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Piggyback Loans at the Trough: California Subprime Home Purchase and Refinance Lending in 2006

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Executive Summary

The widespread use of subprime lending and other alternative mortgage tools in California in 2006 could exacerbate California's already troubled housing environment in 2008. The Consumer Federation of America (CFA) analyzed 1.26 million home purchase and refinance loans in California metropolitan areas in 2006 and found about one sixth of California home purchase borrowers taking out single, first lien mortgages and one quarter of refinance borrowers received subprime loans in 2006.

The subprime mortgage market provides loans to borrowers who do not meet the credit standard for prime loans. To compensate for the increased risk of offering loans to borrowers with weaker credit, lenders charge subprime borrowers higher interest rates – and thus higher monthly payments – than prime borrowers. California has historically had lower rates of subprime lending than the national average, but the rates of subprime lending crept up in 2006.

Additionally, more than a third of California home purchase borrowers also utilized a second "piggyback" loan on top of a primary, first lien mortgage. Piggyback loans combine a primary mortgage with a second lien home equity loan, allowing borrowers to finance more than 80 percent of the home's value without private mortgage insurance. These borrowers took out loans on as much as 100 percent of the value of the home in 2006. More than half these piggyback borrowers received subprime loans on their primary mortgages.

Many subprime loans are adjustable rate mortgages (ARMs) that reset to higher interest rates after the first two years, meaning that homeowners that received subprime purchase or refinance mortgages in 2006 are likely to see their interest rates and monthly payments increase – in many cases significantly – in 2008. Moreover, as real estate markets cool and decline, borrowers that utilized piggyback financing could find themselves owing more on their mortgage than their homes are worth.

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All of these borrowers face potential default and foreclosure in 2008. Consumer Federation of America examined all of the 2006 home purchase and refinance mortgage lending in the 28 metropolitan areas in California using Federal Reserve data covering 1.2 million mortgages.[2] In 2006, lenders originated more than 316,000 subprime purchase and refinance loans in California.[3] In 2006, nine out of ten (90.6 percent) mortgages were adjustable rate mortgages.[4] Most of these ARMs are expected to reset in 2008, meaning that nearly 287,000 California homeowners could face considerable payment shocks in 2008. Piggyback loans were used by more than 160,000 California home purchase borrowers in 2006.

Latinos and African-Americans were more likely to receive subprime loans and utilize piggyback mortgages than white borrowers in California in 2006. (The term "white borrower" in this study refers to "non-Hispanic white borrower".) Latino borrowers were nearly twice as likely to receive subprime mortgages as white borrowers and African-Americans were more than two and a half times as likely as white borrowers to receive subprime purchase mortgages. Both Latino and African-American borrowers were twice as likely as white borrowers to utilize piggyback loans for home purchases than white borrowers. Latino refinance borrowers were nearly twice as likely as white borrowers to receive subprime refinance loans and African-American borrowers were more than twice as likely as white borrowers to receive subprime refinance loans.

The levels of subprime and piggyback lending are not uniform across California; many communities have considerably higher subprime and piggyback lending rates. The Central Valley, San Joaquin Valley and the eastern Mexican border region have higher rates of subprime or piggyback lending. For example, about a third (32.3 percent) of home purchase borrowers in El Centro and about a quarter of the home purchase borrowers in Visalia-Porterville (25.8 percent), Riverside-San Bernardino-Ontario (25.3 percent), Merced (24.7 percent), Madera (23.8 percent), and Bakersfield (23.7 percent) received subprime loans. These subprime rates are about five times higher than the metropolitan areas with the lowest rate, San Francisco-San Mateo-Redwood City where one in twenty (5.5 percent) of home purchase borrowers received subprime loans. There are similar variations between California metropolitan areas for rates of piggyback home purchase lending, subprime refinance lending, and borrower racial disparities in 2006.

Subprime lending in California rose in 2006 from prior years. The Federal Reserve reported that the California statewide incidence of subprime refinance lending rose by 24.6 percent from 18.7 percent in 2005 to 23.3 percent in 2006.[5] The large majority of these loans were adjustable rate mortgages, many with two-year, low fixed interest teaser rates that reset after

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[2] Consumer Federation of America examined the Federal Reserve Board's Loan Application Registration database for conventional (non-government backed), first lien (all loans examined are the primary loan, not second lien loans secured by the primary mortgage or asset), residential mortgages (loans on houses with fewer than 5 units) for site built homes (non-manufactured houses).

[3] There were 134,543 subprime owner-occupied home purchase loans and 182,226 subprime owner-occupied refinance loans.

[4] Nothaft, Frank E., Chief Economist, Freddie Mac, "2008 Housing & Mortgage Market Outlook," January, 2008.

[5] Avery, Robert B., Kenneth P. Brevoort and Glenn B. Canner, "The 2006 HMDA Data," *Federal Reserve Bulletin*, December 2007 at A93. Consumer Federation of America figures between 2005 and 2006 are not exactly comparable because CFA sampled lenders in 2005 and in 2006 examined all lending within all the metropolitan areas in the state.

two years into loans that readjust every six-months or a year. The subprime loans made in 2006 will start to reset in 2008 and borrowers will face higher monthly payments in a declining real estate market, which could exacerbate the foreclosure epidemic.[6]

California already leads the country in subprime foreclosures. This study examines which California metropolitan areas have the highest concentration of the 2006 subprime and piggyback lending that will reset in 2008 and which borrowers took out subprime loans. Metropolitan area level findings and data are included in the body of the report and appendix tables. Key California-wide findings include:

- **One Sixth of Traditional California Home Purchase Borrowers Received Subprime Loans in 2006.** One sixth (16.1 percent) of all California borrowers received subprime home purchase mortgage loans. Homeowners received 134,543 subprime home purchase mortgages in California in 2006.

- **One-Third of California Home Purchase Mortgage Borrowers Used Piggyback Mortgages, Considerably More Frequently than the National Average.** More than a third (37.3 percent) of California home purchase borrowers also used a piggyback mortgage – 55.5 percent higher than the national average of nearly 24 percent. In 2006, 161,121 homeowners used piggyback mortgages to finance their home purchases in California.

- **California Piggyback Borrowers More than Three Times More Likely to Receive Subprime Loans as Borrowers without Piggyback Loans:** More than half (56.5 percent) of California borrowers that used a second, piggyback loan to finance their purchase also received a subprime loan on their primary, first lien mortgage, compared to about one sixth (16.1 percent) of California home purchase mortgage borrowers that received a subprime loans without using piggyback loans.

- **Four California Metropolitan Areas Had Subprime Refinance Rates More than 10 Percent Higher than the National Average.** Although California's subprime refinance rate is generally lower than the national average, four metropolitan areas had subprime refinance rates above the national average: El Centro, Hanford-Corcoran, Visalia-Porterville, and Bakersfield.

- **California Latino and African-American Borrowers were Three Times More Likely than White Borrowers to Receive Subprime Purchase Loans in 2006.** One fourth (25.3 percent) of Latino borrowers and nearly one third (32.5 percent) of African-American borrowers received subprime home purchase mortgages in 2006, compared to about one in eleven (8.9 percent) of white borrowers. The racial disparities between Latino and African-American borrowers and white borrowers are also evident in refinance lending in California in 2006. African-American and Latino refinance borrowers were about twice as likely as white borrowers to receive subprime loans.

[6] FitchRatings, *2008 Global Structured Finance Outlook*, December 19, 2007 at 19.

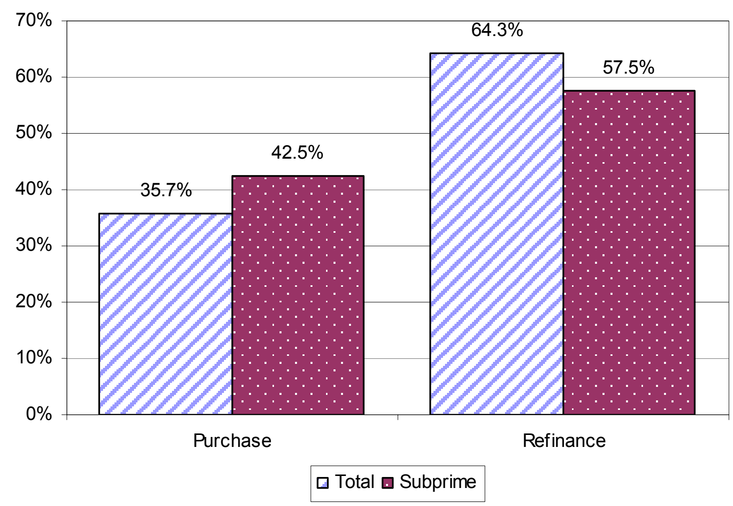
Introduction

Consumer Federation of America (CFA) analyzed every conventional, first-lien home purchase and refinance mortgage made in every California metropolitan area in 2006. CFA examined the full set of Home Mortgage Disclosure Act (HMDA) data from Loan Application Register data received from the Federal Reserve. The CFA research and analysis is intended to provide in-depth analysis of the impact of subprime home purchase, piggyback home purchase, and subprime refinance lending in California's communities.

CFA examined the conventional, first-lien lending on residential homes in the 28 California metropolitan areas. The analysis covers all of the owner-occupied home purchase and refinance lending in each of the metropolitan areas in 2006. The HMDA data delineates which loans are prime and which are subprime in each of the metropolitan areas. The data provided to CFA by the Federal Reserve also indicates which of the purchase borrowers also used a junior lien loan (a piggyback mortgage) in addition to the primary mortgage. Borrowers that utilize piggyback mortgages have taken loans that can be for 100 percent of the value of the home purchase, meaning they may have little or no equity in their homes.

Although California historically has had a lower rate of subprime lending than the national average, several California metropolitan areas have higher levels of subprime purchase and refinance lending than the national average, particularly in some cities in the Central and San Joaquin Valleys. CFA found that there is a higher rate of piggyback lending in California than the national average. Almost all California metropolitan areas have higher rates of piggyback lending than the national average.

California Distribution of Owner-Occupied Total, Prime and Subprime Lending by Loan Type, 2006



About CFA's Research and Findings

In 2006, there were 1.2 million home purchase and refinance mortgages made in California's metropolitan areas. The study looked at conventional, owner-occupied, single family, first lien loans covering 431,615 home purchase mortgages and 778,973 owner-occupied refinance mortgages.[7] Most of the owner-occupied loans (64.3 percent) were refinance mortgages and more than a third (35.7 percent) were purchase mortgages. There was a larger share of subprime purchase lending than the share of home purchase lending in the total loan pool. Although about one-third (35.7 percent) of owner-occupied loans are home purchase loans,

[7] Consumer Federation of America examined the Federal Reserve Board's Loan Application Registration database for conventional (non-government backed), first lien (all loans examined are the primary loan, not second lien loans secured by the primary mortgage or asset), residential mortgages (loans on houses with fewer than 5 units) for site built homes (non-manufactured houses).

two-fifths (42.5 percent) of subprime loans are to home purchase borrowers. In total, more than a quarter (26.1 percent) of the owner-occupied purchase and refinance loans and non-owner occupied purchase loans were subprime in California's metropolitan areas in 2006.[8]

The Federal Reserve delineates HMDA loans as either higher priced loans or prime or near prime loans. The higher priced loan designation is applied to loans with interest rates that are 3 percentage points higher than comparable long-term Treasury securities. The average 30-year Treasury yield was 4.90 percent in 2006, meaning higher priced loans had interest rates higher than about 7.90 percent.[9] The majority of the higher priced loans were higher than 3 percentage points above the Treasury threshold. More than half of home purchase loans (60.6 percent) and refinance mortgages (54.7 percent) were more than 5 percentage points above the threshold in 2006, meaning these loans had interest rates of at least 9.90 percent.[10] About a tenth of home purchase and refinance loans (10.1 and 9.8 percent, respectively) had rates at least 7 percentage points higher than the Treasury threshold, meaning these loans carried interest rates over 11.90 percent. CFA categorizes all of the higher priced loans as subprime.

Although the HMDA data provides considerable textural detail, it does not reveal all of the different types of loans that have been available in the marketplace. For example, HMDA reporting does not delineate between fixed and adjustable rate mortgages (ARMs). Nor does it disclose the myriad of mortgage products like interest only, payment option/negative amortization loans, no-documentation loans or other non-traditional loan products that have become widely available over the past few years.

Subprime Loans Made in 2006 Likely to Face Payment Shock in 2008

The most prevalent type of subprime loans in recent years have been adjustable-rate mortgages (ARMs) that start as fixed-rate mortgages and convert to adjustable-rate mortgages after an initial period. In 2006, nine out of ten (90.6 percent) mortgages were adjustable-rate mortgages.[11] California has a higher incidence of adjustable-rate mortgage lending than the rest of the country.[12] The dominant types of subprime loans issued in 2006 were adjustable-rate mortgages that recast within 2 years.[13] These loans, known as 2/28 mortgages, carry an initial short-term fixed rate for the first twenty-four months that is followed by annual or six-month rate adjustments for the remaining life of the loan. The low initial teaser interest rate frequently featured with 2/28 ARMs is set far below the payment necessary to pay off the mortgage, which virtually assures that the payment will rise significantly when the rate resets, even if market interest rates remain constant. This feature produces a payment shock of 40 to 50 percent. Many subprime borrowers cannot afford these exploding payments and are forced

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[8] The Federal Reserve reports loans that are made at interest rates three percentage points higher than comparable Treasury long-term securities. CFA and most analysts categorize the "reportable" mortgages as subprime loans.

[9] Federal Financial Institutions Examination Council, Rate Spread Calculator, available at www.ffiec.gov/ratespread.

[10] Avery *et al*. at A83, Table 4.

[11] Nothaft, Frank E., Chief Economist, Freddie Mac, "2008 Housing & Mortgage Market Outlook," January 16, 2008 at 17.

[12] Avery *et al*. at A93 Table 10 note 1.

[13] FitchRatings, *2008 Global Structured Finance* Outlook, December 19, 2007 at 19; Schloemer, Ellen, Wei Li, Keith Ernst and Kathleen Keest, Center for Responsible Lending, "Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners," December 2006 at 5.

to refinance the loan or risk falling into default. More than 2 million subprime borrowers have mortgages that are expected to reset during 2008.[14]

California's Real Estate Downturn Contributes to Mortgage Mess

The real estate boom earlier in the decade encouraged more buyers to purchase homes and to purchase them with more precarious loans. Rising home appreciation created an equity cushion that borrowers could tap into to refinance their mortgage if monthly payment shock exceeded their ability to pay. In California, home prices increased by 51 percent between the fourth quarter of 2003 and their peak in the second quarter of 2006.[15]

However, once home prices stagnate or decline, borrowers lose the safety net that rising home equity had provided during previous years. In a cooling market, stretched borrowers can simultaneously become upside down in their mortgages and have steeply rising monthly payments. Nationally, home prices are expected to decline for the next year – by between 10 to 15 percent nationally from their mid-2006 peak.[16]

This process has already started in California and is expected to continue. Between November 2006 and November 2007, California median home prices fell by 12 percent between November 2006 and November 2007.[17] Some markets have cooled faster. Between the summer of 2006 and late 2007, the median sales price in Riverside County fell by 20.9 percent from $430,000 to $360,000.[18] Home prices in Los Angeles have fallen 8.8 percent since the summer of 2006.[19] Bay Area Solono County median home prices fell 15 percent in 2007.[20]

Scale of Subprime and Piggyback Home Purchase Lending in 2006 Could Contribute to California's Mortgage and Housing Woes

Although California had amongst the lowest subprime lending rates in the nation in previous years, the rapid rise in the real estate market through the first half of 2006 made many borrowers less eligible for prime loans on homes that had become more expensive. Fewer than a quarter (23 percent) of California families could afford to purchase an entry-level home in the second quarter of 2006 at the peak of the real estate boom.[21]

Many California home buyers received either subprime home purchase loans or used piggyback simultaneous second mortgages to buy homes in a super-heated market. For all owner-occupied borrowers, those that used piggyback mortgages and those that didn't, nearly a third (31.2 percent) of borrowers received a subprime home purchase loan. Lenders made

[14] Willis, Gerri, "Avoiding Mortgage-Reset Headaches," *CNN*, December 3, 2007.
[15] FitchRatings, *2008 Global Structured Finance Outlook*, December 19, 2007 at 18.
[16] Bajaj, Vikas, "Home Prices Fell Faster in October," *New York Times*, December 28, 2007.
[17] "California Lenders Brace for Housing Hangover," *American Banker*, January 7, 2008.
[18] Bagley, Chris, "Record Foreclosures in '07," *Bakersfield Californian*, December 31, 2007.
[19] Bajaj, Vikas, "Home Prices Fell Faster in October," *New York Times*, December 28, 2007.
[20] Kottle, Marni Leff, "For the Bay Area Real Estate Industry, 2007 Went from Boom to Tizzy," *San Francisco Chronicle*, December 30, 2007.
[21] California Association of Realtors, press release, "CAR Reports Entry-Level Housing Affordability at 24 Percent in California," August 29, 2007.

134,543 subprime owner-occupied home purchase loans in California in 2006. Consumer Federation of America examined the 2006 home purchase mortgage lending for borrowers that used a single mortgage and borrowers that used piggyback financing and found that a substantial number of both types of borrowers received subprime loans.

The expanding level of subprime lending and the emergence of an additional range of subprime non-traditional mortgage credit has made the mortgage application process for prospective borrowers – especially for first time buyers and less financially savvy applicants – extremely complex. Borrowers may not be receiving the most affordable loans they are qualified to receive. As Federal Reserve Chairman Ben Bernanke noted in a speech in late 2006, "[A]re prime credit products sufficiently available and do lenders effectively compete in all communities, including historically underserved communities? How well are lower-income borrowers matched with credit products and loan terms that fit their circumstances?"[22]

The findings of regulators, consumer and community groups suggest that the high prevalence of subprime lending may not be attributable to higher risk factors alone. A 2007 *Wall Street Journal* analysis found that 61 percent of subprime borrowers in 2006 had credit scores high enough to qualify for prime loans.[23] The Federal Reserve analysis of HMDA data and a 2006 Center for Responsible Lending study provide a strong indication that pricing in the subprime market is not simply a function of risk.[24] Freddie Mac found that one in five subprime borrowers could have qualified for a prime rate mortgage.[25] Applying the recent *Wall Street Journal* analysis to California's subprime purchase and refinance loans, more than 193,000 borrowers might have qualified for prime mortgage loans.

Some metropolitan areas had markedly higher rates of subprime and piggyback lending than other California metropolitan areas. The Central and San Joaquin Valley's had higher levels of subprime and piggyback lending than other, especially wealthier, metropolitan areas such as San Francisco and San Jose. Latino, African-American, and, in some markets, Asian borrowers had higher rates of subprime lending than white borrowers. This racial disparity was apparent for minority borrowers throughout the state, but the racial disparities were more pronounced in many metropolitan areas than others.

Less financially sophisticated borrowers may be more susceptible to aggressive sales tactics and push marketing of more expensive or precarious loan products. A Federal Reserve Bank of Atlanta study found that mortgage borrowers that lack financial information and those that are reluctant to negotiate aggressively are more likely to receive higher cost mortgage loans.[26] The study found that ill-informed borrowers are unaware that loans can be offered above the minimum level on the rate sheet and that these consumers may be pushed toward higher cost

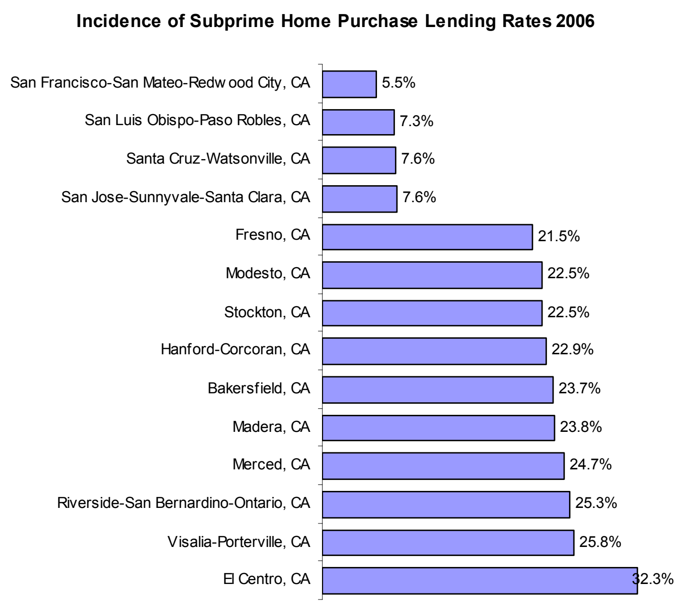
[22] Federal Reserve Board Chairman Ben S. Bernanke, "*Community Development Financial Institutions: Promoting Economic Growth and Opportunity,"* Remarks to the Opportunity Finance Network's Annual Conference, Washington, DC, November 1, 2006.
[23] Brooks, Rick and Ruth Simon, "Subprime Debacle Traps Even Very Credit-Worthy," *Wall Street Journal*, December 3, 2007.
[24] Gruenstein, Debbie Bocian, Keith S. Ernst and Wei Li, Center for Responsible Lending, "Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages," May 31, 2006.
[25] Hudson, Mike and E. Scott Reckard, "More Homeowners with Good Credit Getting Stuck with Higher-Rate Loans," *Los Angeles Times*, October 24, 2005.
[26] Black, Harold, Thomas P. Boehm and Ramon P. DeGennaro, Federal Reserve Bank of Atlanta, "Is There Discrimination in Mortgage Pricing? The Case of Overages," Working Paper 2001-4a, Nov. 2001 at 5.

loans. The study found that African-American and Latino borrowers were more likely than whites to receive higher cost loans and they received higher interest rates than the white borrowers with more expensive loans.[27]

The report discusses the impact of subprime lending patterns on borrowers and communities and the potential effect high-risk loans could have on California's home and mortgage market. First, it discusses the prevalence of subprime home purchase lending for borrowers that used a single mortgage to finance their homes; for borrowers that used piggyback simultaneous second mortgage financing; the variation in subprime and piggyback lending between metropolitan areas; and the disparities between Latino, African-American, Asian and white borrowers in the incidence of subprime purchase lending. Second, it presents the subprime refinance lending rates by metropolitan area and by the race of the borrower.

Single Mortgage Subprime Home Purchase Lending Rates in California

In 2006, one sixth (16.1 percent) of California borrowers using only a primary mortgage received subprime home purchase mortgage loans. This figure is about a third lower than the Federal Reserve's reported national average of about a quarter (25.3 percent) of borrowers receiving subprime home purchase mortgages. This lower rate is in line with California's historically lower incidence of subprime lending, but California's metropolitan area total subprime home purchase lending rate is closer to the national rate than prior years' data would suggest.[28]



The subprime lending rate in California is very uneven; several metropolitan areas have subprime home purchase lending rates that are higher than the national average. Some California metropolitan areas have twice the subprime home purchase mortgage lending rates of metropolitan areas with the lowest incidences of subprime lending. In the ten metropolitan areas with the highest subprime lending rates, more than one fifth of borrowers received subprime mortgages; in the four metropolitan areas with the lowest subprime lending rates, fewer than one in twelve borrowers received subprime loans. Nearly one third of mortgages

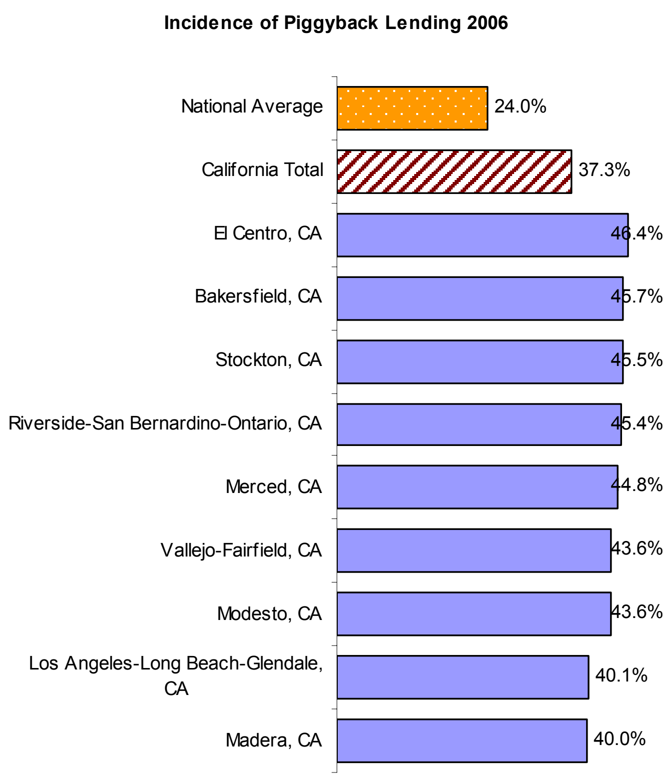
[27] *Ibid*. at 8.
[28] In 2006, CFA found that the California metropolitan average incidence of subprime lending for a sample of refinance lending in 2005 was 17.7 percent compared to a national figure of 31.4 percent, nearly twice the California metropolitan area figure. CFA did not examine subprime home purchase lending for the 2005 lending data. *See* Fishbein, Allen J. and Patrick Woodall, Consumer Federation of America, "Subprime Locations: Patterns of Geographic Disparity in Subprime Lending," September 5, 2006 at Appendix A.

in El Centro and about a quarter of mortgages in Visalia-Porterville, Riverside-San Bernardino-Ontario, and Merced were subprime loans.

El Centro had a subprime rate (32.3 percent of purchase borrowers) that was more than five times higher than the metropolitan areas with the lowest subprime lending rate, San Francisco-San Mateo-Redwood City where about one in twenty (5.5 percent) of purchase borrowers received subprime loans. Eight metropolitan areas had subprime purchase mortgage rates four times higher than San Francisco-San Mateo-Redwood City: Visalia-Porterville (25.8 percent), Riverside-San Bernardino-Ontario (25.3 percent), Merced (24.7 percent), Madera (23.8 percent), Bakersfield (23.7 percent), Hanford-Corcoran (22.9), and Stockton and Modesto (both 22.5 percent).

California Borrowers More Likely to Utilize Piggyback, Simultaneous Second Mortgages; More than Half of Borrowers Use Piggyback Purchase Loans in Some Metropolitan Areas

California borrowers relied heavily on piggyback mortgages in 2006. In markets where home prices appreciated rapidly in the earlier part of the decade, many borrowers resorted to taking out two loans to finance one home purchase. Simultaneous second mortgages, or "piggyback" loans, combine a traditional first-lien mortgage with a home equity loan, allowing borrowers to finance more than 80 percent of the home's value without private mortgage insurance. As a result, the incidence of simultaneous second mortgage lending grew steadily during the early years of the decade. Between 2005 and 2006, the number of home purchase mortgages declined nationally by nearly 12 percent but the number of home purchases that used piggyback loans increased by 4 percent.[29]



Piggyback borrowers can be put in a precarious financial position when real estate prices slide or their loan resets. In 2008, about a quarter (24.4 percent) of mortgages that reset to new, higher interest rates will reset with negative equity because of declining housing prices and low levels of principle repayment during the initial teaser rate period.[30] California's declining real estate market could potentially imperil piggyback borrowers who might become upside-down in their mortgages and owe more than their homes are worth.

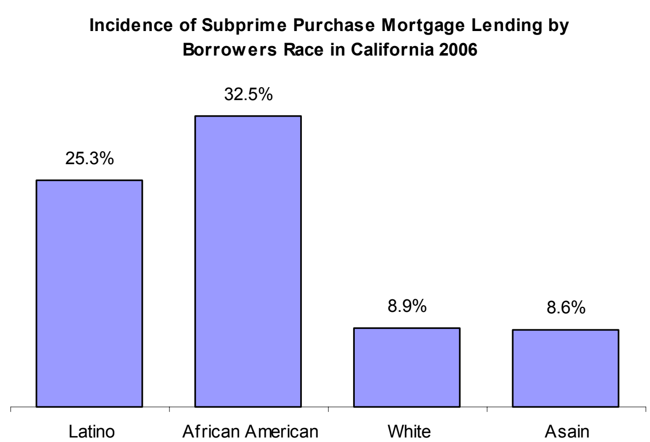
[29] Avery *et al*. at A85.
[30] Jonas, Illaina, "Mortgage Reset May Boost Foreclosures: Study," *Reuters*, March 19, 2007.

One-third of California home purchase borrowers used piggyback mortgages, which is much higher than the national average. More than a third (37.3 percent) of California home purchase borrowers also used a piggyback mortgage – 55.5 percent higher than the national average of nearly 24 percent.[31] In 2006, 161,121 homeowners used piggyback mortgages to finance their home purchases in California.[32]

California piggyback borrowers were more than three times more likely to receive subprime loans as borrowers without piggyback loans. Borrowers that used piggyback loans were also much more likely to receive subprime loans on their primary mortgage. More than half (56.5 percent) of California borrowers that used a second, piggyback loan to finance their purchase also received a subprime loan on their primary, first lien mortgage, compared to about one sixth (16.1 percent) of California home purchase mortgage borrowers that received subprime loans without using piggyback loans.

In many metropolitan areas, piggyback loans were used in a significant portion of home purchases. Two-fifths of borrowers in a third of California metropolitan areas (9 of 28 California metropolitan areas) metropolitan areas used piggyback mortgages. At least 40 percent of home purchase borrowers in these metropolitan areas used piggyback loans, which represents piggyback borrowing rates two-thirds higher than the national average. The metropolitan areas are, in descending rates of piggyback borrowing: El Centro (46.4 percent), Bakersfield (45.7), Stockton (45.5), Riverside-San Bernardino-Ontario (45.4), Merced (44.8), Vallejo-Fairfield (43.6), Modesto (43.6), Los Angeles-Long Beach-Glendale (40.1), and Madera (40.0).

Latino, African-American Borrowers More Likely to Receive Subprime and Purchase Mortgages than White Borrowers; Asians More Likely in Some Metropolitan Areas



California Latino borrowers were nearly three times as likely as white borrowers to receive subprime, single-mortgage home purchase loans than white borrowers in 2006. African-Americans were more than three and a half times as likely to receive subprime purchase mortgages as white borrowers. One fourth (25.3 percent) of Latino borrowers and nearly one third (32.5 percent) of African-American borrowers received

[31] Avery *et al*. at A85.

[32] Although many borrowers are using piggyback loans to qualify for mortgages in expensive housing markets, prevailing market prices and local incomes do not fully explain variations in piggyback lending rates. A comparison of the ratio of median home prices to income to the piggyback lending rates shows that, generally, higher home price to income ratios have higher levels of piggyback lending. However, Sacramento has the lowest home price to income ratio but the second highest level of piggyback lending of the metropolitan areas examined. National Association of Realtors, "Median Sales Prices of Existing Single Family Homes for Metropolitan Areas," Third Quarter 2007, 2007. Median metropolitan area incomes from the Federal Reserve database.

subprime home purchase mortgages compared to about one in eleven (8.9 percent) of white borrowers. The disparities between Latino, African-American and white borrowers were higher in California than the national average. Nationally, Latino borrowers were 163 percent more likely to receive subprime purchase loans than white borrowers, compared to 185 percent more likely in California metropolitan areas. African-American borrowers were three times as likely as white borrowers to receive subprime purchase loans nationally, compared to more than three and a half times as likely in California (203 percent more likely and 267 percent more likely, respectively). Asian borrowers had slightly lower rates of subprime home purchase lending than white borrowers in California metropolitan areas. The disparities between borrowers of different racial and ethnicities were more pronounced in many metropolitan areas.

In many metropolitan areas, Latino borrowers were significantly more likely to receive subprime home purchase loans than white borrowers. In two of California's wealthiest metropolitan areas, Latino borrowers were more than four times as likely as white borrowers to receive subprime home purchase loans. Latino borrowers in San Francisco-San Mateo-Redwood City and San Jose-Sunnyvale-Santa Clara were more than four times more likely than white borrowers to receive subprime loans (15.2 percent of Latino borrowers compared to 3.2 percent of white borrowers in San Francisco and 17.8 percent of Latino borrowers compared to 4.4 percent of white borrowers in San Jose). Latino borrowers in four other metropolitan areas were more than three times as likely as white borrowers to receive subprime purchase mortgages. In Santa Ana-Anaheim-Irvine, 22.4 percent of Latino borrowers received subprime purchase mortgages compared to 6.2 percent of white borrowers. In Oakland-Fremont-Hayward, the comparison was 20.0 percent of Latino borrowers and 5.8 percent of white borrowers; in San Luis Obispo-Paso Robles, the figures were 17.4 percent to 5.1 percent, and in Los Angeles-Long Beach-Glendale, the figures were 25.9 percent to 8.3 percent.

African-American home purchase borrowers were more than four times as likely as white borrowers to receive subprime loans in six California metropolitan areas. In Los Angeles, 34.3 percent of African-American borrowers received subprime purchase mortgages compared to 8.3 percent of white borrowers. In Oxnard-Thousand Oaks-Ventura, the comparison was 22.4 percent of African-American borrowers and 5.1 percent of white borrowers; in Oakland-Fremont-Hayward, the figures were 27.3 percent to 5.8 percent. In Chico, Napa and San Luis Obispo-Paso Robles, African-American borrowers were more than six times more likely than white borrowers to receive subprime purchase mortgages; all three of these metropolitan areas have very low levels of lending to African-Americans (with 62 total home purchase mortgages to African-American borrowers in the three metropolitan areas combined).

Asian borrowers were at least 50 percent more likely than white borrowers to receive subprime purchase mortgages than white borrowers in five California metropolitan areas. Although Asian borrowers were slightly less likely than white borrowers to receive subprime mortgages statewide (8.6 percent and 8.9 percent, respectively), in five metropolitan areas, Asian borrowers were significantly more likely than white borrowers to receive subprime loans. Asian borrowers were more than twice as likely as white borrowers to receive subprime loans in Napa (12.3 percent compared to 5.2 percent, respectively) and San Luis Obispo-San Mateo-Redwood City (10.7 percent compared to 5.1 percent, respectively).

Asian borrowers were 80.9 percent more likely than white borrowers to receive subprime loans in San Francisco-San Mateo-Redwood City (5.7 percent compared to 3.2 percent, respectively); Asian borrowers were 64.3 percent more likely to receive subprime loans than white borrowers in Hanford-Corcoran (20.0 percent to 12.2 percent) and 64.3 percent more likely in Salinas (11.4 percent to 7.3 percent).

Latino and African-American Borrowers were More Likely to Utilize Piggyback Home Purchase Mortgages than White Borrowers

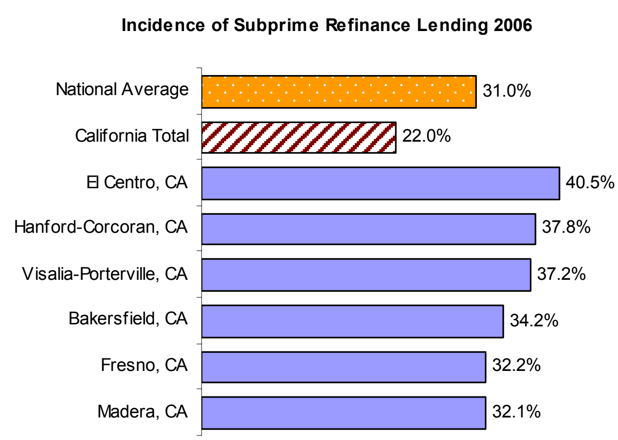
Latino and African-American borrowers more than twice as likely as white borrowers to utilize piggyback loans. More than half of Latino and African-American purchase mortgage borrowers used piggyback mortgages (55.1 percent and 53.3 percent, respectively) compared to about one fourth (25.2 percent) of white borrowers.

Latino borrowers in five California metropolitan areas were more than two and half times more likely to utilize piggyback loans than white borrowers. Latino borrowers were more than three times more likely to utilize piggyback mortgages than white borrowers in San Francisco-San Mateo-Redwood City (43.1 percent and 13.5 percent, respectively). Latino borrowers were nearly three times as likely to use piggy back loans as white borrowers in San Jose-Sunnyvale-Santa Clara (49.0 percent and 16.5 percent), Santa Ana-Anaheim-Irvine (60.3 percent and 20.7 percent), San Luis Obispo-Paso Robles (47.6 percent and 16.7 percent), and Salinas (47.9 percent and 17.1 percent).

African-American borrowers in three California metropolitan areas were more than two and half times more likely to utilize piggyback loans than white borrowers. African-American borrowers in Chico were nearly three times as likely as white borrowers to use piggyback loans (65.2 percent and 22.9 percent, respectively). African-American borrowers were more than two and a half times as likely as white borrowers to use piggyback mortgages in Napa (47.6 percent and 19.9 percent) and Santa Cruz-Watsonville (43.8 percent and 17.4 percent).

California Subprime Refinance Lending Increased in 2006

Although subprime lending increased in the home purchase mortgage market, prior to 2006, subprime lending was concentrated in refinance and home improvement lending. These borrowers used subprime loans to access the collateral in their homes for debt consolidation and other consumer credit purposes. Subprime refinance lending increased in California in 2006. The Federal Reserve reported that the California statewide



incidence of subprime refinance lending rose by 24.6 percent from 18.7 percent in 2005 to 23.3 percent in 2006.[33]

In California's metropolitan areas, more than one-fifth (22.0 percent) of refinance mortgage borrowers received subprime loans in 2006. California had lower subprime refinance rates than the national average of 31.0 percent in 2006. This is consistent with Consumer Federation of America's findings for California's lower than national average subprime lending rates in 2005 and 2004.[34]

Four California metropolitan areas had subprime refinance rates more than 10 percent higher than the national average. Although California's subprime refinance rate is generally lower than the national average, four metropolitan areas had subprime refinance rates above the national average. Two fifths (40.5 percent) of borrowers in El Centro received subprime refinance mortgages, 30.8 percent higher than the national average. Borrowers in Hanford-Corcoran and Visalia-Porterville were about a fifth more likely than the national average to receive subprime refinance loans in 2006 with 37.8 percent and 37.2 percent of refinance borrowers receiving subprime loans, respectively. About a third (34.2 percent) of refinance borrowers in Bakersfield received subprime loans, about 10 percent higher than the national average.

California Latino and African-American borrowers were about twice as likely to receive subprime refinance loans as white borrowers. The racial disparities between Latino and African-American borrowers and white borrowers are also evident in refinance lending in California in 2006. African-American and Latino refinance borrowers were about twice as likely as white borrowers to receive subprime loans. More than a quarter of Latino borrowers (29.8 percent) and more than a third of African-American borrowers (34.8 percent) received subprime refinance loans in 2006, compared to about one seventh (15.3 percent) of white borrowers.

Latino refinance borrowers were more than twice as likely as white borrowers to receive subprime refinance loans in six California metropolitan areas. Latino borrowers were more than twice as likely to receive subprime refinance loans than white borrowers in Santa Ana-Anaheim-Irvine (25.4 percent and 10.7 percent, respectively), San Francisco-San Mateo-Redwood City (14.7 and 6.6 percent), San Jose-Sunnyvale-Santa Clara (19.4 and 8.9 percent), Oxnard-Thousand Oaks-Ventura (21.6 and 10.0 percent), Santa Barbara-Santa Maria-Goleta (19.1 and 9.3 percent), and Salinas (23.3 and 11.6 percent).

African-American refinance borrowers were more than two and a half times more likely than white borrowers to receive subprime refinance loans in four California metropolitan areas. More than a fifth (21.1 percent) of African-American borrowers in San Francisco-San Mateo-Redwood received subprime refinance loans, more than three times the 6.6 percent of white refinance borrowers that received subprime loans. African-American borrowers were more than two and a half times more likely than white borrowers to receive subprime

[33] Avery *et al*. at A93. Consumer Federation of America figures between 2005 and 2006 are not exactly comparable because CFA sampled lenders in 2005 and in 2006 examined all lending within all the metropolitan areas in the state.
[34] *See* Fishbein, Allen J. and Patrick Woodall, Consumer Federation of America, "Subprime Locations: Patterns of Geographic Disparity in Subprime Lending," September 5, 2006.

refinance mortgages in Salinas (30.4 percent and 11.6 percent, respectively), Oakland-Fremont-Hayward (27.8 percent and 11.0 percent), and Chico (50.0 percent and 19.9 percent).

Conclusion: California's 2006 Lending Patterns Could Increase the Risk of 2008 Foreclosures

This report documents the high level of subprime and piggyback lending for purchase and refinance mortgages in California. Subprime and piggyback loans could be precarious financial vehicles for homeowners as subprime ARMs reset in 2008 and California home prices decline. In many metropolitan areas, subprime and piggyback loans are a considerable portion of all mortgages originated in 2006. In the coming year, many of these borrowers could have trouble meeting their monthly payments as their rates reset or become upside-down on their piggyback mortgages as home values could fall below what they owe on their mortgages. Many of these borrowers will default on their mortgages and go into foreclosure, compounding California's already significant level of foreclosures.

Foreclosures have been rising nationally and especially in California. The national mortgage delinquency rate – borrowers who are behind on their payments and in the first stage of foreclosure – reached 5.59 percent in the third quarter of 2007, the highest level since 1986.[35] California leads the nation in subprime loans in the foreclosure process. In the third quarter of 2007, California had more subprime foreclosure starts than 35 other states combined.[36]

In the third quarter of 2007, 126,149 homes in metropolitan areas in California entered foreclosure and five of the top 10 highest metropolitan rates of foreclosure were in California.[37] Nearly 10,000 homes were repossessed in the Bay Area and an additional 33,000 notices of default were sent in the first eleven months of 2007.[38] Between October 2006 and September 2007, more than 26,000 homeowners defaulted on their mortgages in Bakersfield.[39]

California Foreclosure Activity Third Quarter 2007

Metropolitan Area	Total Filings
Stockton	7116
Riverside-San Bernardino-Ontario	31661
Sacramento	15479
Bakersfield	3947
Oakland-Fremont-Hayward	13245
Fresno	3687
San Diego	12274
Los Angeles-Long Beach	29501
Orange County	6899
Ventura	1400
San Francisco	940

[35] Mortgage Bankers Association, "Delinquencies and Foreclosures Increase in Latest MBA National Delinquency Survey," press release, December 6, 2007.
[36] Mortgage Bankers Association, "Delinquencies and Foreclosures Increase in Latest MBA National Delinquency Survey," press release, December 6, 2007.
[37] RealtyTrac, "Stockton, Detroit, Riverside-San Bernardino Post Top Metro Foreclosure Rates in Q3," press release, November 14, 2007.
[38] Said, Carolyn, "How Life Worked Out for 4 Bay Area Homeowners Facing Foreclosure," *San Francisco Chronicle*, December 31, 2007.
[39] Bagley, Chris, "Record Foreclosures in '07," *Bakersfield Californian*, December 31, 2007.

Recommendations

The nation faces at least two million subprime mortgage foreclosures over the next few years. These foreclosures are engulfing not only individual families, but are already having widespread effects in neighborhoods across America, as well as in the financial markets, and those effects will get much worse in the months to come. Not only are millions in danger of losing their homes, but other homes in the neighboring area will decline in value as a result of nearby foreclosures, causing billions of dollars in lost wealth and reduced property tax revenues for localities.

The CFA study illustrates that many families face rate increases at the same time that their houses are worth less than the balance on their mortgage. Few of these homeowners will be able to sell or refinance. Loan servicers could modify the loans to make them more affordable. However, voluntary loan modification efforts by the mortgage industry are woefully insufficient. The U.S. Treasury Department's December plan to encourage the streamlining of loan modifications is a welcome acknowledgement of the scope and seriousness of the problem, but thus far has done little to help homeowners, particularly those whose mortgage interest rates already have reset and those who already have fallen behind on their payments.

Two key actions Congress can take that would make a difference::

1. **Amend the bankruptcy code to protect families from foreclosure.**

Legislative measures pending in Congress could prevent as many as 600,000 foreclosures. The "*Emergency Home Ownership and Mortgage Equity Protection Act"* (H.R. 3609), co-sponsored by House Judiciary Committee Chairman Conyers, Ranking Member Chabot and Representatives Sanchez and Miller and the "*Helping Families Save Their Homes Act*" (S. 2136), introduced in the Senate by Senators Richard Durbin and Charles Schumer would make modest changes to the Bankruptcy Code to treat home mortgage debts more like all other secured debts. These measures would allow homeowners to file chapter 13 plans that modify their mortgage debts and reduce their payments. No other legislative approach has the potential to save nearly as many homes.

2. **Strengthen consumer protections to prevent the crisis from happening again.**

S, 2452, the "*Home Ownership Preservation and Protection Act*" sponsored by Senate Banking Committee Chairman Christopher Dodd and other leaders in the Senate seeks to restore responsible lending and promote sustainable homeownership. The bill will:

- **Establish new consumer protections for all mortgage borrowers.** S. 2452 creates a duty for mortgage brokers to consider the best interest of their clients and provides for a duty of good faith and fair dealing to borrowers by all lenders. It also stops brokers from steering prime borrowers into more expensive subprime loans.

- **Establish new protections for borrowers who get subprime loans or non-traditional mortgages**. S. 2452 requires lenders to conduct a meaningful analysis of the borrowers' ability to repay the mortgage loan. It also clamps down on abusive practices by prohibiting the use of prepayment penalties and yield spread premiums, which encourage brokers to place borrowers into more expensive loans than for which they qualify. Home equity loans must provide a net tangible benefit to the borrower.

- **Provide for meaningful remedies for consumers.** S. 2452 establishes limited liability for those who buy loans that violate the law. It also does not override state laws that protect homeowners against abusive lending practices.

Methodology

Consumer Federation of America analyzed all of the 2006 owner-occupied, conventional, single family, first lien HMDA Loan Application Register data covering home purchase and refinance lending in California's 28 metropolitan areas. This data covered 1.2 million mortgages – 431,615 purchase mortgages and 778,973 refinance mortgages that were originated in 2006. CFA focused on the metropolitan area originations to provide a more focused geographic context to 2006 lending patterns, since non-metropolitan area lending can be anywhere outside of metropolitan area designations in the state.

Subprime loans were identified by the Federal Financial Institution Examination Council's delineation of higher cost loans. These higher priced loans were first reported in the 2004 HMDA data and are identified with a proxy measure for interest rates for loans that are at least 3 percentage points higher than comparable Treasury securities (in this case, 30-year Treasury bonds). In 2006, the average 30-year Treasury note carried an interest rate of 4.90 percent, meaning higher priced loans have interest rates over 7.90 percent. The FFIEC intended this reporting structure to help identify subprime lenders and subprime loan originations. In 2006, there were 134,543 higher cost home purchase mortgage originations and 182,226 higher cost refinance mortgage originations in California metropolitan areas.

Borrower racial characteristics are reported to the FFIEC and the Latino ethnicity is reported separately from the borrower racial characteristics. In this analysis, African-American, Asian, and white borrowers are non-Hispanic African-American, Asian, and white borrowers. Latino borrowers are Hispanics of any race. CFA recorded the race and ethnicity reporting into a single category to ensure that total aggregate lending figures did not double count any borrowers.

Table 1: California Owner-Occupied Home Purchase Mortgage Lending 2006

Metropolitan Area	Purchase Mortgages	% w/ Piggyback Loan	SP w/o Piggyback	Piggyback SP	# SP Loans	# Piggyback
Bakersfield, CA	11949	45.7%	23.7%	56.8%	4639	5465
Chico, CA	1811	27.4%	13.2%	41.6%	381	497
El Centro, CA	2444	46.4%	32.3%	53.1%	1025	1134
Fresno, CA	10236	39.6%	21.5%	58.0%	3677	4049
Hanford-Corcoran, CA	1214	39.5%	22.9%	52.1%	418	480
Los Angeles-Long Beach-Glendale, CA	91358	40.1%	17.5%	60.3%	31687	36664
Madera, CA	1859	40.0%	23.8%	64.2%	743	743
Merced, CA	3473	44.8%	24.7%	64.2%	1474	1557
Modesto, CA	7582	43.6%	22.5%	63.1%	3048	3306
Napa, CA	1288	28.6%	8.9%	43.1%	241	369
Oakland-Fremont-Hayward	34606	33.4%	10.8%	58.2%	9228	11574
Oxnard-Thousand Oaks-Ventura, CA	9207	27.2%	8.0%	45.6%	1679	2501
Redding, CA	1616	28.3%	16.6%	42.0%	384	457
Riverside-San Bernardino-Ontario, CA	80889	45.4%	25.3%	60.2%	33322	36734
Sacramento, CA	29941	37.1%	15.9%	49.7%	8519	11102
Salinas, CA	3112	37.2%	15.8%	61.3%	1019	1158
San Diego-Carlsbad-San Marcos, CA	35809	33.7%	11.9%	45.1%	8274	12050
San Francisco-San Mateo-Redwood City, CA	16434	19.7%	5.5%	45.0%	2189	3244
San Jose-Sunnyvale-Santa Clara, CA	21293	25.5%	7.6%	50.2%	3932	5422
San Luis Obispo-Paso Robles, CA	2486	21.6%	7.3%	35.9%	336	537
Santa Ana-Anaheim-Irvine, CA	30579	31.8%	11.6%	54.6%	7739	9727
Santa Barbara-Santa Maria-Goleta, CA	2849	28.6%	8.4%	44.2%	531	816
Santa Cruz-Watsonville, CA	2224	23.3%	7.6%	44.4%	359	518
Santa Rosa-Petaluma, CA	5074	30.7%	8.9%	47.2%	1047	1558
Stockton, CA	9963	45.5%	22.5%	62.7%	4065	4534
Vallejo-Fairfield, CA	5667	43.6%	19.1%	64.4%	2202	2472
Visalia-Porterville, CA	4287	36.4%	25.8%	61.3%	1659	1561
Yuba City, CA	2365	37.7%	19.1%	49.9%	726	892
California Metropolitan Totals	431615	37.3%	16.1%	56.5%	134543	161121
Federal Reserve National Av.		nearly 24%	25.3%	45.7%		

* All loans first-lien, conventional, owner-occupied, home purchase mortgages; first-lien mortgages with piggyback loans identified from Federal Reserve Board loan application registry data.

Table 2: California Owner-Occupied Home Purchase Mortgage Lending by Borrower Race,

	Borrower Race	Purchase Mortgages	% w/ Piggyback Loan	SP w/o Piggyback	Piggyback SP	# SP Loans	# Piggyback
California Metropolitan Totals	Latino	141854	55.1%	25.3%	66.4%	67959	78155
	African American	19446	53.3%	32.5%	70.2%	10226	10360
	White	153945	25.2%	8.9%	39.0%	25319	38783
	Asain	51034	29.8%	8.6%	47.8%	10329	15202
Bakersfield, CA	Latino	5905	57.6%	28.7%	62.8%	2857	3403
	African American	364	58.2%	38.2%	67.9%	202	212
	White	3899	31.6%	15.3%	41.9%	924	1234
	Asain	525	36.2%	16.1%	36.3%	123	190
Chico, CA	Latino	209	42.6%	20.8%	53.9%	73	89
	African American	23	65.2%	62.5%	26.7%	9	15
	White	1294	22.9%	9.5%	37.5%	206	296
	Asain	68	45.6%	13.5%	35.5%	16	31
El Centro, CA	Latino	1830	50.8%	32.5%	55.3%	807	929
	African American	20	55.0%	22.2%	45.5%	7	11
	White	345	34.5%	22.6%	38.7%	97	119
	Asain	48	27.1%	11.4%	38.5%	9	13
Fresno, CA	Latino	4221	49.5%	29.3%	68.9%	2064	2088
	African American	308	54.2%	30.5%	68.3%	157	167
	White	3470	29.4%	13.0%	39.5%	721	1019
	Asain	1252	37.2%	16.7%	50.6%	367	466
Hanford-Corcoran, CA	Latino	509	46.6%	27.9%	62.4%	224	237
	African American	34	38.2%	23.8%	53.8%	12	13
	White	446	31.8%	12.2%	35.9%	88	142
	Asain	85	47.1%	20.0%	45.0%	27	40
Los Angeles-Long Beach-Glendale, CA	Latino	35284	58.1%	25.9%	65.5%	17254	20508
	African American	5846	51.9%	34.3%	71.6%	3135	3032
	White	26112	24.1%	8.3%	44.1%	4421	6281
	Asain	10697	31.4%	8.7%	53.1%	2423	3355
Madera, CA	Latino	1070	48.6%	27.6%	70.4%	518	520
	African American	43	44.2%	37.5%	52.6%	19	19
	White	450	24.0%	16.1%	44.4%	103	108
	Asain	111	38.7%	14.7%	55.8%	34	43
Merced, CA	Latino	1987	53.0%	26.4%	71.0%	994	1054
	African American	57	36.8%	41.7%	61.9%	28	21
	White	688	35.6%	17.2%	53.5%	207	245
	Asain	346	30.9%	15.5%	36.4%	76	107
Modesto, CA	Latino	3262	54.4%	26.8%	71.4%	1665	1775
	African American	196	60.2%	32.1%	77.1%	116	118
	White	2562	34.0%	16.2%	48.9%	699	870
	Asain	456	41.4%	19.9%	65.1%	176	189
Napa, CA	Latino	312	47.4%	14.0%	53.4%	102	148
	African American	21	47.6%	36.4%	60.0%	10	10
	White	631	17.9%	5.2%	31.9%	63	113
	Asain	96	40.6%	12.3%	56.4%	29	39
Oakland-Fremont-Hayward, CA	Latino	7632	54.8%	20.0%	71.3%	3671	4186
	African American	2583	54.0%	27.3%	72.6%	1338	1396
	White	11961	21.8%	5.8%	41.2%	1619	2607
	Asain	6865	25.7%	6.6%	45.5%	1139	1764

Table 2: California Owner-Occupied Home Purchase Mortgage Lending by Borrower Race,							
	Borrower Race	Purchase Mortgages	% w/ Piggyback Loan	SP w/o Piggyback	Piggyback SP	# SP Loans	# Piggyback
Oxnard-Thousand Oaks-Ventura, CA	Latino	2817	43.3%	11.8%	61.2%	935	1221
	African American	135	43.7%	22.4%	42.4%	42	59
	White	4584	19.3%	5.1%	28.2%	439	885
	Asain	543	21.2%	4.2%	33.9%	57	115
Redding, CA	Latino	103	42.7%	28.8%	54.5%	41	44
	African American	7	42.9%	25.0%	66.7%	3	3
	White	1238	25.1%	14.7%	40.5%	262	311
	Asain	49	34.7%	15.6%	58.8%	15	17
Riverside-San Bernardino-Ontario, CA	Latino	34685	57.0%	30.8%	67.6%	17952	19787
	African American	4597	57.0%	38.6%	71.0%	2623	2620
	White	22579	34.0%	14.6%	45.6%	5671	7667
	Asain	5914	38.0%	11.3%	46.0%	1447	2245
Sacramento, CA	Latino	4844	54.9%	24.2%	67.1%	2313	2659
	African American	1758	56.4%	35.6%	69.3%	960	992
	White	14335	30.1%	10.5%	36.5%	2627	4313
	Asain	3362	37.9%	13.4%	50.0%	917	1273
Salinas, CA	Latino	1721	47.9%	21.4%	66.5%	740	824
	African American	40	35.0%	15.4%	50.0%	11	14
	White	861	17.1%	7.3%	37.4%	107	147
	Asain	131	46.6%	11.4%	63.9%	47	61
San Diego-Carlsbad-San Marcos, CA	Latino	9245	52.2%	20.6%	58.5%	3729	4822
	African American	951	50.2%	21.3%	57.9%	377	477
	White	16783	24.1%	7.5%	28.8%	2117	4044
	Asain	2968	31.7%	6.9%	38.7%	504	942
San Francisco-San Mateo-Redwood City, CA	Latino	2044	43.1%	15.2%	67.8%	774	881
	African American	199	29.6%	12.1%	64.4%	55	59
	White	7793	13.5%	3.2%	22.1%	445	1050
	Asain	3688	23.6%	5.7%	49.9%	595	870
San Jose-Sunnyvale-Santa Clara, CA	Latino	5363	49.0%	17.8%	67.7%	2265	2627
	African American	280	34.3%	13.0%	57.3%	79	96
	White	6928	16.5%	4.4%	28.7%	580	1144
	Asain	6254	17.0%	5.4%	33.2%	633	1066
San Luis Obispo-Paso Robles, CA	Latino	372	47.6%	17.4%	50.3%	123	177
	African American	18	38.9%	36.4%	42.9%	7	7
	White	1730	16.7%	5.1%	28.7%	157	289
	Asain	69	18.8%	10.7%	7.7%	7	13
Santa Ana-Anaheim Irvine, CA	Latino	7941	60.3%	22.4%	69.4%	4029	4787
	African American	345	38.8%	19.0%	61.2%	122	134
	White	12918	20.7%	6.2%	33.2%	1521	2675
	Asain	4302	23.6%	5.5%	43.1%	619	1016
Santa Barbara-Santa Maria-Goleta, CA	Latino	1078	45.3%	13.2%	51.8%	331	488
	African American	28	32.1%	10.5%	55.6%	7	9
	White	1331	16.9%	5.2%	28.9%	122	225
	Asain	89	29.2%	3.2%	50.0%	15	26
Santa Cruz-Watsonville, CA	Latino	575	37.9%	12.6%	63.3%	183	218
	African American	16	43.8%	22.2%	71.4%	7	7
	White	1301	17.4%	6.3%	28.8%	133	226
	Asain	63	23.8%	4.2%	40.0%	8	15

Table 2: California Owner-Occupied Home Purchase Mortgage Lending by Borrower Race,

	Borrower Race	Purchase Mortgages	% w/ Piggyback Loan	SP w/o Piggyback	Piggyback SP	# SP Loans	# Piggyback
Santa Rosa-Petaluma, CA	Latino	1300	56.2%	16.0%	61.8%	542	730
	African American	61	44.3%	14.7%	44.4%	17	27
	White	2929	21.3%	6.6%	33.0%	357	625
	Asain	172	27.3%	8.0%	38.3%	28	47
Stockton, CA	Latino	3633	56.4%	25.6%	72.5%	1892	2049
	African American	707	55.4%	37.5%	76.0%	416	392
	White	2448	34.3%	14.9%	49.3%	654	840
	Asain	1555	41.5%	16.4%	52.1%	485	645
Vallejo-Fairfield, CA	Latino	1199	57.2%	25.1%	71.3%	618	686
	African American	704	57.4%	35.7%	75.5%	412	404
	White	1825	30.1%	12.2%	43.7%	396	549
	Asain	926	51.1%	17.4%	71.7%	418	473
Visalia-Porterville, CA	Latino	2169	43.8%	31.4%	68.3%	1032	951
	African American	43	44.2%	41.7%	78.9%	25	19
	White	1488	28.0%	15.2%	46.9%	358	416
	Asain	169	40.2%	19.8%	47.1%	52	68
Yuba City, CA	Latino	544	49.1%	22.0%	63.7%	231	267
	African American	62	43.5%	37.1%	63.0%	30	27
	White	1016	33.8%	14.1%	37.9%	225	343
	Asain	231	31.6%	18.4%	46.6%	63	73

* All loans first-lien, conventional, owner-occupied, home purchase mortgages; first-lien mortgages with piggyback loans identified from Federal Reserve Board loan application registry data; Latino borrowers can be of any race, African American, Asian and white borrowers are non-Latino African American, Asian and white borrowers.

Table 3: California Owner-Occupied Refinance Mortgage Lending			
Metropolitan Area	**Refinance Mortgages**	**% Subprime**	**# SP Loans**
San Francisco-San Mateo-Redwood City, CA	26988	9.8%	2923
Santa Rosa-Petaluma, CA	10265	10.8%	1193
Santa Cruz-Watsonville, CA	4553	11.6%	574
San Luis Obispo-Paso Robles, CA	4718	11.6%	576
San Jose-Sunnyvale-Santa Clara, CA	35369	12.4%	4832
Napa, CA	3007	13.5%	430
Santa Barbara-Santa Maria-Goleta, CA	6672	13.9%	989
Oxnard-Thousand Oaks-Ventura, CA	18306	14.6%	2840
Santa Ana-Anaheim-Irvine, CA	57821	15.0%	9580
San Diego-Carlsbad-San Marcos, CA	61130	15.2%	10139
Oakland-Fremont-Hayward	62562	16.2%	11115
Salinas, CA	8261	18.6%	1676
Sacramento, CA	49111	20.6%	10747
Vallejo-Fairfield, CA	13089	22.2%	3163
Redding, CA	3718	23.4%	895
Los Angeles-Long Beach-Glendale, CA	183916	24.3%	47335
Chico, CA	3470	24.3%	852
Stockton, CA	19601	25.9%	5405
Modesto, CA	14920	26.0%	4117
Yuba City, CA	3324	26.6%	920
Merced, CA	6375	28.6%	1896
Riverside-San Bernardino-Ontario, CA	125253	30.6%	40135
Madera, CA	3590	32.1%	1180
Fresno, CA	18544	32.2%	6109
Bakersfield, CA	19924	34.2%	7010
Visalia-Porterville, CA	8888	37.2%	3358
Hanford-Corcoran, CA	2502	37.8%	969
El Centro, CA	3096	40.5%	1268
California Total	778973	22.0%	182226
National Average		31.0%	

* All loans first-lien, conventional, owner-occupied, refinance mortgages; first-lien mortgages with piggyback loans identified from Federal Reserve Board loan application registry data.

Table 4: California Owner-Occupied Refinance Mortgage Lending by Borrower Race, 2006

	Borrower Race	Refinance Mortgages	% Subprime	# SP Loans
California Metropolitan Totals	Latino	220557	29.8%	68916
	African American	43718	34.8%	15741
	White	305946	15.3%	49552
	Asain	60954	13.9%	9943
Bakersfield, CA	Latino	7384	40.3%	3034
	African American	706	45.9%	328
	White	7610	24.5%	1944
	Asain	451	28.7%	139
Chico, CA	Latino	293	31.1%	92
	African American	34	50.0%	17
	White	2390	19.9%	482
	Asain	48	29.5%	14
El Centro, CA	Latino	2074	41.6%	871
	African American	42	56.8%	25
	White	487	33.3%	164
	Asain	28	11.5%	3
Fresno, CA	Latino	7205	40.1%	2928
	African American	635	40.9%	262
	White	6556	22.2%	1504
	Asain	926	26.1%	256
Hanford-Corcoran, CA	Latino	922	42.2%	396
	African American	81	41.0%	34
	White	895	28.7%	265
	Asain	55	39.6%	23
Los Angeles-Long Beach-Glendale, CA	Latino	66462	29.9%	20878
	African American	17133	36.5%	6407
	White	53662	15.4%	8839
	Asain	13675	14.6%	2423
Madera, CA	Latino	1518	37.2%	577
	African American	73	43.1%	32
	White	1313	23.5%	311
	Asain	48	24.4%	14
Merced, CA	Latino	3026	29.9%	951
	African American	154	37.0%	59
	White	1912	24.3%	476
	Asain	262	22.1%	63
Modesto, CA	Latino	5066	29.9%	1597
	African American	374	35.3%	140
	White	6274	21.7%	1428
	Asain	505	22.5%	129
Napa, CA	Latino	596	15.6%	101
	African American	59	20.0%	12
	White	1547	11.5%	179
	Asain	181	15.6%	35
Oakland-Fremont-Hayward, CA	Latino	11528	21.3%	2713
	African American	5816	27.8%	1712
	White	23292	11.0%	2763
	Asain	8967	10.9%	1189

Table 4: California Owner-Occupied Refinance Mortgage Lending by Borrower Race, 2006				
	Borrower Race	**Refinance Mortgages**	**% Subprime**	**# SP Loans**
Oxnard-Thousand Oaks-Ventura, CA	Latino	5010	21.6%	1139
	African American	250	22.8%	59
	White	9342	10.0%	998
	Asain	621	12.4%	87
Redding, CA	Latino	138	26.9%	37
	African American	29	38.5%	10
	White	2765	21.3%	608
	Asain	34	21.9%	8
Riverside-San Bernardino-Ontario, CA	Latino	43646	36.2%	16435
	African American	7926	41.4%	3378
	White	44505	23.3%	10898
	Asain	4522	21.0%	1105
Sacramento, CA	Latino	6535	28.3%	1954
	African American	2779	34.9%	1011
	White	26219	16.3%	4518
	Asain	3321	16.7%	617
Salinas, CA	Latino	3822	23.3%	976
	African American	140	30.4%	44
	White	2718	11.6%	335
	Asain	339	14.4%	62
San Diego-Carlsbad-San Marcos, CA	Latino	13205	21.5%	3067
	African American	1991	24.5%	525
	White	30215	10.9%	3558
	Asain	3982	13.4%	592
San Francisco-San Mateo-Redwood City, CA	Latino	3426	14.7%	562
	African American	810	21.1%	174
	White	11970	6.6%	833
	Asain	5179	10.0%	624
San Jose-Sunnyvale-Santa Clara, CA	Latino	7823	19.4%	1696
	African American	619	20.0%	136
	White	12708	8.9%	1215
	Asain	8697	9.8%	937
San Luis Obispo-Paso Robles, CA	Latino	542	17.9%	99
	African American	45	17.8%	8
	White	3281	9.9%	338
	Asain	78	8.2%	6
Santa Ana-Anaheim-Irvine, CA	Latino	13349	25.4%	3708
	African American	695	24.9%	184
	White	27719	10.7%	3175
	Asain	4804	10.3%	606
Santa Barbara-Santa Maria-Goleta, CA	Latino	2181	19.1%	452
	African American	76	22.5%	17
	White	3225	9.3%	308
	Asain	173	13.4%	24
Santa Cruz-Watsonville, CA	Latino	899	17.8%	179
	African American	31	22.6%	7
	White	2791	9.1%	271
	Asain	87	11.1%	10

Table 4: California Owner-Occupied Refinance Mortgage Lending by Borrower Race, 2006

	Borrower Race	Refinance Mortgages	% Subprime	# SP Loans
Santa Rosa-Petaluma, CA	Latino	1791	15.0%	292
	African American	105	22.7%	26
	White	6367	9.2%	621
	Asain	225	12.8%	35
Stockton, CA	Latino	5555	30.4%	1778
	African American	1316	35.9%	503
	White	6773	20.0%	1438
	Asain	1897	20.8%	444
Vallejo-Fairfield, CA	Latino	2109	24.2%	546
	African American	1646	32.1%	547
	White	4643	16.2%	800
	Asain	1493	22.0%	419
Visalia-Porterville, CA	Latino	3855	42.5%	1659
	African American	101	53.7%	55
	White	3025	28.0%	861
	Asain	156	31.3%	49
Yuba City, CA	Latino	597	31.8%	199
	African American	52	52.3%	29
	White	1742	23.4%	422
	Asain	200	14.2%	30

* All loans first-lien, conventional, owner-occupied, refinance mortgages; first-lien mortgages with piggyback loans identified from Federal Reserve Board loan application registry data; Latino borrowers can be of any race, African American, Asian and white borrowers are non-Latino African American, Asian and white borrowers.