Who Really Gets Higher-Cost Home Loans?

Home Loan Disparities By Income, Race and Ethnicity of Borrowers and Neighborhoods in 14 California Communities in 2005

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CRC is a nonprofit membership organization of more than 240 nonprofit organizations and public agencies across the state of California. We work with community-based organizations to promote the economic revitalization of California's low-income communities and communities of color. CRC promotes increased access to credit for affordable housing and community economic development, and to financial services for these communities. CRC promotes community reinvestment through negotiation with and regular monitoring of major California financial institutions, as well as through the provision of technical assistance to local communities in California.

This report was researched and written by Kevin Stein of the California Reinvestment Coalition. The author wishes to thank the following for helpful comments on earlier drafts of this report: Maeve Elise Brown of Housing and Economic Rights Advocates (HERA); Jim Campen of the Mauricio Gaston Institute for Latino Community Development and Public Policy of the University of Massachusetts, Boston; Paul Leonard of the Center for Responsible Lending; Hernan Vera of Public Counsel; James Zahradka of the Public Interest Law Firm; and Victoria Leon Guerrero and Rhea Serna of the California Reinvestment Coalition. Any errors are strictly those of the author.

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Executive Summary

Homeownership remains the primary path to wealth building for most Californians. With accumulated home equity comes the chance to finance an education, start a business, prepare for retirement, or pass on wealth to children and grandchildren.

Higher-cost home loans[1] frustrate this vision. An entire industry has sprung up that offers higher-cost, or subprime, loans to consumers who are thought not to qualify for lower-cost prime loans. Higher-cost home loans carry higher interest rates and fees, forcing consumers to pay more to meet often increasing monthly mortgage obligations. Homeowners who face a greater burden in making mortgage payments will have a greater likelihood of falling behind and possibly losing their homes to foreclosure.

Consumers who must spend more money on housing costs have less money to meet basic necessities, cover routine home maintenance, and respond to emergencies that may arise. Entire communities suffer when homeowners: have less money to support local businesses, are unable to make needed home repairs that uplift neighborhoods, and lose their homes to foreclosure which can lower neighborhood property values and increase costs to local municipalities.

In practical terms, the average higher-cost borrower in California paid $610.05 more per month on her home loan than most Californians.

Conservatively, people of color in California are paying more than $109 million more per month - or more than $1.3 billion more per year - than they would if they received higher-cost loans at the same rate as white borrowers.

Higher-cost lending doubled in 2005. There were 573,492 higher-cost loans made to homeowners in California in 2005. This is more than double the 264,348 higher-cost home loans originated in 2004. More subprime lending occurs in California than in any other state and loan volume tripled (in dollars lent) in the state from 2004 to 2005.

<u>Who Really Gets Higher-cost Home Loans?</u> For this report, CRC analyzed higher-cost lending patterns in the state, and in 14 California cities: Delano, El Centro, Fresno, Los Angeles, Modesto, Oakland, Oxnard, Richmond, Sacramento, Salinas, San Diego, San Francisco, San Jose, and Yuba City.

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[1] "Higher-cost loans" is defined in this report as those loans that were reported as "rate spread" loans under the Home Mortgage Disclosure Act reporting requirements. More specifically, this includes first lien loans with Annual Percentage Rates (APRs) that exceed the rate on Treasury securities of comparable maturity by 3%, and second liens with APRs that exceed the rate on Treasury securities of comparable maturity by 5%. Using the Federal Financial Institutions Examination Council "Treasury Securities of Comparable Maturity under Regulation C" Table, CRC estimates that the average comparable Treasury rate for 2005 was 4.66%, and that higher-cost loans in 2005 therefore carried APRs of 7.66% or higher for first lien loans, and 9.66% or higher for second lien loans. See, www.ffiec.gov.

As is the case every year, the HMDA data reveal that **African American and Latino borrowers pay more than other borrowers, as do residents of minority and low-income neighborhoods**.

- Statewide, residents of minority neighborhoods were nearly 4 times as likely as residents of white neighborhoods to receive higher-cost home purchase loans
- In El Centro, 65.4% of refinance loans to African American borrowers were higher-cost home loans.
- In Richmond, 61.4% of home purchase loans to Latino borrowers were higher-cost home loans.
- Strikingly, in Oakland, neighborhoods of color were 23.6 times more likely to get higher-cost refinance loans than white neighborhoods.
- In Fresno, 56.5% of home purchase loans in low and moderate income neighborhoods were higher-cost.

And distinctive trends in lending to urban and rural areas identified in 2004 persist:

- Cities that are located in rural areas had the greatest incidence of higher-cost lending, and
- Urban areas saw greater disparities between people of color and white borrowers, and between low to moderate-income and minority neighborhoods and moderate to upper-income and white neighborhoods.

This year's data reveal that the stakes keep rising and that the California homeowner is in trouble. Higher-cost home loans, and problematic pay option Adjustable Rate Mortgage (option ARM), and interest-only (IO) loans have been sold aggressively, in the guise of helping more Californians become homeowners and access home equity.

Yet, residential foreclosure activity in California surged to its highest level in more than four years last quarter as a result of higher-cost and pay option ARM loans. According to DataQuick:

- The greatest increases in notices of default filed in California include the survey counties of Ventura (includes Oxnard), San Diego, Monterey (includes Salinas), Fresno, San Francisco, and Kern (includes Delano). Each of these counties saw increases of over 100% in notices of default. Notices of default begin the foreclosure process.
- Trustee deeds, or actual foreclosure sales, totaled 3,424 during the third quarter, up 362% from last year.

Who Really Makes Higher-cost Home Loans? Many of these higher-cost loans were made by some of the largest banking and financial services companies in the world, including: General Electric, Washington Mutual, Countrywide, H&R Block, AIG, and Wells Fargo.

Higher-cost lending is big business. Hundreds of billions of dollars of higher-cost home loans are made each year. The bulk of these loans are then packaged and sold on Wall Street for significant fees. To facilitate this process, we are now seeing the growth of

Wall Street firms buying lending companies so that the Wall Street firms can originate higher-cost loans themselves before selling these loans to investors. Wall Street firms now rank among the largest higher-cost lenders in the state. Such Wall Street players include: Merrill Lynch, Lehman Brothers, Bear Stearns, and Deutsche Bank.

Who Really Finances Higher-cost Home Loans? Most higher-cost loans are sold by brokers and lenders to Wall Street firms that bundle the loans into pools of many such loans, and sell interests in these pools of loans to investors through a complex process known as "securitization."

Of the 573,492 higher-cost home loans made in California in 2005, 80% were sold on the secondary market. Only 1% of the state's higher-cost loans were reported to be purchased by the Government Sponsored Enterprises (GSEs), which have certain minimum anti predatory lending standards in place. The bulk of the state's higher-cost home loans are bought by insurance, finance, mortgage, bank and Wall Street securities companies.

In effect, there are **virtually no standards in place to govern what kinds of loans these purchasers will buy**. In fact, the securitization process practically rewards investors who purchase abusive and higher-cost home loans that gouge consumers but that can deliver to investors a steady stream of income in the form of high monthly mortgage payments.

Insurance, mortgage and finance companies, and private securitizations, showed the greatest appetite for buying California's higher-cost home loans. Approximately 40% of California loans sold to these entities was higher-cost, subprime loans.

This financing structure results in more predatory loans being made to unsuspecting borrowers, putting at risk the equity people may have worked a lifetime to build.

Who Really Regulates Higher-cost Home Loans?

- Of the six federal regulatory agencies, HUD-regulated lenders made, by far, the most higher-cost first lien home purchase and refinance loans in California, having originated 271,474 higher-cost home loans. These lenders are in essence, unregulated on the federal level, as HUD does not conduct periodic and routine examinations of such lenders. The state of California must do more to ensure these lenders are lending fairly, and that California consumers are protected.
- New York State's Attorney General just settled a case with Countrywide Home Loans, the #8 higher-cost lender in California, after HMDA data suggested its black and Latino customers were more likely than its white customers to receive higher-cost home loans. Countrywide is currently regulated by the Federal Reserve Board, which took no apparent action against it. Countrywide is currently seeking to choose a new regulator, the Office of Thrift Supervision (OTS).
- Federally chartered thrifts regulated by the OTS displayed the greatest disparities among groups receiving higher-cost home loans. For example, federally chartered thrifts were more than 6 times as likely to make higher-cost home purchase loans in minority neighborhoods as they were in white neighborhoods.

Recommendations

To address concerns associated with higher-cost and predatory lending in California, CRC urges the following:

- **Consumers** need access to fully funded housing counseling services, documents that are written in the same language as the loan negotiation, and greater protection from steering into higher-cost loans based on their race, ethnicity, and neighborhood.

- **Communities** should organize to demand better products and services from financial institutions to promote more reinvestment and fight predatory lending.

- **Lenders** must offer prime products in all lending channels, guarantee consumers the best priced product for which they qualify, develop rescue loan products for homeowners in distress, expand loss mitigation efforts to keep at-risk consumers in their homes, and develop Real Estate Owned (REO) programs to transfer foreclosed properties to nonprofit affordable housing groups.

- **Banks, insurance companies, Wall Street firms, and investors** should develop predatory lending screens to ensure they are not inadvertently financing predatory lending. More detailed loan level data on loans that are sold on the secondary market should be required through the Home Mortgage Disclosure Act (HMDA) and Securities and Exchange Commission (SEC) reporting requirements, in order to shed more light and promote more responsible secondary market practices.

- **Regulators** must enforce existing fair lending and consumer protection laws, expand Community Reinvestment Act regulations to promote access to credit, and expand HMDA data reporting requirements to include more data on borrower profiles and nontraditional loan products. Regulators should also require lenders to pursue loss mitigation strategies similar to those required in the FHA and VA government insured programs.

- **Policy makers** should develop strong anti predatory lending legislation that is broad enough to ensure lenders only sell loans to consumers that are suitable for them, given their circumstances. Any federal legislation should allow states to provide broader protection to their residents so as to better address local concerns. The state of California must more seriously regulate the large number of higher-cost home loans made in the state that are not otherwise subject to regulatory scrutiny.

Introduction

From Redlining to Reverse Redlining

For years, the California Reinvestment Coalition has been fighting to promote access to credit for all California communities. People of color and low-income people have suffered from a dearth of bank branches in their communities, inaccessible bank account products that require too much to open and charge too much to maintain, and high loan denial and low loan approval rates. Such redlining and disinvestment greatly impacts families and communities.

While redlining remains a sad reality in our lending landscape, a more troubling dynamic now takes the form of reverse redlining, where minority borrowers and neighborhoods are targeted for higher-cost loans, or nontraditional mortgage products such as pay option Adjustable Rate Mortgage (option ARM) loans, they can ill afford.

Higher-cost[2] and subprime loans come with higher rates and fees, and are also more likely to include additional terms that are not in the borrower's interest, such as prepayment penalty provisions which trap borrowers into higher-cost loans, and mandatory arbitration provisions which deny borrowers equal access to justice.

The industry justifies higher-cost lending by asserting that lenders should be compensated for extending loans to borrowers who are less likely to repay, as evidenced by lower credit scores, less income, higher loan to value ratios, more debt, and other factors.

Yet CRC believes that higher-cost and subprime lending currently goes beyond fairly compensating the lender for taking on added risk. CRC, Fannie Mae, and others have estimated that up to half of all borrowers with higher-cost or subprime loans could qualify for a lower-cost prime loan based on their credit profiles.[3] CRC believes that targeting, steering and discrimination are factors that lead to such large disparities in the cost of credit.

If regulators and lenders agreed to enhance the HMDA data by including such key missing variables as credit score and loan-to-value ratios, the public could see to what extent lending disparities reflect permissible factors (income, credit scores, etc) and to what extent the disparities reflect impermissible and unacceptable factors (discrimination, steering, failure of prime lenders to compete in minority neighborhoods, etc.).

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[2] For a definition of "higher-cost" home loans, see footnote 1.

[3] A poll of the 50 most active subprime lenders found that 50% of their clients could qualify for a conventional loan, according to Inside Mortgage Finance, a trade publication. (Paul D. Davies, *Beg, Borrow, Besieged,* Philadelphia Daily News, February 5, 2001.) A Freddie Mac publication cited the same poll, attributing it to Inside B&C Lending, and estimated based on its own findings that between 10% and 35% of subprime borrowers could qualify for prime loans (Freddie Mac, Automated Underwriting: Making Mortgage Lending Simpler and Fairer for America's Families, September 1996).

The issue of subprime lending takes on added significance in California given that more subprime lending occurs here than in any other state. Inside B&C Lending reports that California had the most subprime loans in 2005, and that loan volume tripled in the state from 2004 to 2005.[4]

How High is "Higher-cost?"

Whether a home loan is a higher-cost loan or not will have great impact on the borrower, and the borrower's community. According to Freddie Mac, the average interest rate on a 30-year fixed rate loan in 2005 was 5.87%, and the average points and fees paid on such a loan was .6% of the loan amount. In contrast, the average higher-cost home loan in California in 2005 carried an Annual Percentage Rate (APR) of 9.68%.[5]

For a home loan borrower getting Freddie Mac's low cost prime rate on a $248,000 loan, the monthly payment would be $1466.22, and the interest payments over the life of the loan could reach $279,839.64.[6]

A borrower with the same $248,000 loan but with the average higher-cost APR of 9.68% would pay considerably more each month.[7] Assuming a consumer's 9.68% APR translates into a higher-cost home loan with an interest rate of 9.45%[8], the monthly payment will rise to a much higher $2076.27, and total interest payments that could reach $499,459.83. This means that a borrower with a higher-cost home loan **will pay $610.05 more per month, and a whopping $219,620.19 more in interest payments over the life of the loan**, than the majority of borrowers who obtain a lower cost prime loan!

Mortgage Payment Calculator
Homeowner borrowing $248,000 in principal for 30 year mortgage

If interest rate is:	Monthly payment is:	Interest payments over 30 years are:	Differential payments/mo	Differential interest
5.87%	$1,466.22	$279,839.64		
6.87%	$1,628.35	$338,207.79	$162.13	$58,368.15
7.87%	$1,797.31	$399,032.13	$331.09	$119,192.49
8.87%	$1,972.31	$462,031.76	$506.09	$182,192.12
9.00%	$1,995.46	$470,367.07	$529.24	$190,527.43
9.45%	$2,076.27	$499,459.83	$610.05	$219,620.19

[4] Inside B&C Lending, "Subprime Lenders Kept California Dreaming in 2005, HMDA Shows," October 13, 2006.
[5] The average APR for a higher-cost home loan is the sum of the rate for a comparable Treasury security, or 4.66% in 2005, plus the average rate spread for higher-cost loans in California in 2005, or 5.02%. 4.66% + 5.02% = 9.68% APR for the average higher-cost home loan in California in 2005
[6] Payments were calculated using East West Mortgage Mortgage Payment Calculator, www.eastwestmortgage.com.
[7] Though the threshold for reporting loans as "higher cost" was approximately 7.66% in 2005, the average Annual Percentage Rate for all higher-cost loans made that year was 9.68%, as many loans were originated with APRs above the threshold.
[8] The remainder of the APR (9.68% APR – 9.45% interest rate) represents fees paid by the consumer. Here, CRC estimates that the consumer will pay slightly more than 2 points, or more than 2% of the loan amount, or nearly $5,000 in points and fees.

Conservatively, people of color in California are paying more than $109 million more per month, or more than $1.3 billion more per year, than they would if they received higher-cost loans at the same rate as white borrowers.[9]

These lending disparities mean that people of color in California have less home equity available to finance an education, start a business, meet family necessities, or build intergenerational wealth.

Consumers who must spend more money on housing costs have less money to meet basic necessities, cover routine home maintenance, and respond to emergencies that may arise. Entire communities are suffer when homeowners: have less money to support local businesses, are unable to make needed home repairs that uplift neighborhoods, and lose their homes to foreclosure which can lower neighborhood property values and increase costs to local municipalities.[10]

California Homeowners: an Endangered Species?

The home remains the primary asset and the greatest avenue to wealth building for most Californians. Yet, the situation facing California homeowners is dire. DataQuick, which monitors real estate activity nationwide, recently reported that "residential foreclosure activity in California surged to its highest level in more than four years last quarter."[11] According to DataQuick:

- Lending institutions sent 26,705 default notices to California homeowners during the three months ending in September. That was up 28.3% from the prior quarter. Notices of default begin the foreclosure process.

- More than half of the loans that went into default were made in 2005, the survey year for this analysis.

- About 19% of homeowners who found themselves in default earlier in the year actually lost their homes to foreclosure in the third quarter. A year ago it was 6%.

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[9] Estimate based on the following: The average higher-cost APR to owner occupants in single family and manufactured homes in California in 2005 was roughly 9.68%. If American Indians, Pacific Islanders, African Americans, and Latino borrowers all were as likely to receive a higher-cost home loan as White non Hispanic borrowers, who saw a relatively low 16.9% of home loans come with higher-cost rates, over 180,000 additional residents of color would NOT be paying the increased monthly costs (an extra $610.05/month) that come with the average higher-cost loan. This would yield a monthly cost savings of $109,809,610.10 million to people of color and the communities in which they live in California.

[10] Apgar, William C. and Duda, Mark, "Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom," May 11, 2005. The authors examined the full social costs of foreclosures in Chicago and noted, "Foreclosures are not only expensive to borrowers and lenders, but they involve more than a dozen agencies and twice as many specific municipal activities, and generate direct municipal costs that in some cases exceed $30,000 per property," (p. 4).

[11] DQNews.com, "Steep Increase in California Foreclosure Activity," October 18, 2006.

- Trustee deeds, or actual foreclosure sales, totaled 3,424 during the third quarter, up 362% from the same quarter last year.

- The greatest increases in notices of default filed in California between the third quarter of last year and the third quarter of this year include the survey counties of Ventura (160.4%, includes the city of Oxnard), San Diego (159.9%), Monterey (143.4%, includes the city of Salinas), Fresno (112%), San Francisco (109.9%), and Kern (105.3%, includes the city of Delano) which had increases of over 100% in notices of default filed from the third quarter of last year to the third quarter of this year[12]

Indeed, seven out of the twelve communities in the nation with the largest increases in delinquency were in California, including a number of communities other than the survey cities analyzed here, according to analysis by Equifax and Economy.com.[13]

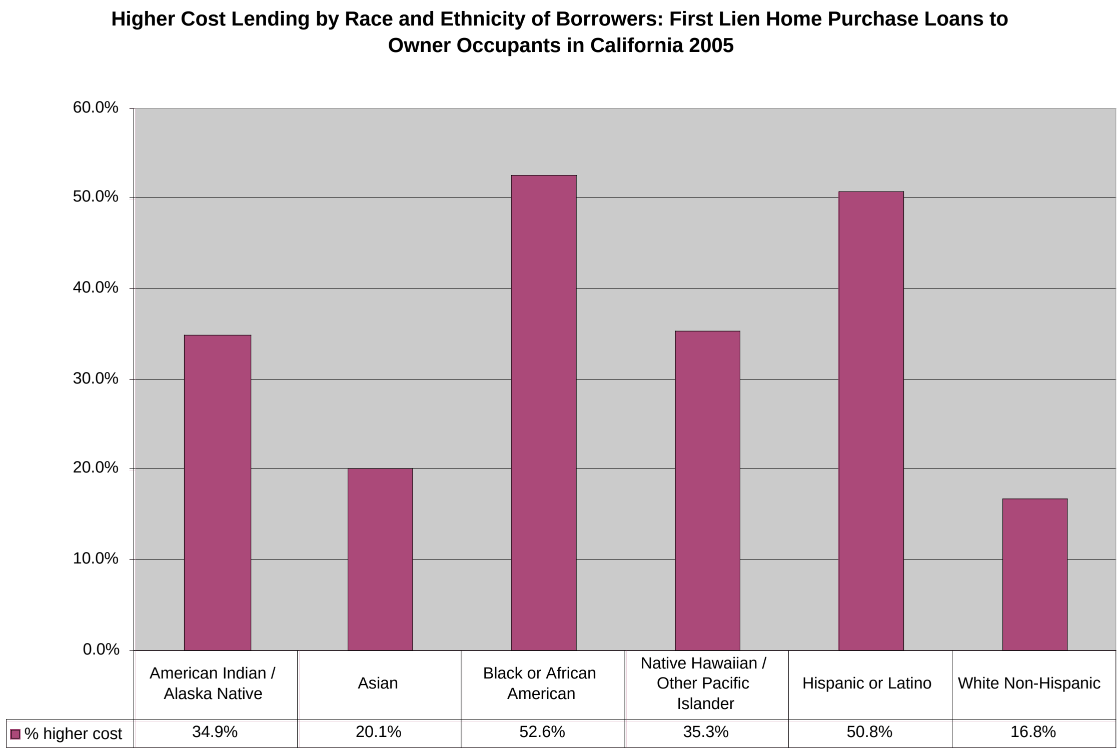
These numbers will only get worse, as California borrowers face the new reality of cooling home prices and rising mortgage payments. Of great concern is that $507 billion of ARMs issued to borrowers with poor credit nationally will reset over the next four years.[14] Many borrowers who took out loans with low initial teaser rates will see their mortgage payments rise dramatically, and many of these borrowers are unaware this is about to occur. With flattening home values and an explosion in negatively amortizing loans, many will find that they owe more money than their homes are worth. Local community groups in California have already been reporting a large increase in foreclosure activity, and the scams that accompany foreclosure.

Who Really Gets Higher-Cost Loans in California?

Looking at first lien home purchase and refinance lending to owner occupants, CRC finds significant disparities in which borrowers and which communities get higher-cost home loans.

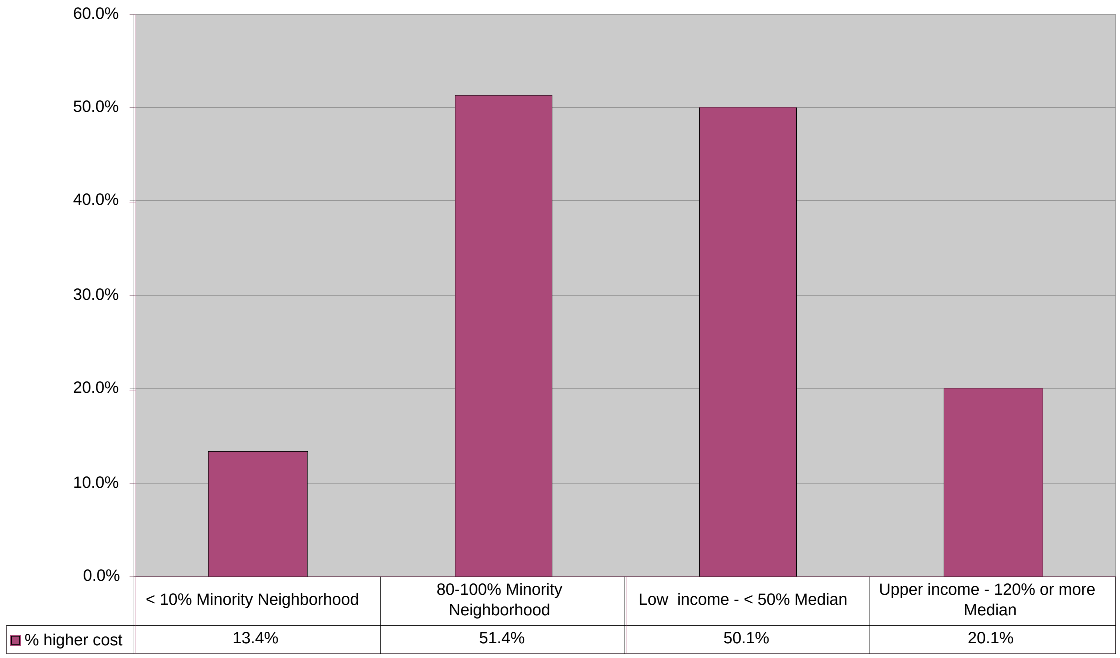
[12] DQNews.com, "Steep Increase in California Foreclosure Activity," October 18, 2006.
[13] Ruth Simon, "Lenders Loosen Standards Even as More Loans Go Sour," Wall Street Journal, October 20, 2006. Metro areas listed include: Stockton, Merced, Vallejo-Fairfield, Riverside-San Bernadino-Ontario, San Luis Obispo-Paso Robles, Visalia-Porterville, and Modesto.
[14] Ruth Simon, "Lenders Try to Keep Mortgage Boom Alive," *Wall Street Journal*, January 31, 2006.

Home Purchase Loans: People of color, minority and low-income neighborhoods pay more to attain homeownership.



- **African Americans pay more**. Statewide, African Americans were more than 3 times as likely as white borrowers to be stuck with higher-cost home purchase loans.
  - 52.6% of home purchase loans to African American borrowers were higher-cost home loans, as compared to only 16.8% for white borrowers.
- **Latinos pay more**. Statewide, Latinos were more than 3 times as likely as white borrowers to be stuck with higher-cost home purchase home loans.
  - 50.8% of home purchase loans to Latino borrowers were higher-cost home loans as compared to 16.8% for white borrowers.

Higher Cost Lending by Race and Income of Neighborhood: First Lien Home Purchase Loans to Owner Occupants in California 2005



- **Minority neighborhoods pay more**.[15] Residents of minority neighborhoods were nearly 4 times as likely as residents of white neighborhoods to be stuck with higher-cost home purchase loans
    - o 51.4% of home purchase loans to residents of minority neighborhoods were higher-cost home loans as compared to 13.4% for white neighborhoods.
- **Low-income neighborhoods pay more**.[16] Residents of low-income neighborhoods were nearly 2 and 1/2 times as likely as residents of upper-income neighborhoods to be stuck with higher-cost home purchase loans.
    - o 50.1% of home purchase loans to low-income neighborhoods were higher-cost as compared to 20.1% for upper-income neighborhoods.

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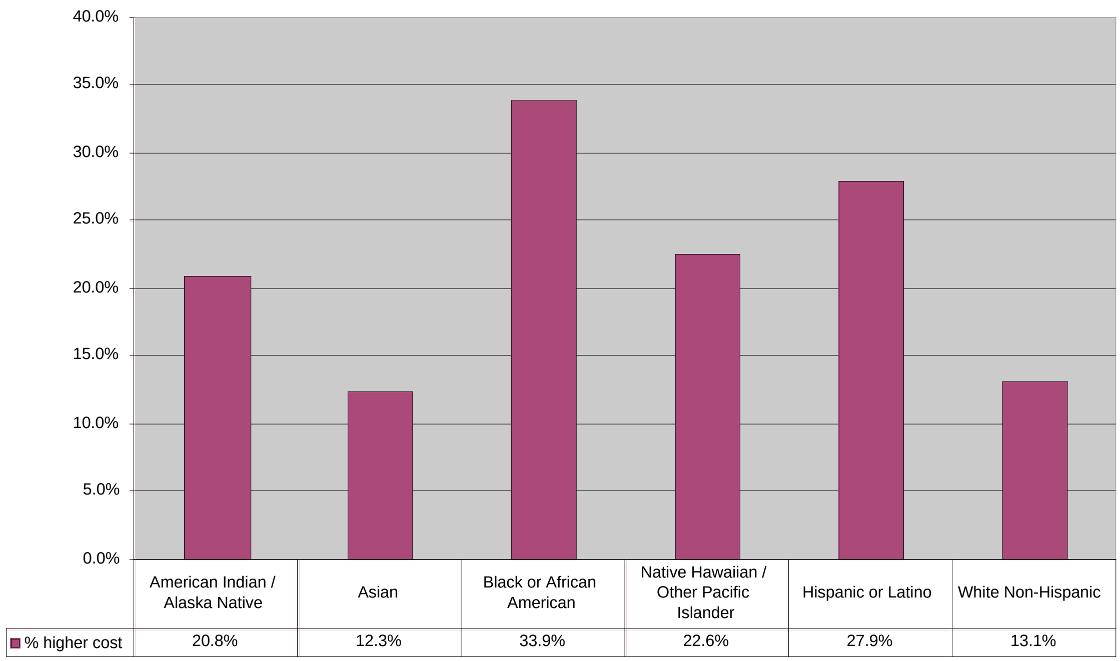
[15] The analysis compares lending to neighborhoods that are predominantly white (less than 10% minority) to neighborhoods that are predominantly of color (more than 80% minority).
[16] The analysis compares lending in low-income neighborhoods (less than 50% of the area median income) to lending in upper-income neighborhoods (more than 120% of area median income).

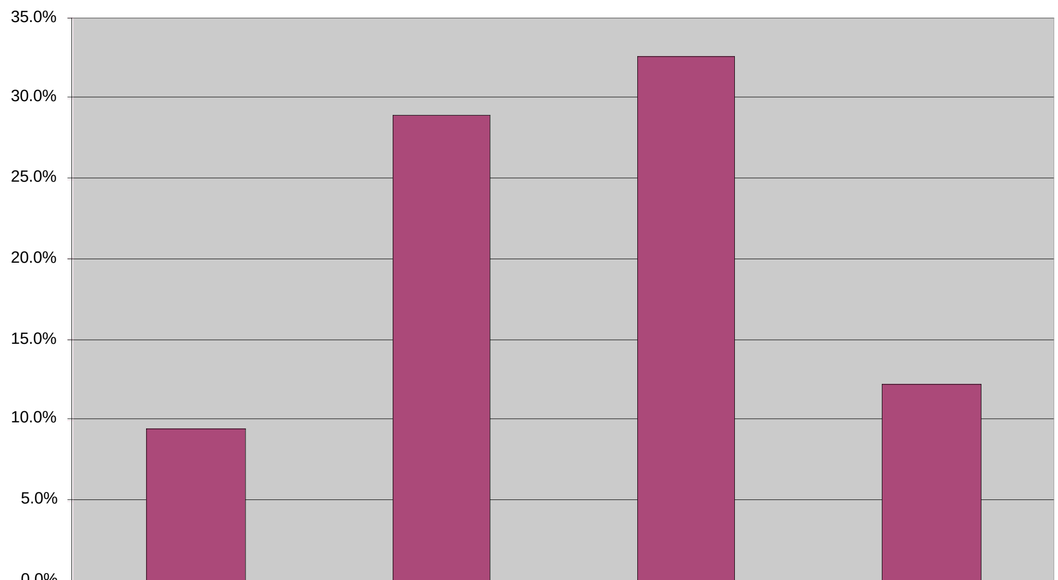
Refinance Loans: People of color, minority and low-income neighborhoods pay more to access the equity in their homes.

Higher Cost Lending by Race and Ethnicity of Borrower: First Lien Refinance Loans to Owner Occupants in California 2005



- **African Americans pay more**. Statewide, African Americans were more than 2 and _ times as likely as white borrowers to be stuck with higher-cost refinance loans.
    - o 33.9% of refinance loans to African American borrowers were higher-cost home loans as compared to 13.1% for white borrowers.
- **Latinos pay more**. Statewide, Latinos were more than 2 times as likely as white borrowers to be stuck with higher-cost refinance loans.
    - o 27.9% of refinance loans to Latino borrowers were higher-cost home loans as compared to 13.1% for white borrowers.

Higher Cost Lending by Race and Income of Neighborhood: First Lien Refinance Lending to Owner Occupants in California 2005



	< 10% Minority	80-100% Minority	Low income - < 50% Median	Upper income - 120% or More Median
% higher cost	9.4%	29.0%	32.6%	12.2%

- **Minority neighborhoods pay more**. Residents of minority neighborhoods were more than 3 times as likely as residents of white neighborhoods to be stuck with higher-cost refinance loans.
  - 29% of home purchase loans to residents of minority neighborhoods were higher-cost home loans as compared to 9.4% for white neighborhoods.

- **Low-income neighborhoods pay more**. Residents of lower-income neighborhoods were more than 2 and 1/2 times as likely as residents of upper income neighborhoods to be stuck with higher-cost refinance loans.
  - 32.6% of home purchase loans to low-income neighborhoods were higher-cost as compared to 12.2% for upper-income neighborhoods.

Which Communities Are Impacted by Higher-Cost Lending?

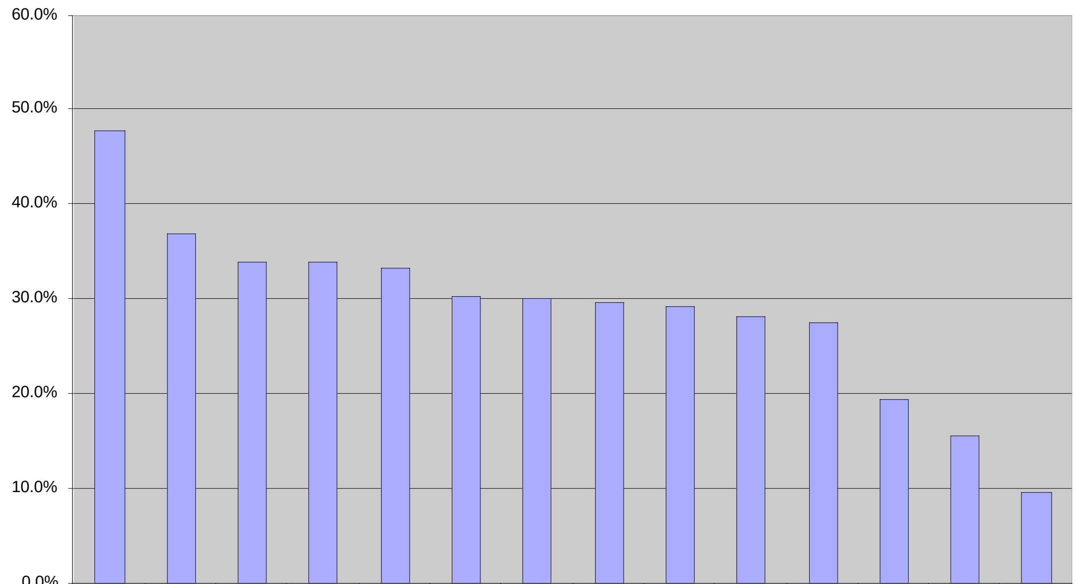
CRC analyzed higher-cost lending patterns in 14 California cities: Delano, El Centro, Fresno, Los Angeles, Modesto, Oakland, Oxnard, Richmond, Sacramento, Salinas, San Diego, San Francisco, San Jose, and Yuba City.[17] This analysis focuses on higher-cost lending to African American and Latino borrowers, and to minority and low and moderate income (LMI) neighborhoods.[18]

[17] Tables with additional lending data, sorted by city, are located in the back of this report.
[18] As the geographic area of analysis becomes much smaller, we consider neighborhoods with less than 20% minority concentration ("white"), and neighborhoods with more than 50% minority concentration ("minority"); and we look at middle and upper-income neighborhoods combined ("middle and upper-

In looking at the overall rate of higher-cost lending for first lien loans to owner occupants:

- Cities that are located in rural areas had the highest incidence of higher-cost lending, with Delano having 47.9% of all home loans coming at higher-cost. Delano was followed by El Centro, Modesto, Richmond, Fresno and Yuba City; each with higher-cost lending that comprised more than 30% of all home loans made in those communities.

Higher Cost Lending to Owner Occupants in 14 California Cities in 2005



	Delano	El Centro	Modesto	Richmo nd	Fresno	Yuba City	Sacram ento	Oxnard	Salinas	Los Angeles	Oakland	San Diego	San Jose	San Francisc o
% higher cost	47.9%	37.0%	34.0%	34.0%	33.4%	30.4%	30.1%	29.6%	29.2%	28.2%	27.5%	19.4%	15.5%	9.7%

The prevalence of higher-cost home loans in rural communities should perhaps not be surprising. “Lacking access to financial alternatives, rural residents are susceptible to a range of predatory financial institutions and products that charge excessive fees and diminish their ability to save and build wealth.”[19]

Additionally, the Federal Reserve has noted that “as in 2004, the data for 2005 continue to show much lower incidence of higher-priced lending by lenders that are covered by the CRA and that lend in their assessment areas than is shown by the same lenders when they make loans outside of their assessment areas.”[20] Rural

income”), and low and moderate-income neighborhoods combined (“LMI”). Without aggregating census tracts in this way, certain cities would yield no low-income, upper-income or white neighborhoods.

[19] Carsey Institute, “Subprime and Predatory Lending in Rural America: Mortgage lending practices that can trap low-income rural people,” Policy Brief No. 4, Fall 2006.

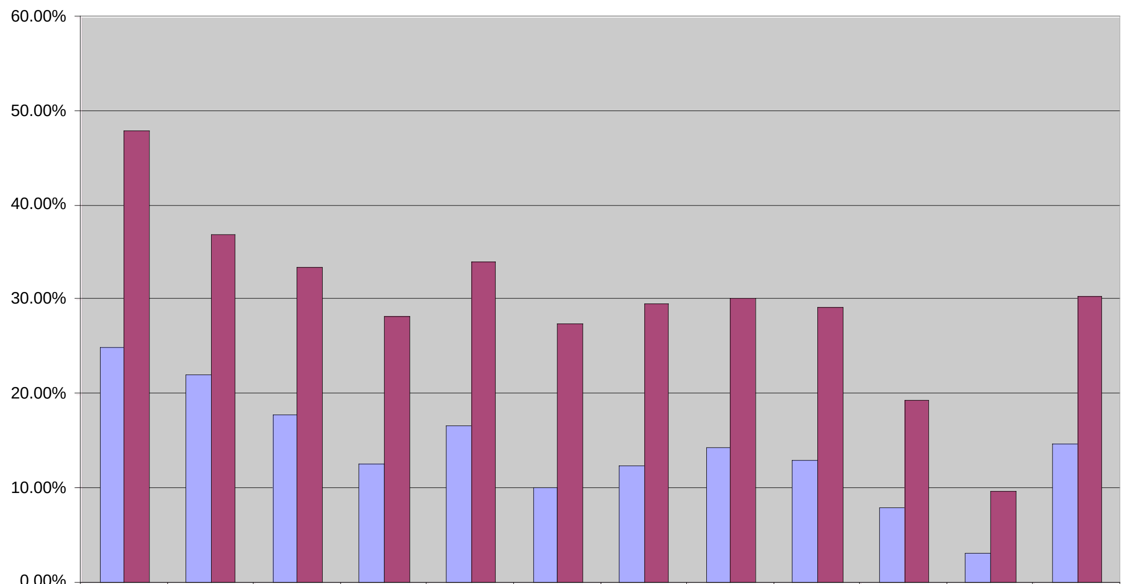
[20] Avery, Robert B. and Canner, Glenn B., “Higher-Priced Home Lending and the 2005 HMDA Data, revised September 18, 2006, p. A157).

communities are less likely than urban areas to be included within banks CRA assessment areas, and are more likely to be neglected by mainstream institutions.

- There was a dramatic increase in subprime lending in 2005 as compared to 2004. There were 573,492 higher-cost home loans made to homeowners in California in 2005. This is more than double the 264,348 higher-cost home loans originated last year.[21]

  The table below shows the dramatic rise in the incidence of higher-cost lending in the 12 survey cities analyzed last year. Note that the cities of Richmond and San Jose are not included in this analysis, as they were only added this year.

Increase in High Cost Single Family Home Lending in 12 California Cities: 2004 v 2005



	Delano	El Centro	Fresno	Los Angeles	Modesto	Oakland	Oxnard	Sacramento	Salinas	San Diego	San Francisco	Yuba City
2004	25.02%	22.04%	17.73%	12.67%	16.58%	10.08%	12.41%	14.39%	12.88%	7.95%	3.16%	14.68%
2005	47.90%	37%	33.40%	28.20%	34%	27.50%	29.60%	30.10%	29.20%	19.40%	9.70%	30.40%

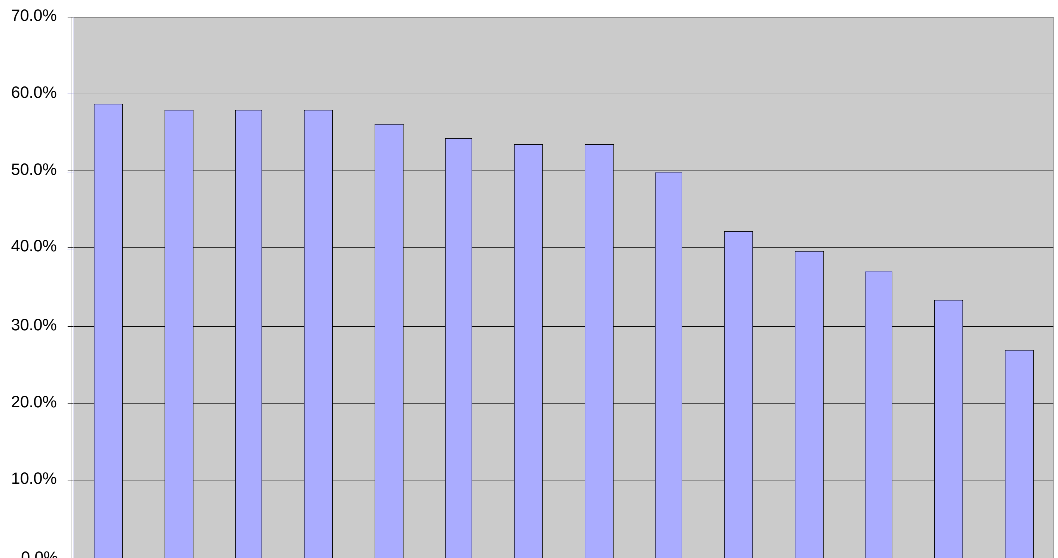
[21] The increase in the number of higher-cost home loans in 2005 may reflect a number of factors, including an increase in aggressive marketing and sales tactics by subprime lenders relative to lower-cost bank and mortgage lenders. Federal Reserve researchers have suggested additional factors may explain the increase, including a flattening yield curve (the narrowing between long term and short term interest rates), the greater likelihood that adjustable rate loans would appear as higher-cost loans in 2005 than in 2004 (due to flattening in the yield curve), and an increase in borrowers who were "stretched financially." (see Avery, Robert B. and Canner, Glenn B., "Higher-Priced Home Lending and the 2005 HMDA Data, revised September 18, 2006). These researchers also noted that the prevalence of higher-cost lending in California may reflect the greater presence of adjustable rate and piggy back loans (junior lien loans that can take the place of private mortgage insurance where there are low loan to value ratios) in the state. None of these variables explain the significant disparities between which borrowers and which neighborhoods are most likely to receive higher-cost loans.

Higher-Cost Lending to African American Borrowers in 14 Cities:

African American borrowers continue to receive a large share of higher-cost loans.

- In 9 out of 14 cities analyzed, more than half of all African American home purchase borrowers received higher-cost home loans. African American home purchase borrowers in El Centro, Oakland, Oxnard, and Sacramento were most likely to be stuck with higher-cost loans.

Higher Cost Home Purchase Lending to African America Borrowers in 14 California Cities 2005



	El Centro	Oakland	Oxnard	Sacramento	Fresno	Richmond	Los Angeles	Modesto	Delano	Salinas	San Diego	Yuba City	San Jose	San Francisco
% higher cost	58.8%	58.1%	58.1%	57.9%	56.10%	54.2%	53.6%	53.5%	50.0%	42.3%	39.8%	37.2%	33.4%	27.0%

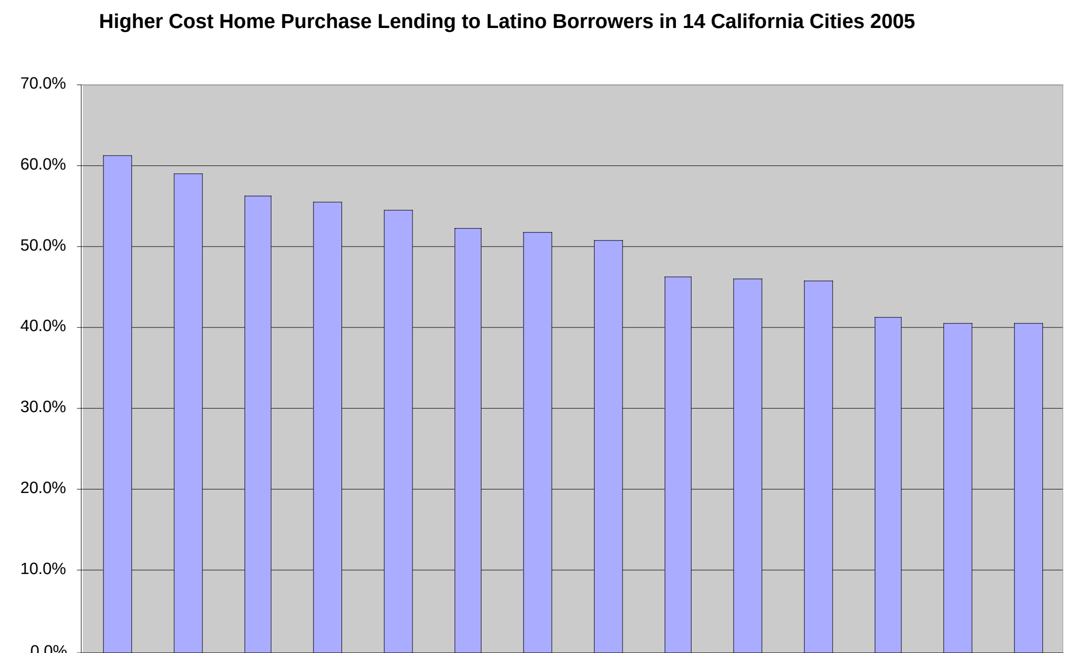
- For refinance loans, seven cities – Delano, El Centro, Fresno, Yuba City, Modesto, Sacramento, and Los Angeles - saw more than one-third of African American borrowers get stuck with higher-cost home loans.

- In **13 out of 14 cities**, **African Americans** were more likely to be stuck with higher-cost home purchase loans than whites. The disparities were greatest in the urban cities, where African American borrowers in San Francisco were 5.8 times as likely to get higher-cost home purchase loans as were white borrowers. The figures were 4.6 times, 4 times and 3.8 times as likely in Oakland, San Jose, and Los Angeles, respectively.

- In **all 14 cities**, **African Americans** were more likely to be stuck with higher-cost refinance loans than whites. The disparities were greatest in the urban cities, where African American borrowers in San Francisco were 4.7 times as likely to get higher-cost refinance loans as white borrowers. The figures were 3.2 times, 3.1 times, 2.8 times and 2.8 times as likely in San Jose, Los Angeles, Oakland, and San Diego, respectively.

Higher-Cost Lending to Latino Borrowers in 14 Cities:

- In each of the 14 survey cities, higher-cost lending to Latino home purchase borrowers was particularly high. In all 14 cities, the percentage of home purchase loans to Latino borrowers that was higher-cost was over 40%. In Richmond, 61.4% of home purchase loans to Latino borrowers were higher-cost.



	Richmond	Oakland	Sacramento	Los Angeles	Fresno	Yuba City	Modesto	Delano	Salinas	Oxnard	San Jose	San Francisco	El Centro	San Diego
% higher cost	61.4%	59.0%	56.3%	55.5%	54.50%	52.4%	51.9%	50.9%	46.4%	46.2%	45.8%	41.3%	40.5%	40.5%

- Cities in rural areas saw a greater incidence of higher-cost refinance lending to Latino borrowers. Delano had the highest prevalence of higher-cost refinance lending, with 43.4% of refinance loans to Latinos coming with higher-cost. Fresno and El Centro came in at 38.9% and 37.6%, respectively.

- In all **14 cities**, **Latino borrowers** were as likely as or more likely to be stuck with higher-cost home purchase loans than whites. The disparities were greatest in the urban cities, where Latino borrowers in San Francisco were nearly 9 times (8.8 times) as likely to get higher-cost home purchase loans as white borrowers. The figures were 5.4 times and 4.7 times as likely in San Jose and Oakland, respectively.

- In **all 14 cities**, **Latino borrowers** were as likely as or more likely to be stuck with higher-cost refinance loans than whites. The disparities were greatest in urban cities, where Latino borrowers in San Francisco were 3.6 times as likely to get higher-cost home purchase loans as white borrowers. The figures were 2.9 times, 2.8 times, and 2.6 times as likely in San Jose, Los Angeles, and Oakland, respectively.

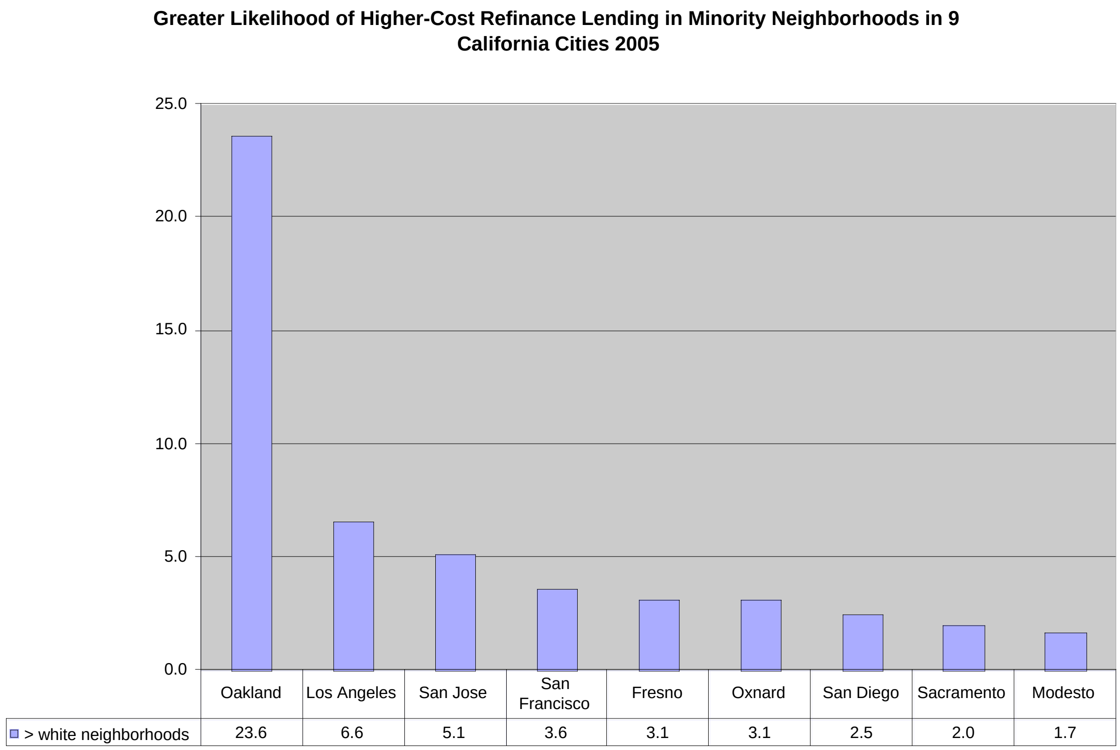
Higher-Cost Lending to Minority Neighborhoods in 14 Cities:

- In 4 cities, more than half of all home purchase loans in minority neighborhoods were higher-cost home loans. In Modesto, 56.1% of home purchase loans in minority communities came with higher-costs. Delano, Fresno, and Sacramento followed with 52.9%, 51.9%, and 50.46% of home purchase loans coming with higher-costs.

- For refinance loans, cities in rural areas again top the list of communities where higher-cost loans are concentrated in minority neighborhoods. Minority communities in Delano saw 45% of refinance loans coming with higher-costs. The figures were 37.62%, 35.45%, and 31.1% for Fresno, El Centro and Modesto, respectively.

- In all 9 cities that could be analyzed, minority neighborhoods were more likely to be stuck with higher-cost home purchase loans than white neighborhoods. Once again, the urban cities of Oakland, San Francisco, Los Angeles and San Jose showed the greatest disparities. In Oakland, minority neighborhoods were nearly 10 times as likely to be stuck with higher-cost home purchase loans. The figures were 6.5 times, 5.9 times and 5.4 times as likely for San Francisco, Los Angeles, and San Jose, respectively.

- In all 9 cities that could be analyzed, minority neighborhoods were more likely to be stuck with higher-cost refinance loans than white neighborhoods. Strikingly, in Oakland, minority neighborhoods were 23.6 times as likely to get higher-cost refinance loans as were white neighborhoods.



- No disparity ratio could be calculated for the communities of El Centro, Richmond, Salinas and Yuba City, as no loans were made to “white” census tracts (less than 20% minority). In Delano, no disparity ratio could be calculated for refinance lending as no refinance loans were made to “white” census tracts there.

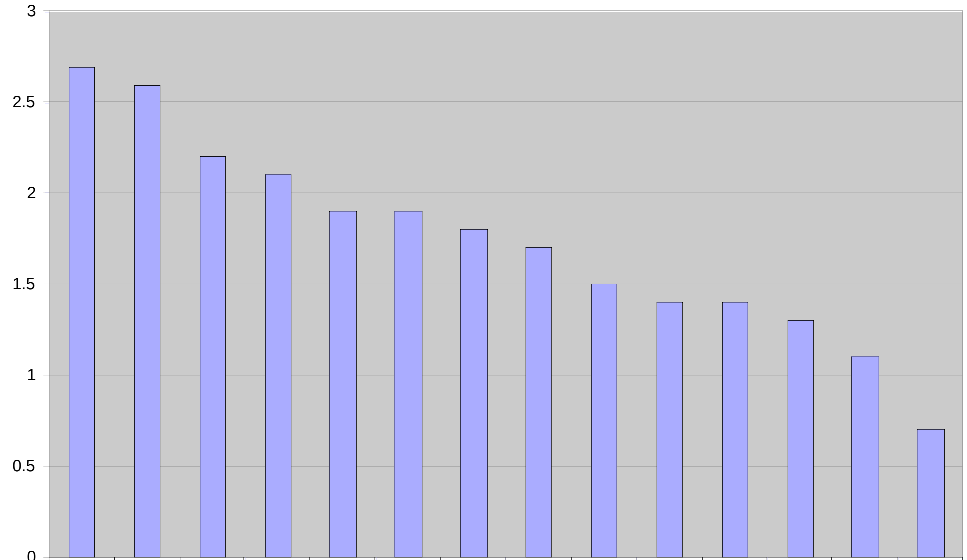
Higher-Cost Loans to Low-Moderate Income Neighborhoods in 14 Cities:

- In most survey cities, roughly half of all home purchase loans in low and moderate income (LMI) neighborhoods were higher-cost. In the City of Fresno, 56.52% of all home purchase loans in LMI neighborhoods were higher-cost, followed closely by Richmond, Modesto and Sacramento, at 55.82%, 55.54%, and 55.4 %, respectively.

- For refinance loans, El Centro, Delano and Fresno showed the greatest incidence of higher-cost refinance loans in low and moderate income neighborhoods. In El Centro, 49.8% of the loans in these communities were higher-cost.

- In **13 out of 14 cities**, **low and moderate income neighborhoods** were more likely to be stuck with higher-cost home purchase loans than middle and upper income neighborhoods. In 4 cities, low and moderate income neighborhoods were more than twice as likely as middle and upper income neighborhoods to get stuck with these loans. Disparities were greatest in Oakland, San Jose, Los Angeles, and Richmond.

Greater Likelihood of Higher-Cost Home Purchase Lending in LMI Neighborhoods in 14 California Cities 2005



	Oakland	San Jose	Richmond	Los Angeles	Sacramento	San Francisco	Fresno	San Diego	Modesto	Oxnard	Yuba City	Salinas	El Centro	Delano
> middle upper income	2.7	2.6	2.2	2.1	1.9	1.9	1.8	1.7	1.5	1.4	1.4	1.3	1.1	0.7

- In **all 14 cities**, low and moderate income neighborhoods were more likely to be stuck with higher-cost refinance loans than middle and upper income neighborhoods. In Oakland, these LMI neighborhoods were nearly 3 times as likely to suffer higher-cost refinance loans as middle and upper income neighborhoods.

Who Really Makes Higher-Cost Loans in California?

There were 573,492 higher-cost home loans made to homeowners in California in 2005.[22] This is more than double the 264,348 higher-cost home loans originated last years. [23] More subprime lending occurs in California than in any other state and loan volume tripled (in dollars lent) in the state from 2004 to 2005.[24] These loans carried annual percentage rates of approximately 7.66% and higher for first lien loans.[25] The following chart depicts the lenders with the largest share of higher-cost loans in the state.

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[22] The 573,492 loans were single-family and manufactured housing loans made to owner occupants that exceeded the new pricing thresholds. This figure includes 1st lien and junior lien loans.
[23] See note 21.
[24] Inside B&C Lending, "Subprime Lenders Kept California Dreaming in 2005, HMDA Shows," October 13, 2006.
[25] See note 5, above.

Top Higher-Cost Lenders in California: 2005			
Single Family and Manufactured Housing Loans to Owner Occupants			
Market Share Report			
2005		2005	2004
Rank	Lender	# Loans	Rank
1	New Century Mortgage[26]	52270	4
2	ACC Capital/Ameriquest[27]	50238	1
3	General Electric/WMC Mortgage[28]	46755	3
4	Washington Mutual/Long Beach Mortgage	38804	7
5	National City/First Franklin (Merrill Lynch)[29]	29871	8
6	Fremont Investment & Loan	29625	2
7	Lehman Brothers[30]	29129	6
8	Countrywide[31]	28372	5
9	H&R Block/Option One Mortgage Corp	20827	15
10	Encore Credit Corp (Bear Stearns)[32]	19521	9
11	Accredited and Aames[33]	16193	10, 16
12	OwnIt Mortgage Solutions	15708	20
13	HSBC[34]	15032	11
14	Fieldstone Mortgage Company	8962	18
15[35]	Deutsche Bank/MortgageIt (Chapel)	8863	12
16	AIG[36]	7415	Not top 20
17	Wells Fargo[37]	7004	13
18	People\'s Choice Financial Corp	6873	19
19	Friedman, Billings, Ramsey Group/First NLC	6749	Not top 20
20	Centex[38]	5582	Not top 20
21[39]	Citigroup[40]	5444	14

[26] New Century includes New Century Mortgage Corporation and Home123 Corp.
[27] ACC includes Argent Mortgage Co, LLC., Ameriquest Mortgage Company, and Town & Country Credit Corp.
[28] GE includes WMC Mortgage and GE Money Bank.
[29] First Franklin, which reports HMDA data under the name, National City Bank of Indiana, is currently being sold to Merrill Lynch.
[30] Lehman Brothers includes BNC Mortgage, Finance America, and Lehman Brothers Bank.
[31] Countrywide includes Countrywide Home Loans, Countrywide Bank, N.A., and Countrywide Mtg. Ventures, LLC.
[32] Encore Credit Corp is being purchased by Bear Stearns.
[33] Accredited and Aames have recently merged.
[34] HSBC includes Decision One Mortgage, Beneficial Homeowners Service, HFC Company, LLC, HSBC Mortgage Services, Inc., and HSBC Mortgage Corp.
[35] Deutsche Bank owns MortgageIT which originated 5,397 higher-cost home loans in 2005, and is currently buying Chapel Mortgage which originated 3,466 higher-cost home loans in 2005.
[36] AIG includes AIG Federal Savings Bank American General Fin. Serv. (DE), and Wilmington Finance, Inc.
[37] Wells Fargo includes Wells Fargo Bank, N.A. and Wells Fargo Financial California,
[38] Centex includes Centex Home Equity Company, LLC and CTX Mortgage Co, LLC.
[39] Citigroup enters the top 20 if Deutsche Bank's pending purchase of Chapel is discounted.
[40] Citigroup includes Citifinancial Services, Citicorp Trust Bank, FSB, Citifinancial Mtg Co, LLC, Citimortgage Inc. and Citibank (West), FSB.

Who Really Finances Higher-cost Home Loans?

The kinds of loans that are made by lenders reflect the kinds of loans that investors are willing to buy. And currently, the secondary market is more than willing to invest in higher-cost home loans. Most higher-cost loans are sold by lenders to Wall Street firms that bundle and sell interests in these loans to investors through a complex process known as "securitization."[41]

Of the 573,492 higher-cost home loans made in California in 2005,[42] 80% were sold on the secondary market, compared to only 73% of lower-cost loans that were sold on the secondary market. Nearly half of these higher-cost loans sold were purchased by private securitizations, insurance and finance companies, banks, and bank affiliates.[43]

An additional 184,644 higher-cost loans were sold to a broad HMDA category of "other." This "other" category includes depository institution holding companies and subsidiaries of depository institutions.[44] CRC speculates that some of these categories of purchasers may act as a midway station for subprime loans on their path through the securitization process. In other words, the percent of higher-cost home loans that is ultimately securitized is likely much higher than the percent reported under HMDA as "private securitization" alone (roughly 14%).

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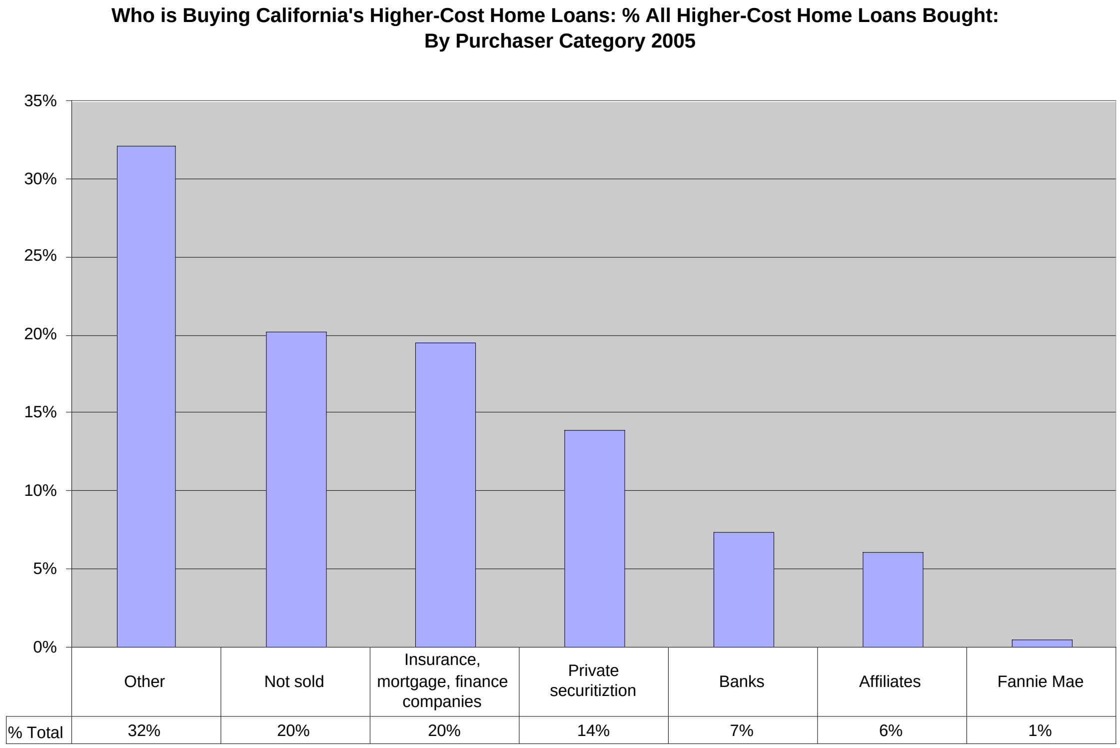
[41] For a more detailed discussion of securitization and its consequences, see Engel, Kathleen C., and McCoy, Patricia, "Predatory Lending: What Does Wall Street Have to Do with It,?" 15 Housing Pol'y Debate 715 (2004).
[42] This analysis looks at all home loans made to owner occupants in California in 2005.
[43] This analysis focuses on the first purchaser of originated loans. Many loans are bought and sold several times to different entities. A different analysis focusing on all loans that have at any time been purchased could result in several purchasers being reported for the same loan. Though such an analysis might yield interesting findings, the analysis utilized here avoids the issue of double counting the same loan.
[44] Avery, Robert B. and Canner, Glenn B., "Higher-Priced Home Lending and the 2005 HMDA Data, revised September 18, 2006, p. A141.



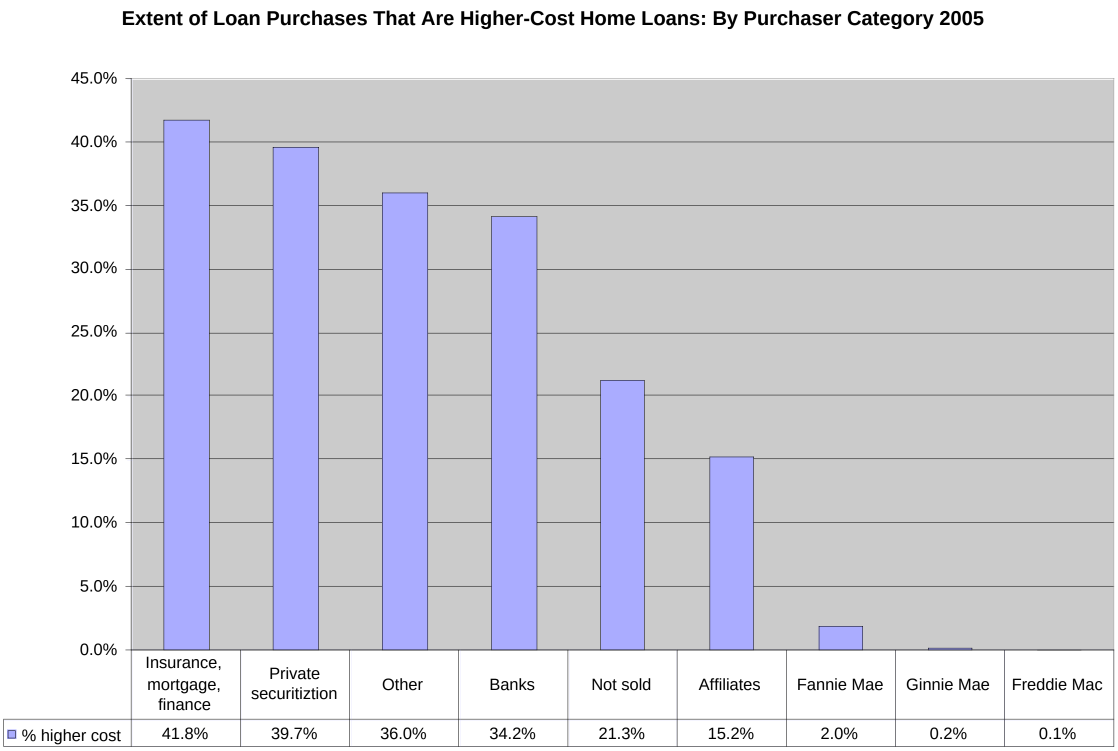
Different categories of purchasers appear to have different appetites for higher-cost home loans. In general, a very small percentage of California loans purchased by the Government Sponsored Enterprises, or GSEs (Fannie Mae, Freddie Mac, Ginnie Mae), are higher-cost home loans. Conversely, roughly 40% of California loans sold to insurance or finance companies, or sold to private securitizations on Wall Street, come with higher APRs.[45]

The small share of higher-cost loans purchased by the Government Sponsored Enterprises is significant, as the GSEs have certain minimum standards for which loans they will purchase and which loans they will not purchase. Both Fannie Mae and Freddie Mac have developed screens for certain provisions and practices they consider to be predatory, such as high points and fees, single premium credit life insurance, mandatory arbitration provisions, long prepayment penalty provisions, and steering borrowers to higher cost loans, for example. The GSEs have committed to not purchase loans that contain certain aspects of these abusive features.[46]

The resulting picture, however, is one where most higher-cost loans are being purchased by other secondary market players without any predatory lending standards whatsoever.[47]

[45] Note that data from Farmer Mac is not included in this analysis even though 68% of Farmer Mac's purchased loans are higher-cost, because the total of 66 loans purchased by Farmer Mac is far below the tens and hundreds of thousands of loans the other entities were reported to have purchased.
[46] See www.fredditmac.com, "Combating Predatory Lending," and www.fanniemae.com, "Eligibility of Mortgages to Borrowers with Blemished Credit Records, Lender Letter 03-00.
[47] It is also true that the GSEs are prohibited by Congress from purchasing loans with large loan sizes, and this may make the GSEs less able to purchase mortgage loans in California, where extremely high housing

What is then left to the private securitizations is a secondary market for higher-cost home loans that is virtually unregulated and devoid of meaningful standards to prevent the financing of predatory lending.



Apart from any existing state or local anti-predatory lending law, there are virtually no standards in place to govern what kinds of loans non GSE purchasers will buy. In fact, the securitization process practically rewards investors who purchase abusive and higher-cost home loans that gouge consumers but that can deliver to investors a steady stream of income in the form of high monthly mortgage payments. Most consumers will struggle to make their payments. But even when borrowers are unable to keep up, the securitization process provides insurance and a cushion to protect investors from feeling the financial pain of defaulting borrowers. The market is not policing itself, as investors have little reason to be wary of purchasing predatory loans.

This financing structure results in more predatory loans being made to unsuspecting borrowers, putting at risk the equity people may have worked a lifetime to build. This data on the secondary market for higher-cost home loans require further clarification, study and analysis.

CRC believes that Wall Street, secondary market players, and investors must develop enhanced due diligence procedures, or screens, to ensure they are not in the business of

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prices translate into higher loan sizes. In 2006, the conforming loan limit, above which the GSEs could not purchase mortgages, was raised to $417,000 in California, up from $359,650 (www.fanniemae.com).

financing predatory home loans that harm consumers and communities. Further research and advocacy is needed in this arena in order to turn off the spigot of funding for abusive home loans.

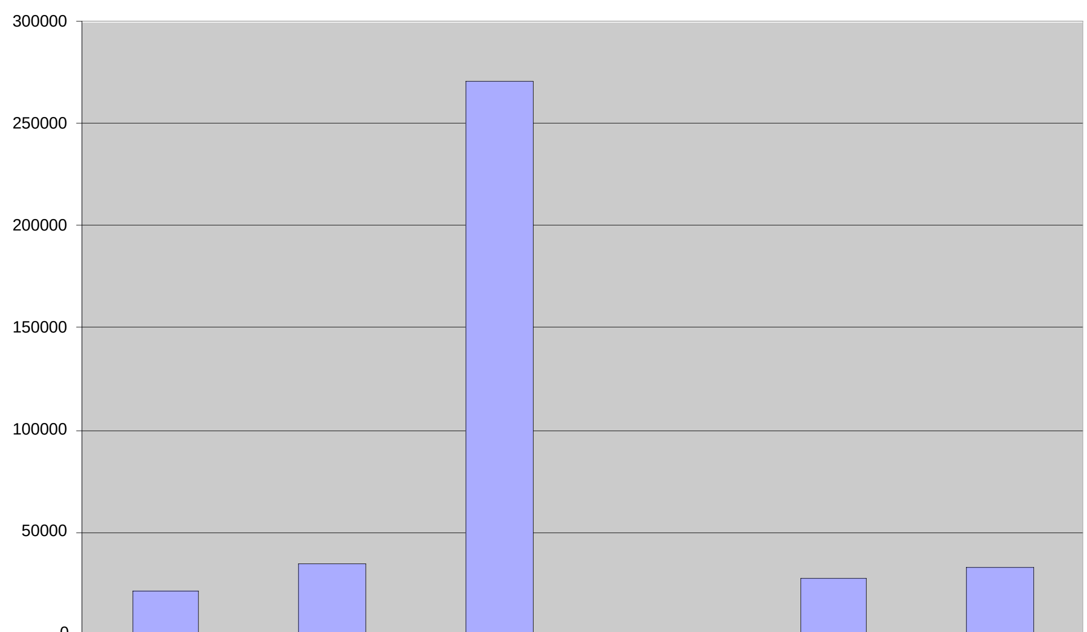
Who Really Regulates Higher-Cost Lenders in California?

There are six federal regulatory agencies that have responsibility to ensure that their lenders are complying with fair lending and related laws: The Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FRB), Department of Housing and Urban Development (HUD), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS).

The issue of who really regulates higher-cost lenders is significant, as in most cases, lenders are free to choose which regulatory agency will oversee their operations. Currently, Countrywide is seeking a thrift charter from the Office of Thrift Supervision.

- **HUD-regulated lenders made, by far, the most higher-cost first lien home purchase and refinance loans in California**, having originated 271,474 higher-cost home loans, or nearly half of all higher-cost home loans. These lenders are, in essence, unregulated on the federal level, as HUD does not conduct periodic and routine examinations of such lenders. Federal Reserve regulated lenders came in a distant second, having originated 34,716 higher-cost home loans.

Higher-Cost 1st Lien Home Loans to Owner Occupants in CA 2005 by Regulatory Agency



	FDIC	FRB	HUD	NCUA	OCC	OTS
higher-cost	21890	34716	271474	346	27662	33137

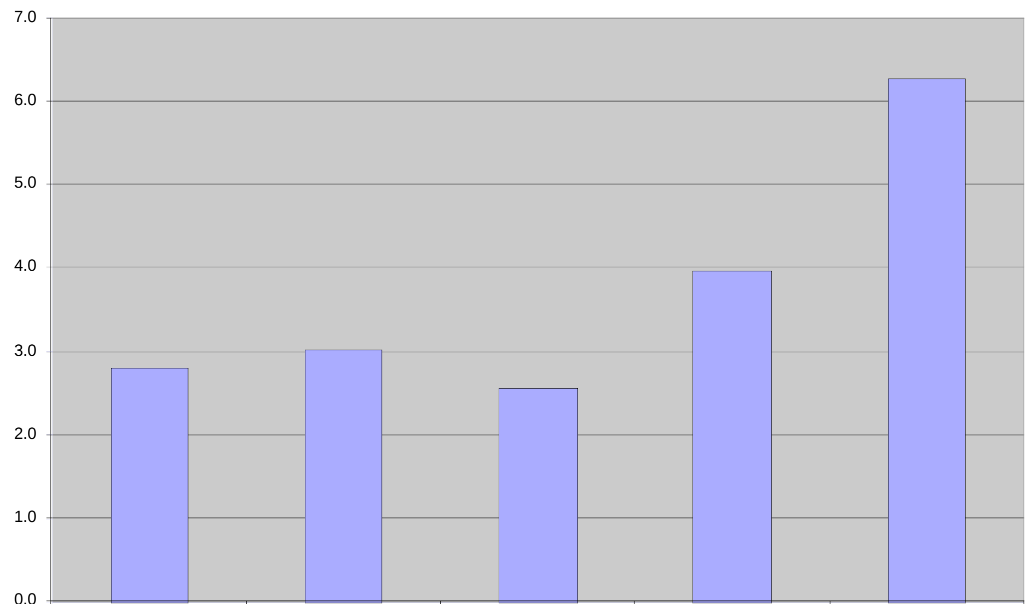
The large number of “HUD regulated” lenders originating higher-cost home loans suggests the need for stronger state regulation. Most of these institutions are regulated by the laws of the state of California. Yet, CRC believes there are insufficient protections in place to ensure that the strong majority of higher-cost loans originated by mortgage companies are fair and suitable for the California borrowers who will have to pay these higher costs.

- **HUD and FDIC-regulated lenders had the largest percentage of higher-cost loans to underserved borrowers and communities.** In six out of eight categories examined[48], HUD lenders had the highest percentage of higher-cost loans. For example, 68.3% of all home purchase loans from HUD regulated lenders to low income neighborhoods in the state were higher-cost. FDIC regulated lenders had the highest percentage of higher-cost home loans in the remaining two of eight categories of lending analyzed. For example, 70% of home purchase loans to African American borrowers by FDIC regulated lenders were higher-cost.

- **Federally chartered thrifts regulated by the OTS and national banks regulated by the OCC displayed the greatest disparities**. Of the eight categories of lending analyzed, OTS institutions displayed the greatest disparities in 5.5 categories. For example, federally chartered thrifts were more than 6 times as likely to make higher-cost home purchase loans in minority neighborhoods as in white neighborhoods.

[48] CRC analyzed the following eight lending patterns for lender groups broken out by regulator: first lien home purchase lending to African Americans, first lien home purchase lending to Latinos, first lien home purchase lending to minority neighborhoods, first lien home purchase lending to low-income neighborhoods, first lien refinance lending to African Americans, first lien refinance lending to Latinos, first lien refinance lending to minority neighborhoods, and first lien refinance lending to low-income neighborhoods. Since these analysis looks at statewide lending, minority neighborhoods where residents are 80% or more people of color are compared to neighborhoods that are less than 10% people of color. Similarly, low-income neighborhoods are compared to upper income neighborhoods.

Home Purchase Lending in Minority Neighborhoods by Regulatory Agency Grouping in California 2005: Greater Likelihood of Higher Cost Lending



	FDIC	FRB	HUD	OCC	OTS
Disparity Ratio	2.8	3.0	2.6	4.0	6.3

National banks regulated by the OCC exhibited the largest disparities in 2.5 of 8 categories analyzed. For example, national banks collectively were 4.6 times as likely to make higher-cost refinance loans to African American borrowers as to white borrowers.

- **Credit unions regulated by the NCUA were least likely to offer higher-cost home loans**. Further analysis is necessary to determine if credit unions, which are not subject to Community Reinvestment Act obligations, are making lower-cost loans to underserved borrowers and neighborhoods, and whether they are meeting the credit needs of the communities in which they are doing business.

Recommendations

<u>Who Really Gets Higher-cost Home Loans</u>

Consumers need support to better understand the complex loan process. Consumers must have:

- **Home loan counseling**. Consumers need access to qualified and independent home loan counseling, particularly through counseling agencies that are certified by the Department of Housing and Urban Development (HUD). Funds should be provided by regulators, the state, and lenders to support home loans counseling agencies that can prevent consumers from getting into bad loans in the first instance, and assist those at risk of losing their homes.

- **Same language documents**. Loan documents must be written in the same language as the one in which the loan was discussed and negotiated. Non English speakers should not be exploited by brokers and lenders that negotiate in a borrower's primary language, but then press borrowers to sign English only documents that borrowers cannot read.

<u>Which Communities are Most Impacted by Higher-cost Home Loans?</u>

In 2005 as in 2004, all residents of rural communities were more likely to be stuck with higher-cost home loans than residents of urban areas, but minority residents of urban areas were more likely than their white neighbors to be stuck with higher-cost home loans. Borrowers and communities should use:

- **CRA advocacy**. Communities should use the Community Reinvestment Act to build relationships with financial institutions to promote access to low cost credit, and to organize to oppose redlining practices. Bank mergers must be scrutinized to ensure community credit needs will be met by the new company.

- **Fair lending advocacy**. Communities should work to make all mortgage lenders accountable to their communities for fair and responsible lending practices. Support fair housing counseling agencies, legal services offices, and local government enforcement agencies that can conduct testing of mortgage lenders and take action against offenders. Use existing laws and public pressure to fight predatory lending practices.

<u>Who Really Makes Higher-cost Home Loans</u>

Higher-cost lenders must take responsibility for predatory lending. Lenders must provide:

- **Prime products**. Lenders must offer lower-cost prime products through all lending channels so that lower-cost loans will be more accessible to people who live in neighborhoods without bank branches and those that are vulnerable to aggressive targeting by higher-cost lenders. Accept alternative credit scoring models that allow more consumers to demonstrate they are credit worthy and deserve lower-cost loans. Guarantee consumers the Best Priced Product for which they qualify. The Federal Reserve Board has noted that much of the lending disparity by race and ethnicity can be explained by the fact that people of color are more likely to use a higher-cost subprime lender.[49] The Fed paper goes on to note that the greater use of higher-cost lenders by people of color may reflect that lower-cost prime lenders are not well serving these communities, or that these borrowers are being steering improperly into higher-cost loan products.

- **Rescue loan products, loss mitigation and REO programs**. Lenders must develop rescue loan products for distressed consumers who face increasing mortgage payments on subprime and option ARM loans and who are at-risk of losing their homes. Commit to working with distressed borrowers to keep them in their homes using loss mitigation tools similar to those mandated by the FHA and VA programs. Should foreclosure be necessary, lenders should develop Real Estate Owned (REO) programs to offer nonprofits a right of first refusal to take over these bank owned properties with a goal of creating affordable housing opportunities for community residents.

Who Really Finances Higher-cost Home Loans?

Much of the problem with the mortgage market can be traced to the secondary market which buys such loans. The securitization process creates a powerful mechanism for financing home loans, including predatory loans, while turning a blind eye to abusive practices. A case in point is the reported Federal Trade Commission investigation of EMC Mortgage, a unit of Bear Stearns that buys and services subprime loans.[50] Lenders, Wall Street firms that securitize home loans and investors must develop and provide:

- **Predatory screens**. The industry must develop predatory screens to ensure abusive loans are not financed.

- **More data**. Industry must provide and regulators require the disclosure of greater data on the underlying terms of each loan that is bought, pooled and sold to investors, through expansions of HMDA and SEC reporting requirements. Specifically, investors and the general public should be able to look at detailed data for each loan in the pool in order to properly assess risk and the possibility that individual loans within the pool are predatory.

[49] "Most of the reduction in the difference in the incidence of higher-priced lending across groups comes from adding the control for lender to the control for borrower-related factors." Avery, Robert B., and Canner, Glenn B., "New Information Higher-Cost Loans Under HMDA and Its Application in Fair Lending Enforcement, Federal Reserve Bulletin," Summer 2005, p. 379.
[50] "EMC Among Targets in FTC Lending Probe, Bear Says," Inside B&C Lending, January 6, 2006.

Who Really Regulates Higher-cost Home Loans?

Policy makers must establish greater consumer rights, and regulators must adequately supervise lenders and protect consumers.

- **Expand CRA and HMDA**. Bank regulators and policy makers must enforce the mandates of the Community Reinvestment Act by requiring all banks to reinvest in communities from which they are taking deposits. In California, Countrywide Bank, H&R Block Bank, insurance company banks and Internet banks have no commitment to reinvest in the state, even though they take significant deposits and earn profits here. Further, this circumvention of the CRA has fair lending implications. The Federal Reserve Board has noted that lending disparities are smaller where banks are lending in CRA assessment areas.[51] Strong reinvestment promotes fair lending.

  In fact, the case of Countrywide highlights this and other important points. On December 5, 2006, New York state Attorney General Elliot Spitzer announced a settlement agreement with Countrywide Home Loans that culminated an investigation of lending disparities that began after a review of "federal Home Mortgage Disclosure Act ("HMDA") data showing that Countrywide's black and Latino customers were more likely than its white customers to receive high-priced loans in New York in 2004."[52]

  This development illustrates the need for rigorous enforcement of fair lending and consumer protection laws in the mortgage arena, as well as the failure of federal regulatory agencies to adequately supervise their lenders. Countrywide Financial is a bank holding company regulated by the Federal Reserve Board, which had not taken similar enforcement action against Countrywide's mortgage lending operations. Now, Countrywide is applying for a thrift charter with the Office of Thrift Supervision. The OTS is the regulatory agency whose lenders show the largest racial disparities according to this CRC analysis, and the OTS has yet to refer any of its lenders for enforcement action in light of these high HMDA disparities.[53]

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[51] Specifically, Fed analysis reveals that for lenders subject to the Community Reinvestment Act, 24% of their first lien home purchase loans located *outside* of their CRA assessment areas was higher-cost loans, compared to only 7% of first lien home purchase loans located *within* their CRA assessment area being higher-cost. For lenders not covered by the CRA at all, the Fed found that the incidence of subprime lending was even higher, with 38.4% of their first lien home purchase loans coming with higher cost rates and fees. The analysis was similar for refinance lending, as well – the lowest incidence of higher priced lending occurs when banks and thrifts lend within their CRA assessment areas; when such lenders lend outside of their CRA assessment areas, the incidence of higher-cost lending goes up significantly; and the greatest incidence of higher-cost lending occurs from lenders not subject at all to the Community Reinvestment Act. Avery, Robert B., and Canner, Glenn B., "New Information Higher-Cost Loans Under HMDA and Its Application in Fair Lending Enforcement, Federal Reserve Bulletin," Summer 2005, pp. A154, A156.

[52] Office of the New York State Attorney General Elliot Spitzer, "Countrywide Agrees to New Measures to Combat Racial and Ethnic Disparities in Mortgage Loan Pricing," press release December 5, 2006.

[53] "Two Referrals From HMDA," Brian Collins, National Mortgage News, November 20, 2006.

The Countrywide case also highlights the need for more data. While HMDA data reveal more and more information about lending patterns, including apparent lending disparities at Countrywide and other institutions, the lending industry appears to suggest that the data somehow is less meaningful. The Federal Reserve should put an end to this ongoing debate by making available through HMDA data the very information that lenders say is needed to assess whether discrimination is occurring. Such information should include credit score, debt-to-income ratios, age of borrower, loan-to-value ratios and points and fee data. Shedding light on lending patterns inevitably leads to more competition and better lending.

A current cause for concern is the aggressive industry push to sell nontraditional loan products, such as option ARM and interest only loans. The prevalence of these complex loans in underserved neighborhoods and with unsophisticated consumers is not well understood in light of the limitations of HMDA. The HMDA regulations should be updated to capture whether a loan is an option ARM, interest only, or stated income loan product.[54]

Additionally, the banking regulators must take enforcement action against HMDA outliers whose HMDA data suggests they may be engaged in discriminatory lending.[55] The record of the regulators on this score has been poor, as the Countrywide case demonstrates.

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[54] For example, a total of 93,363 higher-cost 1st lien loans were originated in minority neighborhoods in California in 2005. HMDA provides little guidance on how this figure compares to that for nontraditional loan products sold in these same neighborhoods. We do know that approximately 16,000 option ARM loans were originated in California's minority neighborhoods by World Savings alone, one of the few lenders with a portfolio that is almost entirely comprised of option ARM loans. Of these loans, only 3 are reported as higher-cost loans under HMDA, leaving us with a blurred picture of what is happening in the mortgage market. World Savings with its option ARM production was recently purchased by Wachovia.

[55] Last year, the Federal Reserve identified 200 lenders who were considered "outliers" due to large racial and ethnic lending disparities in their HMDA data. An even larger number of outliers were identified by the Fed this year based on the 2005 data. The only public action taken by regulators to date was the recent referral by the FDIC to the Department of Justice of two FDIC-regulated institutions for discriminatory lending. While these referrals are positive, they came two weeks after the release of an Inspector General report that found that FDIC examiners awarded high performance ratings to state banks that repeatedly violated consumer protection rules ("Report: FDIC Gave Repeat Violators High Grades." Joe Adler, American Banker, November 16, 2006). Further, the FDIC referrals came five months after the FDIC was scolded by the Inspector General's office for having insufficient predatory lending controls ("In Brief: FDIC Told It Needs Better Guidance." Rob Blackwell, American Banker, June 28, 2006). The Office of Thrift Supervision, which regulates federally chartered savings and loans, has reportedly confirmed it has not made a HMDA related referral ("Two Referrals From HMDA." Brian Collins, National Mortgage News, November 20, 2006). This is so even though CRC analysis shows OTS regulated lenders to display the largest disparities.

- **Legislation**. Policy makers must establish higher standards for mortgage lending, given that lending abuses, defaults and foreclosures are growing. A strong federal anti predatory lending law is needed that will provide greater protections to consumers, but that will not preempt state and local laws designed to better address local abuses.

  On the state level, more needs to be done. The vast majority of higher-cost loans originated in California were made by lenders theoretically subject to state regulation. Similarly, the majority of these loans are sold by brokers who face minimal regulation in the state. State legislation to protect against predatory lending, improper steering, and broker abuse must be enhanced, and the relevant state agencies must be fully funded to ensure proper enforcement activity is carried out.

  Federal and state law should address pernicious loan terms and practices, such as high points and fees, Yield Spread Premiums which reward brokers for charging people more, prepayment penalties which trap consumers into higher-cost loans, and mandatory arbitration provisions which deny consumers equal access to justice. Legislation should establish a suitability standard so that lenders are prohibited from making loans that are unsuitable for a given consumer given that consumer's circumstances. Legislation should hold purchasers of predatory loans legally liable for financing the abuse.

METHODOLOGY

The California Reinvestment Coalition's (CRC) thirteenth annual home mortgage lending report, *Who Really Gets Higher-Cost Home Loans?* explores the relationship between higher-cost lending, race and ethnicity and income. The report analyzes Home Mortgage Disclosure Act (HMDA) data for 2005, the most recent year for which data is publicly available. CRC uses CRA Wiz, PCI software to analyze the HMDA data.

Much of the report focuses on loans that are "higher-cost loans" under the new HMDA data requirements, either because they were first lien loans with Annual Percentage Rates (APRs) that exceed the rate for a comparable Treasury by 3%, or because they are second lien loans that exceed the comparable Treasury rate by 5%.

Listings of the largest higher-cost and highest cost lenders in the state are based on single family and manufactured housing loans to owner occupants. Lending by affiliated companies that are owned by the same holding company was aggregated together.

Discussions of lending by race and ethnicity of borrower and race and income of neighborhood focused on first lien home purchase and first lien refinance lending to owner occupants.

Analysis of statewide lending focused on lending to neighborhoods that were predominantly white (census tracts less than 10% minority), minority (census tracts more than 80% minority), low-income, and upper-income.

In comparison, analysis of lending disparities within each of the 14 cities aggregated certain census tracts. Specifically, census tracts characterized as being less than 20% minority ("white") were compared to tracts that are over 50% minority ("minority"); and low and moderate-income tracts were considered together (LMI), as were middle and upper income census tracts. This was a result of certain cities not having any census tracts that met the narrower categories.

Lending to African American and Latino borrowers is compared to lending to White non-Hispanic borrowers. Lending to low (or, for city analysis, low-mod) neighborhoods is compared to lending to upper (or, for city analysis, middle-upper) income neighborhoods. Lending to minority neighborhoods (over 80% minority for state analysis, or over 50% minority for city analysis) is compared to lending to non-minority neighborhoods (under 10% for state analysis, or under 20% for city analysis).

Analysis of purchased loans focuses on owner occupied single family or manufactured homes.

Analysis of lending patterns by regulatory agency focuses on lending disparities by race and ethnicity and income of borrowers and neighborhoods, and is based on 1st lien loans to owner occupants.

Geography. This report looks at lending patterns in fourteen California cities: Delano, El Centro, Fresno, Los Angeles, Modesto, Oakland, Oxnard, Richmond, Sacramento, Salinas, San Diego, San Francisco, San Jose, and Yuba City. This year, the cities of Richmond and San Jose were added to the analysis.

Data. The analysis relies on Home Mortgage Disclosure Act (HMDA) data that are collected by the Federal Financial Institutions Examination Council. CRC analyzes this data using the PCI CRA Wiz software. Notice of Default and Foreclosure data was found on the website of DataQuick.

Limitations. This study is subject to the limitations of publicly available data, specifically the Home Mortgage Disclosure Act (HMDA) data.

HMDA data is limited in that certain elements of conventional underwriting – such as credit scores, loan to value ratios, and debt to income ratios – are not available. While CRC and other community groups continue to call for HMDA reporting requirements to be strengthened, the industry continues to fight adamantly against any and all expansions of HMDA.

Lending in State

2005 State of California				
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties				
2005 Home Purchase Lending				
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian / Alaska Native	7,410	3,967	34.9%	2.1
Asian	60,000	15,117	20.1%	1.2
Black or African American	10,361	11,509	52.6%	3.1
Native Hawaiian/Pacific Islander	5,363	2,928	35.3%	2.1
Hispanic or Latino	79,849	82,495	50.8%	3.0
White Non-Hispanic	175,708	35,513	16.8%	1.0
< 10% Minority	6,902	1,065	13.4%	1.0
80-100% Minority	37,209	39,342	51.4%	3.8
Low - < 50% MSA Median	7,889	7,933	50.1%	2.5
Upper - 120% + MSA Median	179,912	45,312	20.1%	1.0
Total Applications	399,356	182,538	31.4%	
2005 Refinance Lending				
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian / Alaska Native	13,539	3,566	20.8%	1.6
Asian	70,467	9,924	12.3%	0.9
Black or African American	37,856	19,451	33.9%	2.6
Native Hawaiian/Pacific Islander	10,968	3,202	22.6%	1.7
Hispanic or Latino	182,441	70,581	27.9%	2.1
White Non-Hispanic	393,173	59,398	13.1%	1.0
< 10% Minority	15,593	1,622	9.40%	1.0
80-100% Minority	132,193	54,021	29.00%	3.1
Low - < 50% MSA Median	17,232	8,326	32.60%	2.7
Upper - 120% + MSA Median	352,600	49,162	12.20%	1.0
Total Applications	883,288	206,687	19.00%	

Lending by Agency: Federal Deposit Insurance Corporation

State of California						
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties						
FDIC						
Home Purchase Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	228	213	48.3%	1.7		
Asian	2,498	1,039	29.4%	1.0		
African American	449	1,046	70.0%	2.5		
Pacific Islander	221	159	41.8%	1.5		
Latino	3,364	4,666	58.1%	2.1		
White Non Hispanic	6,596	2,581	28.1%	1.0		
<10% minority	331	83	20.0%	1.0		
80-100% minority	1,628	2,078	56.1%	2.8		
Low Income	280	420	60.0%	1.9		
Upper Income	6,250	2,983	32.3%	1.0		
TOTAL	15,071	10,740	41.6%			
Refinance Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	366	151	29.2%	1.5		
Asian	3,139	698	18.2%	0.9		
African American	1,169	1,426	55.0%	2.8		
Pacific Islander	379	143	27.4%	1.4		
Latino	5,016	3,292	39.6%	2.1		
White Non Hispanic	13,317	3,185	19.3%	1.0		
<10% minority	576	98	14.5%	1		
80-100% minority	3,395	2,604	43.4%	3.0		
Low Income	497	417	45.6%	2.2		
Upper Income	11,523	2,950	20.4%	1		
TOTAL	28,441	11,150	28.2%			
Top High Cost Lenders						
Rank	Lender	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
1	FREMONT INV & LOAN	28,535	93.9	8,278,312	97.28	290
2	BANK OF THE WEST	530	1.74	38,512	0.45	73
3	GATEWAY BUSINESS BANK	450	1.48	74,671	0.88	166
4	GREENPOINT MTG FUNDING	357	1.17	55,968	0.66	157
5	BANK OF THE SIERRA	108	0.36	6,110	0.07	57

Lending by Agency: Federal Reserve Board

State of California						
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties						
FRB						
Home Purchase Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	2,348	402	14.60%	1.3		
Asian	7,475	983	11.60%	1.0		
African American	1,385	911	39.70%	3.4		
Pacific Islander	640	147	18.70%	1.6		
Latino	13,715	6,448	32.00%	2.8		
White Non Hispanic	25,022	3,275	11.60%	1.0		
<10% minority	852	92	9.70%	1.0		
80-100% minority	6,512	2,695	29.30%	3.0		
Low Income	1,382	531	27.80%	2.4		
Upper Income	26,603	3,447	11.50%	1.0		
TOTAL	59,772	13,754	18.70%			
Refinance Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	2,759	623	18.40%	1.4		
Asian	5,252	804	13.30%	1.0		
African American	5,367	1,932	26.50%	1.9		
Pacific Islander	1,092	361	24.80%	1.8		
Latino	21,451	7,060	24.80%	1.8		
White Non Hispanic	42,530	6,673	13.60%	1.0		
<10% minority	1,282	165	11.40%	1.0		
80-100% minority	15,016	4,942	24.80%	2.2		
Low Income	1,932	693	26.40%	2.1		
Upper Income	34,939	5,119	12.80%	1.0		
TOTAL	93,446	20,962	18.30%			
Top High Cost Lenders						
Rank	Lender	Count	Market Share	Dollars (000)	Market Share	Avg loan size
1	Countrywide Home Loans	26,182	52.8	6,440,517	56.98	246
2	HSBC	12,709	25.6	2,646,426	23.41	200*
3	Equifirst Corporation	3,873	7.8	893,737	7.91	231
4	Wells Fargo Financial	2,144	4.3	431,158	3.81	201
5	First Bank	1,952	3.9	423,370	3.75	217

Lending by Agency: Housing and Urban Development

State of California						
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties						
HUD						
Home Purchase Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	2,215	2,736	55.30%	1.9		
Asian	17,015	10,283	37.70%	1.3		
African American	4,235	7,437	63.70%	2.2		
Pacific Islander	2,337	2,160	48.00%	1.7		
Latino	33,429	59,390	64.00%	2.3		
White Non Hispanic	57,044	22,631	28.40%	1.0		
<10% minority	1,900	678	26.30%	1.0		
80-100% minority	13,941	29,200	67.70%	2.6		
Low Income	2,723	5,877	68.30%	1.9		
Upper Income	55,639	30,428	35.40%	1.0		
TOTAL	136,273	128,288	48.50%			
Refinance Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	3,446	2,076	37.60%	1.5		
Asian	18,200	6,536	26.40%	1.1		
African American	11,362	13,027	53.40%	2.2		
Pacific Islander	3,886	2,228	36.40%	1.5		
Latino	63,926	49,407	43.60%	1.8		
White Non Hispanic	129,157	42,118	24.60%	1.0		
<10% minority	5,085	1,083	17.60%	1.0		
80-100% minority	45,438	38,518	45.90%	2.6		
Low Income	6,075	5,934	49.40%	2.1		
Upper Income	110,245	33,569	23.30%	1.0		
TOTAL	295,547	143,186	32.60%			
Top High Cost Lenders						
Rank	Lender	Count	Market Share	Dollars (000)	Market Share	Avg loan size
1	ARGENT/AMERIQUEST	48,081	12.49	12,849,360	13.46	267*
2	NEW CENTURY MTG CORP	47,269	12.28	12,602,170	13.2	267
3	WMC MORTGAGE	46,119	11.98	11,971,620	12.54	260
4	LONG BEACH MORTGAGE	38,098	9.89	9,364,345	9.81	246
5	ENCORE CREDIT	19,449	5.05	5,420,607	5.68	279

Lending by Agency: National Credit Union Administration

State of California						
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties						
NCUA						
Home Purchase Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	33	5	13.20%	6.9		
Asian	410	7	1.70%	0.9		
African American	146	14	8.80%	4.6		
Pacific Islander	87	1	1.10%	0.6		
Latino	496	27	5.20%	2.7		
White Non Hispanic	2,401	47	1.90%	1.0		
<10% minority	75	0	0.00%	1.0		
80-100% minority	269	13	4.60%	n/a		
Low Income	79	4	4.80%	3.7		
Upper Income	2,284	30	1.30%	1.0		
TOTAL	4,880	119	2.40%			
Refinance Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	316	12	3.70%	3.7		
Asian	1,240	12	1.00%	1.0		
African American	1,232	18	1.40%	1.4		
Pacific Islander	409	3	0.70%	0.7		
Latino	3,679	46	1.20%	1.2		
White Non Hispanic	11,440	119	1.00%	1.0		
<10% minority	277	7	2.50%	1.0		
80-100% minority	2,627	30	1.10%	0.4		
Low Income	334	6	1.80%	2.6		
Upper Income	10,026	74	0.70%	1.0		
TOTAL	24,579	227	0.90%			
Top High Cost Lenders						
Rank	Lender	Count	Market Share	Dollars (000)	Market Share	Avg loan size
1	CU FACTORY BUILT LENDING,	584	49.03	41,617	27.55	71
2	PATRION MORTGAGE	105	8.82	21,938	14.52	209
3	CONCORD DIABLO FEDERAL	68	5.71	17,961	11.89	264
4	KAIPERM FCU	53	4.45	21,113	13.98	398
5	BAY FEDERAL CREDIT UNION	43	3.61	5,544	3.67	129

Lending by Agency: Office of the Comptroller of the Currency

State of California						
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties						
OCC						
Home Purchase Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	1,862	330	15.10%	1.8		
Asian	18,730	1,503	7.40%	0.9		
African American	2,094	1,151	35.50%	4.2		
Pacific Islander	1,099	239	17.90%	2.1		
Latino	13,309	5,630	29.70%	3.5		
White Non Hispanic	50,138	4,661	8.50%	1.0		
<10% minority	2,102	133	6.00%	1.0		
80-100% minority	7,310	2,289	23.80%	4.0		
Low Income	2,043	432	17.50%	1.8		
Upper Income	50,602	5,368	9.60%	1.0		
TOTAL	101,566	16,434	13.90%			
Refinance Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	3,650	262	6.70%	2.0		
Asian	19,326	641	3.20%	0.9		
African American	5,439	1,022	15.80%	4.6		
Pacific Islander	1,736	165	8.70%	2.6		
Latino	28,836	3,225	10.10%	3.0		
White Non Hispanic	91,905	3,187	3.40%	1.0		
<10% minority	4,100	138	3.30%	1.0		
80-100% minority	20,816	2,330	10.10%	3.1		
Low Income	2,646	377	12.50%	3.5		
Upper Income	82,953	3,094	3.60%	1.0		
TOTAL	178,214	11,228	5.90%			
Top High Cost Lenders						
Rank	Lender	Count	Market Share	Dollars (000)	Market Share	Avg loan size
1	NATIONAL CITY BANK, INDIANA	29,842	76.03	8,278,958	78.17	277
2	WELLS FARGO BANK, NA	3,571	9.1	1,024,042	9.67	287
3	CHASE MANHATTAN	1,825	4.65	442,331	4.18	242
4	BANK OF AMERICA, N.A.	800	2.04	394,189	3.72	493
5	FIRST HORIZON HOME LOAN	776	1.98	129,761	1.23	167

Lending by Agency: Office of Thrift Supervision

State of California						
Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties						
OTS						
Home Purchase Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	724	281	28.00%	4.4		
Asian	13,872	1,302	8.60%	1.4		
African American	2,052	950	31.60%	5.0		
Pacific Islander	979	222	18.50%	2.9		
Latino	15,536	6,334	29.00%	4.6		
White Non Hispanic	34,507	2,318	6.30%	1.0		
<10% minority	1,642	79	4.60%	1.0		
80-100% minority	7,549	3,067	28.90%	6.3		
Low Income	1,382	669	32.60%	4.5		
Upper Income	38,534	3,056	7.30%	1.0		
TOTAL	81,794	13,203	13.90%			
Refinance Lending						
Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio		
American Indian	3,002	442	12.80%	3.4		
Asian	23,310	1,233	5.00%	1.3		
African American	13,287	2,026	13.20%	3.5		
Pacific Islander	3,466	302	8.00%	2.1		
Latino	59,533	7,551	11.30%	3.0		
White Non Hispanic	104,824	4,116	3.80%	1.0		
<10% minority	4,273	131	3.00%	1.0		
80-100% minority	44,901	5,597	11.10%	3.7		
Low Income	5,748	899	13.50%	3.3		
Upper Income	102,914	4,356	4.10%	1.0		
TOTAL	263,061	19,934	7.00%			
Top High Cost Lenders						
Rank	Lender	Count	Market Share	Dollars (000)	Market Share	Avg loan size
1	LEHMAN BROTHERS	29,129	63.24	7,897,515	67.25	275*
2	AIG FED SAVINGS BANK	5,979	12.98	1,558,370	13.27	261
3	INDYMAC BANK	3,866	8.39	728,517	6.2	188
4	MERITAGE MORTGAGE	2,783	6.04	694,386	5.91	250
5	CITICORP TRUST BANK, FSB	1,876	4.07	398,121	3.39	212

DELANO

Higher-cost Lending in Delano

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
1,157	1,063	47.9%

Top High Cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
ARGENT MORTGAGE	84	7.90	9,778	7.54	116
OPTION ONE MORTGAGE	74	6.96	9,075	7.00	123
LONG BEACH MORTGAGE	73	6.87	8,912	6.87	122
NEW CENTURY MORTGAGE	66	6.21	9,060	6.99	137
COUNTRYWIDE	64	6.02	9,898	7.63	155
WMC MORTGAGE CORP.	64	6.02	7,248	5.59	113
AMERIQUEST MORTGAGE	52	4.89	6,725	5.19	129
OWNIT MORTGAGE	46	4.33	4,507	3.48	98
BNC MORTGAGE	42	3.95	5,118	3.95	122
ENCORE CREDIT CORP	33	3.10	4,385	3.38	133

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost	Disparity Ratio
American Indian	18	3	14.3%	0.3
Asian	24	25	51.0%	1.0
African American	2	2	50.0%	0.9
Pacific Islander	8	11	57.9%	1.1
Latino	166	172	50.9%	1.0
White Non Hispanic	15	17	53.1%	1.0
<20% minority	0	0	0.00%	0.0
50-100% minority	231	259	52.9%	0.0
LMI	208	199	48.9%	0.7
Mid Upper	23	60	72.3%	1.0
TOTAL	231	259	52.9%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost	Disparity Ratio
American Indian	48	8	14.30%	0.3
Asian	57	51	47.20%	1.1
African American	2	7	77.80%	1.7
Pacific Islander	22	32	59.30%	1.3
Latino	437	335	43.40%	1.0
White Non Hispanic	54	44	44.90%	1.0
<20% minority	0	0	0.00%	1.0
50-100% minority	684	560	45.00%	n/a
LMI	492	419	46.00%	1.1
Mid Upper	192	141	42.30%	1.0
TOTAL	684	560	45.00%	

EL CENTRO

Higher-cost Lending in El Centro

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
2,000	1,173	37.0%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
ACCREDITED HOME LENDERS	97	8.27	15,050	7.84	155
NATIONAL CITY INDIANA	95	8.10	16,292	8.48	171
ARGENT MORTGAGE	89	7.59	14,551	7.58	163
NEW CENTURY MORTGAGE	81	6.91	14,872	7.74	184
OWNIT MORTGAGE	71	6.05	10,060	5.24	142
FREMONT INV & LOAN	59	5.03	10,219	5.32	173
FIELDSTONE MORTGAGE	43	3.67	7,997	4.16	186
AMERIQUEST MORTGAGE	41	3.50	6,844	3.56	167
COUNTRYWIDE HOME LOANS	40	3.41	6,462	3.36	162
WMC MORTGAGE CORP.	31	2.64	6,373	3.32	206

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	28	16	36.4%	1.4
Asian	44	3	6.4%	0.2
African American	7	10	58.8%	2.2
Pacific Islander	44	11	20.0%	0.8
Latino	340	231	40.5%	1.5
White Non Hispanic	110	39	26.2%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	588	374	38.88%	n/a
LMI	93	69	42.6%	1.1
Mid Upper	495	305	38.13%	1.0
TOTAL	588	374	38.9%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	27	25	48.1%	1.9
Asian	10	5	33.3%	1.3
African American	9	17	65.4%	2.5
Pacific Islander	28	5	15.2%	0.6
Latino	479	289	37.6%	1.4
White Non Hispanic	151	53	26.0%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	834	458	35.45%	n/a
LMI	102	101	49.8%	1.5
Mid Upper	732	357	32.78%	1.0
TOTAL	834	458	35.4%	

FRESNO

Higher-cost Lending in Fresno

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
25,441	12,762	33.4%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH MORTGAGE CO.	1,018	7.98	161,076	7.54	158
NEW CENTURY MORTGAGE	920	7.21	166,876	7.81	181
ARGENT MORTGAGE COMPANY	791	6.20	140,021	6.56	177
DECISION ONE MORTGAGE	742	5.81	120,847	5.66	163
WMC MORTGAGE CORP.	671	5.26	107,035	5.01	160
FREMONT INVESTMENT & LOAN	600	4.70	113,805	5.33	190
COUNTRYWIDE HOME LOANS	588	4.61	109,560	5.13	186
NATIONAL CITY BANK, INDIANA	560	4.39	103,249	4.83	184
OPTION ONE MORTGAGE CORP	401	3.14	77,375	3.62	193
AMERIQUEST MORTGAGE	387	3.03	65,832	3.08	170

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	91	122	57.30%	2.8
Asian	944	492	34.30%	1.7
African American	133	170	56.10%	2.7
Pacific Islander	53	39	42.40%	2.0
Latino	1,304	1,560	54.50%	2.6
White Non Hispanic	2,916	763	20.70%	1.0
<20% minority	553	127	18.70%	1.0
50-100% minority	1974	2129	51.89%	2.8
LMI	870	1131	56.52%	1.8
Mid Upper	5316	2449	31.54%	1.0
TOTAL	6,186	3,580	36.70%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	258	147	36.3%	1.8
Asian	918	198	17.7%	0.9
African American	492	362	42.4%	2.1
Pacific Islander	100	58	36.7%	1.8
Latino	3,301	2,102	38.9%	2.0
White Non Hispanic	6,267	1,553	19.9%	1.0
<20% minority	901	125	12.2%	1.0
50-100% minority	5816	3507	37.62%	3.1
LMI	2627	1950	42.60%	1.8
Mid Upper	11238	3453	23.50%	1.0
TOTAL	13,866	5,453	28.2%	

LOS ANGELES

Higher-cost Lending in Los Angeles

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
122,758	48,252	28.2%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
WMC MORTGAGE CORP.	6,585	13.65	1,913,844	13.95	291
NEW CENTURY MORTGAGE	5,078	10.52	1,517,512	11.06	299
ARGENT MORTGAGE	3,561	7.38	1,095,592	7.98	308
COUNTRYWIDE	2,724	5.65	747,839	5.45	275
ENCORE CREDIT CORP	2,427	5.03	743,213	5.42	306
NATIONAL CITY INDIANA	2,285	4.74	771,457	5.62	338
FREMONT INV & LOAN	2,122	4.40	704,160	5.13	332
LONG BEACH MORTGAGE	2,117	4.39	593,503	4.33	280
BNC MORTGAGE	1,604	3.32	467,730	3.41	292
OPTION ONE MORTGAGE	1,549	3.21	526,137	3.83	340

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	518	381	42.4%	3.0
Asian	3,348	1,329	28.4%	2.0
African American	1,099	1,270	53.6%	3.8
Pacific Islander	286	178	38.4%	2.7
Latino	5,851	7,308	55.5%	3.9
White Non Hispanic	14,026	2,296	14.1%	1.0
<20% minority	5732	493	7.92%	1.0
50-100% minority	13254	11625	46.73%	5.9
LMI	6293	6879	52.22%	2.1
Mid Upper	23036	7780	25.25%	1.0
TOTAL	29,332	14,660	33.3%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	1,365	343	20.1%	1.9
Asian	4,589	990	17.7%	1.6
African American	5,951	3,037	33.8%	3.1
Pacific Islander	827	238	22.3%	2.1
Latino	19,147	8,190	30.0%	2.8
White Non Hispanic	28,866	3,490	10.8%	1.0
<20% minority	10,532	462	4.2%	1.0
50-100% minority	41,846	16,006	27.67%	6.6
LMI	20142	9549	32.16%	2.1
Mid Upper	52976	9406	15.08%	1
TOTAL	73,129	18,956	20.6%	

MODESTO

Higher-cost Lending in Modesto

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
17,608	9,076	34.0%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH MORTGAGE	1,247	13.74	238,154	12.88	191
NEW CENTURY MORTGAGE	821	9.05	175,149	9.47	213
ARGENT MORTGAGE	578	6.37	123,258	6.67	213
DECISION ONE MORTGAGE	460	5.07	89,644	4.85	195
WMC MORTGAGE CORP.	388	4.28	81,228	4.39	209
FREMONT INV & LOAN	341	3.76	77,141	4.17	226
NATIONAL CITY BANK IND	302	3.33	65,414	3.54	217
OPTION ONE MORTGAGE	284	3.13	69,277	3.75	244
COUNTRYWIDE HOME	283	3.12	61,685	3.34	218
ENCORE CREDIT CORP	260	2.86	61,838	3.34	238

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	116	85	42.3%	1.4
Asian	380	151	28.4%	0.9
African American	73	84	53.5%	1.8
Pacific Islander	81	43	34.7%	1.1
Latino	1,429	1,539	51.9%	1.7
White Non Hispanic	1,535	663	30.2%	1.0
<20% minority	264	85	24.4%	1.0
50-100% minority	795	1015	56.08%	2.3
LMI	674	842	55.54%	1.5
Mid Upper	3474	2080	37.45%	1.0
TOTAL	4,148	2,922	41.3%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	204	55	21.2%	1.0
Asian	320	92	22.3%	1.1
African American	234	140	37.4%	1.8
Pacific Islander	119	39	24.7%	1.2
Latino	2,694	1,141	29.8%	1.5
White Non Hispanic	4,577	1,178	20.5%	1.0
<20% minority	455	102	18.3%	1.0
50-100% minority	2382	1075	31.10%	1.7
LMI	1790	934	34.29%	1.5
Mid Upper	8074	2397	22.89%	1.0
TOTAL	9,864	3,331	25.2%	

OAKLAND

Higher-cost Lending in Oakland

Lower Cost Loans	Higher-cost Loans	% Higher Cost Loans
18,290	6,947	27.5%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH	1,441	20.74	388,613	19.34	
NEW CENTURY	668	9.62	204,572	10.18	
FREMONT INV & LOAN	546	7.86	172,118	8.56	
ARGENT MORTGAGE	521	7.50	162,737	8.10	
WMC MORTGAGE	474	6.82	146,508	7.29	
BNC MORTGAGE	221	3.18	69,636	3.47	
COUNTRYWIDE	215	3.09	58,954	2.93	
OPTION ONE	199	2.86	73,707	3.67	
NATIONAL CITY IND	194	2.79	63,720	3.17	
FINANCE AMERICA	188	2.71	62,974	3.13	

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	53	49	48.0%	3.8
Asian	1,045	221	17.5%	1.4
African American	424	587	58.1%	4.6
Pacific Islander	60	49	45.0%	3.6
Latino	586	844	59.0%	4.7
White Non Hispanic	1,891	270	12.5%	1.0
<20% minority	91	4	4.2%	1.0
50-100% minority	3200	2120	39.85%	9.5
LMI	2103	1763	45.60%	2.7
Mid Upper	2707	553	16.96%	1.0
TOTAL	4,810	2,316	32.5%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	132	27	17.0%	1.8
Asian	1,189	153	11.4%	1.2
African American	2,221	846	27.6%	2.8
Pacific Islander	159	45	22.1%	2.3
Latino	1,562	523	25.1%	2.6
White Non Hispanic	3,124	335	9.7%	1.0
<20% minority	198	2	1.0%	1.0
50-100% minority	7320	2258	23.57%	23.6
LMI	5097	1865	26.79%	2.8
Mid Upper	5312	568	9.66%	0.0
TOTAL	10,409	2,433	18.9%	

OXNARD

Higher-cost Lending in Oxnard

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
8,515	3,587	29.6%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
OWNIT MORTGAGE	432	12.04	114,305	10.90	265
ARGENT MORTGAGE	370	10.32	116,189	11.08	314
NEW CENTURY	306	8.53	96,478	9.20	315
WMC MORTGAGE	305	8.50	92,230	8.80	302
LONG BEACH	292	8.14	87,348	8.33	299
NATIONAL CITY IND	151	4.21	59,187	5.65	392
FREMONT INV & LOAN	138	3.85	47,090	4.49	341
OPTION ONE	131	3.65	46,754	4.46	357
COUNTRYWIDE	127	3.54	35,447	3.38	279
ENCORE CREDIT CORP	115	3.21	41,315	3.94	359

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	202	34	14.4%	0.8
Asian	145	35	19.4%	1.1
African American	18	25	58.1%	3.1
Pacific Islander	35	18	34.0%	1.8
Latino	1,053	905	46.2%	2.5
White Non Hispanic	458	104	18.5%	1.0
<20% minority	202	23	10.2%	1.0
50-100% minority	1604	1341	45.53%	4.5
LMI	912	861	48.56%	1.4
Mid Upper	1050	587	35.86%	1.0
TOTAL	1,962	1,448	42.5%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	236	24	9.2%	0.9
Asian	229	38	14.2%	1.3
African American	141	35	19.9%	1.8
Pacific Islander	72	16	18.2%	1.7
Latino	2,350	586	20.0%	1.9
White Non Hispanic	1,241	150	10.8%	1.0
<20% minority	290	18	5.8%	1.0
50-100% minority	4283	932	17.87%	3.1
LMI	2587	627	19.51%	1.5
Mid Upper	2365	365	13.37%	0.0
TOTAL	4,952	992	16.7%	

RICHMOND

Higher-cost Lending in Richmond

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
7,912	4,076	34.0%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH	684	16.78	164,544	15.05	241
WMC MORTGAGE	464	11.38	126,702	11.58	273
NEW CENTURY	400	9.81	111,120	10.16	278
ARGENT MORTGAGE	341	8.37	101,679	9.30	298
FREMONT INV & LOAN	240	5.89	71,052	6.50	296
OPTION ONE	155	3.80	51,014	4.66	329
FINANCE AMERICA	114	2.80	34,000	3.11	298
COUNTRYWIDE	113	2.77	32,105	2.94	284
BNC MORTGAGE	97	2.38	26,942	2.46	278
NATIONAL CITY IND	93	2.28	26,638	2.44	286

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	28	31	52.5%	2.7
Asian	383	122	24.2%	1.2
African American	141	167	54.2%	2.7
Pacific Islander	21	29	58.0%	2.9
Latino	488	777	61.4%	3.1
White Non Hispanic	434	107	19.8%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	1450	1307	47.41%	n/a
LMI	850	1074	55.82%	2.2
Mid Upper	939	322	25.54%	1.0
TOTAL	1,789	1,396	43.8%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	88	31	26.1%	1.5
Asian	472	86	15.4%	0.9
African American	810	312	27.8%	1.6
Pacific Islander	69	22	24.2%	1.4
Latino	1,415	461	24.6%	1.4
White Non Hispanic	957	208	17.9%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	3963	1230	23.69%	n/a
LMI	2783	977	25.98%	1.7
Mid Upper	1862	348	15.75%	0.0
TOTAL	4,645	1,325	22.2%	

SACRAMENTO

Higher-cost Lending in Sacramento

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
62,245	26,856	30.1%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH	2,497	9.30	504,121	8.86	202
NEW CENTURY	2,177	8.11	503,306	8.85	231
ARGENT MORTGAGE	1,585	5.90	363,028	6.38	229
COUNTRYWIDE	1,502	5.59	331,291	5.82	221
FREMONT INV & LOAN	1,460	5.44	343,932	6.05	236
WMC MORTGAGE	1,421	5.29	305,201	5.37	215
NATIONAL CITY IND	1,272	4.74	291,066	5.12	229
OWNIT MORTGAGE	1,088	4.05	198,337	3.49	182
OPTION ONE	803	2.99	198,388	3.49	247
ENCORE CREDIT CORP	700	2.61	174,938	3.08	250

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	218	132	37.7%	1.5
Asian	2,716	1,016	27.2%	1.1
African American	676	930	57.9%	2.3
Pacific Islander	397	276	41.0%	1.6
Latino	1,735	2,237	56.3%	2.2
White Non Hispanic	6,546	2,206	25.2%	1.0
<20% minority	2,710	972	26.4%	1.0
50-100% minority	3753	3823	50.46%	1.9
LMI	3104	3856	55.40%	1.9
Mid Upper	11821	5000	29.72%	1.0
TOTAL	14,925	8,856	37.2%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	408	109	21.1%	1.1
Asian	2,717	537	16.5%	0.9
African American	2,230	1,312	37.0%	2.0
Pacific Islander	613	199	24.5%	1.3
Latino	3,726	1,623	30.3%	1.7
White Non Hispanic	16,110	3,621	18.4%	1.0
<20% minority	7,317	1,266	14.8%	1.0
50-100% minority	10495	4488	29.95%	2.0
LMI	9792	4487	31.42%	1.7
Mid Upper	22986	5117	18.21%	0.0
TOTAL	32,778	9,604	22.7%	

SALINAS

Higher-cost Lending in Salinas

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
6,313	2,607	29.2%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
NEW CENTURY	345	13.23	106,502	12.88	
LONG BEACH	330	12.66	100,546	12.16	
FREMONT INV & LOAN	162	6.21	55,754	6.74	
BNC MORTGAGE	162	6.21	54,032	6.54	
OPTION ONE	140	5.37	48,899	5.91	
NATIONAL CITY IND	126	4.83	43,265	5.23	
ARGENT MORTGAGE	123	4.72	41,780	5.05	
PEOPLE\'S CHOICE	116	4.45	36,048	4.36	
FINANCE AMERICA	95	3.64	33,712	4.08	
FIELDSTONE	82	3.15	25,469	3.08	

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties

Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	65	18	21.7%	1.2
Asian	73	56	43.4%	2.5
African American	15	11	42.3%	2.4
Pacific Islander	27	9	25.0%	1.4
Latino	781	676	46.4%	2.6
White Non Hispanic	254	54	17.5%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	1055	857	44.82%	n/a
LMI	263	272	50.8%	1.3
Mid Upper	1019	656	39.16%	1.0
TOTAL	1,282	928	42.0%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	207	23	10.0%	0.8
Asian	219	39	15.1%	1.2
African American	50	12	19.4%	1.5
Pacific Islander	88	11	11.1%	0.9
Latino	2,080	490	19.1%	1.5
White Non Hispanic	959	142	12.9%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	3469	752	17.82%	n/a
LMI	871	252	22.4%	1.5
Mid Upper	3168	563	15.09%	1
TOTAL	4,039	815	16.8%	

SAN DIEGO

Higher-cost Lending in San Diego

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
99,418	23,971	19.4%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
NATIONAL CITY IND	2,039	8.51	649,217	9.77	318
NEW CENTURY	1,755	7.32	538,177	8.10	307
ARGENT MORTGAGE	1,616	6.74	504,300	7.59	312
WMC MORTGAGE	1,491	6.22	436,606	6.57	293
ACCREDITED	1,163	4.85	292,044	4.40	251
OWNIT MORTGAGE	1,087	4.53	252,688	3.80	232
COUNTRYWIDE	1,044	4.36	304,718	4.59	292
FREMONT INV & LOAN	1,038	4.33	349,576	5.26	337
BNC MORTGAGE	943	3.93	277,148	4.17	294
FIELDSTONE	768	3.20	195,019	2.94	254

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	343	110	24.3%	1.9
Asian	2,869	745	20.6%	1.6
African American	571	377	39.8%	3.1
Pacific Islander	423	139	24.7%	1.9
Latino	4,505	3,062	40.5%	3.1
White Non Hispanic	13,108	1,962	13.0%	1.0
<20% minority	6305	1028	14.02%	1.0
50-100% minority	8249	4796	36.77%	2.6
LMI	4605	2505	35.23%	1.7
Mid Upper	22044	5934	21.21%	1.0
TOTAL	26,650	8,439	24.1%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	582	120	17.1%	2.1
Asian	4,210	435	9.4%	1.2
African American	1,750	500	22.2%	2.8
Pacific Islander	816	187	18.6%	2.3
Latino	8,954	1,979	18.1%	2.3
White Non Hispanic	26,508	2,319	8.0%	1.0
<20% minority	13935	1006	6.73%	1.0
50-100% minority	20882	4272	16.98%	2.5
LMI	9084	1904	17.33%	1.7
Mid Upper	45507	5221	10.29%	0.0
TOTAL	54,593	7,125	11.5%	

SAN FRANCISCO

Higher-cost Lending in San Francisco

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
20,937	2,251	9.7%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH	414	18.39	169,390	18.82	409
WMC MORTGAGE	222	9.86	89,886	9.99	405
NEW CENTURY	205	9.11	86,347	9.59	421
FREMONT INV & LOAN	170	7.55	78,006	8.67	459
ARGENT MORTGAGE	126	5.60	55,899	6.21	444
OPTION ONE	78	3.47	37,282	4.14	478
FINANCE AMERICA	71	3.15	34,764	3.86	490
NATIONAL CITY IND	70	3.11	34,466	3.83	492
COUNTRYWIDE	59	2.62	24,157	2.68	409
RESIDENTIAL MTG CAPTL	57	2.53	13,272	1.47	233

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	24	11	31.4%	6.7
Asian	1,566	170	9.8%	2.1
African American	84	31	27.0%	5.8
Pacific Islander	44	24	35.3%	7.6
Latino	362	255	41.3%	8.8
White Non Hispanic	3,440	168	4.7%	1.0
<20% minority	646	18	2.7%	1.0
50-100% minority	2910	619	17.54%	6.5
LMI	2383	406	14.56%	1.9
Mid Upper	4450	360	7.48%	1.0
TOTAL	6,833	766	10.1%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	61	6	9.0%	2.4
Asian	2,519	140	5.3%	1.4
African American	466	98	17.4%	4.7
Pacific Islander	148	18	10.8%	2.9
Latino	846	129	13.2%	3.6
White Non Hispanic	4,771	184	3.7%	1.0
<20% minority	830	21	2.5%	1.0
50-100% minority	6224	602	8.82%	3.6
LMI	3465	355	9.29%	2.0
Mid Upper	7670	383	4.76%	0.0
TOTAL	11,137	738	6.2%	

SAN JOSE

Higher-cost Lending in San Jose

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
71,476	13,140	15.5%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
LONG BEACH	1,744	13.27	576,221	12.85	330
NEW CENTURY	1,470	11.19	506,433	11.30	345
FREMONT INV & LOAN	948	7.21	364,625	8.13	385
NATIONAL CITY IND	845	6.43	327,318	7.30	387
FINANCE AMERICA	676	5.14	254,572	5.68	377
ARGENT MORTGAGE	651	4.95	250,451	5.59	385
WMC MORTGAGE	649	4.94	239,262	5.34	369
OWNIT MORTGAGE	579	4.41	185,833	4.15	321
OPTION ONE	371	2.82	164,710	3.67	444
COUNTRYWIDE	364	2.77	123,647	2.76	340

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	263	150	36.3%	4.3
Asian	7,734	775	9.1%	1.1
African American	219	110	33.4%	4.0
Pacific Islander	244	113	31.7%	3.7
Latino	2,875	2,426	45.8%	5.4
White Non Hispanic	7,476	691	8.5%	1.0
<20% minority	1,284	63	4.7%	1.0
50-100% minority	10793	3689	25.47%	5.4
LMI	3946	2121	34.96%	2.6
Mid Upper	17536	2771	13.65%	1.0
TOTAL	21,482	4,892	18.5%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	450	93	17.1%	3.1
Asian	9,773	592	5.7%	1.0
African American	618	134	17.8%	3.2
Pacific Islander	575	82	12.5%	2.2
Latino	6,105	1,208	16.5%	2.9
White Non Hispanic	15,821	940	5.6%	1.0
<20% minority	2,432	56	2.3%	1.0
50-100% minority	19576	2520	11.40%	5.1
LMI	7449	1272	14.59%	2.1
Mid Upper	32266	2349	6.79%	0.0
TOTAL	39,715	3,621	8.4%	

YUBA CITY

Higher-cost Lending in Yuba City

Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans
4,144	1,812	30.4%

Top Higher-cost Lenders	Count	Market Share	Dollars (000)	Market Share	Avg Loan Size
ARGENT MORTGAGE	172	9.49	32,361	10.25	188
COUNTRYWIDE	134	7.40	24,071	7.62	180
LONG BEACH	118	6.51	18,325	5.80	155
NEW CENTURY	113	6.24	22,385	7.09	198
BNC MORTGAGE	89	4.91	15,543	4.92	175
OWNIT MORTGAGE	89	4.91	13,441	4.26	151
WMC MORTGAGE	85	4.69	15,352	4.86	181
NATIONAL CITY IND	75	4.14	14,349	4.55	191
FREMONT INV & LOAN	52	2.87	11,271	3.57	217
DECISION ONE	51	2.81	8,259	2.62	162

Conventional 1st Lien Loans for 1-4 Unit Owner Occupied Properties
Home Purchase Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	32	8	20.0%	0.9
Asian	283	71	20.1%	0.9
African American	27	16	37.2%	1.7
Pacific Islander	17	6	26.1%	1.2
Latino	189	208	52.4%	2.4
White Non Hispanic	552	152	21.6%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	479	217	31.2%	n/a
LMI	92	67	42.1%	1.4
Mid Upper	1287	560	30.3%	1.0
TOTAL	1,379	627	31.3%	

Refinance Lending

Borrowers and Tracts	Lower Cost Loans	Higher-cost Loans	% Higher-cost Loans	Disparity Ratio
American Indian	31	10	24.4%	1.2
Asian	145	26	15.2%	0.8
African American	25	15	37.5%	1.9
Pacific Islander	20	6	23.1%	1.2
Latino	235	120	33.8%	1.7
White Non Hispanic	1,004	245	19.6%	1.0
<20% minority	0	0	0.0%	1.0
50-100% minority	505	168	25.0%	n/a
LMI	160	72	31.0%	1.4
Mid Upper	1733	480	21.7%	1.0
TOTAL	1,893	552	22.6%	