

<b>For Immediate Release</b>	Tuesday, May 2, 2005
<b>Contact:</b>	Geoff Smith, Project Director (312) 427-8070

**Woodstock Institute Releases *Reinvestment Alert 28: New Mortgage Pricing Data Sheds Light on Subprime Mortgage Market***

[Chicago]— A Woodstock Institute analysis of new federal mortgage lending data confirms that high cost subprime mortgage lending tends to be concentrated in minority communities and to African-American and Hispanic borrowers—costing borrowers tens of thousands more in interest and fees.

“Although responsible subprime lending can be credited with expanding access to mortgage finance in previously underserved markets, it is clear that there are many African-American and Hispanic borrowers in the Chicago area who qualify for low-cost prime loans who instead receive high cost subprime mortgages,” says Geoff Smith, Project Director for Woodstock Institute. “This can cost borrowers tens to hundreds of thousands of dollars more over the life of a loan.”

Last week, Elliot Spitzer, the New York state attorney general, requested pricing data for as many as ten of the largest financial institutions operating in New York state. The Wall Street Journal indicated that it may indicate an investigation into the general lending practices of major financial institutions.

The new data allow for detailed analysis of all Chicago area lenders who make subprime loans including banks, thrifts, and mortgage companies previously classified as “prime” lenders. Although the complete 2004 HMDA dataset will not be available until late summer 2005, Woodstock Institute has obtained 2004 HMDA data from most of the Chicago area’s top 20 mortgage lenders and their affiliates.

An analysis of conventional single-family mortgage lending for the Chicago six-county area made by these lenders shows:

- **African-American and Hispanic borrowers were more likely to receive subprime loans regardless of income.** In the Chicago region, less than 15 percent of conventional mortgages were subprime (Table 1). However, over 36 percent of African-American borrowers received subprime loans and more than 20 percent of Hispanic borrowers received subprime loans. Middle- and upper-income African-American and Hispanic borrowers were even more likely to receive subprime loans than whites of all income levels. Upper-income African-American borrowers were nearly four times more likely to receive a subprime loan than upper-income white borrowers, and upper-income Hispanics were over twice as likely to get a subprime loan as upper-income whites.



- **Subprime loans are concentrated in minority census tracts.** Nearly 31 percent of the Chicago area’s subprime loans were in census tracts with populations 80 percent or greater minority (Chart 1). Conversely, only 10 percent of the area’s prime loans were in these tracts. Over 46 percent of the area’s subprime loans were in census tracts 50 percent or greater minority, while only 23 percent of the area’s prime loans were in these tracts.
- **Middle-income, minority census were the most likely to receive subprime loans.** Thirty-eight percent of loans to middle-income census tracts that are 80 percent or greater minority were subprime (Table 2). This was the highest subprime lending share in any type of census tract. Overall, roughly 16 percent of loans in middle-income census tracts were subprime and just over 34 percent of loans in highly minority census tracts were subprime. In tracts between 80 and 50 percent minority, middle-income areas also had the highest share of subprime loans, nearly 20 percent. Middle- and upper-income minority communities consistently have a higher share of subprime loans than non-minority, middle- and upper-income areas.

### About the New Data

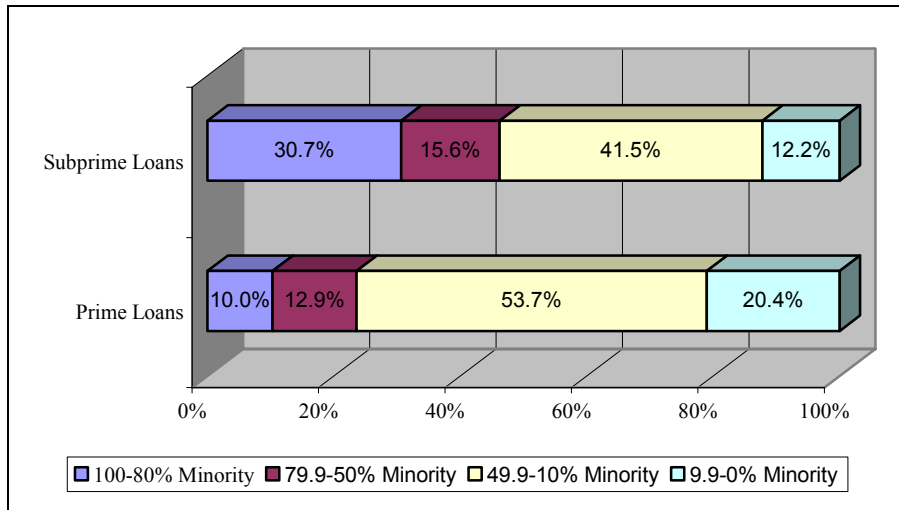
- Starting in 2004, lenders are required to report the spread (or difference) between a loan’s annual percentage rate (APR) and the U.S. Treasury rate for securities of comparable maturities if that spread is equal to or greater than 3 percentage points for first lien mortgages or equal to or greater than 5 percentage points for junior lien mortgages. For the purposes of this report, any loan where an APR spread was reported was classified as “subprime” and any loan for which the spread was not reported was classified as “prime.”
- In 2003, the lenders included in this report made over 50 percent of Chicago area single-family loans. The dataset includes over 240,000 conventional mortgages on single-family properties.

### Results of the Analysis

**Table 1**  
**Share of Conventional Single-Family Mortgages that Are Subprime by**  
**Income and Minority Level of Borrower, 2004**

	White	African American	Hispanic	Other	Total
Low-Income	13.2%	39.5%	15.8%	10.8%	19.9%
Moderate-Income	12.8%	42.2%	22.0%	10.7%	19.7%
Middle-Income	12.6%	37.9%	22.9%	10.7%	17.2%
Upper-Income	7.7%	29.4%	19.2%	8.4%	10.0%
Total	9.8%	36.4%	20.4%	9.3%	14.5%

**Chart 1**  
**Distribution of Chicago Area Conventional Prime and Subprime Single-Family Mortgages by Minority Level of Census Tract, 2004**



**Table 2**  
**Share of Conventional Single-Family Mortgages that Are Subprime by Income and Minority Level of Census Tract, 2004**

<u>Income Level</u>	<u>Tract Minority Share</u>				Total
	100-80%	79.9-50%	49.9-10%	9.9-0%	
Low-Income	34.5%	9.5%	1.5%	NA	30.7%
Moderate-Income	33.3%	17.0%	14.4%	17.9%	24.2%
Middle-Income	38.0%	19.5%	13.8%	12.7%	15.8%
Upper-Income	28.7%	13.7%	8.2%	6.8%	7.9%
Total	34.2%	17.6%	11.2%	8.7%	14.5%

*Woodstock Institute, founded in 1973, is a nationally-recognized resource on credit and capital needs of low-income and minority communities. The Institute engages in applied research, policy development, and technical assistance to promote community economic development.*

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