Conditions Impacting Fair Housing Choice

4

This part of the report provides an overview of the conditions impacting fair housing choice by examining recent trends in the State's subsidized and private housing sector, focusing on the period from 2005-2010. The analysis is organized into three parts: examination of the projected loss of subsidized housing and implications for the supply of affordable housing, an overview of the extent and geographic distribution of recent foreclosure trends, and a general review of lending patters and the availability of financing for protected classes.

Changing Landscape and Depletion of Resources Available for Affordable Housing

The following section provides a brief summary of current housing issues and concerns in California that have a direct or indirect impact on housing choice and fair housing:

Continuing Severe Housing Needs

Despite the housing market crash and sharp declines in housing prices in some markets, safe and affordable housing is out of reach for too many Californians. The significant attention and focus on the foreclosure crisis has led many to believe that California's housing supply and affordability problems have been solved. However, serious housing problems remain. Factors contributing to California's continuing housing and affordability problems include, but are not limited to:

- Affordability represents the relationship between housing prices and incomes; in order for housing to become more affordable, its prices need to fall by more than the decline in income. Continuing economic uncertainty and high unemployment have negated the potential benefits of price declines in many markets.

- Steady and diverse population growth have created a continuing and varied demand for housing.

- Aging of the population creates greater demand for supportive housing. In addition, because the older population is living longer there is less housing turnover and greater demand for housing than previously experienced.

- Prior to the housing market meltdown and foreclosure crisis there was already a chronic deficit in housing supply. During the past decade, residential new construction has averaged less than 150,000 permits per year, lagging well behind the State's annual need. Just when residential construction was approaching the average annual need to accommodate the State's population growth and mobility, the bottom fell out of the financial sector with the foreclosure crisis and recession

This housing supply deficit has not been significantly addressed by foreclosed units. Homes going through the foreclosure process do not automatically become vacant and available for occupancy, due in part to the length of time in working through the financial and legal systems associated with a foreclosure or short sale, and are often held off market for various reasons. Even when placed for sale, these units do not increase the overall supply, given the households vacating them must relocate, in rental units, or with family or friends in shared quarters.

- There is a significant mismatch between the existing housing stock (including foreclosed units) and demand. For example, foreclosed units in suburban or fringe locations do not address the demand for smaller units close to jobs, medical services, transportation and other critical amenities.

- Ownership affordability has improved (although not in all markets) but remains out of reach for most lower and many moderate income households.

- Housing affordability for renters has worsened. The "Paycheck to Paycheck 2011" report by the Center for Housing Policy shows that ten of twenty least affordable rental markets in the United States are in California. One in two renters in California pay in excess of 30 percent of their income, while one in four renters pay more than half of their income toward rent.[1]

Resources for Funding Affordable Housing are Becoming Scarcer

- Federal funding through the Housing and Urban Development Department (HUD) has been dramatically reduced and is at risk for further severe cuts. Nationally, the current FFY 2012 HUD budget reflects a reduction of 45% for HOME and 32% for CDBG between the 2010 and 2012 enacted budgets.[2] For the State HCD-administered CDBG and HOME programs, funds received from HUD for the last three federal fiscal years (FFYs) are as follows:

Table 4-1
CDBG and HOME Allocation - California State Programs

	FFY 2010	FFY 2011	FFY 2012	% Change FFY 2010 to FFY2012
CDBG	$42,877,288	$35,841,830	$29,636,301	-31%
HOME	$62,400,190	$54,325,349	$29,895,546	-52%

Note: These amounts reflect HUD allocations to the State of California non-entitlement programs, and do not include additional funds that HOME and CDBG may add to a given NOFA due to disemcumbrances from previous years' contracts.

Please refer to Chapter 7 of this report for additional information on the demand for State CDBG and HOME funds.

[1] National Low-Income Housing Coalition, "Out of Reach," June 2011.
[2] http://www.hud.gov/offices/cpd/about/budget/index.cfm.

- Housing assistance funding decisions at the federal level, which presumably reflect housing policy priorities, take place within a broader budgetary context. In this case, looming federal deficit and focus on tax cuts are not only impacting low income housing, but a range of federal programs, particularly those benefiting low and middle income families. The federal government's high water mark for housing assistance was the mid-1970s and funding has not come near that level in the years since. Neither is it expected to in the next several years, absent a major policy and funding shift.[3]

- The State, through the HCD and the California Housing Finance Agency (CalHFA), has supported a variety of general obligation bond-financed housing assistance programs for low and moderate income households for several decades. The most recent were Prop. 46 of 2002 ($2.1 billion) and Prop.1C of 2006 ($2.8 billion). The amount of State bond funds available through these programs peaked in 2008, when portions of the proceeds of both bonds were available. As of 2012, the portions of these funds available for assistance to lower income rental households are depleted and homeownership programs have declining balances, without successor funding secured for these programs.

- Redevelopment housing resources from the local agencies low and moderate income housing funds have been lost to address other critical state budget needs and priorities. This decision will result in the loss of more than $5 billion in annual redevelopment taxes, 20 percent (approximately $1 billion) of which was reserved for low- to moderate-income housing production (see further discussion below).

- Funding tools and resources to address the continuing need for critical infrastructure to support local communities and additional housing supply are in short supply or nonexistent.

- Local government budgets are stretched to the limit, often resulting in reduced planning and preparation for the economic recovery. The impact of the loss of these critical local resources has been exacerbated by the loss of redevelopment funds.

- Reduced resources create a greater demand and competition for limited public funds (including but limited to funds related not only to housing but also education, transportation, social services and environmental protection).

<u>Local Resources and Tools to Address Housing Needs are Reduced and Weakened</u>

- Court decisions regarding adoption of inclusionary ordinances have created uncertainty about this potential tool for creating affordable housing and inclusive communities. Court decisions limiting the use by localities of inclusionary zoning strategies as well as the loss of redevelopment low and moderate income housing

[3] National Low-Income Housing Coalition; Changing Priorities 1976-2005 (accessed online at http://nlihc.org/library/other/periodic/changing-priorities-1976-2005).

fund (LMIHF) resources directly impact the future residential development and an adequate affordable housing supply.

- While standardized statewide data is not available on the number of housing units produced under local inclusionary ordinances, redevelopment low-moderate income housing funds have been the State's largest local source of funding for affordable housing. Redevelopment project area receipts deposited in the LMIHF over FY 2009-2010 exceeded $1.4 billion. In FY 2009/2010 alone, local redevelopment agencies reported the construction of 6,716 units and the rehabilitation of 5,315 existing units.

- In December 2010, the State's 386 local active redevelopment agencies reported to HCD a total of 698 sites encompassing approximately 1,207 acres of land which was held for future development. On these sites, it was estimated that a total of 20,078 units could be constructed. [4] The future development status of these sites is currently unknown given the loss of redevelopment authority and resources.

- Loss of redevelopment resources are anticipated to have a profound impact in some small and rural communities that have few other sources of local funding for housing and where redevelopment funds were a critical piece of financing in putting together deals.

Each of these issues described above negatively impact housing choice for all Californians, but will also most certainly exacerbate the negative economic, health, and quality of life conditions of low-income and other vulnerable populations in California.

The growing public perception that California's affordable housing problem has been addressed makes developing solutions more difficult. It can be anticipated that both the loss of redevelopment funds and limitations on inclusionary ordinances in addition to the other factors set forth above will result in fewer affordable units available to meet an increasing demand, thus negatively affecting fair housing choice. HCD, however, as an administrative agency constrained by the principle of separation of government powers cannot alter budgetary decisions made by the legislature, nor can it overrule or limit the effect of decisions rendered by the State Supreme Court. Both of these resources have historically been a keystone in the State's affordable housing landscape and the loss of these tools potentially weakens the State's ability to further fair housing objectives and provide for an adequate supply of affordable housing for the State's workforce and families. HCD will continue to monitor and support efforts to both establish a statewide permanent source of revenue for affordable housing development as well as monitor and support, where appropriate, efforts to develop local funding resources to replace the loss of redevelopment funds.

[4] http://www.hcd.ca.gov/hpd/rda/09-10/exec_memo_fy09-10.pdf, Table 1C

Projected Loss of Subsidized Housing

The affordable housing industry in California has experienced significant changes over the last several years. Amid rapidly rising rental costs and the tightening of available resources at the federal, State and local levels, preserving California's existing affordable housing is critical.

California's population of 37.2 million is housed in approximately 13.5 million dwellings of which close to 5,761,000 are rental apartments. Of this number, approximately 150,000 are subsidized and regulated by HUD, 18,700 are subsidized by the US Department of Agriculture (USDA), 300,000 have Housing Choice Vouchers funded by HUD through local housing authorities, 44,000 are public housing units, 204,000 have received allocations of Low Income Housing Tax Credits (LIHTC) in addition to units which have received funding through local HOME, CDBG, redevelopment and State or local programs without relying on any of the above programs. The potential loss of these units from the State's affordable housing stock could potentially have a direct impact on the State's ability to further fair housing choice.

Privately Owned Federally Assisted Housing in California

Over half of California's privately owned federally assisted stock is Section 8 housing. Subsidized by HUD, Section 8 provides landlords with market rents while ensuring that residents pay no more than 30% of their incomes toward their rent. Homes with Section 236 or 221(d)(3) subsidized loans have unassisted units that are especially at-risk.

Looming cuts expected to affect the FY 2013 budget for HUD have prompted concerns over the adequacy of funding for annual Section 8 contact renewals and the impact of this uncertainty on property owner decisions giving escalating rents which may persuade some profit-motivated Section 8 owners to "opt out" and covert their assisted rental units to market rate housing.

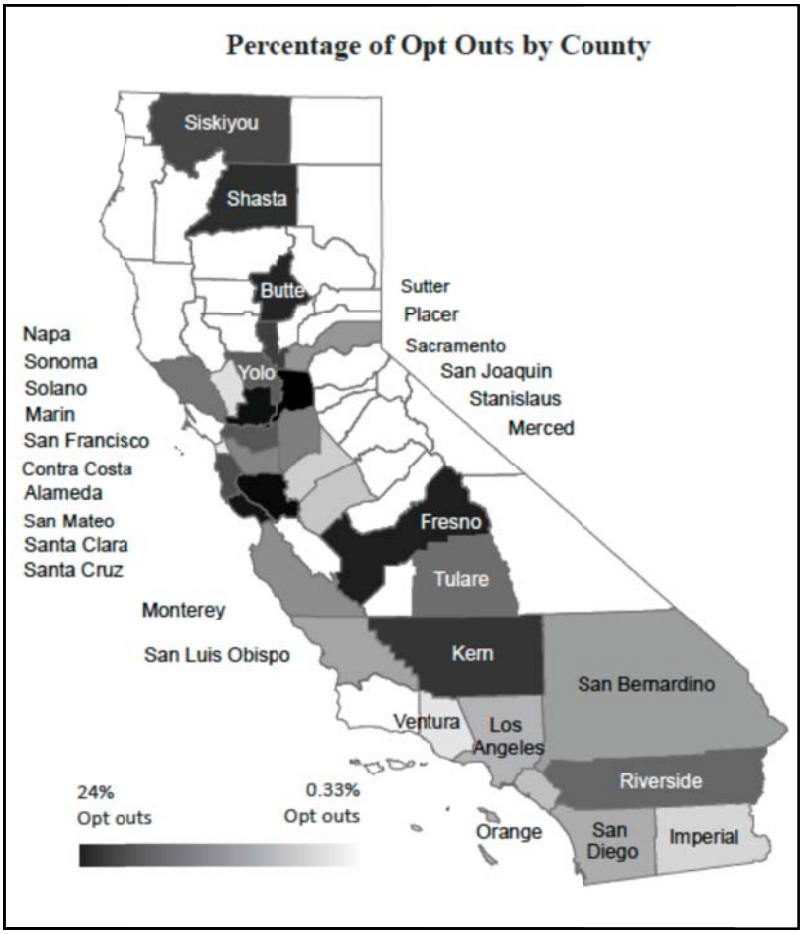
California Government Code Section 65863.10 requires owners of specified federally-assisted projects to provide Notices of Intent to prepay a federally-assisted mortgage, terminate mortgage insurance, or terminate rent subsidies or restrictions at twelve and six months, unless the projects are exempted. These Notices of Intent must be sent to all affected tenant households and to affected public agencies. Affected public agencies include the City or County where the project is located, the local Public Housing Authority, and the Department of Housing and Community Development (HCD).

Pursuant to California Government Code Section 65863.11, owners of government-assisted projects cannot terminate subsidy contracts, prepay a federally-assisted mortgage, or discontinue use restrictions without first providing an exclusive Notice of Opportunity to Submit an Offer to Purchase. This Notice is required to be sent to Qualified Entities at least twelve months prior to sale or termination of use restrictions. Qualified Entities are nonprofit or for profit organizations or individuals that agree to maintain the long-term affordability of projects.

Table 4-2
Federally Subsidized Units

Program	Type	Properties	Assisted Units	Total Units	% of Total Assisted Units
Section 8 only	Multifamily	836	64,228	110,710	57%
Section 8 + Section 202/811	Senior/Disabled	268	16,821	17,009	15%
Section 8 + Section 515	Rural	45	2123	2223	2%
Section 8 + Section 236 or 221(d)(3)	Multifamily	199	15994	19512	14%
Section 236 or 221(d)(3) only	Multifamily	25	0	1650	<1%
PRAC/202 or PRAC/811	Senior/Disabled	395	14329	14706	13%
California Statewide		1768	113495	165810	100%

Figure 4-3



California Housing Partnership Corporation (CHPC), a private nonprofit organization dedicated to helping government and nonprofit housing agencies preserve and expand the supply of affordable housing in California, estimates 68,000 of the federally subsidized affordable apartments in California are at-risk of conversion to market rate in the next five years, with an additional 74,000 becoming at-risk in the following 15 years.

Over the next decade, thousands of project-based Section 8 contracts in California will expire without any assurance of renewal by the private landlords who own them, potentially ending the subsidies that ensure affordable housing for thousands of low-income families in the State. In the next five years, 60,617 units in 897 properties are at-risk of conversion to market rate. In the next year alone, 29,907 units in 479 properties will reach their expiration dates.

Table 4-4
Federally Assisted Units by Program

Section 8 Rent Subsidy Risk Level	Contract Expiration	Properties	Assisted Units	Total Units	% of Total Assisted Units
At-Risk	Within 5 years	897	60,617	70,218	52%
Very High	<1 year	479	29,907	34,669	26%
High	2-5 years	418	30,710	35,549	26%
Moderate Risk	5-10 years	84	7,345	8,223	6%
Low Risk	Over 10 years	827	48,178	5,3294	41%

Source: CHPC Preservation Clearinghouse, 2012

Foreclosure Trends

The collapse of the real estate market, ongoing economic instability, and the resulting large number of underwater owners has contributed to historically high rates of foreclosure across the nation. During the peak of the housing crisis, California experienced one of the highest home foreclosure rates in the nation.[5] Nationwide, foreclosures rates currently are the highest recorded in 60 years (Goodstein et al 2011). An estimated 1,170,402 U.S. homes received a foreclosure filing in the first six months of 2011, with California accounting for the largest share with 263,500 foreclosure filings, which include default notices, auction sale notices and bank repossessions.[6]

Causes of the Foreclosure Crisis

The three primary causes of the foreclosure crisis were: (1) rapid home value appreciation, (2) increased homeowner housing burden, and (3) an unprecedented surge in subprime and Alt-A (almost "prime") lending. The following provides an overview of the first two causes of the foreclosure crisis. The third cause, a surge in subprime lending, will be examined in Part 3 of the report.

During the 2001 recession, the Federal Reserve cut interest rates to stimulate the economy. Between 2003 and 2005, housing prices swelled faster than incomes, lending restrictions relaxed, and production remained steady despite declines in demand (Joint Center for Housing Studies 2008). California home values[7] grew at unsustainable rates, causing the housing bubble.

Figure 4-4 below indicates that California home values increased while household incomes decreased between 2000 and 2010. Over the period, median home values rose by 34% from nearly $280,000 in 2000 to about $370,000 in 2010 (in constant 2010 dollars). Median home values increased quickly between 2000 and 2006, reaching $580,000 but dropped by 36% by 2010. During the same time period, the median

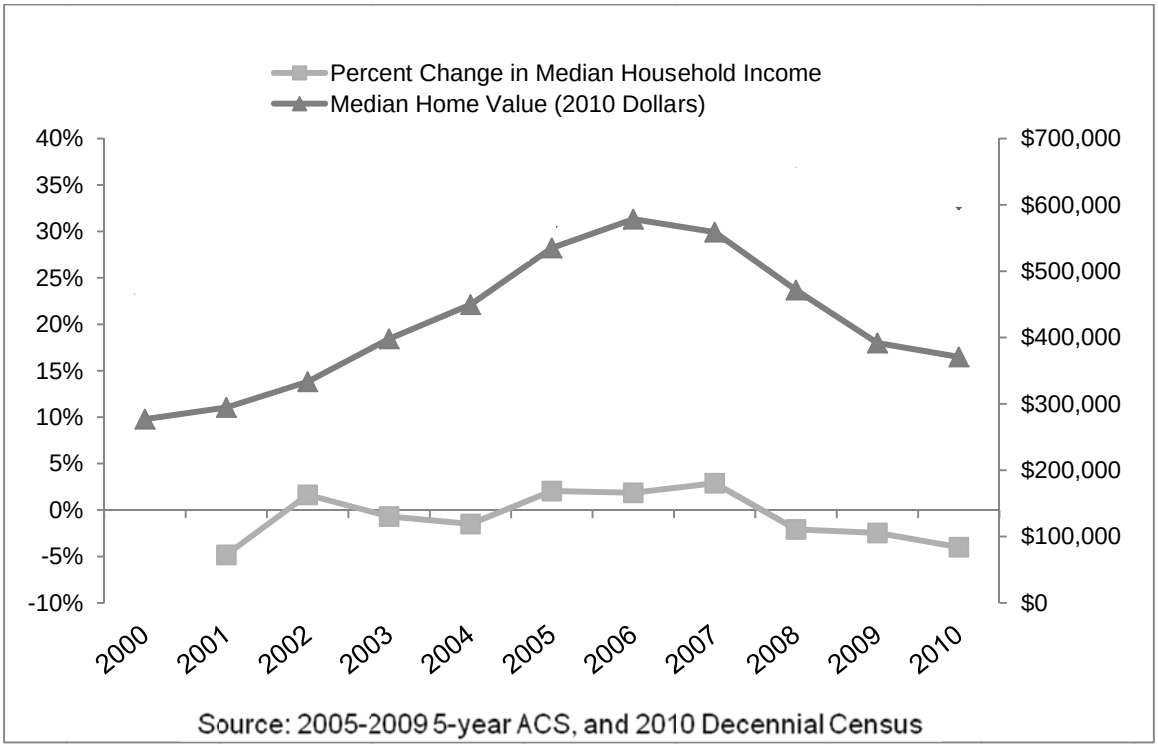
[5] Tran, L. Pfeiffer, D. and P. M. Ong. 2009. "Implications of the Current Foreclosure Crisis." UCLA School of Public Affairs and the California Department of Housing and Community Development; Manuscript on file with authors.

[6] RealtyTrac. 2011. "Foreclosure Activity Off 29 Percent for First Half of 2011." Online at: http://www.realtytrac.com/content/press-releases/midyear-2011-us-foreclosure-market-report-6681.

[7] For the purpose of this report, home values refer to the self-reported value of a home regardless of when it was sold as reported in the Decennial Censuses and American Community Survey.

household income fell by about 6% from $62,000 in 2000 to $58,000 in 2010 (in constant 2010 dollars). Between 2000 and 2010, median household incomes fluctuated, but were only greater than the 2000 real value in 2007, when it was $63,000.

Figure 4-5
Home Value Trends in California



Rapid home value appreciation, coupled with decreased real household income growth, placed an additional financial burden on homeowners. When an owner pays 30% or more of his or her income on monthly housing expenses, this is considered a housing burden. [8] Between 2000 and 2010, the percentage of burdened homeowners in California increased 34%, from 29% in 2000 to 39% in 2010. Figure 4-4 above shows the change in the median household income from 2000 to 2010 relative to the change in median household income. Following decreases early on, median household income increased 7% from 2004 to 2007 and fell again from 2007 to 2010. During that period of income growth, median home values increased 24% from $450,000 to $560,000 (in constant 2010 dollars), while the proportion of housing burdened owners increased.

Approximately 39% of California owners were paying more than 30% of their income on housing, according to the 2005-2009 ACS data. Owner housing burdens varied regionally, with Northern California and Central Southern California regions having the

[8] Monthly housing expenses are the sum of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first mortgage, second mortgage, home equity loans, and other junior mortgages); real estate taxes; fire, hazard, and flood insurance on the property; utilities (electricity, gas, and water and sewer); and fuels (oil, coal, kerosene, wood, etc.). It also includes, where appropriate, the monthly condominium fee for condominiums and mobile home costs (installment loan payments, personal property taxes, site rent, registration fees, and license fees).

lowest percentage (30%) and San Diego and the Greater Los Angeles regions the highest percentage (40%).

Extent of Foreclosures and Trends Impacting Minority Populations

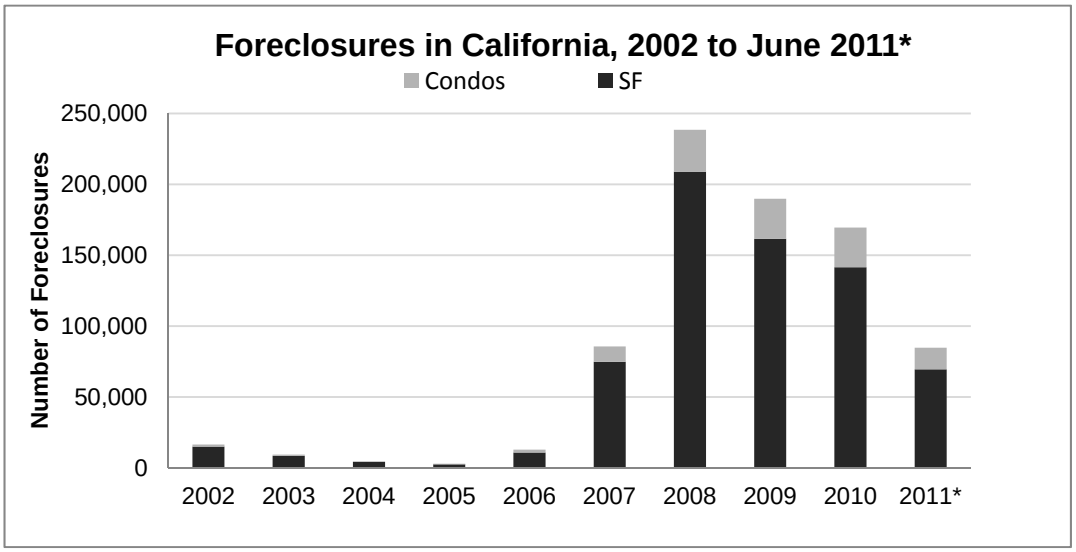
Between January 2005 and June of 2011, about 784,088 single family homes and condos were foreclosed in California, with 2008 reporting the greatest number (238,396 completed foreclosures or about 2% of households).[9] Single family homes accounted for the greater share of foreclosures during the period; however, the proportion of foreclosed condos increased greatly since 2007.

The number of California homes going into foreclosure dropped at the end of the fourth quarter of 2010 to its lowest level in more than three years (169,574 total foreclosed homes) and to a four-year low of 56,377 foreclosures in the first quarter of 2011 (DataQuick 2011a; DataQuick 2011b). It is difficult to measure how much of the decline is due to improved household finances, or if the decline is a result of changing lender and mortgage servicer policies and practices, servicer backlogs in paper work, legal challenges, or politics (DataQuick 2011a; DataQuick 2011b). Even more difficult to assess is the effect of remedial policies on foreclosures, such as loan modifications, which enables for vulnerable households to refinance (DataQuick 2011a; DataQuick 2011b).

A recent report from the California Reinvestment Coalition indicates that despite federal, state, and local government efforts to encourage participation in the federal Home Affordable Modification Program (HAMP), California's homeowners face significant challenges in finding solutions to remain in their homes. The report also suggests that navigating the HAMP process is even more difficult for California's diverse, multilingual population.[10]

[9] Percentage of households reported in 2008 1-year American Community Survey (ACS) for California.
[10] California Reinvestment Coalition. 2011."Race to the Bottom: An Analysis of HAMP Loan Modification Outcomes by Race and Ethnicity for California." Online at: http://calreinvest.org/.

Figure 4-6
Foreclosure Trends in California



**January to June 2011*
Source: DataQuick, Inc. through RAND California Home Foreclosure Statistics database

A report by the Center for Responsible Lending (CRL) indicates during the first three years of the foreclosure crisis, from January 2007 through 2009, an estimated 2.5 million foreclosures were completed nationwide. The vast majority of these foreclosures were on owner-occupied properties with mortgages that were originated between 2005 and 2008. The majority (an estimated 56%) of families who lost homes were non-Hispanic and white, but African-American and Latino families were disproportionately affected relative to their share of mortgage originations. The report indicates that among recent borrowers, an estimated 8% of both African Americans and Latinos have lost their homes to foreclosures, compared to 4.5% of whites.[11] Expressed as a share of the population of homeowners nationwide as of 2006, an estimated 17% of Latino homeowners, 11% of African-American homeowners, and 7% of non-Hispanic white homeowners already have lost or are at imminent risk of losing their home.

The costs of the historically high foreclosure rates are extensive, multifaceted and long-term, extending far beyond individual families to their neighbors, communities, cities and states. As the foreclosure crisis threatens the financial stability and mobility of families across the country, it will be particularly devastating to African-American and Latino families, who already lag their white counterparts in terms of income, wealth and educational attainment. Furthermore, the indirect losses in wealth that result from foreclosures as a result of depreciation to nearby properties will disproportionately impact communities of color. CRL estimates that, between 2009 and 2012, $194 and $177 billion, respectively, will have been drained from African-American and Latino communities in these indirect "spillover" losses alone.[12]

[11] Foreclosures by Race and Ethnicity: the Demographics of a Crisis, Center for Responsible Lending, http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-executive-summary.pdf
[12] Foreclosures by Race and Ethnicity: the Demographics of a Crisis, Center for Responsible Lending, http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-executive-summary.pdf

Geographic Distribution of Foreclosures

In general, the number of foreclosures peaked in 2008 in California's larger regions. Smaller regions (Northern and Central Southern California areas) experienced the peak of foreclosures in 2010. The following includes a detailed summary of foreclosure rates between 2005-2010 with areas of high foreclosure rates likely indicating a more unstable job and housing market.

Foreclosure rates for a region or county are the total number of foreclosures (single family and condo/townhomes) divided by the total number of owner-occupied housing units in the same area. Homeowner estimates are from the 2007 American Community Survey (ACS), which capture the effects of the recent economic recession.[13] For small counties with no ACS estimates, 2007 homeowner data are from the Geolytics, Inc. demographic database.[14]

Table 4-7
California Foreclosures

	2005-2010 Total Foreclosures	2007 Owner Occupied Housing Units	Foreclosure Rate
Greater Los Angeles Area	315,972	3,206,147	10%
San Francisco Bay Area	104,852	1,500,154	7%
Sacramento	71,039	518,086	14%
San Joaquin Valley	119,766	701,105	17%
San Diego Count	53,331	584,243	9%
Central Coast	18,699	256,890	7%
Northern California*	12,703	251,998	5%
Central Southern California*	2,974	55,961	5%
California	529,762	7,074,584	7%

**Compare region with caution as data is not available for one of counties in the region; ** 2007 homeowner data from GeoLytics. Inc. demographic database*
Source: DataQuick Inc, accessed through RAND California; 2007 1-year AC homeowner estimates

During 2005-2010, California had about 530,000 total homes foreclosed, or 7% of all owner-occupied housing units. The San Joaquin Valley had the highest overall foreclosure rate in the State (17%) while Northern California and Central Southern California had the lowest rates (both with about 5%).

[13] DataQuick showed that the housing bubble peaked in 2007, while other sources (Standard and Poor's 2009 and the Federal Housing Finance Agency 2009) showed the peak was in 2006. Additionally, prices peaked in various geographic areas at different times. Many of the larger metropolitan areas clustered in 2007, while prices in valley and foothill counties peaked earlier. Also, many smaller counties have limited sales, and thus data may be subject to large stochastic error.

[14] Data for 2007 1-year ACS homeowner estimates are not available for Del Norte, Alpine, Amador, Glenn, Inyo, Lassen, Modoc, Mono, Plumas, Sierra, Siskiyou, Tehama, Trinity, and Tuolumne.. The 2007 Geolytics estimates are benchmarked to the 2000 decennial census and therefore may be low estimates of the number of owner-occupied units.

Foreclosure Summary Data

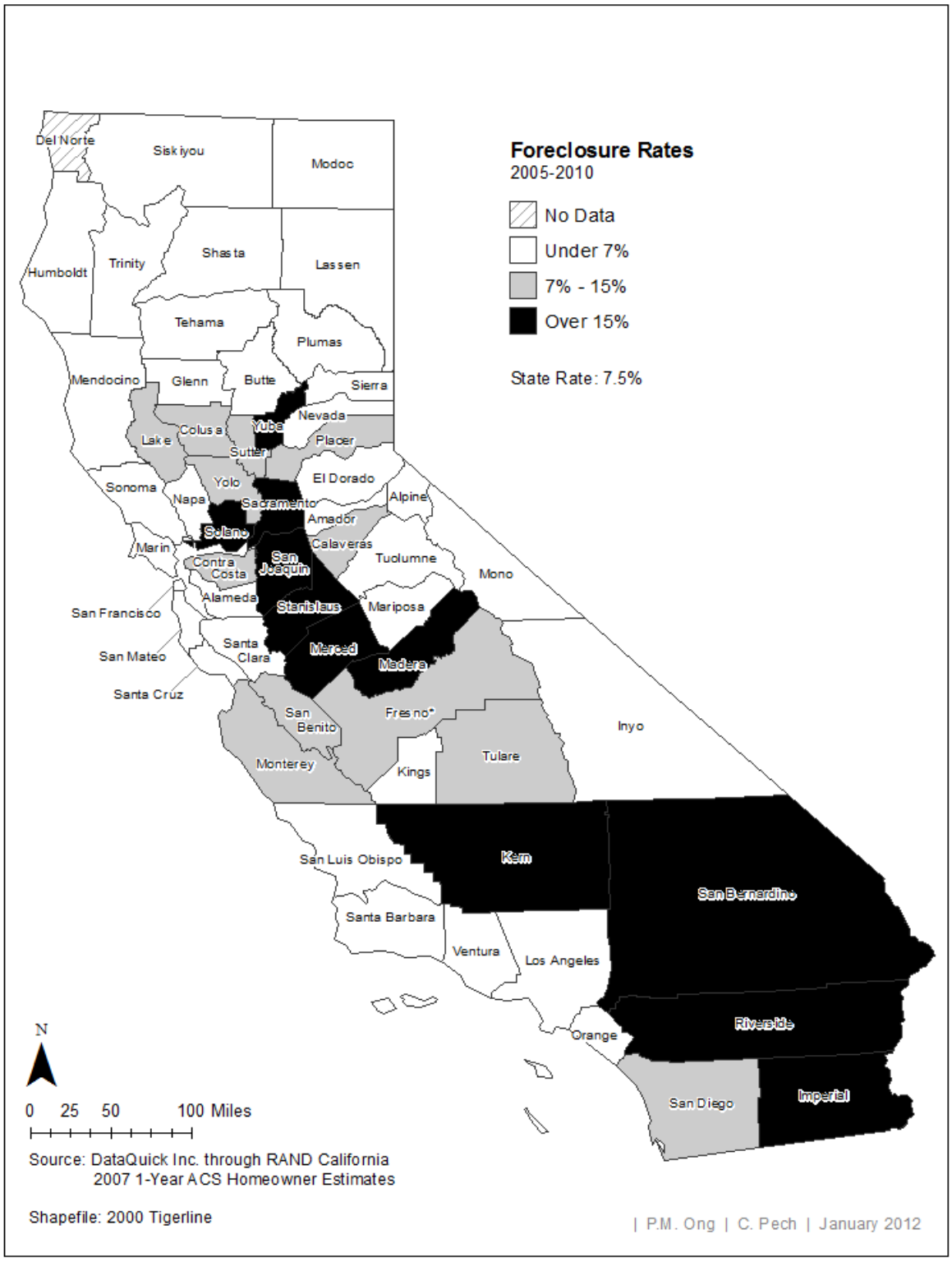
- The Greater Los Angeles Region saw the highest number of foreclosed homes in the State (315,972). Within the region, Riverside County had the highest foreclosure rate (21%) and Orange County had the lowest rate (5%).
- The San Joaquin Valley had the highest proportion of foreclosures in the State with 17% - a total of 119,766 foreclosed homes. Within the region, Merced County had the highest foreclosure rate (29%) and represents the highest rate in the State.
- The Sacramento region had the second highest foreclosure rate in the State – 14% - twice the Statewide rate of 7%. Yuba County had the highest foreclosure rate in the region (21%).

Table 4-8
Foreclosures by County

	2005	2006	2007	2008	2009	2010	2005-2010
Greater Los Angeles Area	1,489	5,694	38,650	107,555	87,327	75,257	315,972
Imperial County	23	30	346	1,133	1,211	1,081	3,824
Los Angeles County	575	1,976	12,274	34,560	29,645	26,335	105,365
Orange County	146	684	4,232	11,642	8,410	7,851	32,965
Ventura County	48	258	1,521	4,060	2,860	2,782	11,529
Riverside County	317	1,779	12,535	32,620	25,552	20,712	93,515
San Bernardino County	380	967	7,742	23,540	19,649	16,496	68,774
San Francisco Bay Area	515	1,705	11,800	36,567	28,269	25,996	104,852
Napa County	4	15	175	659	532	510	1,895
Alameda County	151	405	2,569	7,341	5,982	5,472	21,920
Contra Costa County	107	481	4,027	11,275	7,988	7,260	31,138
Marin County	13	29	133	438	442	511	1,566
San Francisco County	24	56	228	579	590	709	2,186
San Mateo County	47	111	527	1,504	1,362	1,415	4,966
San Benito County	3	22	180	607	391	297	1,500
Santa Clara County	114	248	1,450	6,005	4,855	4,084	16,756
Sonoma County	21	110	758	2,861	2,020	1,955	7,725
Solano County	31	228	1,753	5,298	4,107	3,783	15,200
Sacramento	166	1,706	10,311	23,840	17,965	17,051	71,039
El Dorado County	10	52	373	737	886	998	3,056
Placer County	24	179	1,108	2,494	2,179	2,366	8,350
Sacramento County	120	1,324	7,731	17,781	12,640	11,631	51,227
Yolo County	3	42	399	1,111	868	804	3,227
Sutter County	3	53	328	821	630	577	2,412
Yuba County	6	56	372	896	762	675	2,767
San Joaquin Valley	395	1,552	13,762	41,868	32,726	29,463	119,766
Kern County	116	265	2,631	7,598	7,027	6,342	23,979
Fresno County	73	247	1,846	5,491	4,991	5,325	17,973

	2005	2006	2007	2008	2009	2010	2005-2010
Kings County	13	24	94	253	282	553	1,219
Madera County	13	36	423	1,505	1,389	1,142	4,508
Merced County	21	99	1,344	4,792	3,414	2,436	12,106
Stanislaus County	42	306	2,699	8,350	5,848	5,005	22,250
San Joaquin County	57	450	3,968	11,590	7,504	6,098	29,667
Tulare County	60	125	757	2,289	2,271	2,562	8,064
San Diego County	210	1,622	7,630	17,985	13,992	11,892	53,331
Central Coast	57	271	2,065	6,795	4,975	4,536	18,699
Monterey County	9	71	889	3,482	2,335	1,900	8,686
San Luis Obispo County	20	42	265	772	788	905	2,792
Santa Barbara County	18	115	691	1,695	1,235	1,112	4,866
Santa Cruz County	10	43	220	846	617	619	2,355
Northern California	112	276	1,250	3,104	3,610	4,351	12,703
Butte County	19	53	237	681	740	838	2,568
Shasta County	16	62	312	645	746	913	2,694
Tehama County	16	27	87	227	187	239	783
Lake County	26	49	210	508	594	638	2,025
Del Norte County	0	0	0	0	42	69	111
Humboldt County	1	16	63	120	138	161	499
Lassen County	3	8	36	59	101	192	399
Nevada County	10	19	112	295	378	518	1,332
Mendocino County	2	11	52	130	190	264	649
Non-Metropolitan Counties	19	31	141	439	494	519	1,643
Colusa County	2	6	60	185	161	111	525
Glenn County	3	6	43	131	121	97	401
Modoc County	1	3	5	2	9	12	32
Plumas County	2	1	5	25	51	61	145
Sierra County	3	0	6	11	16	22	58
Siskiyou County	5	13	16	67	115	185	401
Trinity County	3	2	6	18	21	31	81
Central Southern California	19	52	265	682	928	1,028	2,974
Inyo County	0	4	6	21	30	26	87
Tuolumne County	5	17	58	157	217	307	761
Alpine County	0	0	0	3	1	4	8
Amador County	7	12	60	139	217	266	701
Calaveras County	5	16	119	319	385	343	1,187
Mariposa County	2	2	17	34	56	49	160
Mono County	0	1	5	9	22	33	70
California	2,963	12,878	85,733	238,396	189,792	169,574	529,762

Figure 4-9


Foreclosure Rates
2005-2010
No Data
Under 7%
7% - 15%
Over 15%
State Rate: 7.5%
Del Norte
Siskiyou
Modoc
Humboldt
Trinity
Shasta
Lassen
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Colusa
Yuba
Lake
Placer
Sutter
Yolo
El Dorado
Sonoma
Napa
Sacramento
Alpine
Amador
Solano
Marin
Calaveras
San Joaquin
Contra Costa
Tuolumne
Mono
Alameda
Stanislaus
Mariposa
San Francisco
Santa Clara
Merced
San Mateo
Madera
Santa Cruz
San Benito
Fresno
Inyo
Monterey
Tulare
Kings
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Riverside
Orange
San Diego
Imperial
N
0 25 50 100 Miles
Source: DataQuick Inc. through RAND California
2007 1-Year ACS Homeowner Estimates
Shapefile: 2000 Tigerline
| P.M. Ong | C. Pech | January 2012

Patterns and the Availability of Financing

Mortgage Lending Patterns

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 and provides the public loan data that can be used to assist:

- in determining whether financial institutions are serving the housing needs of their communities;
- public officials in distributing public-sector investments so as to attract private investment to areas where it is needed;
- and in identifying possible discriminatory lending patterns

2006-2009 Home Mortgage Disclosure Act (HMDA) data was used to evaluate various racial and ethnic groups' access to the housing market through mortgages or loans. The following analysis first looks at whether these groups have applied for a loan. It then examines if certain groups face disparities in originated or approved home loans, applications, denials, and subprime mortgage rates as possible reasons for unequal access to the housing market.

HMDA data covers housing-related loans and applications from banks, credit unions, saving associations, and some for-profit non-depository institutions. The mortgage loans must be insured, guaranteed, or supplemented by a federal agency or intended for sale to Federal National Mortgage Association (Fannie Mae) or Federal Home Loan Mortgage Corporation (Freddie Mac). For this report, HMDA data is analyzed for households that are purchasing a home as an owner occupied unit for their principal residence.[15]

Prior to 2006, ethnicity information was not available in the HMDA data. The aggregated data for 2006-2009 includes both ethnicity and race information. Ethnicity and race is reported for the primary applicant and not for co-applicant(s). Racial categories include: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White.[16] Since 2006, the ethnicity categories are: Hispanic or Latino[17] or Not Hispanic or Latino. The report limits the racial and ethnicity categories to Non-Hispanic White, Asian, Black or African American, and Hispanic or Latino. Also, for this report, Non-Hispanic Whites are persons who identified themselves as White in the racial category and Not Hispanic or Latino in the ethnic category.

[15] The home purchase mortgage for owner-occupied principal residence excludes: mortgages for home improvement and refinancing; and second homes, vacation homes, rental properties, and multifamily dwellings.
[16] Note: applicants have the option to select more than one racial category.
[17] Persons who identify as being of Hispanic or Latino ethnicity may be of any race.

Mortgage Applications

To begin the mortgage process, individuals undergo a loan application process. The following is an analysis of the parity index of loan applications by racial and ethnic group to examine the number of loan applications relative to the total number of households by race and ethnicity in a region (see Appendix A for detailed methodology). Parity is used to show if households for a given race, such as Asians, are applying for loans relative to their share of households in an area. Thus, if the parity value is greater than 1.00, then Asian households apply for loans at a higher proportion relative to their share of households. A parity index higher than 1.00 also indicates that this group is "shopping," or trying to access housing in the area. If the parity value is less than 1.00, then Asians apply for loans at a lower proportion than their share of households in a region; parity values lower than 1.00 also may indicate a potential impediment to fair housing because this group is not trying to access housing in the given area.[18]

In California, approximately 2.9 million housing loan applications were made between 2006-2009. Of all ethnic and racial groups, 'Hispanics or Latinos' had a greater parity index of 1.19 while 'Non-Hispanic Whites' had a lower parity index of 0.67. Consequently, 'Hispanics or Latinos' were applying for loans more than their proportion of total households while 'Non-Hispanic Whites' were applying for loans less than their proportion of total households. "Non-Hispanic Whites" did not have a parity value greater than 1.0 in any region.

The following highlights the key observations for regions as a whole as well as the counties where each ethnic/racial group had the lowest parity (applied at the lowest proportion).

Greater Los Angeles Area: Overall, the Greater Los Angeles area had the largest number of loan applications in the state with 1,413,739 applications (See Figure 4). 'Hispanics or Latinos' had the greatest parity in applications at 1.13, while 'Non-Hispanic Whites' had the lowest parity, with an index of only 0.68. 'Hispanics or Latinos' had the lowest parity in Imperial County and Los Angeles County (1.05 for both areas). 'Asians' applied at the lowest proportion in Imperial County (with a parity of 0.74). 'Blacks or African Americans' had the lowest parity in Imperial County (0.62). 'Non-Hispanic Whites' in the region had the lowest parity in San Bernardino County (0.55).

[18] Note that small numbers of applications and/or population may provide misleading parity indices.

Table 4-10
Parity Indices in the Greater Los Angeles Area: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Greater Los Angeles Area	1,413,739	0.68	0.97	0.71	1.13
El Centro MSA	14,695	0.61	0.74	0.62	1.05
Los Angeles MSA	817,633	0.71	1.02	0.66	1.06
Los Angeles County	618,183	0.73	0.95	0.66	1.05
Orange County	199,450	0.67	1.19	0.68	1.14
Ventura MSA	59,889	0.75	1.00	0.63	1.20
Riverside-San Bernardino MSA	521,522	0.58	1.43	0.83	1.21
Riverside County	304,463	0.59	1.52	0.98	1.19
San Bernardino County	217,059	0.55	1.35	0.74	1.26

Bay Area: Figure 5 shows that the Bay Area had 543,615 loan applications with 'Asians' applying at the highest proportion and 'Non-Hispanic Whites' at the lowest proportion (with parity indices of 1.29 and 0.65, respectively). 'Asians' had the lowest parity in San Benito County (0.92) while 'Hispanics or Latinos' in San Francisco County (0.73). 'Blacks or African Americans' applications were lowest in San Benito County (0.12). 'Non-Hispanic Whites' applied the least in Alameda, Contra Costa, and Santa Clara Counties (equally 0.62).

Table 4-11
Parity Indices for the San Francisco Bay Area: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
San Francisco Bay Area	543,615	0.65	1.29	0.69	1.19
Napa County MSA	8,258	0.65	2.79	1.90	1.11
San Francisco MSA	328,697	0.66	1.28	0.67	1.19
Alameda County	115,013	0.62	1.37	0.58	1.19
Contra Costa County	112,319	0.62	1.36	0.86	1.34
Marin County	15,282	0.79	1.14	0.39	0.96
San Francisco County	41,766	0.78	1.15	0.24	0.73
San Mateo County	44,317	0.67	1.48	0.37	0.86
San Jose MSA	135,127	0.62	1.27	0.44	1.13
San Benito County	4,189	0.71	0.92	0.12	1.30
Santa Clara County	130,938	0.62	1.28	0.45	1.11
Santa Rosa MSA	31,835	0.76	1.25	1.08	1.53
Vallejo-Fairfield MSA	39,698	0.66	1.26	0.79	1.19

Sacramento: This region had 216,081 loan applications. Similar to the Bay Area, 'Asians' had the greatest parity in applications, while 'Non-Hispanic Whites' had the lowest parity (values of 1.36 and 0.71, respectively) (See Figure 6). 'Asians' had the lowest parity (1.04) in Yolo County. 'Hispanics or Latinos' had the lowest parity in Placer County (0.76). 'Blacks or African Americans' applied at the lowest proportion in Sacramento County (0.82). There were only 280 'Black or African American' households in Placer County but 184 loans, which explains the high parity in this region. The lowest parity for 'Non-Hispanic Whites' was in Sutter County at 0.64.

Table 4-12
Parity Indices for the Sacramento Area: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Sacramento	216,081	0.71	1.36	0.89	1.07
Sacramento MSA	200,530	0.71	1.36	0.88	1.07
El Dorado County	13,485	0.82	1.25	3.19	0.76
Placer County	37,765	0.74	1.68	1.93	0.84
Sacramento County	134,868	0.69	1.35	0.82	1.15
Yolo County	14,412	0.69	1.04	1.24	1.01
Yuba City MSA	15,551	0.69	1.39	1.50	1.14
Sutter County	7,526	0.64	1.60	1.22	1.17
Yuba County	8,025	0.73	1.20	1.65	1.14

San Joaquin Valley: Figure 7 shows that 343,863 loan applicants were made in this region. 'Asians' had the greatest parity and 'Non-Hispanic Whites' had the lowest parity (1.44 and 0.66, respectively). 'Asians' had the lowest parity in Kern County (1.26) while 'Hispanics or Latinos' the least in Fresno County (1.04). 'Blacks or African Americans' in the entire region did not have an index higher than 1.00 in any county; their parity was highest in Stanislaus and San Joaquin Counties (0.93) and lowest in Merced County (0.43). 'Non-Hispanic Whites' had the lowest parity in Madera and Merced Counties (0.54 in both counties).

Table 4-13
Parity Indices for the San Joaquin Valley Region: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Central Valley	343,863	0.66	1.44	0.75	1.18
Kern County	80,480	0.67	1.26	0.67	1.29
Fresno County	66,407	0.75	1.60	0.59	1.04
Kings County	8,229	0.75	1.40	0.47	1.15
Madera County	11,676	0.54	1.83	0.63	1.49
Merced County	24,396	0.54	1.72	0.43	1.25
Stanislaus County	50,526	0.63	1.30	0.93	1.35
San Joaquin County	73,375	0.59	1.32	0.93	1.15
Tulare County	28,774	0.71	1.34	0.69	1.13

San Diego: This region had 239,953 loan applications. Hispanics or Latinos applied the most at a parity of 1.12, followed by Asians (1.02), Non-Hispanic Whites (below parity with 0.74), and Blacks or African Americans (below parity with 0.63).

Table 4-14
Parity Indices for the San Diego Region: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
San Diego County/MSA	239,953	0.74	1.02	0.63	1.12

Central Coast: In this region, 71,717 households applied for loans. 'Hispanics or Latinos' had the highest parity (1.38) while 'Blacks or African Americans' had the lowest parity (0.61). 'Hispanics or Latinos' were the only group in this region to have parity indices above 1.00 for every county. Parity for 'Asians' was lowest in San Luis Obispo County (0.81 in). 'Non-Hispanic Whites' had a range of parities from 0.86 in San Luis Obispo County to 0.57 in Monterey County. Compared to other groups, parity values for 'Black or African American' were the lowest in all counties, particularly in Monterey County (0.46).

Table 4-15
Parity Indices for the Central Coast Region: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Central Coast	71,717	0.73	0.90	0.61	1.38
Monterey County	23,247	0.57	0.90	0.46	1.39
San Luis Obispo County	14,977	0.86	0.81	0.83	1.10
Santa Barbara County	20,291	0.75	0.87	0.66	1.30
Santa Cruz County	13,202	0.78	0.86	0.72	1.37

Northern California: This region had one of the lowest numbers of loan applicants (52,501, See Figure 9). 'Asians' applied the most in the region, with a parity value of 1.37. 'Non-Hispanic Whites' applied at the lowest parity in the region, with an index of only 0.85. The small number of households for some racial and ethnic minority groups skews the parity indices. For example, 'Hispanics or Latinos' had the lowest index in Sierra County (0.16 with only 164 households). 'Blacks or African Americans' had a low parity of 0.17 in Plumas County (out of a total of 115 households). 'Non-Hispanic Whites' lowest parity in Colusa County (0.57). 'Asians' had a low parity of 0.69 in Nevada County. Data was not available for 'Asian' loan applicants in Sierra County.

Figure 4-16

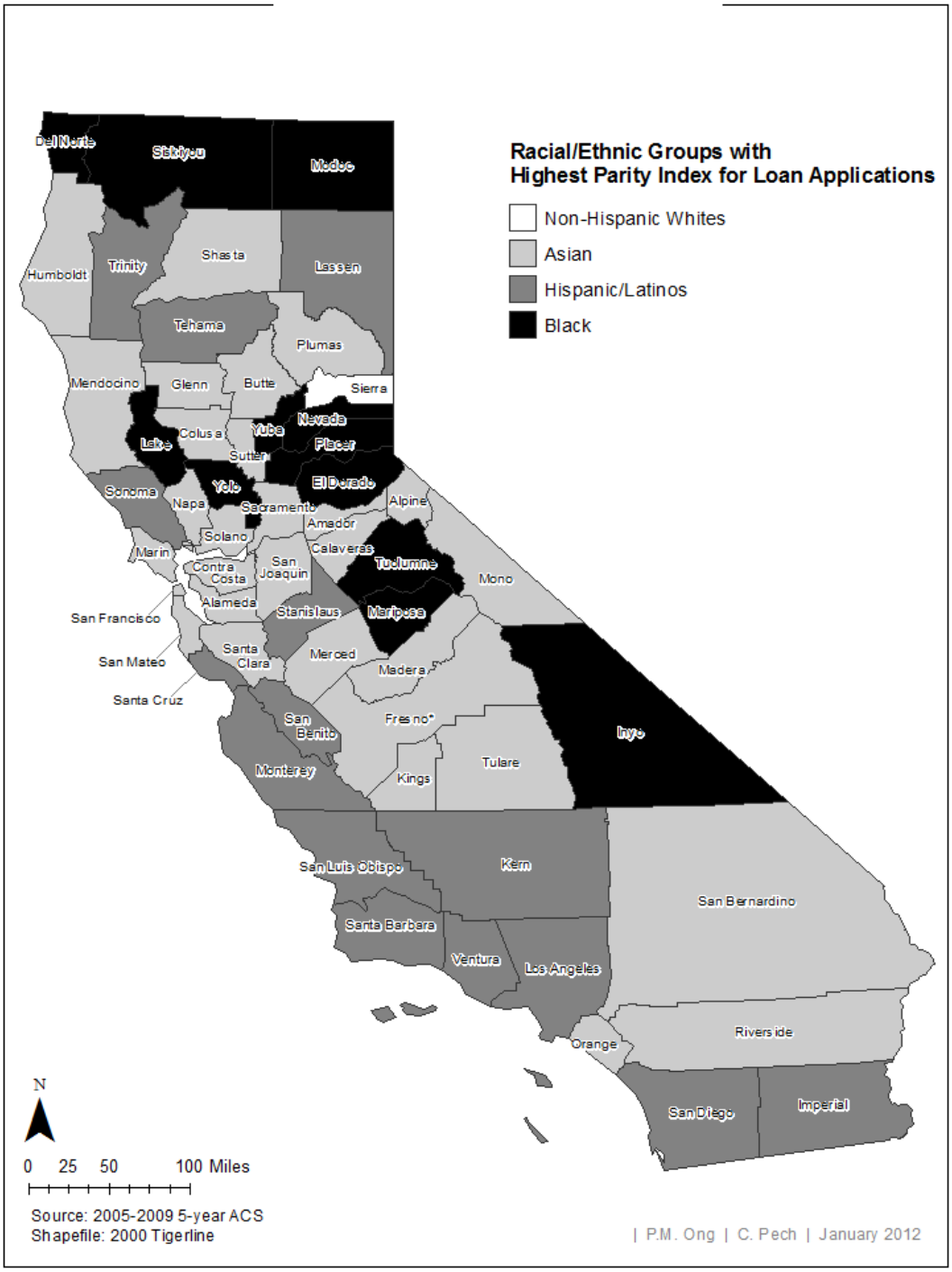

Racial/Ethnic Groups with
Highest Parity Index for Loan Applications
Non-Hispanic Whites
Asian
Hispanic/Latinos
Black
Del Norte
Siskiyou
Modoc
Humboldt
Trinity
Shasta
Lassen
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Colusa
Yuba
Lake
Sutter
Placer
Yolo
El Dorado
Sonoma
Napa
Sacramento
Alpine
Amador
Solano
Calaveras
Marin
Contra Costa
San Joaquin
Tuolumne
Mono
Alameda
Stanislaus
Mariposa
San Francisco
Santa Clara
Merced
San Mateo
Madera
Santa Cruz
Fresno
Inyo
San Benito
Tulare
Monterey
Kings
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Riverside
Orange
San Diego
Imperial
N
0 25 50 100 Miles
Source: 2005-2009 5-year ACS
Shapefile: 2000 Tigerline
| P.M. Ong | C. Pech | January 2012

Table 4-17
Parity Indices for the Northern California Region: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Northern California	52,501	0.85	1.37	1.10	1.31
Butte County	11,727	0.84	1.38	0.93	1.22
Shasta County	10,177	0.87	1.31	0.77	1.07
Tehama County	3,676	0.80	1.29	1.54	1.61
Lake County	3,995	0.81	1.14	1.32	1.13
Del Norte County	965	0.87	2.18	5.94	0.84
Humboldt County	5,471	0.91	1.50	1.00	1.23
Lassen County	1,500	0.90	1.43	0.61	1.77
Nevada County	5,180	0.90	0.69	2.47	0.86
Mendocino County	3,406	0.78	1.64	1.45	1.40
Non-Metropolitan Counties	6,404	0.78	1.75	0.89	1.66
Colusa County	1,382	0.57	1.46	0.96	1.45
Glenn County	1,290	0.72	2.30	0.27	1.23
Modoc County	421	0.81	1.42	2.69	1.81
Plumas County	1,011	0.90	1.20	0.17	0.91
Sierra County	160	0.96		0.00	0.16
Siskiyou County	1,669	0.92	1.11	1.37	0.94
Trinity County	471	0.87	0.76	1.22	2.55

Central Southern California: With 10,237 applicants, this region had the lowest number of loan applicants in the state (See Figure 10). 'Asian' households had the greatest parity (1.65) while 'Non-Hispanic Whites' had the lowest (0.84). Similar to Northern California, the small number of households for some racial and ethnic minority groups skews the parity indices. For example, the lowest parity for 'Asians' was in Inyo County: 0.82 with 10 loan applications and 127 households. 'Hispanics or Latinos' applied at the lowest parity in Mono (0.92). Data was not available for 'Hispanics or Latinos' in Alpine County. 'Blacks or African Americans' had vast differences in parity throughout the region: the highest was in Tuolumne County (with an unusually high index of 10.12 explained by the 16 'Black or African American' households in the county), while the lowest parity was 0.52 in Amador County. Data was not available for 'Blacks or African Americans' in Mono County. Applying below parity in all counties, the lowest value for 'Non-Hispanic' was in Inyo (0.80).

Table 4-18
Parity Indices for the Central Southern California: Loan Applications

	Total Applications	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Central Southern California	10,237	0.84	1.65	0.86	1.22
Inyo County	747	0.80	0.82	4.48	1.07
Tuolumne County	2,732	0.85	2.09	10.12	1.16
Non-Metropolitan Counties	6,758	0.83	1.66	0.52	1.33
Alpine County	41	0.86	3.09		
Amador County	1,981	0.82	1.85	0.54	1.79
Calaveras County	3,148	0.83	1.34	0.56	1.29
Mariposa County	846	0.85	1.69	3.24	1.14
Mono County	742	0.84	2.55	0.00	0.92

Mortgage Originations

The mortgage origination is the process through which a mortgage lender creates a mortgage secured by some amount of the mortgagor's real property.
Also known as loan origination, all purchasers must go through the origination process when securing a mortgage for a piece of real property. It is through this process that the terms of the mortgage agreement (amount of loan, interest rate, compounding frequency, etc) are established and the involved parties legally bind themselves to the transaction.

This section of the report examines the parity values of originated loans to measure the relative access to housing loans for racial or ethnic minorities. Using 'Blacks or African American' households as an example, for areas with a parity value that is higher than 1.00, then 'Black or African American' households has a higher proportion of originated loans relative to their proportion of households in the area. Thus, 'Black or African American' households have greater access to housing loans in that area. If the parity value is less than 1.00, then they have a lower proportion of originated loans relative to their proportion of households in the county and thus have less access to loans, which may indicate a barrier to fair housing.

In California there were a total of 1,590,857 originated loans between 2006-2009. In examining parity rates Statewide 'Asians' had greater access in the State, with a parity index of 1.17, while 'Blacks or African Americans' had less access, with a parity of 0.61. 'Blacks or African Americans' were the only racial or ethnic group to have parity indices of 0.00 (or to not receive any loans in an area).

Table 4-19
Parity Index by Race/Ethnicity for Originated Loans

	Total Originated Loans	Parity Index for NHW HHs	Parity Index for Asian HHs	Parity Index for Black HHs	Parity Index for Hispanic/ Latino HHs
Greater Los Angeles Area	744,486	0.77	1.03	0.61	1.06
San Francisco Bay Area	312,965	0.74	1.33	0.54	1.02
Sacramento	125,612	0.79	1.29	0.71	0.97
San Joaquin Valley	192,212	0.75	1.42	0.63	1.12
San Diego County/MSA	136,264	0.82	1.04	0.56	1.00
Central Coast	41,414	0.80	0.88	0.60	1.23
Northern California	31,888	0.90	1.29	0.81	1.15
Central Southern California	6,016	0.89	1.55	0.59	0.98

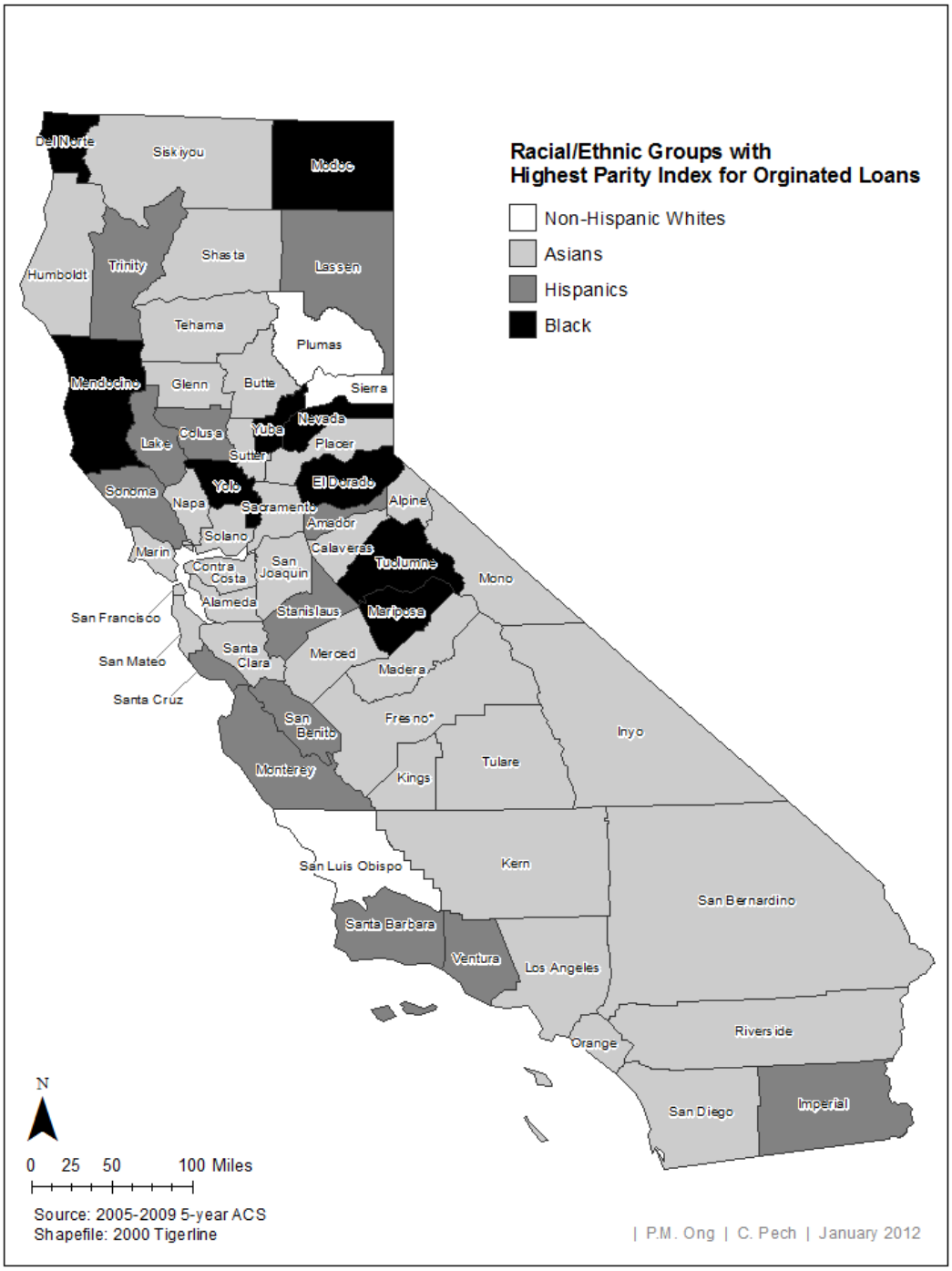
The following provides regional summaries, highlighting where each group had the least access to loans (lowest parity value).

Greater Los Angeles Area: The Greater Los Angeles area had the largest number of total originated loans in the State (744,486). Overall, 'Hispanic or Latino' households had greater parity in the region, with an index of 1.06, and subsequently had greater access to mortgages. Conversely, 'Blacks or African Americans' had the lowest parity index of the region with 0.61. 'Non-Hispanic Whites' had the lowest access in San Bernardino County (0.63); 'Asians and Blacks' or 'African Americans' had the least access in El Centro MSA (0.82 and 0.44, respectively); and 'Hispanics or Latinos' in Orange County (0.97).

Bay Area: With the second largest number of originated loans in the State, the Bay Area had 312,965 originated loans. 'Asian' households in the Bay Area had the greatest parity (or access) with an index of 1.33, while 'Blacks or African Americans' had the lowest parity (or least access) with an index of 0.54. 'Blacks or African Americans' also had the lowest parity in the Bay Area than in any other region in the State. 'Non-Hispanic Whites' had the lowest parity or access in Santa Clara County (0.70); 'Asians' in San Benito (0.90); 'Blacks or African Americans' in Marin County (0.26); and 'Hispanics or Latinos' in San Francisco County (0.56).

Sacramento: There were 125,612 originated loans in the Sacramento region. 'Asian' households had the greatest access in the region with a parity value of 1.29, while 'Blacks or African Americans' had the least access, a value of 0.71. 'Non-Hispanic Whites' had the lowest parity or access in Sutter County (0.73). 'Asians' had the lowest in Yolo County (a parity of 1.00); 'Blacks or African Americans' in Sacramento County (0.67); and 'Hispanics or Latinos' had the least access in El Dorado County (0.71).

Figure 4-20


Racial/Ethnic Groups with
Highest Parity Index for Orginated Loans
Non-Hispanic Whites
Asians
Hispanics
Black
Del Norte
Siskiyou
Modoc
Humboldt
Trinity
Shasta
Lassen
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Colusa
Yuba
Placer
Lake
Sutter
Yolo
El Dorado
Sonoma
Napa
Sacramento
Alpine
Amador
Solano
Calaveras
Marin
Contra Costa
San Joaquin
Tuolumne
Mono
Alameda
Stanislaus
Mariposa
San Francisco
San Mateo
Santa Clara
Merced
Madera
Santa Cruz
San Benito
Fresno
Inyo
Monterey
Kings
Tulare
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Riverside
Orange
San Diego
Imperial
N
0 25 50 100 Miles
Source: 2005-2009 5-year ACS
Shapefile: 2000 Tigerline
| P.M. Ong | C. Pech | January 2012

San Joaquin Valley: The Central Valley had 192,212 originated loans. 'Asian' households had the greatest access while 'Blacks or African American' had the least access, with parity indices of 1.42 and 0.63, respectively. 'Non-Hispanic Whites' had the lowest parity in Madera County (0.61), 'Asians' in Stanislaus County with 1.25, and 'Blacks or African Americans' in Merced County with a parity of 0.38. 'Hispanics or Latinos' had the least access in Fresno County with a parity of 0.97.

San Diego: This area had 136,264 originated loans and had a smaller range of parity indices compared to other regions. 'Asian' households had the greatest access in the area, with a parity of 1.04. 'Blacks or African American' households had the least access, with a parity of 0.56. 'Non-Hispanic White' households were also below parity (0.82). 'Hispanics or Latinos' were at parity, with an index of 1.00. 'Blacks or African Americans' consequently had less access to housing loans, while the other three racial and ethnic groups had relatively similar levels of access to loans.

Central Coast: The Central Coast had 41,414 originated loans. 'Hispanic or Latino' households had the greatest access (1.23 parity value), while 'Blacks or African Americans' had the least access (with a parity of 0.60). 'Non-Hispanic Whites' had the least access in Monterey County (0.66) and 'Asians' in San Luis Obispo County (a parity values of 0.83). 'Blacks or African Americans' had the lowest index in Monterrey County (0.46). Lastly, 'Hispanics or Latinos' had the lowest index in San Luis Obispo County (0.90).

Northern California: Northern California had one of the smallest numbers of originated loans (31,888). Within the region, 'Asians' had the greatest parity index of 1.29 while 'Blacks or African Americans' had the lowest parity index of 0.81. 'Non-Hispanic Whites' had the least access in Colusa County (0.64). Asians the least access in Nevada County (0.60) while 'Blacks or African Americans' had the least in Glenn County, Sierra County, and Trinity County, as none received housing loans in these areas (this may be due to the few households and applications to begin with). 'Hispanics or Latinos' had the least access in Sierra County (0.20). Data was not available for Asians in Sierra County.

Central Southern California: With the least number of originated loans (or 6, 016 loans), this region did not have data for 'Blacks or African Americans' and 'Hispanics or Latinos' in Alpine County. 'Asians' had the highest parity index overall (1.55) while 'Blacks or African Americans' had the lowest parity index (0.59). 'Non-Hispanics' had the lowest index of 0.86 in Amador County; 'Asians' in Inyo (0.97); 'Blacks or African Americans' in Inyo and Mono Counties with values of 0.00 in; while 'Hispanics or Latinos' had the least access in Mono County (index of 0.59). Again, parities of 0 are due to the few households and loans in these areas.

Mortgage Denials

When groups have unusually high loan application and denial rates, this trend may reflect problems in loan approval and barriers to fair housing loan access. For the purposes of this report, the denial rate is the quotient of denials for a group divided by the sum of denials and originated loans for a specific racial or ethnic group..

Statewide there were a total of 581,725 denials and a denial rate of 27% during 2005-2009. 'Non-Hispanic Whites' had a denial rate of 20%, the lowest of any other group in the state; also, all of the regional denial rates of 'Non-Hispanic White' were lower than the State average. 'Asians' had the next lowest denial rate (23%). Both 'Hispanics or Latinos' (33%) and 'Blacks or African Americans' (39%) experienced higher denial rates than the State average.

Although this report does not test for significance levels in differences between denial rates, if some groups have higher or lower rates than the state in certain regions, the results may help identify regions where there may be housing discrimination in the mortgage loan process. One limitation of this approach is that smaller counties may have higher denial rates because they have a lower number of households and applicants to begin with, particularly for minority racial/ethnic groups. Further, groups applying the most may also have higher denial rates relative to those applying in lower numbers. The following provides a regional summary of denial rates and further highlights the counties where a specific racial group had the highest rate.

Greater Los Angeles Area: Similar to the state, this region had an overall denial rate of 29%, the highest rate of any region in the state. In the region, 'Blacks or African Americans' had the highest denial rates (39%) while 'Non-Hispanic Whites' had the lowest denial rates (22%). Relative to their ethnic/racial group, 'Non-Hispanic Whites' had the highest denial rates in Los Angeles County (24%); 'Asians' in Riverside County (26%); 'Blacks or African Americans' in Los Angeles County (41%); and 'Hispanics' had the highest denial rates in Orange County (37%).

Table 4-21
Greater Los Angeles Area: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Greater Los Angeles Area	302,070	28.9%	21.8%	23.8%	39.3%	33.7%
El Centro MSA	2,744	25.8%	21.0%	21.3%	43.8%	25.2%
Los Angeles MSA	177,779	29.4%	22.4%	23.5%	40.7%	35.3%
Los Angeles County	138,803	30.5%	23.6%	23.9%	41.0%	34.9%
Orange County	38,976	26.3%	19.8%	22.7%	34.4%	36.8%
Ventura MSA	11,088	24.5%	19.0%	19.2%	26.6%	33.1%
Riverside-S.Bernardino MSA	110,459	28.6%	21.4%	25.0%	37.8%	32.0%
Riverside County	62,621	27.8%	20.9%	25.6%	37.1%	31.6%
San Bernardino County	47,838	29.6%	22.2%	24.3%	38.6%	32.5%

Bay Area: The Bay Area had 102,519 denials, a rate of 25%. 'Blacks or African Americans' had the highest denial rate (40%) while 'Non-Hispanic Whites' had the lowest denial rates (18%). Relative to their own race/ethnicity, 'Non-Hispanic Whites' and 'Asians' had highest denial rate in San Benito County (19% and 35%, respectively). 'Blacks or African Americans' and 'Hispanics' had high denial rates of 45% in Napa County. For 'Hispanics or Latinos', their highest rate was in Vallejo-Fairfield MSA (31%).

Table 4-22
San Francisco Bay Area: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
San Francisco Bay Area	102,519	24.7%	17.6%	22.0%	39.9%	35.5%
Napa County MSA	1,469	23.8%	18.0%	27.7%	44.7%	31.0%
San Francisco MSA	62,407	24.8%	17.6%	22.0%	41.9%	35.5%
Alameda County	23,292	26.6%	18.5%	21.4%	44.6%	35.9%
Contra Costa County	22,952	26.7%	18.7%	24.3%	39.4%	35.2%
Marin County	2,130	18.2%	15.7%	24.6%	38.3%	31.6%
San Francisco County	6,498	20.6%	16.0%	20.9%	40.0%	39.3%
San Mateo County	7,535	21.9%	15.9%	21.0%	38.1%	34.4%
San Jose MSA	25,019	24.3%	17.5%	20.8%	30.1%	37.9%
San Benito County	1,015	31.1%	19.2%	35.4%	40.0%	39.2%
Santa Clara County	24,004	24.1%	17.5%	20.8%	30.1%	37.8%
Santa Rosa MSA	5,420	22.2%	17.5%	17.8%	30.6%	33.0%
Vallejo-Fairfield MSA	8,204	26.8%	17.6%	31.9%	35.6%	30.5%

Sacramento: This region had 39,047 denials, a rate of 24%. 'Blacks or African Americans' had the highest denial rate (38%), which is more than twice the rate of 'Non-Hispanic Whites', who had the lowest denial rate in the region (18%). Relative to their ethnic/racial group, 'Non-Hispanic Whites' had the highest denial rate in Yuba County (20%) and 'Asians' in El Dorado (29%). 'Blacks or African Americans' as well as 'Hispanics or Latinos' experienced the greatest denials in Sacramento County (39% and 32%, respectively).

Table 4-23
Sacramento Area: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Sacramento	39,047	23.7%	18.0%	26.0%	37.8%	31.0%
Sacramento MSA	36,275	23.8%	18.0%	26.0%	38.0%	31.4%
El Dorado County	2,169	20.8%	18.4%	29.2%	37.6%	27.8%
Placer County	5,478	18.9%	16.7%	24.6%	34.8%	24.9%
Sacramento County	26,271	25.7%	18.7%	26.4%	38.5%	32.4%
Yolo County	2,357	21.3%	15.4%	22.2%	32.6%	30.4%
Yuba City MSA	2,772	23.3%	18.5%	26.3%	32.2%	27.4%
Sutter County	1,314	22.9%	16.6%	27.4%	28.1%	28.3%
Yuba County	1,458	23.6%	20.0%	23.5%	34.4%	26.4%

San Joaquin Valley: This region had 69,156 denials and a denial rate of 26%. 'Blacks or African Americans' had the highest denial rate (37%) while 'Non-Hispanic Whites' had the lowest denial rate (18%). Relative to their racial/ethnic group, 'Non-Hispanic Whites' and 'Asians' had the highest denial rate in Madera County (22% and 32%, respectively); 'Blacks or African Americans' and 'Hispanics or Latinos' had the highest rates in San Joaquin County (41% and 34, respectively).

Table 4-24
San Joaquin Valley Region: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
San Joaquin Valley	69,156	26.5%	18.4%	26.8%	37.1%	30.4%
Kern County	15,738	26.0%	18.6%	23.8%	33.8%	29.8%
Fresno County	12,801	25.2%	16.8%	26.7%	33.3%	30.1%
Kings County	1,351	21.5%	13.6%	21.4%	24.0%	26.7%
Madera County	2,618	29.5%	21.8%	32.5%	40.5%	32.3%
Merced County	5,092	27.6%	18.9%	27.4%	36.6%	30.1%
Stanislaus County	9,888	25.3%	18.8%	28.2%	36.5%	29.5%
San Joaquin County	16,411	29.7%	21.1%	27.4%	41.4%	33.8%
Tulare County	5,257	23.8%	15.6%	24.0%	35.6%	28.0%

San Diego: With a denial rate of 24%, San Diego had 43,476 denials. 'Blacks or African Americans' and 'Hispanics or Latinos' had the highest denial rate of 32%, while 'Non-Hispanic Whites' had the lowest denial rate of 19%. 'Asians' fell in the middle with a denial rate of 21%.

Table 4-25
San Diego Region: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
San Diego County/MSA	43,476	24.20%	18.80%	21.40%	32.04%	31.70%

Central Coast: The Central Coast had 13,859 denials, and a denial rate of 24%. 'Hispanics or Latinos' had the highest denial rate in this region with 35% while 'Non-Hispanic Whites' had the lowest denial rate with 21%. 'Non-Hispanic Whites' had the highest denial rate in Monterey County (21%) for their ethnic/racial group. 'Asians' also had the highest rate in Monterey with 33%. 'Blacks or African Americans' and 'Hispanics or Latinos' had the highest rate in Santa Barbara County (31% and 35%, respectively).

Figure 4-26

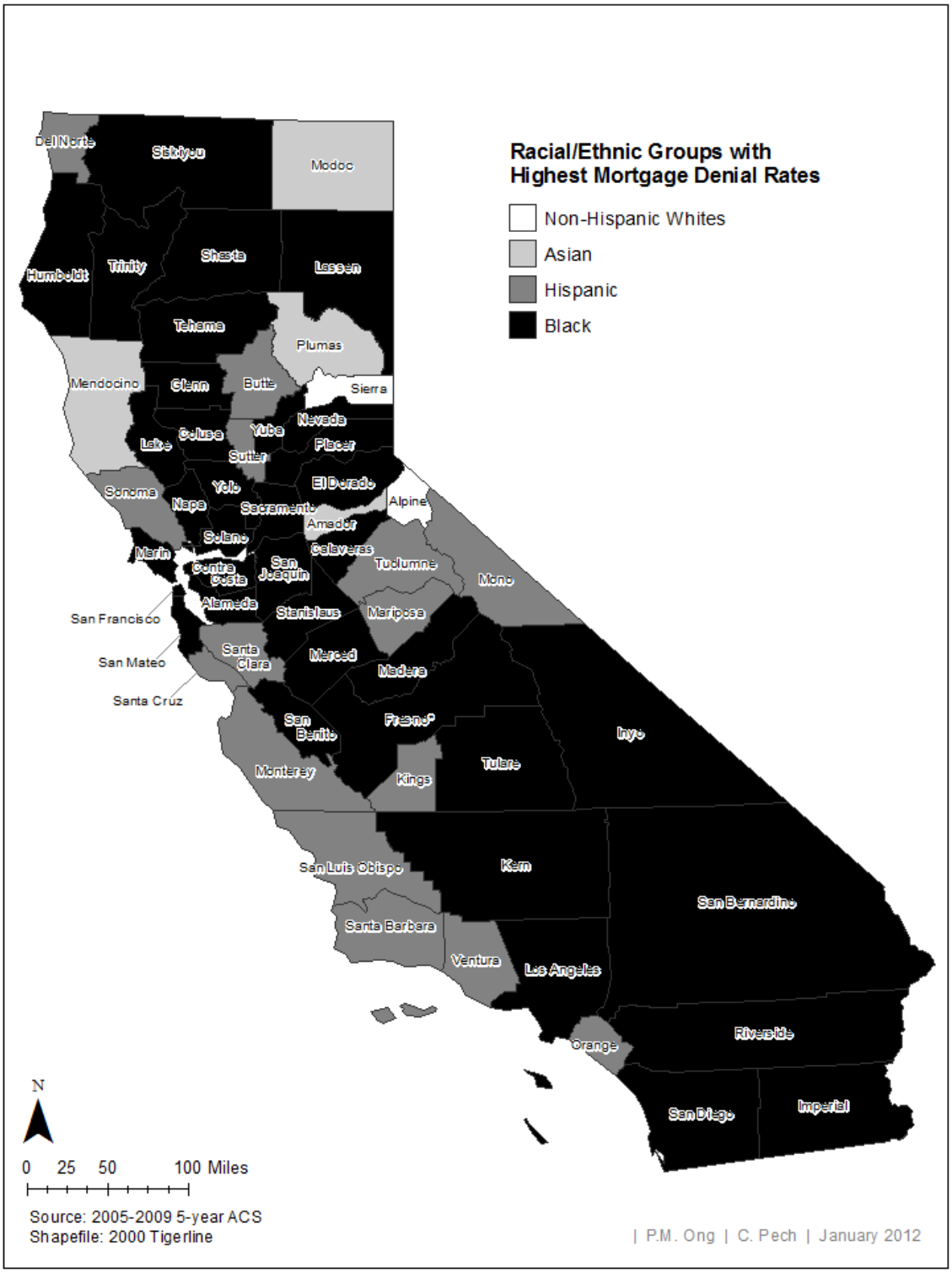

Racial/Ethnic Groups with
Highest Mortgage Denial Rates
Non-Hispanic Whites
Asian
Hispanic
Black
Del Norte
Siskiyou
Modoc
Humboldt
Trinity
Shasta
Lassen
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Colusa
Yuba
Lake
Sutter
Placer
Yolo
El Dorado
Sonoma
Napa
Sacramento
Alpine
Amador
Solano
Calaveras
Marin
Contra Costa
San Joaquin
Tuolumne
Mono
Alameda
Stanislaus
Mariposa
San Francisco
San Mateo
Santa Clara
Merced
Madera
Santa Cruz
San Benito
Fresno
Inyo
Monterey
Kings
Tulare
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Orange
Riverside
San Diego
Imperial
N
0 25 50 100 Miles
Source: 2005-2009 5-year ACS
Shapefile: 2000 Tigerline
| P.M. Ong | C. Pech | January 2012

Table 4-27
Central Coast Region: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Central Coast	13,859	25.1%	18.2%	27.9%	26.5%	33.5%
Monterey County	5,433	30.1%	20.9%	33.4%	29.5%	35.3%
San Luis Obispo County	2,321	20.4%	17.0%	19.7%	14.1%	32.9%
Santa Barbara County	3,742	24.2%	18.2%	23.7%	30.5%	30.9%
Santa Cruz County	2,363	22.7%	17.4%	23.3%	18.8%	33.1%

Northern California: This region had 9,622 loan denials with a denial rate of 23%, the lowest rate of any region in the state. For the region as a whole, 'Blacks or African Americans' had the highest denial rate at 40% while 'Non-Hispanic Whites' had the lowest at 20%. Within the region, 'Non-Hispanic Whites' had the highest denial rate in Sierra County (35%) and 'Asians' in Modoc and Plumas counties (50%). 'Hispanics or Latinos' had 44% denial rates in Del Norte County. 'Blacks or African Americans' had a large range of denial rates, from 100% in Trinity and Glenn County to 10% in Del Norte County. The denial rates are somewhat misleading for some of the counties because of the low number of applications and denials.

Table 4-28
Northern California: Mortgage Denials

	Total Denials	Total Denial Rate	Non-Hispanic White	Asian	Black or African American	Hispanic or Latino
Northern California	9,622	23.2%	20.1%	27.1%	40.3%	31.9%
Butte County	2,011	21.3%	17.3%	26.7%	31.6%	32.5%
Shasta County	1,487	18.5%	17.2%	18.4%	33.3%	24.6%
Tehama County	847	29.4%	24.7%	27.3%	47.1%	41.1%
Lake County	880	28.2%	25.2%	43.6%	55.0%	28.6%
Del Norte County	191	25.3%	22.7%	18.2%	16.7%	43.6%
Humboldt County	971	22.0%	20.2%	28.4%	42.9%	24.8%
Lassen County	250	21.1%	18.1%	25.0%	33.3%	23.2%
Nevada County	897	21.9%	19.9%	32.6%	40.9%	34.0%
Mendocino County	805	31.4%	28.5%	35.9%	20.0%	34.1%
Non-Metropolitan Counties	1,283	25.6%	21.1%	32.3%	50.0%	32.0%
Colusa County	305	28.3%	19.0%	37.5%	42.9%	32.2%
Glenn County	262	25.9%	18.9%	37.5%	100.0%	30.8%
Modoc County	93	28.5%	25.4%	50.0%	0.0%	38.1%
Plumas County	175	22.9%	20.3%	50.0%	0.0%	40.0%
Sierra County	42	33.1%	34.7%			33.3%
Siskiyou County	279	20.8%	17.6%	0.0%	55.0%	29.4%
Trinity County	127	34.3%	33.3%	0.0%	100.0%	23.5%

Central Southern California: The Central Southern California region had the lowest number of denials (1,976) with a 25% denial rate. 'Blacks or African Americans' had the highest denial rate (48%) and 'Non-Hispanic Whites' had the lowest denial rates (22%).

'Non-Hispanic Whites' had the highest denial rate (45% or 10 denials) in Alpine County. 'Asians' had the highest denial rate in Amador County with 52% (14 denials). 'Blacks or African Americans' had the highest rate in Inyo County (100% with two denials). 'Hispanic or Latinos' had the highest denial rate in Mono County with 51% (30 denials). Data was not available for Asians in Alpine County, 'Blacks or African Americans' in Alpine and Mono Counties, and 'Hispanics or Latinos' in Alpine County. The denial rates are somewhat misleading for some of the counties because of the low number of applications and denials.

Table 4-29
Central Southern California: Mortgage Denials

	Total Denials	Total Denial Rate	NHW Denial Rate	Asian Denial Rate	Black Denial Rate	Hispanic/ Latino Denial Rate
Central Southern California	1,976	24.72%	21.69%	31.17%	47.92%	39.06%
Inyo County	149	25.08%	20.48%	12.50%	100.00%	45.71%
Tuolumne County	508	23.91%	20.89%	32.43%	29.41%	38.81%
Non-Metropolitan Counties	1,319	25.01%	22.15%	32.11%	55.17%	38.01%
Alpine County	12	41.38%	45.45%	0.00%		
Amador County	390	25.02%	22.09%	51.85%	40.00%	38.53%
Calaveras County	584	24.09%	21.04%	24.44%	65.00%	33.01%
Mariposa County	172	25.22%	23.52%	21.05%	25.00%	44.44%
Mono County	161	27.81%	24.25%	35.29%		50.85%

Predatory Lending and Subprime Mortgages

Predatory Lending Practices

Lending discrimination is defined as any of the following actions based on race, color, national origin, religion, sex, familial status or disability:

- refusal to make a mortgage loan;
- failure to provide information regarding loans;
- denial of or application of differing terms for home loans such as interest rates, points or fees;
- discrimination in appraising the property;
- refusal to purchase the loan or set different terms or conditions for purchasing a loan;
- coercion, intimidation, threaten or inference with anyone exercising their rights granted under the Fair Housing Act or assisting others who are exercising that right; and
- printing, publishing or posting statements or advertisements that a housing or an apartment is available only to persons of a certain race, color, religion, sex familial status or disability.

With an active housing market, potential predatory lending practices by financial institutions may arise. Predatory lending is a growing fair housing issue and occurs when potential buyers are looking to purchase a new home, or when existing homeowners refinance their home to consolidate current debts such as credit cards and car payments. Predatory lending involves abusive loan practices usually targeting minority and/or low-income homeowners or those with less-than-perfect credit history.

Predatory lending has become a growing issue in California due to the State's tight housing market, high home costs, and large minority population – typical targets for predatory lending practices. The Federal Home Loan Mortgage Corporation defines predatory lending practices as any of the following:

- High Interest Rates: Interest rates that are more than seven to eight percentage points above market rates.
- Excessive Fees: For example, fees charged up-front without lowering the interest rate; costs and fees above normal.
- Negative Amortization: Repayment schedules set up so that the monthly payment fails to pay off accrued interest and actually increases the original amount borrowed.
- Balloon Payments: In this payment structure, the balance due on the mortgage must be paid at the end of the loan, usually 15 years. At the end of the loan, the balloon payment that is suddenly due will be a large sum of money, probably beyond one's ability to repay, forcing the borrower to borrow more money to pay back the loan.
- High Loan-to-Value (LTV) Loans: Loans that are more than 100 percent LTV may lock the borrower into additional debt.
- Credit Insurance: Life, accident, and health insurance should not be included as a condition of a loan. It will increase the total amount the borrower owes.
- Mandatory Arbitration: Loan contracts requiring mandatory, binding arbitration instead of the court system. Arbitration is more favorable to lenders than to consumers.
- High-Pressure Sales Tactics: Frequent calls and letters asking the borrower to refinance.[19]

As defined above, predatory lending includes a wide variety of improper practices and typically target and steer low income, minorities, or the elderly to high-rate lenders.[20]

Protections against Predatory Lending

As discussed previously, the Fair Housing Act of 1968 requires equal treatment in terms and conditions of housing opportunities and credit regardless of race, religion, color, national origin, family status, or disability. The Equal Credit Opportunity Act of 1972 requires equal treatment in loan terms and availability of credit for all of the above protected categories, as well as age, sex, and marital status. Lenders that engage in predatory lending would violate these acts, if they target Black, Hispanic or elderly

[19] Don't Borrow Trouble" Federal Home Loan Mortgage Corporation, 2002.
[20] Testimony of Assistant Secretary for Housing/Federal Housing Commissioner William Apgar before the House Committee on Banking and Financial Services, May 24, 2000.

households to buy higher priced and unnecessary loan products; treat loans for protected classes differently than those of comparably credit-worthy applicants; or have policies or practices that have a disproportionate effect on the protected classes.

In addition, the Truth in Lending Act (TILA) promotes the informed use of consumer credit, through disclosure of loan costs and terms. To comply with this act, lenders must disclose information about payment schedules, prepayment penalties, and the total cost of credit. In 1994, Congress amended the TILA in response to abusive lending practices. The new legislation, referred to as the Home Ownership and Equity Protection Act (HOEPA), provides new information to protect borrowers. HOEPA identifies a specific class of high-cost mortgage loans that may put consumers at risk of losing their homes. HOEPA requires disclosure of information if the annual percentage rate (APR) is ten percentage points above the prime or if fees are above eight percent of the loan amount. HOEPA also prohibits balloon payments for short-term loans. In addition, for covered loans, HOEPA provides a warning if the lender has a lien on the borrower's home and the borrower could lose the home if default on the loan payment.[21]

California was the second state to pass a law banning predatory lending (AB 489; as amended AB 344). The law enables state regulators and the Attorney General to attempt to prevent "predatory" lending practices by authorizing the State to enforce and levy penalties against licensees that do not comply with the provisions of this bill.

Subprime Mortgages

Subprime mortgages are defined as a type of mortgage that is normally made out to borrowers with lower credit ratings and higher risk applicants who may not qualify for prime mortgages. As a result of the borrower's lowered credit rating, a conventional mortgage is not offered because the lender views the borrower as having a larger-than-average risk of defaulting on the loan. Subprime mortgages are often characterized by high interest rates and less favorable terms.

The Role of Subprime Lending in the Foreclosure Crisis

Before the 1980s, borrowers obtained loans from banks that absorbed their risk of default. In the early 1980s, the banking industry began to shift, with federal agencies and other, non-traditional providers outpacing savings institutions and commercial banks in terms of mortgage debt held (Dymski 2007). Subprime lending was enabled by growth in the secondary mortgage market, a structure enabled and driven by financial services integration and liquidity (Dymski 2008b). No longer holding loans in-house, banks were more likely to respond to credit demand by engaging in risky practices, such as lending to people unable to make payments (Dymski 2007). A few banks' adoption of these more liberal practices led to a domino effect in the industry, with institutions

[21] Federal Reserve Governor Edward M. Gramlich, *"Pre*datory Lending" *Cascade* (Federal Reserve Bank of Philadelphia), Summer/Fall 2000.

competing to originate and quickly sell mortgages and others competing to buy them (Dymski 2007).

The subprime industry expanded during the 1990s, with the involvement of government sponsored enterprises (GSEs) such as Freddie Mac and Fannie Mae deepening during the early 2000s (Temkin et al. 2002). While about 8% of mortgage originations were subprime in 2003, about 20% were subprime in 2005 and 2006 (Joint Center for Housing Studies 2008a). Many of these had two- or three-year adjustable rates that deceived borrowers about a loan's affordability (also called "Exploding ARMs") (Schumer 2007).[22] In turn, interest only and payment option adjustable rates—which also have higher foreclosure risks—rose from a prevalence of 2% in 2003 to 20% in 2005 (Joint Center for Housing Studies 2008a). By 2006, over 90% of subprime loans had adjustable rates, 23% were interest-only, and 50% had no or low income documentation (Joint Economic Committee 2007). Low-income minorities and their communities received a disproportionately high share of subprime loans during this period.[23]

The availability of subprime and other non-traditional loans enabled homebuyers to borrow more, which sharply drove up prices and made later homebuyers want to borrow even more. Expensive housing markets, such as San Diego, San Jose, and Santa Cruz, had non-prime lending rates as high as 50% (Joint Center for Housing Studies 2008a). The subsequent decline in prices, however, frustrated risky borrowers' ability to refinance before rates reset. Those with negative equity—an estimated 11% of adjustable rate borrowers in 2005 and 24% in 2006—were especially vulnerable (Cagan 2007).

Subprime borrowers are more vulnerable to foreclosure than prime borrowers. An analysis of four-fifths of loans conducted by the Mortgage Bankers Association found higher foreclosure rates among adjustable rate subprime loans than adjustable rate prime loans (Joint Center for Housing Studies 2008a). While less than 1% of prime loans nationwide were in foreclosure in the fourth quarter of 2007, about 8.7% of subprime loans were in foreclosure (Joint Center for Housing Studies 2008a). Those with adjustable rates were particularly vulnerable to foreclosure (13.4% compared to 3.8%) (Joint Center for Housing Studies 2008a). By 2007, about 9.2% of subprime adjustable rate loans were in foreclosure, the highest percentage in the nation (Mortgage Bankers Association 2008).

[22] About 15% of loans originated in 2003 had adjustable rates, compared to close to 40% in 2004 (Joint Center for Housing Studies 2008a).

[23] According to Home Mortgage Disclosure Act (HMDA) data, between 2005 and 2007 one out of every two loans going to an African American community was subprime, as were 37% of those to Latino communities. This compares to about 20% of the loans received by predominately white communities—a difference that becomes somewhat weaker after controlling for variation in credit quality (Leonard 2008; Mallach 2008; Bocian et al. 2006). About 45% of loans originated in low-income minority neighborhoods in 2006 were subprime, compared to 27% nationwide (Joint Center for Housing Studies 2008b). A handful of studies published in the early 2000s examine the spatial characteristics associated with subprime lending and show that homeowners living in neighborhoods with older homes and higher capitalization rates and credit risk, as well as a higher proportion of African Americans, are more likely to hold subprime loans (Calem et al. 2004; Farris and Richardson 2004; Newman and Wyly 2004; NCRC 2003; Scheesseele 2002).

High-risk Lending Among Minorities

Among originated or approved loans, it is important to determine how many of these approved loans were high-risk or subprime loans for racial/ethnic minorities. Subprime mortgages are often characterized by high interest rates and less favorable terms. Subprime loans are also offered to higher risk applicants who may not qualify for prime mortgages. The following analysis examines California's rates of subprime loan lending, focusing on whether certain racial and ethnic groups have unusually high rates of subprime loans, which may be an indicator of lending discrimination.

For this report a subprime loan is defined as an originated loan with an interest rate at least three points above the Treasury Department rates. The data is limited to households that are purchasing a home as an owner-occupied unit for their principal residence. The subprime mortgage rate is the number of subprime loan divided by the number of originated loans.

Among originated or approved loans, it is important to determine the proportion of approved loans which were high-risk or subprime loans. The following analysis examines the rates of racial and ethnic groups to see if they have unusually high rates of subprime loans which may be an indicator of lending discrimination. California had 360,226 subprime loans - 23% of total approved loans. 'Blacks or African Americans' overall had the highest subprime rates (42%) while 'Non-Hispanic Whites' had the lowest subprime rates (13%). 'Asians' had a subprime rate of 14% while 'Hispanics or Latinos' had a subprime rate of 39%. Thus, 'Asians' and 'Non-Hispanic Whites' are the only two racial groups that have subprime rates lower than the State average.

Table 4-30
Subprime Loans by Region

	Total Subprime Loans	Total Subprime Rates	NHW Rates	Asian Rates	Black or African American Rates	Hispanic or Latino Rates
Greater Los Angeles Area	196,664	26.4%	14.4%	15.6%	43.7%	40.5%
San Francisco Bay Area	50,708	16.2%	9.0%	10.4%	38.9%	39.0%
Sacramento	24,570	19.6%	13.3%	17.8%	42.6%	36.1%
Central Valley	51,863	27.0%	16.0%	22.4%	41.9%	37.0%
San Diego County/MSA	23,213	17.0%	10.3%	12.6%	29.2%	32.6%
Central Coast	6,731	16.3%	9.4%	15.4%	24.0%	28.8%
Northern California	5,465	17.1%	14.3%	18.0%	40.4%	30.9%
Central Southern California	1,012	16.8%	15.2%	19.8%	32.0%	28.7%
California Statewide						

Below is a regional summary of subprime lending, highlighting where a specific racial group had the highest rate.

Greater Los Angeles Area: The Greater Los Angeles area had a total of 196,664 subprime loans and one of the highest subprime rates in the state (26%). 'Blacks or African Americans' had the highest subprime rates in the region (44 %) while 'Non-

Hispanic Whites' had the lowest subprime rate (14%). 'Non-Hispanic Whites' had the highest subprime rates in San Bernardino County (21%) and 'Asians' in Imperial County with 22%. 'Blacks or African Americans' had the highest subprime rates in San Bernardino County (48%). 'Hispanics or Latinos' had the highest rate of 44% in Orange County.

Bay Area: Out of all originated loans in the Bay Area, 16% were subprime loans, or 50,708 loans. 'Hispanics or Latinos' had the highest subprime rates in the region (39%) while 'Non-Hispanic Whites' had the lowest (10%). Relative to their ethnic/racial group, 'Non-Hispanic Whites', 'Asians', and 'Blacks or African Americans' had the highest subprime rate in Vallejo-Fairfield MSA (13%, 31% and 43%, respectively). 'Hispanic or Latino' households had the highest subprime rate of 41% in Alameda County.

Sacramento: With 24,570 subprime loans, Sacramento had a subprime rate of 20%. 'Blacks or African Americans' had the highest subprime rate in the region with 43% while 'Non-Hispanic Whites' had the lowest subprime rate at 13%. Relative to their ethnic/race groups, 'Non-Hispanic Whites' and 'Asians' had the highest subprime rates in Yuba County (16% and 28%, respectively). 'Blacks or African Americans' had the highest subprime rate in El Dorado County or 45%. 'Hispanics or Latinos' had the highest subprime rate in Sacramento County (39%).

Central Valley: This region had 51,863 subprime loans with a subprime rate of 27%. 'Blacks or African Americans' again had the highest subprime rate for the region while Non-Hispanic Whites had the lowest subprime rate (or 42% and 16%, respectively). Compared to all other regions, the rate for 'Asians' (22%) was highest in the Central Valley. 'Non-Hispanic Whites' had the highest subprime rate in Merced County (19%). Asians had the highest subprime rate in Madera County (32%). 'Blacks or African Americans' had the largest range of subprime rates in the region with highest rate of 47% in San Joaquin County. 'Hispanics or Latinos' had the highest subprime rate in San Joaquin County with 39%.

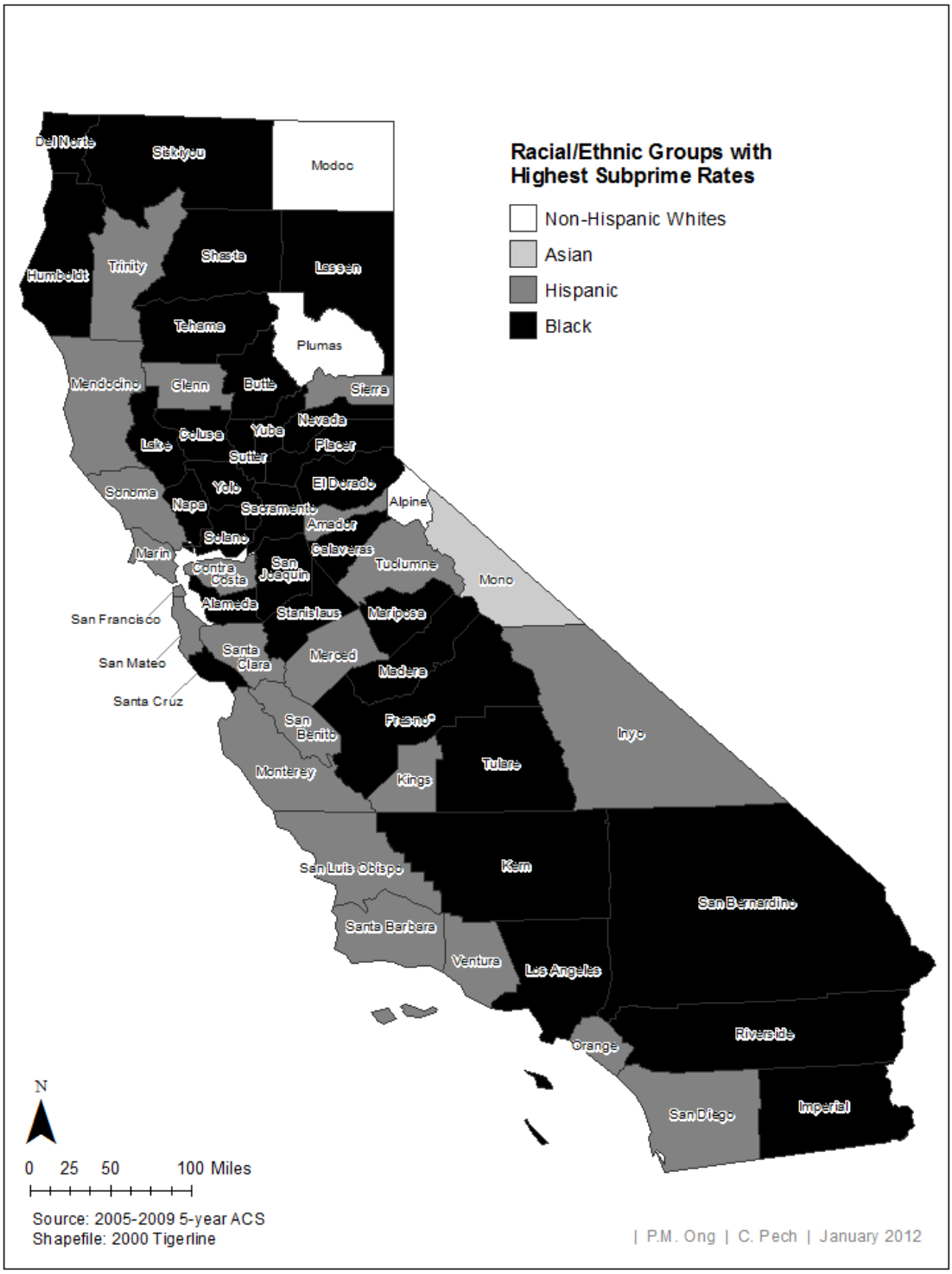
San Diego: With 23,213 subprime loans, San Diego had a subprime rate of 17%. 'Blacks or African Americans' had the highest subprime rate at 29% while 'Non-Hispanic Whites' had the lowest subprime rate at 10%, one of the lowest rates of a region. Asians and Hispanics or Latinos fell in-between, with subprime rates of 12% and 33%, respectively.

Central Coast: Compared to all other regions, the Central Coast had the lowest subprime rate in the State: 16% and 6,731 subprime loans. The overall subprime rates were also lower for the racial and ethnic groups. 'Hispanics or Latinos' had the highest subprime rate of 29% while 'Non-Hispanic Whites' had the lowest subprime rate at 9%. 'Non-Hispanic Whites' also had the smallest range of subprime rates in the region, from 10% in San Luis Obispo County to 9% in Santa Cruz County. 'Asians' had the highest rate of 22% in Monterey County; 'Blacks or African Americans' in Santa Cruz County (41%); and 'Hispanics or Latinos' had the highest rate of 30% in Monterey County.

Northern California: Northern California had one of the lowest numbers of subprime loans in the state with 5,465 subprime loans and a rate of 17%. 'Blacks or African Americans' had the highest subprime rate while 'Non-Hispanic Whites' had the lowest rate (or 40% and 14%, respectively). Non-Hispanic Whites had the highest rate in Trinity County or 24%. The other racial and ethnic groups had much greater ranges in subprime rates, in part because of the low number of subprime loans and originated loans in some smaller regions. Relative to their ethnic/race groups, 'Asians' had the highest subprime rate in Colusa County (with 45% and 9 subprime loans); 'Blacks or African Americans' also had the highest subprime rate in Colusa County (with 88% and 7 subprime loans); and 'Hispanics or Latinos' had the highest subprime rate in Sierra County (with 50% and 1 subprime loan). Data was not available for: 'Asians' in Modoc, Plumas, Sierra, and Trinity County; 'Blacks or African Americans' in Glenn, Modoc, Plumas, Sierra, and Trinity County; and 'Hispanics' in Plumas County.

Central Southern California: This region had the lowest number of subprime loans in the State, or 1,012 loans, and a rate of 17%. 'Blacks or African Americans' had the highest subprime rate while 'Non-Hispanic Whites' had the lowest rate (or 32% and 15%, respectively). The subprime rate for 'Non-Hispanic Whites' was highest in Calaveras County 17%, the highest rate in the state. Relative to their ethnic/race group, 'Asians' had the highest subprime rate in Mono County (with 3 subprime loans and a rate of 27%). 'Blacks or African Americans' had the highest subprime rate in Mariposa County (with 2 subprime loans and a rate of 67%). 'Hispanics or Latinos' had the highest subprime rate of 40% in Amador County (27 subprime loans).

Figure 4-31


Racial/Ethnic Groups with Highest Subprime Rates
Non-Hispanic Whites
Asian
Hispanic
Black
Del Norte
Siskiyou
Modoc
Humboldt
Trinity
Shasta
Lassen
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Lake
Colusa
Yuba
Placer
Sutter
Sonoma
Yolo
El Dorado
Napa
Sacramento
Alpine
Amador
Solano
Marin
Calaveras
Contra Costa
San Joaquin
Tuolumne
Mono
Alameda
Stanislaus
Mariposa
San Francisco
San Mateo
Santa Clara
Merced
Madera
Santa Cruz
San Benito
Fresno
Inyo
Monterey
Kings
Tulare
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Riverside
Orange
San Diego
Imperial
N
0 25 50 100 Miles
Source: 2005-2009 5-year ACS
Shapefile: 2000 Tigerline
| P.M. Ong | C. Pech | January 2012

Foreclosure and Lending Patterns
Summary Highlights

Foreclosures

- During the peak of the housing crisis, California experienced one of the highest home foreclosure rates in the country.
- Rapid home value appreciation, coupled with decreased real household income growth, placed an additional financial burden on homeowners.
- During 2005-2010, about 530,000 total homes foreclosed in California, or 7% of all owner-occupied housing units. The Central Valley had the highest overall foreclosure rate in the state (17%) while Northern California and Central Southern California had the lowest rates (both with about 5%).
- The number of California homes going into foreclosure dropped at the end of the fourth quarter of 2010 to its lowest level in more than three years (169,574 total foreclosed homes) and to a four-year low of 56,377 foreclosures in the first quarter of 2011.

Lending Patterns

- Blacks or African Americans had the lowest parity indices of originated loans. However, they applied for loans at relatively proportional parity indices. However, this group also had the highest denial rates and highest subprime rates of any racial or ethnic group. Thus, one reason that Blacks or African Americans may not have equal access to housing loans is in part because they experience the greatest rate of denials. Furthermore, if they do receive loans, almost half of the loans in many regions are subprime loans.
- Non-Hispanic Whites had relatively fair access to housing loans and had lower parity indices of loan applications compared to the other racial groups. Non-Hispanic Whites also had the lowest denial rates and subprime rates of any group.
- Hispanics or Latinos had relatively fair access to housing loans and applied at somewhat high parity indices. However, they had the second highest denial rates and subprime rates overall.
- Asians also had relatively fair access to housing loans and applied for loans at high parity indices. In some regions, Asians faced high denial rates and subprime rates. Outcomes for both Hispanics or Latinos and Asians varied depending on the population size and geographic location
- Subprime lending disparities for communities of color became foreclosure disparities. The observed disparities in lending patterns correlate with the impacts of the region's foreclosure crisis. The enormous costs of foreclosures - to families who lose their homes as well s to cities and towns losing tax resources - have been greatest for communities of color.

Appendix I
Methodologies Used in Analyses

Mortgage Applications

To calculate the parity values, the proportion of loan applications by a specific group from the total number of loan applications was determined and divided by the proportion of households for the group from the total households in a region. For example, to calculate the parity value for Asian loan applicants in a Sacramento County, the following formula was used:

$$\frac{\text{Number of Asian Loan Applicants in Sacramento County}}{\text{Number of Total Loan Applicants in Sacramento County}} \div \frac{\text{Number of Asian Households in Sacramento County}}{\text{Number of Total Households in Sacramento County}}$$

A parity value of 1.00 was used as a benchmark and demonstrates that the proportion of Asian households that applied for loans was equal to the proportion of Asian households for a region. For example, if there are 12% Asians in the region and the parity index is 1.00, then 12% of the loans originated are by Asian households. If the parity value is greater than 1.00, then Asian households applied for loans at a higher proportion relative to the total number of Asian households in a region. Also, parity values greater than 1.00 indicate that Asian households are accessing housing loans at relatively greater levels. If the parity value is less than 1.00, then Asians applied for loans at a lower proportion than all Asian households in a region. Thus, Asian households are not applying as much for housing loans and fare worse in accessing these resources.[24]

Mortgage Originations

The parity index is calculated by determining: (1) the proportion of originated loans for a specific group with respect to the total number of originated loans, and dividing this by (2) the proportion of households for this one group with respect to the total number of households in a region. For example, to calculate the parity value for Black or African American households in Los Angeles County, the following formula was used:

$$\frac{\text{Number of Blacks or African Americans who Received Originated Loans in Los Angeles County}}{\text{Number of Total Originated Loans in Los Angeles County}} \div \frac{\text{Number of Black or African American Households in Los Angeles County}}{\text{Number of Total Households in Los Angeles County}}$$

A parity value of 1.00 was used as a benchmark and represents when Black or African American households have the same proportion of originated loans relative to their proportion of households in the region. For example, if there are 8% of Blacks or African American households in the county and the parity index is 1.00, then 8% of loans are originated by Blacks or African Americans. For any parity value that is higher than 1.00, then Black or African American households have a higher proportion of originated loans

[24] Note that small numbers of applications and/or population may provide misleading parity indices.

relative to their proportion of households in the county. Thus, Black or African American households have greater access to housing loans. If the parity value is less than 1.00, then they have a lower proportion of originated loans relative to their proportion of households in the county and thus have less access to loans.[25]

Mortgage Denial Rates

Mortgage denial rates were calculated by determining the quotient of denials for a group divided by the sum of denials and originated loans for a specific racial or ethnic group. Subprime mortgage rates are a percentage of originated or approved loans.

[25] Note that small numbers of loans and/or population may provide misleading parity indices.