

# THE HIGH PRICE OF HOMEOWNERSHIP

*A Chicago Reporter* investigation on the policy implications of high-cost loans in the Chicagoland region.

THE CHICAGO  
REPORTER

COMMUNITYRENEWALSOCIETY

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125 YEARS



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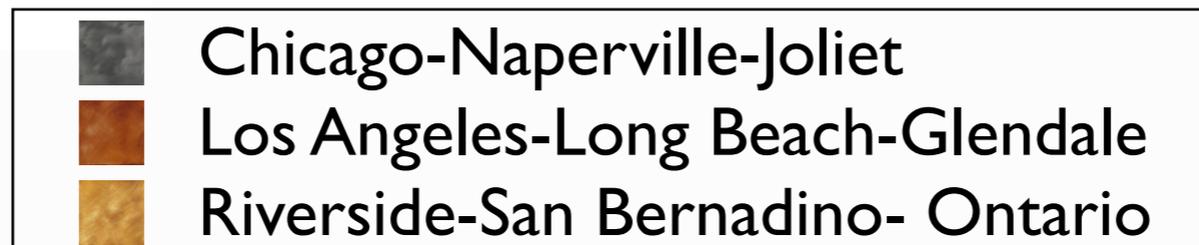
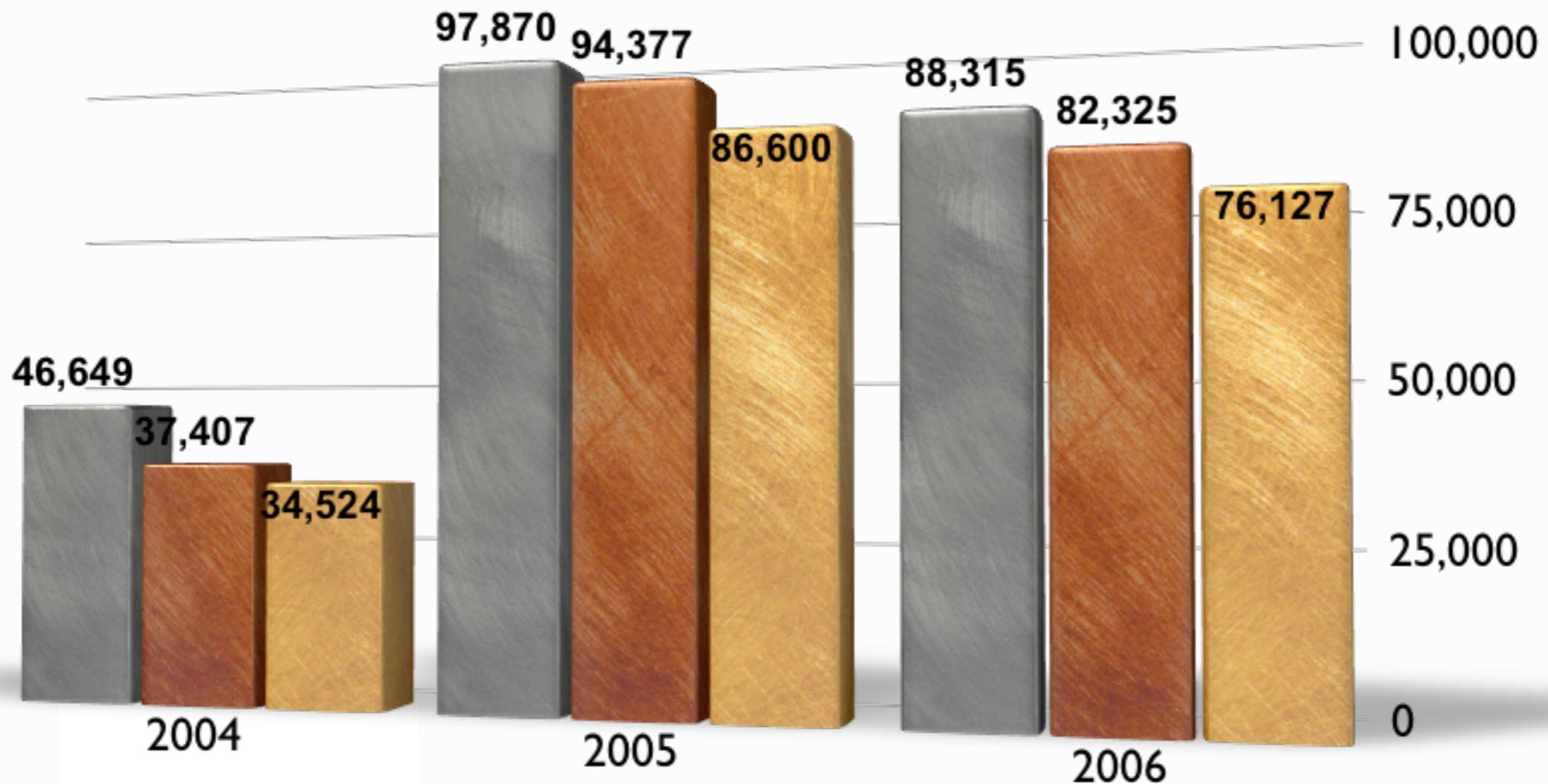
# Origins of *The Chicago Reporter* Investigation

- In 2004, *The Chicago Reporter* began to analyze several years of mortgage data.
- Acceptance rates for African Americans had fallen dramatically since 1993.
- In 2003, less than half of African American applications resulted in a home loan.

# Chicago is the High-Cost Loan Capital of America

- Chicago Metropolitan Area
  - Cook
  - DeKalb
  - DuPage
  - Grundy
  - Kane
  - Kendall
  - McHenry
  - Will
- High-cost loan
  - first-lien, conventional loans for owner-occupied, one-to-four family properties
  - interest rate at least three percentage points above the U.S. Treasury Standard

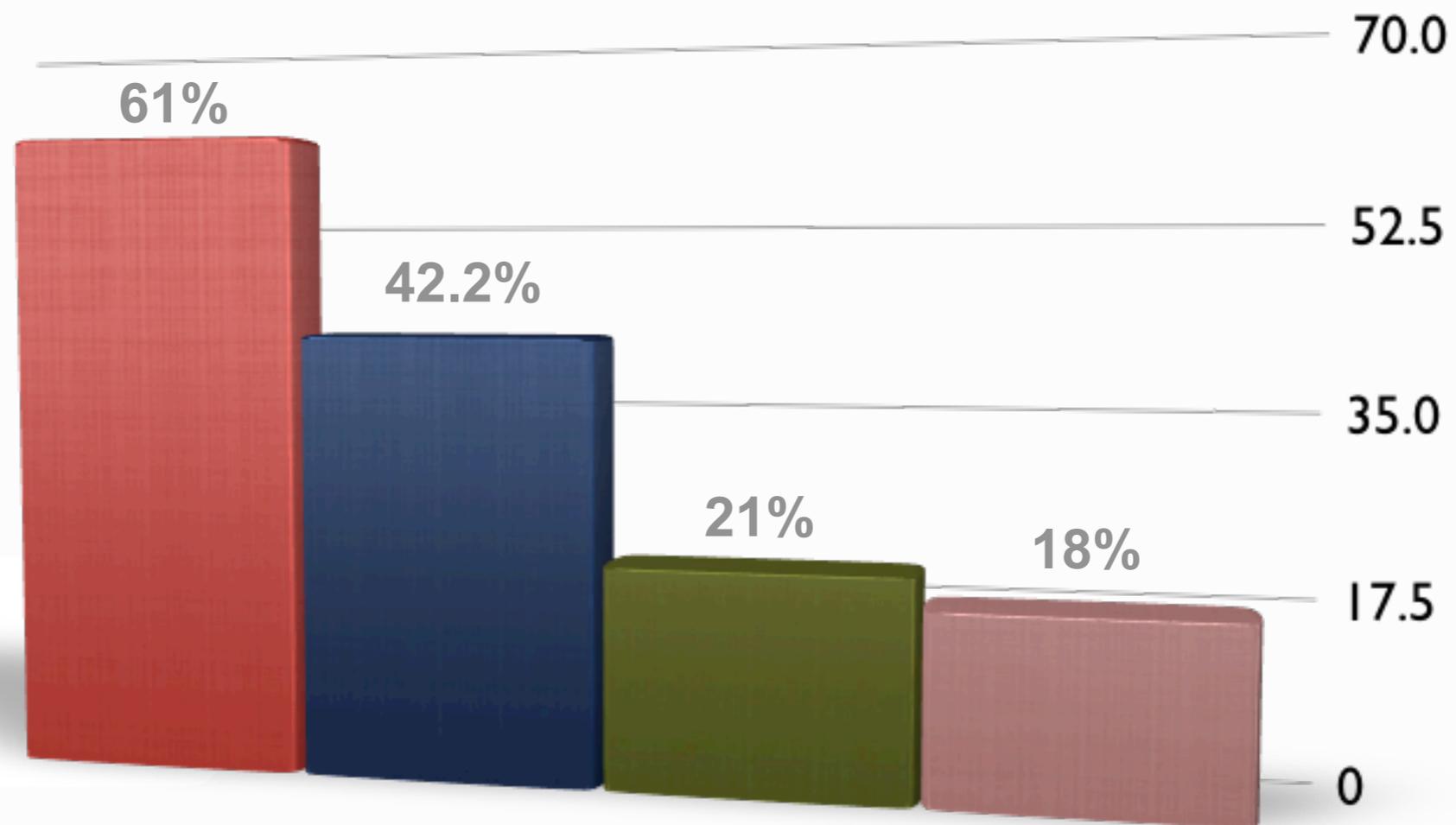
# Chicago Led the Nation in Subprime, High-Cost Loans 2004-2006



# What's Happening in the Chicago Metro Area

- African Americans are three times as likely as whites and Asians to get high-cost loans, and Latinos are twice as likely.

Percentage of High-Cost Loans Granted



■ African Americans    ■ Latinos    ■ Whites    ■ Asians

# What's Happening in the Chicago Metro Area

- Black homeowners with six-figure incomes were more likely to get high-cost loans than Asians, Latinos, and whites earning less than \$35,000 a year.

	Blacks Earning More than \$100,000	Asians Earning Less than \$35,000	Latinos Earning Less than \$35,000	Whites Earning Less than \$35,000
Percent Receiving High-Cost Loans	52.7%	11.8%	30.2%	19.3%

# What's Happening in the Chicago Metro Area

- The percentages of high-cost loans were highest in predominantly black and Latino communities.
- They include Englewood, South Chicago, Roseland, Dolton, Calumet City, and Cicero.

Community	Total Loans	High-Cost Loans	Percentage of High-Cost Loans
Englewood	729	548	75.2%
South Chicago	889	599	67.4%
Roseland	1438	957	66.6%
Dolton	1596	1126	70.6%
Calumet City	1660	1116	67.2%
Cicero	2318	1116	48.1%

# Who's Doing the Lending?

## Two kinds of high-cost lenders

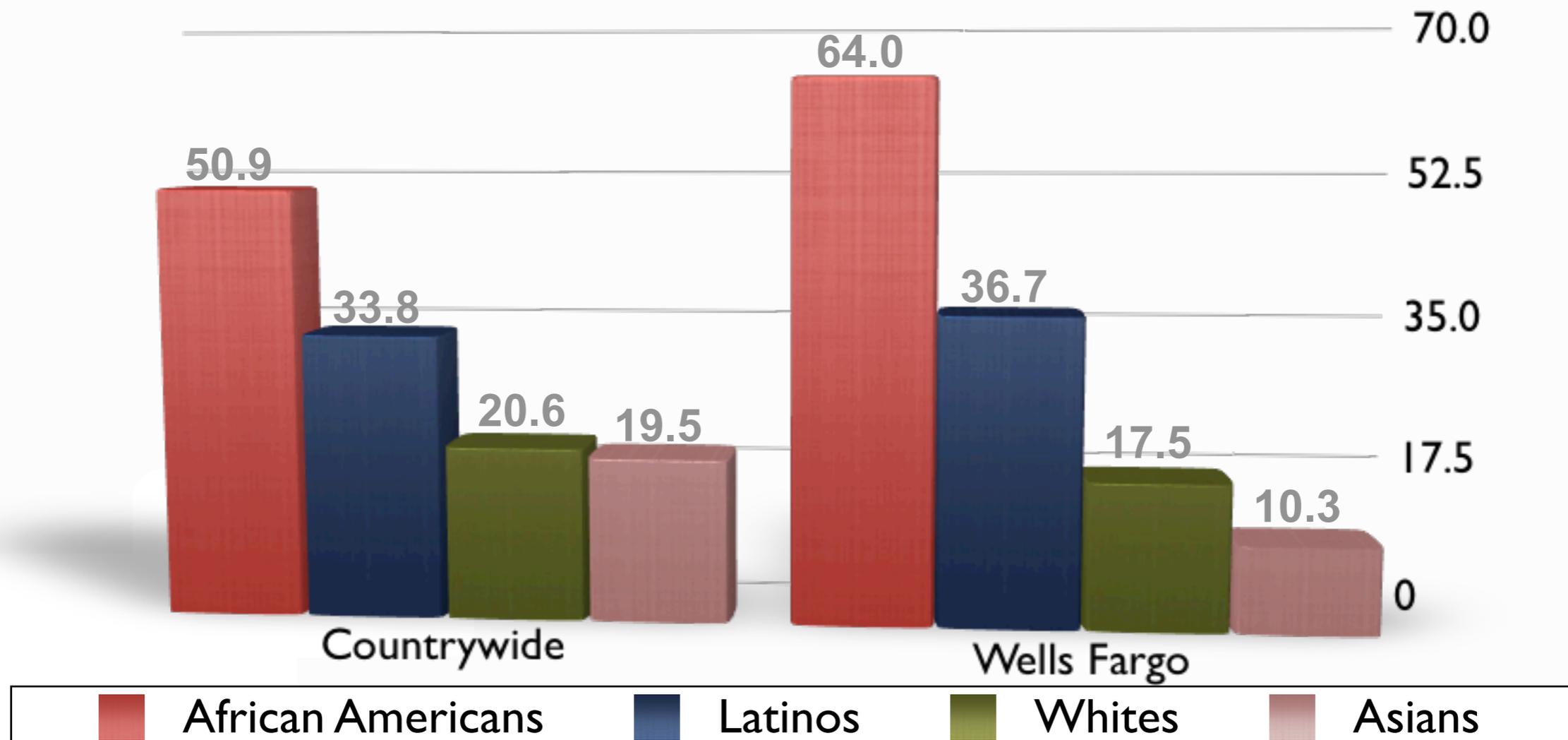
- Small to mid-sized mortgage companies labeled by the federal government as “subprime lenders”
  - Grant high-cost loans 80-90% of the time, regardless of race or income
  - Latinos receiving home loans from subprime lenders increased more than 980% percent from 2000-2005.

Race	2000	2005	Change
Asian	572	3,711	549%
Black	8,398	25,101	199%
Latino	2,608	28,162	980%
White	9,041	36,317	302%

# Who's Doing the Lending?

- A small group of large banks
  - Countrywide Financial Corp.
  - Wells Fargo & Co.
- Both companies grant high-cost loans to African Americans and Latinos at higher percentages than to whites and Asians.

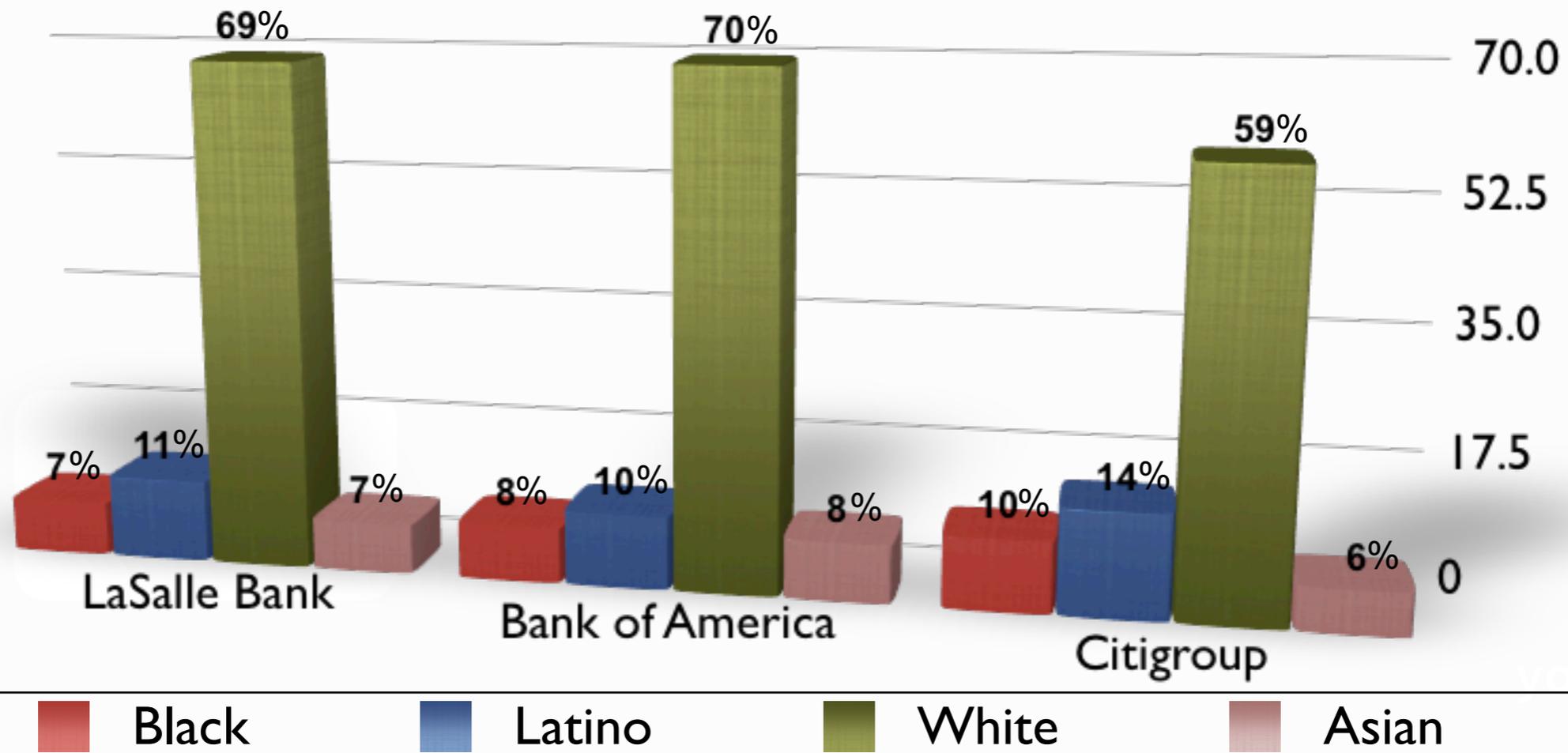
Percentage Receiving High-Cost Loans by Borrower Race



# Who's Doing the Lending?

- Several large banks that rarely grant high-cost loans
  - LaSalle Bank, Bank of America, Citigroup
- These lenders do less business with black and Latino homeowners.

Lenders' Loan Recipients by Race



# Who's Doing the Lending?

- Small, community-based banks that focus on predominantly black neighborhoods.
  - ShoreBank
  - Seaway National Bank
  - Illinois Service Federal
- These lenders grant only a fraction of the loans offered by larger lenders. They combined to grant only 341 in the entire metropolitan area, compared to 24,260 total loans from Countrywide Financial Corp.

# Who's Doing the Lending?

Lending in Auburn Gresham, Austin, Chatham, and South Shore

Bank	Total Loans	High Cost Loans
ACC Capital Holdings Corp.	373	323
Fremont Investment & Loan	316	308

Bank	Total Loans	High Cost Loans
Wells Fargo & Co.	323	226
Countrywide Financial Corp.	540	225

Bank	Total Loans	High Cost Loans
Citigroup	135	7
Bank of America	117	8

Bank	Total Loans	High Cost Loans
ShoreBank	82	0
Illinois Service Federal	18	0
Seaway National Bank	9	0