoods than in low-income areas.

²⁵This disparity ratio was calculated by dividing the market share of high-risk lenders in low- and moderate-income tracts by the market share of high-risk lenders in middle- and upper-income tracts. See Table 3 in Appendix II for the data used to compile this table.

Chart 6.
Distribution of Loans by Neighborhood Income Level in Study MSAs, 2006²⁶



Source: Home Mortgage Disclosure Act

This analysis indicates that high-risk lenders in 2006 were substantially more active than other lenders in lower income communities relative to upper-income communities. However, the differences in lending by high-risk lenders by neighborhood income level are not nearly as stark as the differences shown earlier in this report of lending by high-risk lenders in minority and predominantly white neighborhoods.

²⁶See Table 4 in Appendix II for the data used to compile this table.

CONCLUSIONS AND RECOMMENDATIONS

The above analysis reveals that subprime lenders that are no longer in business made a majority of their loans to residents of minority neighborhoods and captured a significant share of the home mortgage market in these neighborhoods. These high-risk subprime lenders also made a higher share of their loans in low-income neighborhoods than did other lenders. These are often the same neighborhoods that are not being sufficiently served by mainstream financial institutions. The concentration of these high-risk loans in minority communities means that these communities will bear the brunt of the negative impacts of concentrated foreclosures as these loans go bad.

Based on the preceding findings and analysis, we offer the following recommendations in order to combat discriminatory lending and unequal access to fairly priced credit, and to preserve homeownership and stability in our communities:

1. Protect Borrowers and Communities from Foreclosures – There are several ways to protect borrowers at risk of foreclosure. Policy makers must adopt several options so that the unique needs of borrowers can be addressed and more homeowners saved from foreclosure.

- Loan servicers must be required to conduct broad scale, streamlined loan modifications, including being required to modify for the long term all loans with interest rate resets that make the loans unaffordable to borrowers. Rates on these loans should be frozen for the life of the loan. Loan modifications should also be the first option for borrowers who have already gone into default on their loans as a result of an unaffordable interest rate reset.
- Congress should amend the Bankruptcy Code to promote mortgage loan modifications for homeowners in bankruptcy.
- As proposed by the National Community Reinvestment Coalition in its Homeowners Emergency Loan Program (HELP Now), the federal government should consider purchasing, at a discount, loans held in securitized pools, so they could be modified for long-term affordability.
- To ensure that loan servicers are keeping their public commitments to modify loans, the Federal government and/or the states should require detailed data collection of loss mitigation outcomes.
- Congress should also act on the President's proposal to allow state housing finance agencies to develop rescue refinance loan products for homeowners at risk of foreclosure; and state housing finance agencies should develop such products. The underwriting standards of these products must be flexible enough to realistically fit the characteristics of borrowers in default and at risk of foreclosure.
- Increase resources available to protect homeowners in default or foreclosure and to protect neighborhoods with foreclosures, including increased funding for housing counselors, and civil legal services.
- Make increased funding available for the acquisition and maintenance of foreclosed and vacant properties by municipalities and non-profit organizations. Create a system that facilitates the transfer of such properties and penalizes institutions who do not properly maintain foreclosed properties.

2. **Protect Tenants From the Impacts of Foreclosures.** Tenants often are caught by surprise when the homes in which they are living are foreclosed upon.²⁷ Tenants should be entitled, at a minimum, to have their utilities and other services in working order while they are occupying the premises, to have advanced notice of any foreclosure proceedings on the property where they are living, and to have their lease terms honored by the new owner of the property, or be provided with a reasonable opportunity to find alternative and suitable living arrangements.
3. **Pass Comprehensive Mortgage Reform to Prevent a Similar Crisis** – Many of the adjustable rate mortgages going into default were unaffordable to borrowers even before the reset, often due to aggressive and deceptive marketing and sales practices and predatory features such as excessive fees, higher than warranted interest rates and/or over-appraisals.

Legislators must develop comprehensive mortgage lending reform to ensure that communities will not face similar consequences of lax underwriting and abusive lending in the future. Such legislation should include provisions that adequately regulate mortgage brokers, hold Wall Street liable for financing bad loans, and prohibit abusive loan features such as prepayment penalties that trap borrowers in bad loans and Yield Spread Premiums that reward brokers for acting against the interest of borrowers by charging them higher rates than that for which they qualify.

4. **Expand and Increase Enforcement of CRA and Fair Lending Laws** – None of the high-risk lenders have Community Reinvestment Act (CRA) obligations, except for the few who are affiliates of depositories that may have opted to include these affiliates in their CRA exams. In addition, a state agency, former New York Attorney General Eliot Spitzer, has taken the only public enforcement action to date against a mortgage lender based on HMDA disparities, despite the Federal Reserve Board having identified hundreds of lenders whose data show large differences between the prices paid by black and Latino borrowers and those paid by their white counterparts.

To ensure that all communities have access to responsible lending products and that lenders are adhering to fair lending laws, law-makers and regulators must:

- Expand CRA obligations by: (1) expanding assessment areas of regulated institutions to wherever they do significant lending; (2) requiring that all affiliates of depositories be covered; and (3) extending CRA to all mortgage lenders, including independent mortgage companies not affiliated with depositories. In November 2007, Massachusetts passed a law that extends CRA-type obligations to independent mortgage companies.
- Expand CRA to require a review of performance in minority communities, not just low-moderate income communities, and make fair lending exams public.
- As part of CRA exams, review whether lenders have adequate mechanisms in place keep borrowers in default and foreclosure in their homes, as well as how lenders maintain properties in foreclosure and real estate owner (REO) properties.
- Rigorously enforce community reinvestment and fair lending laws.
- For bank holding companies that operate lending affiliates regulated by different federal and state agencies, it is critical that regulators conduct coordinated exams that consider the affiliate product mix, marketing efforts, delivery channels, and pricing decisions of all lending entities.

²⁷“Homeowners Are Not the Only Victims of the Mortgage Foreclosure Crisis: Tenants in Foreclosed Rental Properties Are Being Displaced Nationwide,” Testimony of Judith Liben, Housing Attorney at the Massachusetts Law Reform Institute Before the U.S. House of Representatives Committee on Financial Services, September 20, 2007, http://www.house.gov/apps/list/hearing/financialsvcs_dem/testimony_-_liben_1.pdf (accessed on February 26, 2008).

- The Federal Reserve should add data fields to those currently in use under HMDA. These fields should include information on whether or not a loan was originated through a broker; whether or not the loan was a nontraditional (interest only or option ARM) loan; borrower credit score; age of borrower, term of mortgage, whether the rate is fixed or adjustable, level of income documentation; debt to income ratios; and loan to value ratios.

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APPENDICES

Appendix I: Notes on Data and Definitions

HMDA Data: The primary data source for this report is the Home Mortgage Disclosure Act Loan Application Register data (HMDA data), as collected, processed, and released each year by the federal government. (For more information, visit: www.ffiec.gov/hmda). Among the HMDA data provided for each loan are: the identity of the lending institution; whether the loan is government-backed (by the VA or FHA) or “conventional” (not government-backed); whether or not the home is owner-occupied; whether the home is a site-built home or a manufactured home; the census tract, county, and metropolitan area in which the property is located; the race and ethnicity of the borrower; the purpose of the loan (home-purchase, refinancing of existing mortgage, or home improvement); the lien status of the loan (first lien or junior lien); and pricing information for loans with annual percentage rates above threshold levels (see below). The FFIEC makes raw HMDA Loan Application Register data available on CD-ROM; the data may also be downloaded from www.ffiec.gov.

Loans Included: This report examines only a particular portion of all loans included in HMDA data – those that are (1) for a home purchase, home improvement or refinance; (2) conventional (rather than government-backed); (3) first-lien or subordinate lien; (4) for a home that will be occupied by the borrower; and (5) for a site-built (one to four unit) home.

Neighborhood Composition: Much of the analysis in this report focuses on the racial/ethnic and income makeup of communities. HMDA data classify loans by neighborhoods along racial/ethnic and income categories. Census tracts are divided into those where people of color comprise 80%-100% (“predominantly minority”); 50-79%; 20-49%; 10-19%; or less than 10% (“predominantly white”) of the total number of residents in the tract. Similarly, census tracts are divided into those where the average median household income is less than 50% of area median income (“low-income”); between 50% and 80% of area median income (“moderate-income”); between 80% and 120% of area median income (“middle income”); and over 120% of area median income (“upper-income”).

Lenders: For this report, we chose to focus on distressed lenders that are no longer selling home loans. For an unbiased source, we relied on a list published by the Wall Street Journal called “Subprime Shakeout: Lenders that Have Closed Shop, Been Acquired or Stopped Loans.”²⁸ We included only those lenders listed as “closed,” “bankrupt,” “bankrupt/sold,” “closed/sold,” or “sold unit” as of 9/23/07, and for whom most (50 percent or more) of their loans were subprime.

Cities: Metropolitan areas can be, and are, defined in many different ways for many different purposes. Each of the seven groups that participated in preparing this report defined its own metropolitan area in the way that it has found to be most useful for its own work. The notes to the individual metro area tables in Appendix IV provide information on the precise definitions of each city or metropolitan area included in this report.

²⁸This information may be found at: <http://online.wsj.com/public/resources/documents/info-subprimeloans0706-sort.html>.

Appendix II: High-risk Lenders Included in the Analysis

"High-risk" Lenders, 2006			
Name	Total # loans	% that are high cost	Share of high-risk lender loans
ALLIANCE BANCORP	12,599	74.2%	1.1%
AMERIQUEST MORTGAGE COMPANY	31,220	71.3%	2.8%
ARGENT MORTGAGE COMPANY	117,328	91.6%	10.4%
AXIS MORTGAGE & INVESTMENTS	3,031	72.1%	0.3%
BNC MORTGAGE	59,156	95.0%	5.2%
COLUMBIA HOME LOANS, LLC	2,653	55.2%	0.2%
DECISION ONE MTG CO LLC	79,099	92.8%	7.0%
FIRST NLC FINANCIAL SERVICES	39,759	66.4%	3.5%
FIRST NLC, INC.	37	81.1%	0.0%
FMF CAPITAL LLC	14,493	89.5%	1.3%
FREMONT INV & LOAN	149,004	94.2%	13.2%
H&R BLOCK, MORTGAGE CORPORATION	18,632	61.6%	1.7%
HARBOURTON MORTGAGE INVESTMENT	4,729	75.5%	0.4%
HOMEFIELD FINANCIAL, INC.	4,133	51.1%	0.4%
INNOVATIVE MORTGAGE CAPITAL	599	81.3%	0.1%
LANCASTER MORTGAGE BANKERS	3,197	68.5%	0.3%
LENDERS DIRECT CAPITAL CORP.	9,053	99.0%	0.8%
MADISON EQUITY CORPORATION	600	96.3%	0.1%
MARIBELLA MORTGAGE, LLC	2,266	76.7%	0.2%
MASTER FINANCIAL, INC.	6,630	72.9%	0.6%
NATIONSTAR MORTGAGE LLC	24,342	90.7%	2.2%
NEW CENTURY MORTGAGE CORP.	219,455	88.0%	19.4%
OAK STREET MORTGAGE	10,898	87.8%	1.0%
PEOPLE'S CHOICE HOME LOAN, INC	23,519	94.0%	2.1%
QUALITY HOME LOANS	2,735	98.5%	0.2%
RESMAE MORTGAGE	39,556	92.1%	3.5%
SEBRING CAPITAL PARTNERS, L.P.	11,986	95.1%	1.1%
SECURED FUNDING CORPORATION	525	79.1%	0.0%
SOUTHSTAR FUNDING, LLC.	49,161	81.9%	4.4%
SOUTHTRUST MTG DBA EQUIBANC	2,509	97.2%	0.2%
SUNSET DIRECT LENDING	2,833	96.8%	0.3%
THE CIT GROUP/CONSUMER FIN INC	28,559	89.6%	2.5%
THE CIT GROUP/CONSUMER FIN INC	959	91.8%	0.1%
THE CIT GROUP/CONSUMER FIN INC	603	87.9%	0.1%
WMC MORTGAGE CORP.	152,566	93.2%	13.5%
Total	1,128,424		

Note: Included in the list of "high-risk" lenders are only those lenders listed as "closed," "bankrupt," "bankrupt/sold," "closed/sold," or "sold unit," and for which a majority of their loans were subprime. Total # loans are the total number of loans made nationally that are eligible for determination of whether or not they were high cost, as calculated by the Federal Reserve.

Source: Wall Street Journal 2007. "Subprime Shakeout: Lenders that Have Closed Shop, Been Acquired or Stopped Loans." As found at: <http://online.wsj.com/public/resources/documents/info-subprimeloans0706-sort.html>. This list was last updated on 9/23/07. Loan data from: Robert B. Avery at the Federal Reserve System, who provided the 2006 HMDA Panel Lender file upon request.

Appendix III: Summary Tables

Table 1.
Loans From High-Risk Lenders and All Lenders by Neighborhood
Racial/Ethnic Composition, 2006

	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79%	20% - 49%	10% - 19%	< 10%	
National						
High-risk Lenders	179,233	189,818	291,514	161,162	191,449	1,013,176
All Lenders	951,462	1,276,350	3,017,191	2,394,024	3,629,663	11,268,690
High-risk Lender Market Share	18.8%	14.9%	9.7%	6.7%	5.3%	9.0%
Study MSAs						
High-risk Lenders	55,698	27,601	28,713	12,366	12,105	136,483
All Lenders	278,123	193,696	304,585	204,464	273,409	1,254,277
High-risk Lender Market Share	20.0%	14.2%	9.4%	6.0%	4.4%	10.9%
% of Total Loans in...						
By High-risk Lenders	40.8%	20.2%	21.0%	9.1%	8.9%	100.0%
By All Lenders	22.2%	15.4%	24.3%	16.3%	21.8%	100.0%

Table 2.
High-Risk Lender Market Share by Neighborhood Racial/Ethnic
Composition, 2006

	Percent Minority Population in Census Tract					Total	Hi-Lo Minority Disparity Ratio
	80% - 100%	50% - 79%	20% - 49%	10% - 19%	< 10%		
Los Angeles	18.9%	15.5%	10.2%	4.6%	2.0%	14.7%	9.4
Cleveland	15.6%	11.1%	7.7%	5.2%	3.6%	5.3%	4.4
Boston	21.9%	17.2%	11.7%	7.3%	5.2%	8.0%	4.2
Chicago	20.5%	12.6%	9.4%	6.8%	5.6%	10.1%	3.7
New York City	22.7%	12.6%	6.4%	4.8%	6.5%	14.7%	3.5
Charlotte	11.2%	10.4%	7.8%	4.6%	3.6%	5.8%	3.1
Rochester	4.8%	8.9%	6.5%	4.9%	3.6%	4.3%	1.3
Study MSAs	20.0%	14.2%	9.4%	6.0%	4.4%	10.9%	4.5
National	18.8%	14.9%	9.7%	6.7%	5.3%	9.0%	3.6

Note: The disparity ratio was calculated from the loan number data by calculating the high-risk lender market share in group of census tracts, and then dividing the 80-100% minority tract marketshare by the <10% minority tract market share.

Table 3.
High-Risk Lender Market Share by Neighborhood
Income Level, 2006

	Income Level of Census Tract				Total	Lower-Higher Income Disparity Ratio
	Low-Income	Moderate-Income	Middle-Income	Upper-Income		
Cleveland	16.1%	11.3%	5.3%	2.9%	5.3%	3.0
Boston	18.1%	14.4%	7.2%	3.4%	8.0%	2.6
Chicago	19.2%	15.9%	10.5%	5.8%	10.1%	2.0
Charlotte	8.5%	8.6%	6.9%	3.8%	5.8%	1.6
Los Angeles	22.9%	19.8%	16.6%	9.6%	14.7%	1.6
Rochester	5.4%	6.3%	4.9%	2.7%	4.3%	1.5
New York City	19.7%	18.7%	17.9%	7.8%	14.7%	1.4
Study MSAs	19.6%	17.0%	11.6%	6.7%	11.1%	1.9
National	18.0%	14.3%	8.9%	6.1%	9.0%	1.9

Note: The disparity ratio was calculated from the loan number data by calculating the high-risk lender market share for the combined low- and moderate-income (lower-income) tracts and combined middle- and upper-income (higher-income) tracts, and then dividing the lower-income market share by the higher-income market share.

Table 4.
Loans From High-Risk Lenders and All Lenders by Neighborhood
Income Level, 2006

	Income Level of Census Tract				Total
	Low-Income	Moderate-Income	Middle-Income	Upper-Income	
National					
High-Risk Lenders	37,108	238,260	512,758	224,941	1,013,067
All Lenders	206,672	1,666,195	5,734,015	3,659,582	11,266,464
High-Risk Lender Market Share	18.0%	14.3%	8.9%	6.1%	9.0%
Study MSAs					
High-Risk Lenders	9,467	37,482	59,699	29,831	136,479
All Lenders	48,207	221,027	515,322	447,014	1,231,570
High-Risk Lender Market Share	19.6%	17.0%	11.6%	6.7%	11.1%
% of Total Loans in...					
By High Risk Lenders	6.9%	27.5%	43.7%	21.9%	100.0%
By All Lenders	3.9%	17.9%	41.8%	36.3%	100.0%

Appendix IV: Detailed Study MSA Tables

Boston High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					<u>Total</u>
	80%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	485	800	75	0	0	1,360
Moderate 50 - 79.99%	676	796	1,896	675	186	4,229
Middle 80 - 119.99%	0	1	1,261	1,391	3,207	5,860
Upper > = 120%	0	0	94	338	1,108	1,540
Total	1,161	1,597	3,326	2,404	4,501	12,989

Boston All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					<u>Total</u>
	80%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	2,254	4,086	1,174	0	0	7,514
Moderate 50 - 79.99%	3,048	5,128	14,030	4,911	2,155	29,272
Middle 80 - 119.99%	0	94	11,439	17,368	52,681	81,582
Upper > = 120%	0	0	1,784	10,806	32,388	44,978
total	5,302	9,308	28,427	33,085	87,224	163,346

Boston High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					<u>Total</u>
	80%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	21.5%	19.6%	6.4%	NA	NA	18.1%
Moderate 50 - 79.99%	22.2%	15.5%	13.5%	13.7%	8.6%	14.4%
Middle 80 - 119.99%	NA	1.1%	11.0%	8.0%	6.1%	7.2%
Upper > = 120%	NA	NA	5.3%	3.1%	3.4%	3.4%
total	21.9%	17.2%	11.7%	7.3%	5.2%	8.0%

Note: "Boston" is the Boston metro area consisting of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties. This is the same area as the Massachusetts portion of the Boston Metropolitan Statistical Area defined by the federal government in 2003.

Charlotte High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	67	-	-	-	-	67
Moderate 50 - 79.99%	92	235	269	75	26	697
Middle 80 - 119.99%	43	360	1,021	778	302	2,504
Upper > = 120%	-	-	383	476	368	1,227
Total	202	595	1,673	1,329	696	4,495

Charlotte All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	725	60	-	-	-	785
Moderate 50 - 79.99%	729	2,462	3,504	1,055	330	8,080
Middle 80 - 119.99%	356	3,206	12,258	14,623	6,041	36,484
Upper > = 120%	-	-	5,698	13,369	12,958	32,025
Total	1,810	5,728	21,460	29,047	19,329	77,374

Charlotte High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	9.2%	0.0%	NA	NA	NA	8.5%
Moderate 50 - 79.99%	12.6%	9.5%	7.7%	7.1%	7.9%	8.6%
Middle 80 - 119.99%	12.1%	11.2%	8.3%	5.3%	5.0%	6.9%
Upper > = 120%	NA	NA	6.7%	3.6%	2.8%	3.8%
Total	11.2%	10.4%	7.8%	4.6%	3.6%	5.8%

Note: "Charlotte" is the Charlotte-Gastonia-Concord NC-SC Metropolitan Statistical Area as defined by the federal government in 2003. This area consists of five counties in NC (Anson, Cabarrus, Gaston, Mecklenburg, & Union) plus York County in SC.

Chicago High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	2,970	114	0	0	0	3,084
Moderate 50 - 79.99%	6,502	3,039	1,006	61	55	10,663
Middle 80 - 119.99%	2,176	3,131	6,888	3,472	2,020	17,687
Upper > = 120%	119	379	2,587	2,651	2,304	8,040
Total	11,767	6,663	10,481	6,184	4,379	39,474

Chicago All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	14,209	1,781	82	0	0	16,072
Moderate 50 - 79.99%	32,093	25,122	8,839	628	584	67,266
Middle 80 - 119.99%	10,575	22,785	63,709	42,289	28,716	168,074
Upper > = 120%	628	3,302	38,476	48,140	49,197	139,743
Total	57,505	52,990	111,106	91,057	78,497	391,155

Chicago High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	20.9%	6.4%	0.0%	NA	NA	19.2%
Moderate 50 - 79.99%	20.3%	12.1%	11.4%	9.7%	9.4%	15.9%
Middle 80 - 119.99%	20.6%	13.7%	10.8%	8.2%	7.0%	10.5%
Upper > = 120%	18.9%	11.5%	6.7%	5.5%	4.7%	5.8%
Total	20.5%	12.6%	9.4%	6.8%	5.6%	10.1%

Note: "Chicago" is the Chicago metropolitan area is defined here as consisting of six counties: Cook, DuPage, Kane, Lake, McHenry, and Will. The Woodstock Institute views this is the most meaningful definition of metro Chicago, even though it does not correspond to any of the Chicago-area metropolitan regions defined by the federal government.

Cleveland High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	215	55	51	2	0	323
Moderate 50 - 79.99%	224	101	236	83	36	680
Middle 80 - 119.99%	109	207	150	260	933	1,659
Upper > = 120%	3	19	47	105	530	704
Total	551	382	484	450	1,499	3,366

Cleveland All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	1,119	405	442	45	0	2,011
Moderate 50 - 79.99%	1,448	933	2,204	956	459	6,000
Middle 80 - 119.99%	927	1,801	2,399	4,375	21,838	31,340
Upper > = 120%	41	299	1,249	3,248	19,759	24,596
Total	3,535	3,438	6,294	8,624	42,056	63,947

Cleveland High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	19.2%	13.6%	11.5%	4.4%	NA	16.1%
Moderate 50 - 79.99%	15.5%	10.8%	10.7%	8.7%	7.8%	11.3%
Middle 80 - 119.99%	11.8%	11.5%	6.3%	5.9%	4.3%	5.3%
Upper > = 120%	7.3%	6.4%	3.8%	3.2%	2.7%	2.9%
Total	15.6%	11.1%	7.7%	5.2%	3.6%	5.3%

Note: "Cleveland" is the Cleveland MSA, which consists of five counties: Cuyahoga, Geauga, Lake, Lorain and Medina.

Los Angeles High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					<u>Total</u>
	<u>80% - 100%</u>	<u>50% - 79.9%</u>	<u>20% - 49.9%</u>	<u>10% - 19.9%</u>	<u>< 10%</u>	
Low < 50%	2,731	255	1	0	0	2,987
Moderate 50 - 79.99%	13,413	1,799	291	7	0	15,510
Middle 80 - 119.99%	10,431	9,724	2,474	49	0	22,678
Upper > = 120%	1,455	4,209	7,905	1,015	17	14,601
Total	28,031	15,988	10,671	1,071	17	55,778

Los Angeles All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					<u>Total</u>
	<u>80% - 100%</u>	<u>50% - 79.9%</u>	<u>20% - 49.9%</u>	<u>10% - 19.9%</u>	<u>< 10%</u>	
Low < 50%	11,792	1,251	22	0	0	13,065
Moderate 50 - 79.99%	66,601	9,785	1,697	92	0	78,175
Middle 80 - 119.99%	58,921	57,345	19,458	799	0	136,523
Upper > = 120%	10,702	34,655	83,644	22,572	840	152,413
Total	148,023	103,050	104,822	23,463	840	380,198

Los Angeles High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

<u>Income Level</u>	<u>Percent Minority Population in Census Tract</u>					<u>Total</u>
	<u>80% - 100%</u>	<u>50% - 79.9%</u>	<u>20% - 49.9%</u>	<u>10% - 19.9%</u>	<u>< 10%</u>	
Low < 50%	23.2%	20.4%	4.6%	0.0%	0.0%	22.9%
Moderate 50 - 79.99%	20.1%	18.4%	17.1%	7.6%	NA	19.8%
Middle 80 - 119.99%	17.7%	17.0%	12.7%	6.1%	NA	16.6%
Upper > = 120%	13.6%	12.1%	9.5%	4.5%	2.0%	9.6%
Total	18.9%	15.5%	10.2%	4.6%	2.0%	14.7%

Note: "Los Angeles" is defined as the metro area consisting of Los Angeles County.

New York City High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	1,598	13	4	0	0	1,615
Moderate 50 - 79.99%	4,842	495	174	16	7	5,534
Middle 80 - 119.99%	6,007	1,579	857	218	32	8,693
Upper > = 120%	1,517	210	937	434	389	3,487
Total	13,964	2,297	1,972	668	428	19,329

New York City All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	7,694	247	144	13	87	8,185
Moderate 50 - 79.99%	23,031	3,794	2,271	307	168	29,571
Middle 80 - 119.99%	23,623	11,587	10,723	2,236	381	48,577
Upper > = 120%	7,152	2,644	17,687	11,277	5,934	44,694
Total	61,500	18,272	30,825	13,860	6,570	131,027

New York City High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	20.8%	5.3%	2.8%	0.0%	0.0%	19.7%
Moderate 50 - 79.99%	21.0%	13.0%	7.7%	5.2%	4.2%	18.7%
Middle 80 - 119.99%	25.4%	13.6%	8.0%	9.6%	8.4%	17.9%
Upper > = 120%	21.2%	7.9%	5.3%	3.8%	6.6%	7.8%
Total	22.7%	12.6%	6.4%	4.8%	6.5%	14.7%

Note: "New York City" consists of the following five counties: Bronx, Kings (Brooklyn), New York (Manhattan), Queens, and Richmond (Staten Island). This report examines lending only in the city, not in the wider metropolitan region.

Rochester High-Risk Lender Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	13	15	3	0	0	31
Moderate 50 - 79.99%	7	39	73	25	25	169
Middle 80 - 119.99%	0	25	30	197	366	618
Upper > = 120%	0	0	0	38	194	232
Total	20	79	106	260	585	1,050

Rochester All Mortgage Loans by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	285	255	35	0	0	575
Moderate 50 - 79.99%	132	449	1,133	399	550	2,663
Middle 80 - 119.99%	0	186	472	3,489	8,595	12,742
Upper > = 120%	0	0	0	1,440	7,125	8,565
Total	417	890	1,640	5,328	16,270	24,545

Rochester High-Risk Lender Market Share by Tract Race/Ethnicity and Income Level, 2006

Income Level	Percent Minority Population in Census Tract					Total
	80% - 100%	50% - 79.9%	20% - 49.9%	10% - 19.9%	< 10%	
Low < 50%	4.6%	5.9%	8.6%	NA	NA	5.4%
Moderate 50 - 79.99%	5.3%	8.7%	6.4%	6.3%	4.5%	6.3%
Middle 80 - 119.99%	NA	13.4%	6.4%	5.6%	4.3%	4.9%
Upper > = 120%	NA	NA	NA	2.6%	2.7%	2.7%
Total	4.8%	8.9%	6.5%	4.9%	3.6%	4.3%

Note: "Rochester" is the Rochester NY Metropolitan Statistical Area as defined by the federal government in 2003. This area consists of five counties: Livingston, Monroe, Ontario, Orleans, and Wayne.

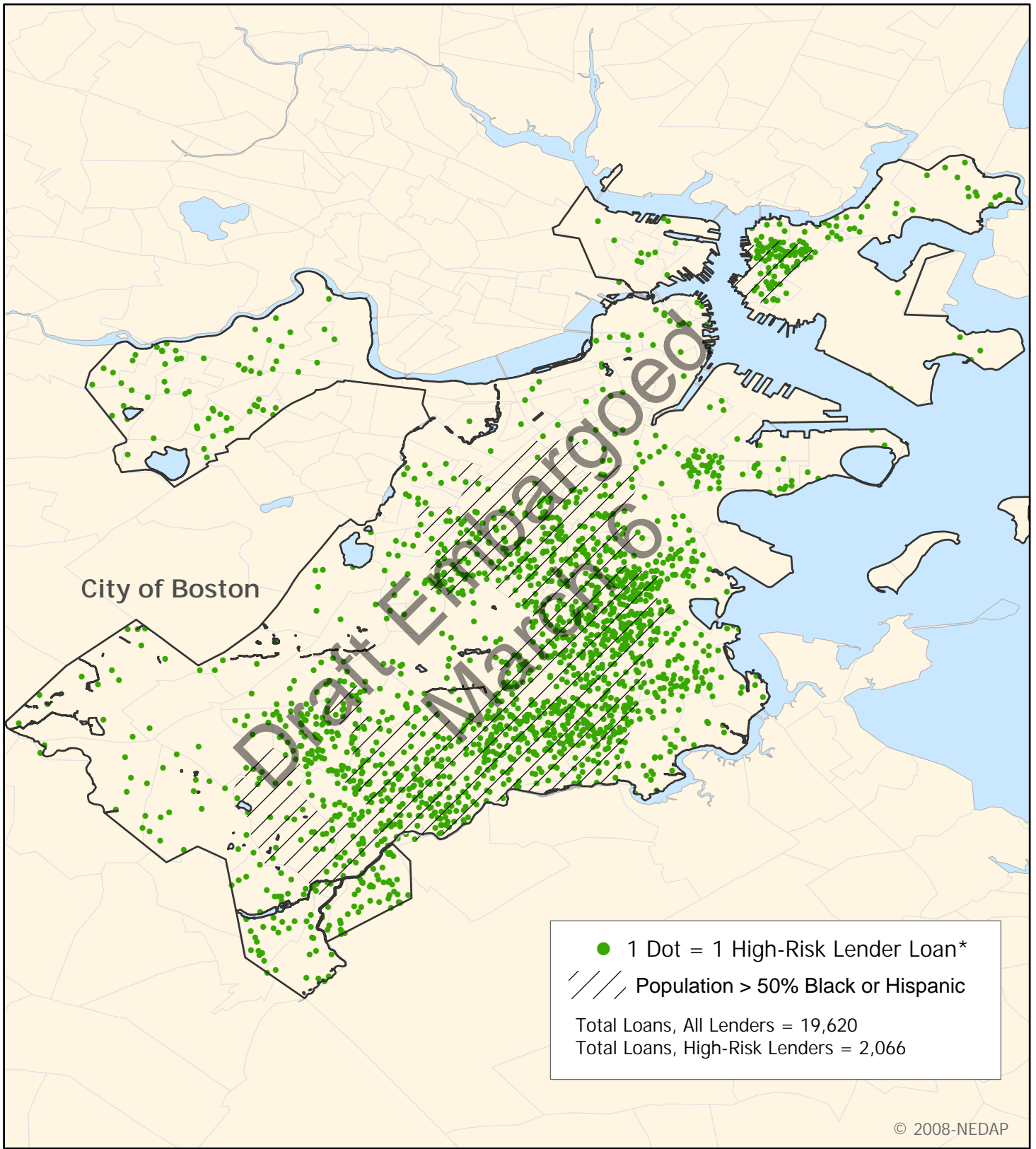
Appendix V: Study MSA Maps

Maybe make a list of the maps here, then have maps on following pages.

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High-Risk Lender Loans, 2006

Boston, Massachusetts

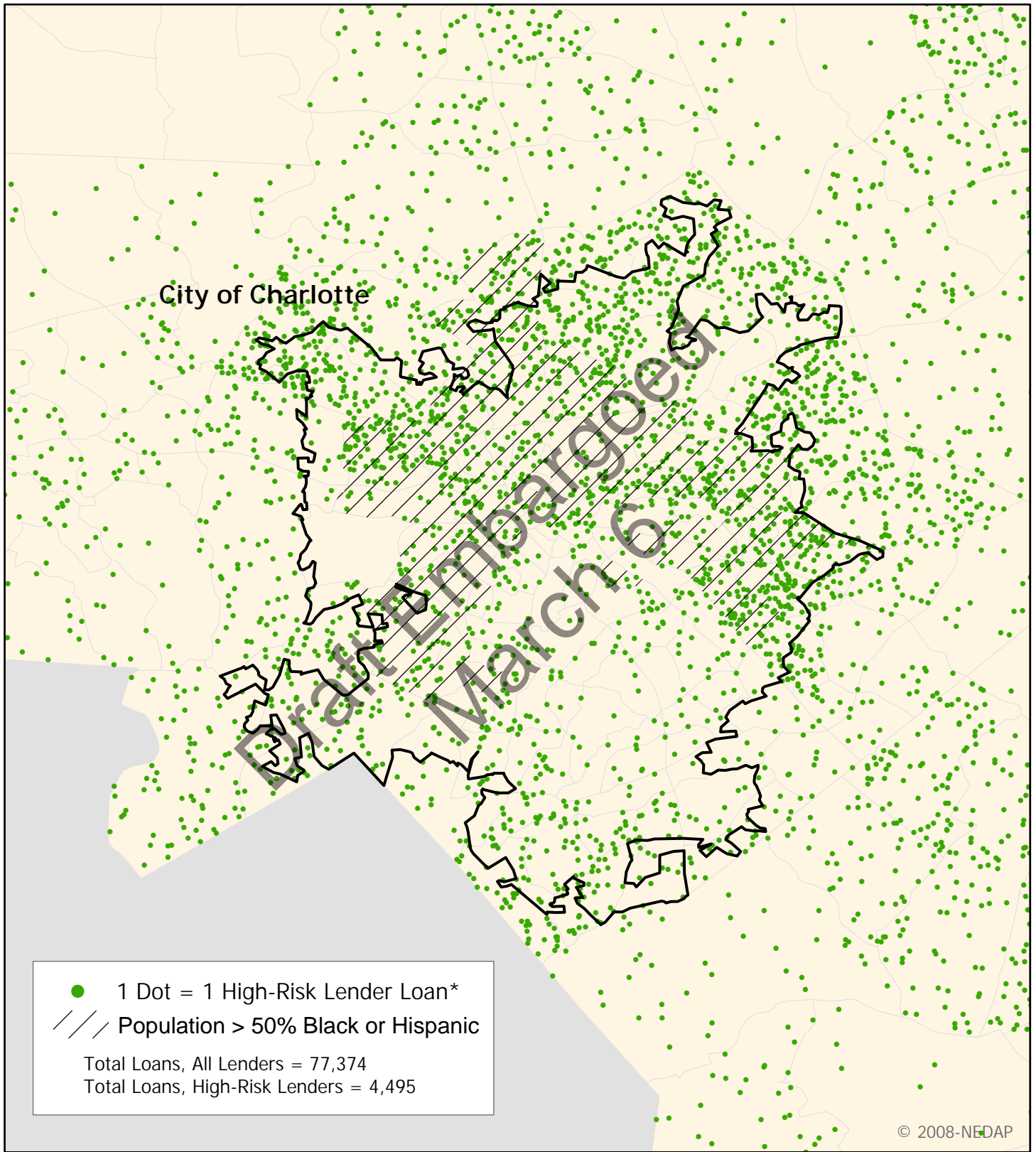


Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Massachusetts Affordable Housing Alliance - www.mahahome.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."

High-Risk Lender Loans, 2006

Charlotte, North Carolina

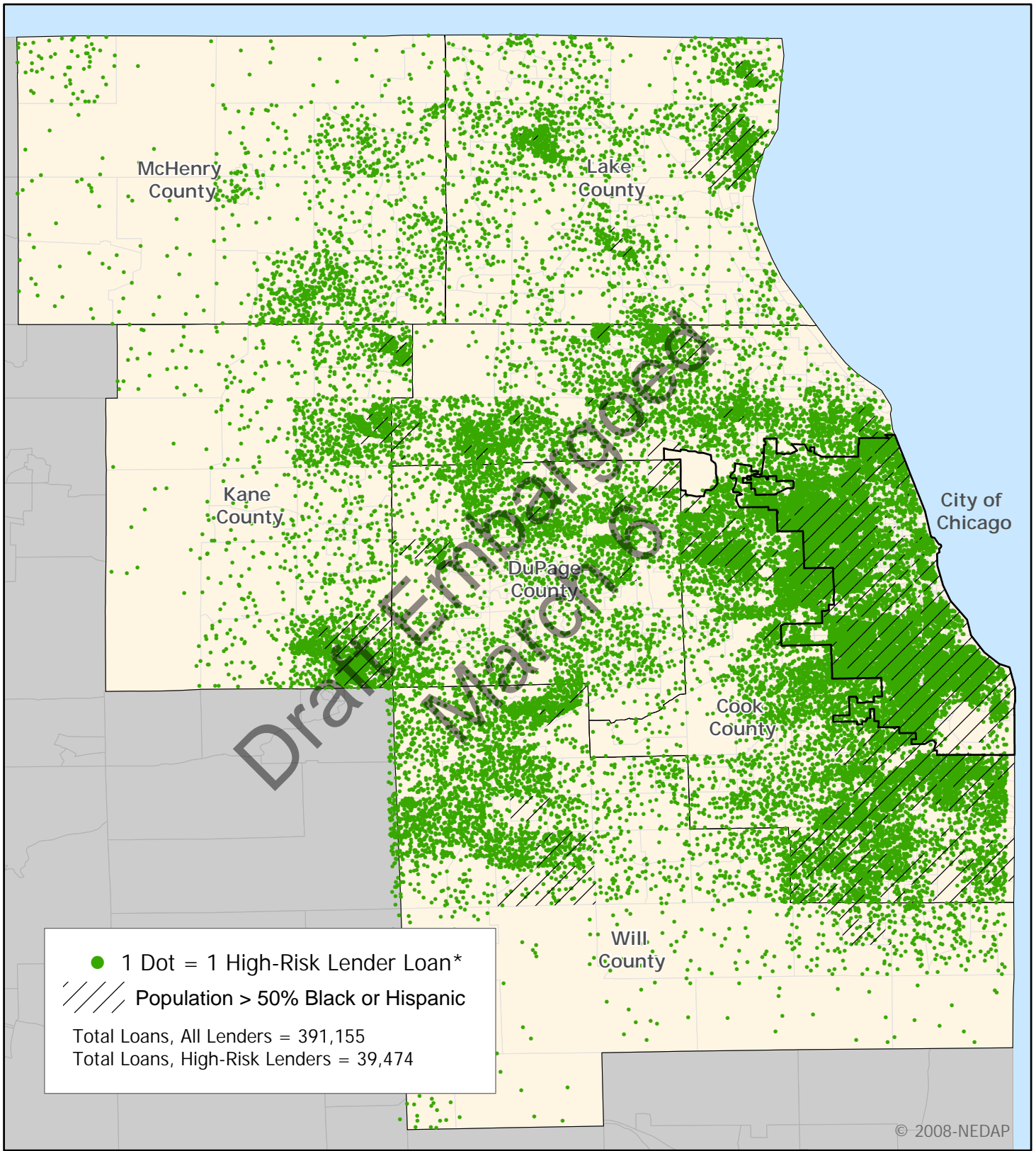


Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Community Reinvestment Association of North Carolina - www.cra-nc.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."

High-Risk Lender Loans, 2006

Chicago MSA, Illinois

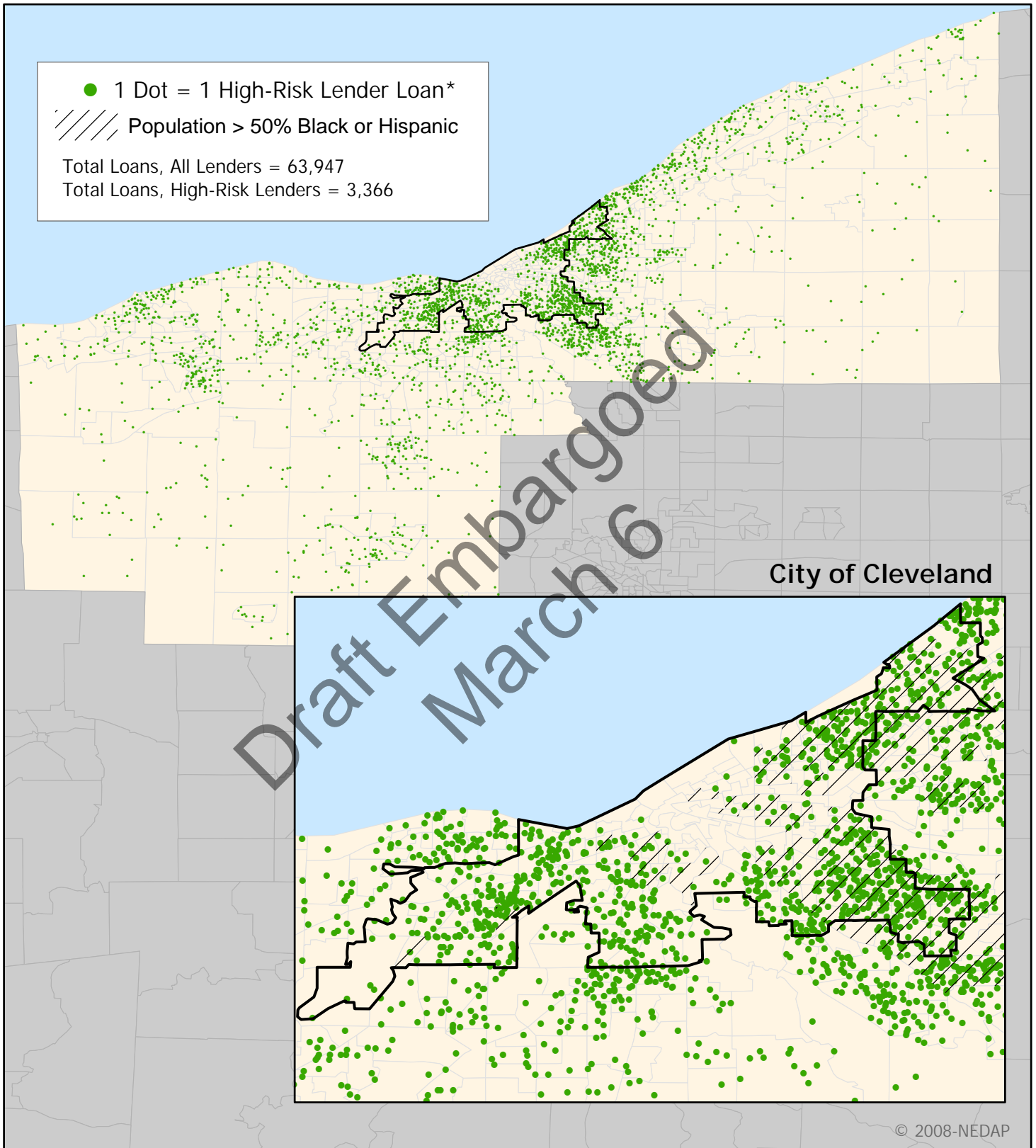


Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Woodstock Institute - www.woodstockinst.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."

High-Risk Lender Loans, 2006

Cleveland MSA, Ohio

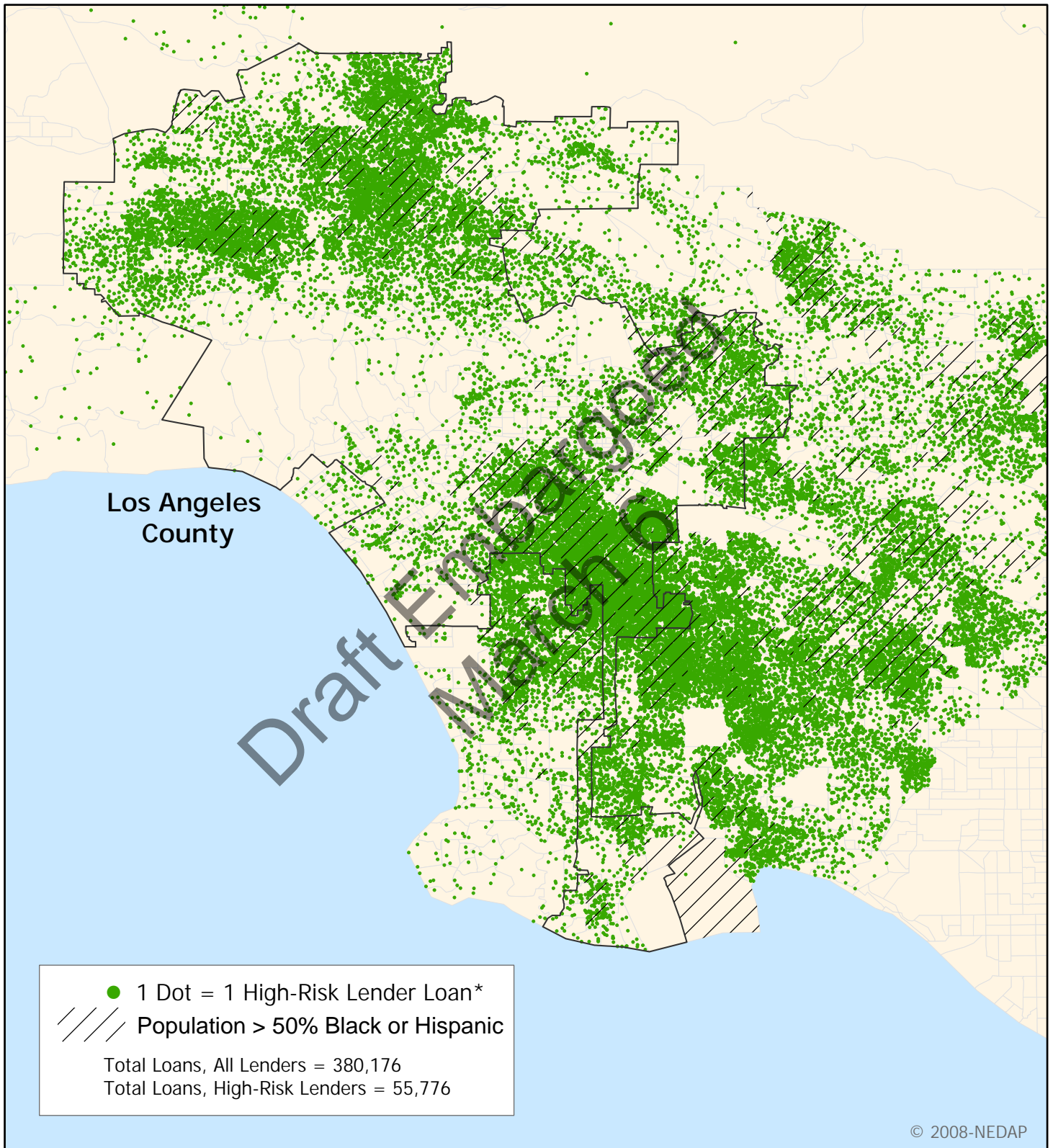


Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Woodstock Institute - www.woodstockinst.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."

High-Risk Lender Loans, 2006

Los Angeles, California

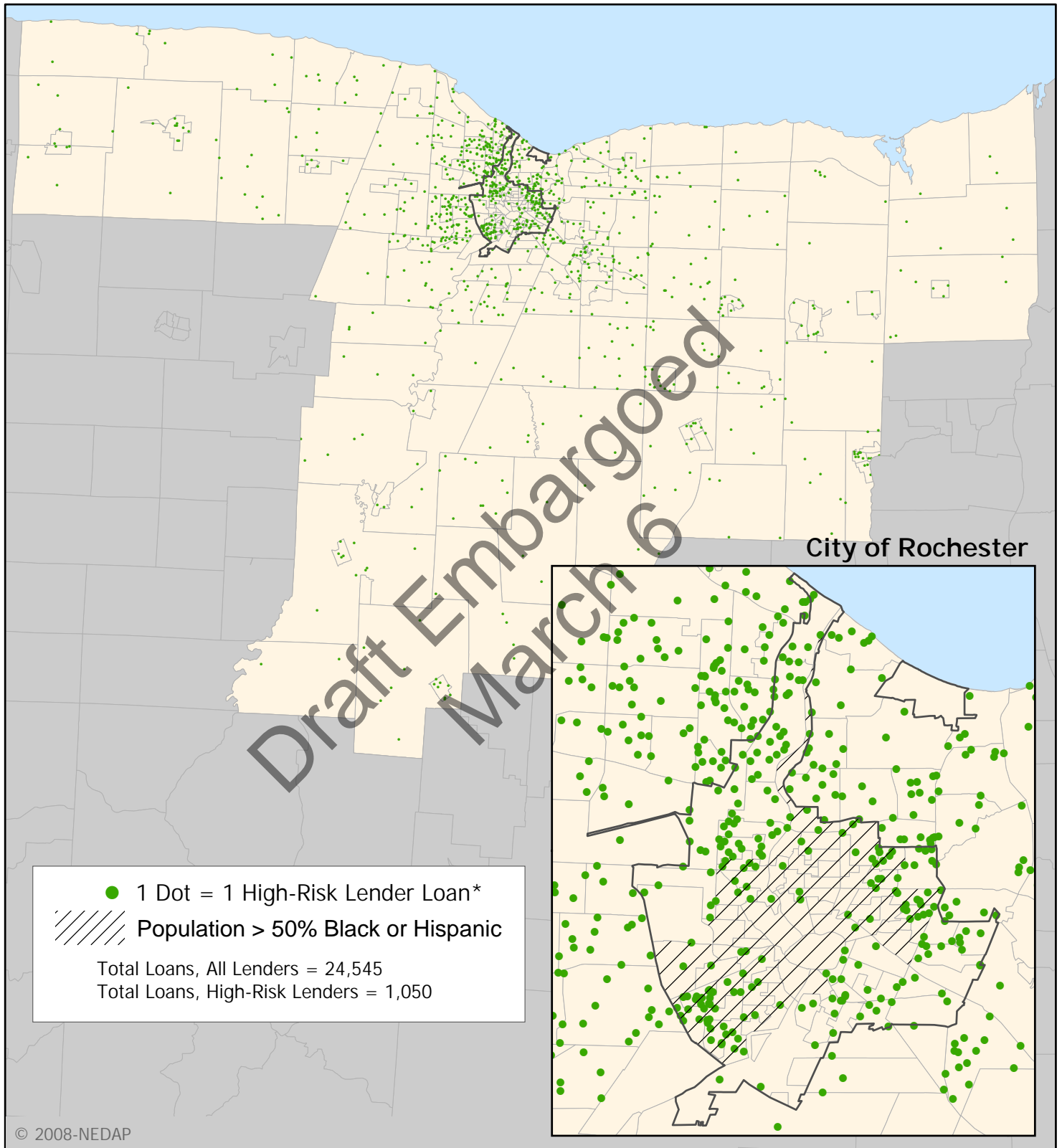


Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by the California Reinvestment Coalition - www.calreinvest.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."

High-Risk Lender Loans, 2006

Rochester MSA, New York



Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Empire Justice Center - www.empirejustice.org

Sources: HMDA (2006), Census (2000)
* loans originated by now-defunct subprime lenders, as compiled by the Wall Street Journal in Sept. 2007, "Subprime Shakeout: Lenders that have Closed Shop, Been Acquired, or Stopped Loans."