

City of Chattanooga  
Fair Housing Grant Data  
*Summary of Findings*

**January 2005**

Prepared by:  
*Community Research Council*

## Introduction

This report uses data from the Hamilton County Register of Deeds, the Department of Housing and Urban Development (HUD), and Federal Financial Institutions Examination Council (Home Mortgage Disclosure Act (HMDA) data) to examine the percentage of foreclosures, the percentage of loan denials, and the growth in subprime lending based on both the racial composition and income levels of Hamilton County census tracts. The term “subprime” usually refers to loans made to borrowers who have low credit ratings, but it also includes loans with very high loan-to-value loans. Following are the definitions used to categorize census tracts based on race and income levels:

### Income Levels

Low income - tracts with incomes less than 50% of MSA median income.  
Moderate income - tracts with incomes between 50-80% of MSA median income.  
Middle income - tracts with incomes between 80-120% of MSA median income.  
Upper income - tracts with incomes greater than 120% of MSA median income.

### Racial Composition

High minority - tracts with over 50% minority (non-white).  
Moderately high minority - tracts with 20-50% minority.  
Moderately low minority - tracts with 10-19% minority.  
Low minority - tracts with less than 10% minority.

Using subprime lender data from the *Department of Housing and Urban Development (HUD)* in combination with foreclosure data from the *Hamilton County Register of Deeds*, we examine the growth of subprime lenders' share of foreclosures from 2000 to 2003 based on both the racial composition and income levels of Hamilton County census tracts.

-From 2000 to 2003, overall foreclosures and subprime foreclosures increased. However, the subprime share of foreclosures went down from 2000-2003 in all demographic categories with the exception of *high minority* census tracts and *upper income* census tracts, where the subprime share rose by 1.5% and 0.4% percentage points, respectively.

*Home Mortgage Disclosure Act (HMDA)* data is used to explore the relationship between loan denials and the demographic composition of Hamilton County census tracts.

-We find home purchase loan denials *decreased* in all demographic categories except in *high minority* census tracts where the denial percentage rose from 21.9% to 23.3%. Refinance/home improvement loan denials *increased* in all demographic categories, with the exception of the *moderately-low minority* census tracts.

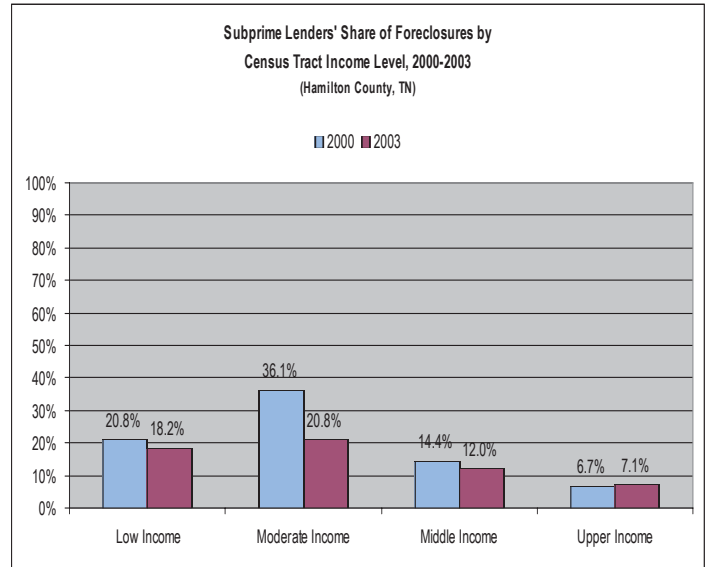
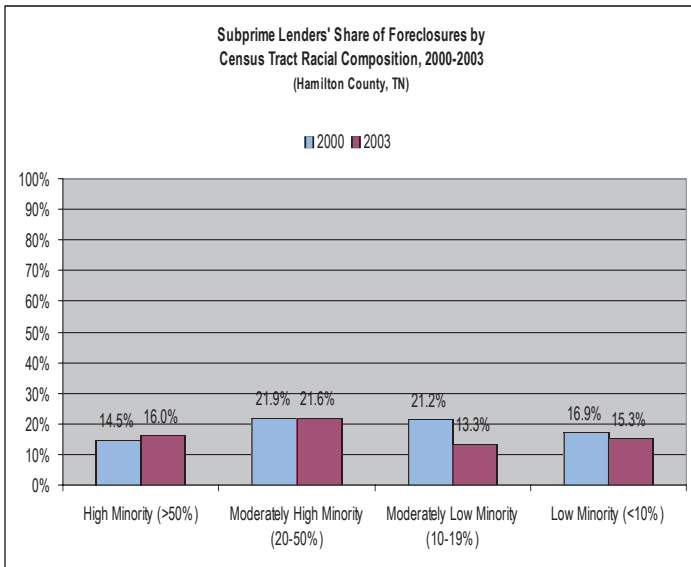
HMDA data is also used in combination with HUD's subprime lender data to determine the subprime share of loan originations from 1997 to 2002. In order to understand the distribution of subprime lender activity, we subdivide originations into *home purchase* originations and *refinance/home improvement* originations.

-We find the subprime share for *all types* of originations decreased in all demographic categories with the exception of the *upper income* tracts, where there was an increase of 0.4%. The subprime share for refinance/home improvement originations decreased in all demographic categories. However, the subprime share for home purchase originations *increased* for all demographic categories, with the exception of the *moderately-low minority* census tracts.

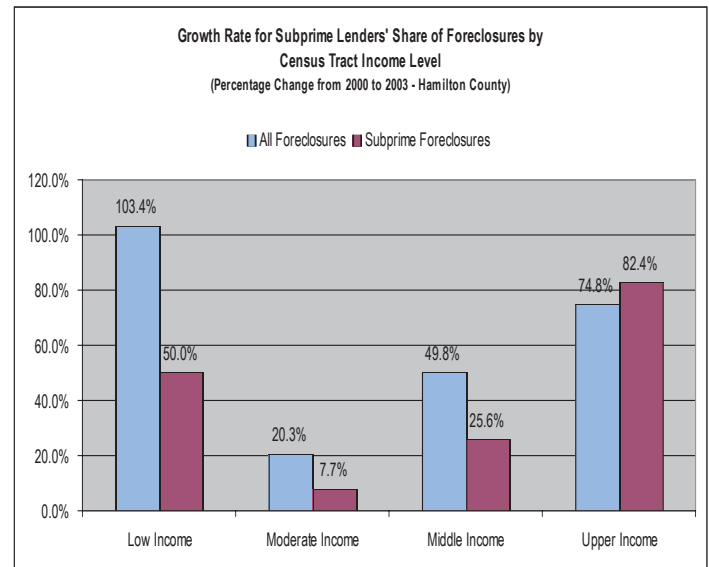
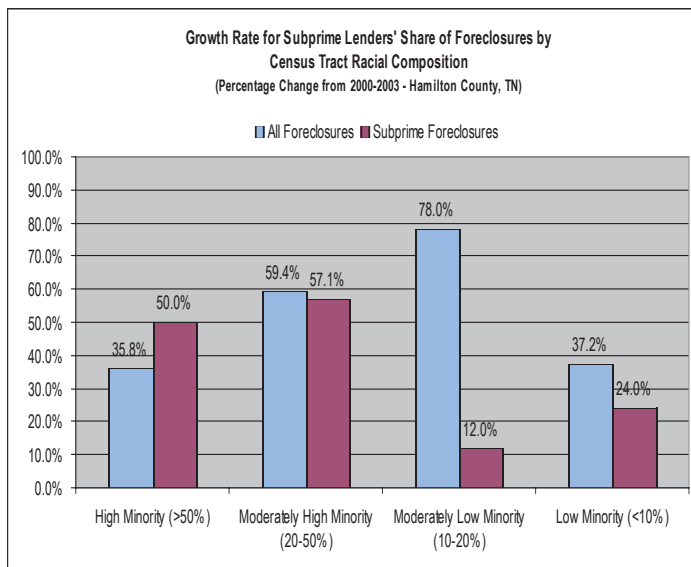
# Subprime Lenders' Share of Foreclosures in Hamilton County, 2000-2003

The subprime lenders' *share* of foreclosures decreased from 17.7% to 15.8% for Hamilton County as a whole from 2000-2003. However, the growth in total number of foreclosures with a subprime lender increased by 33.3% - compared to a 48.9% growth rate for all foreclosures.

Although the subprime share of foreclosures in moderately-high minority tracts and in low to moderate income tracts *decreased* from 2000-2003, it was still greater than that of Hamilton County as a whole. There was an *increase* in subprime foreclosures for high minority tracts and upper income tracts.



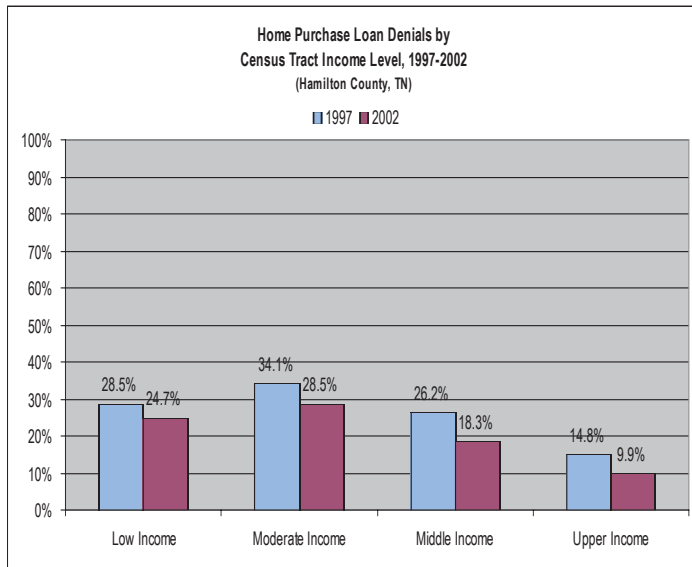
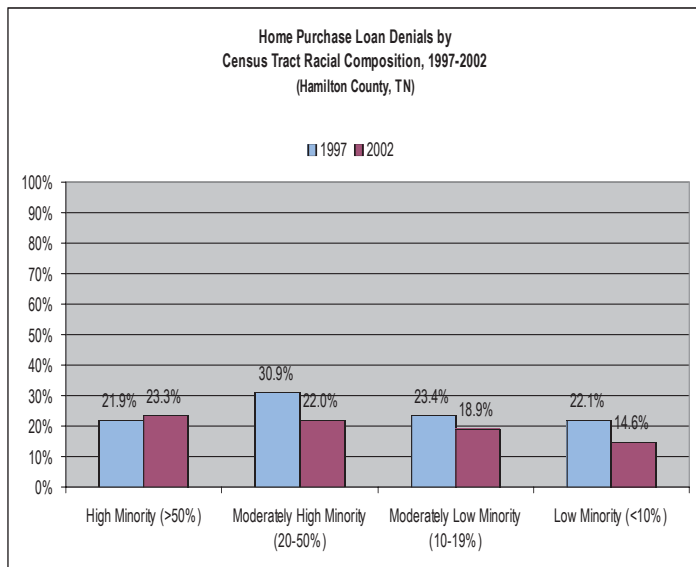
The growth rate in total number of foreclosures with a subprime lender was *greater* than that of the County in low and upper income census tracts, as well as high to moderately-high minority census tracts. In fact, the subprime foreclosure growth rate surpassed the overall foreclosure growth rate in high minority tracts and upper income tracts.



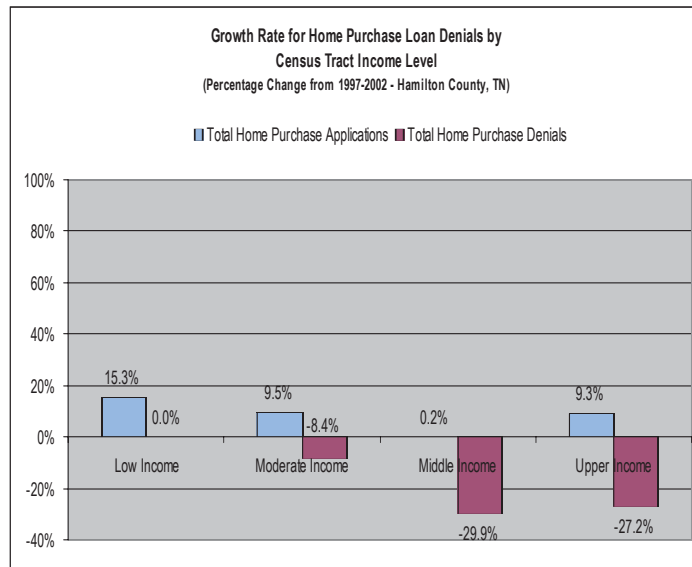
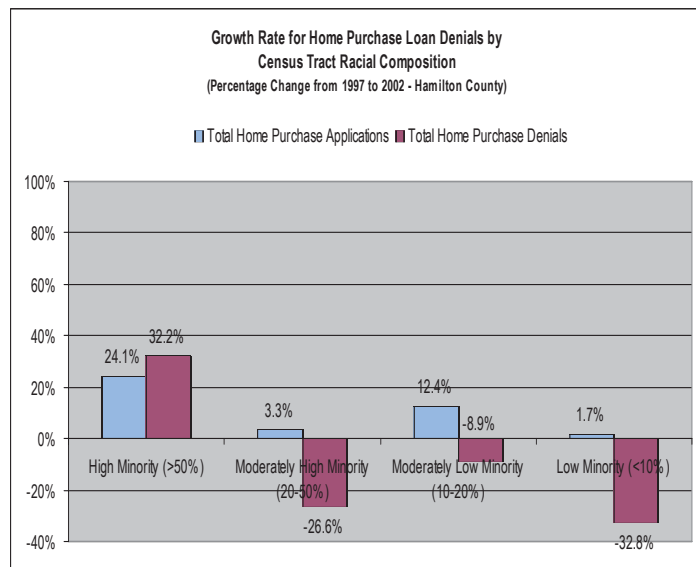
# Home Purchase Loan Denials in Hamilton County, 1997-2002

The percentage of denials for home purchase loans *declined* from 23.1% in 1997 to 16.4% in 2002 for all of Hamilton County. And while the total number of home purchase applications increased by 4.3% from 1997 to 2002, the total number of denials decreased by 26%.

The percentage of home purchase loan denials also *decreased* in each demographic category with the exception of the high minority tracts where the percentage of denials *increased* from 21.9% to 23.3%. In 1997, the high minority tracts had the lowest percentage of denials, while in 2002 these tracts had the highest percentage of denials in the racial composition demographic category. The moderate income tracts have the highest overall denial percentage for 2002 (28.5%)



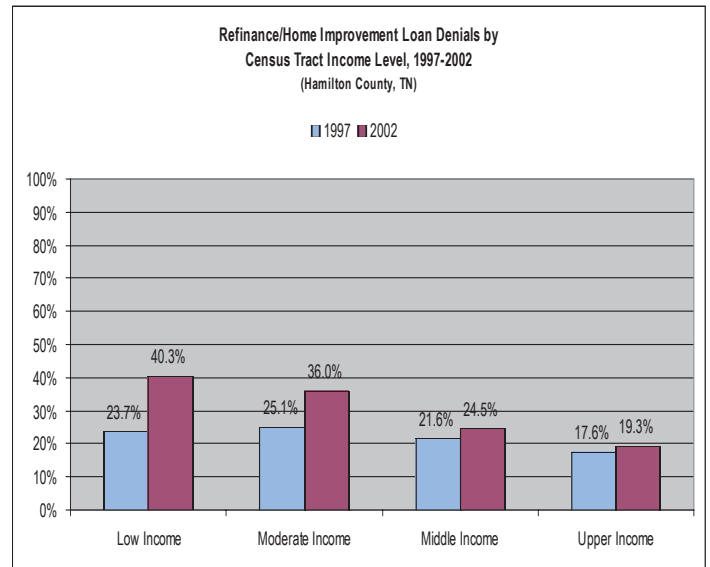
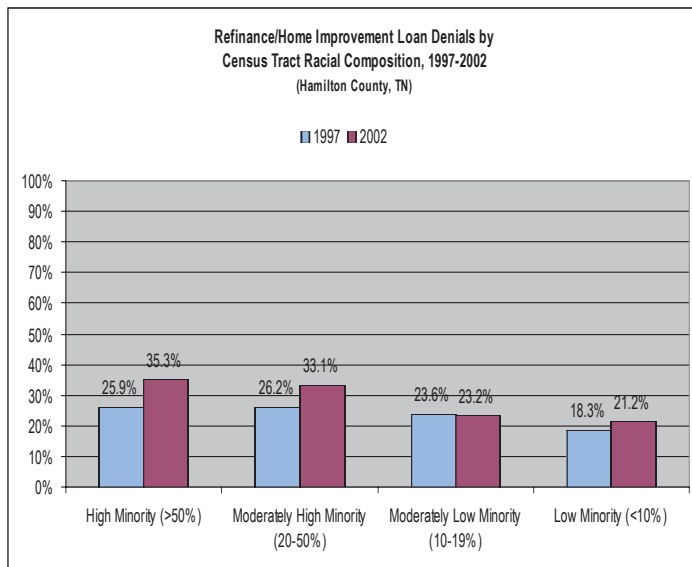
The growth rate for total number of home purchase denials declined in all demographic categories with the exception of the high minority tracts whose growth rate for home purchase denials was even greater than the growth rate for all home purchase applications.



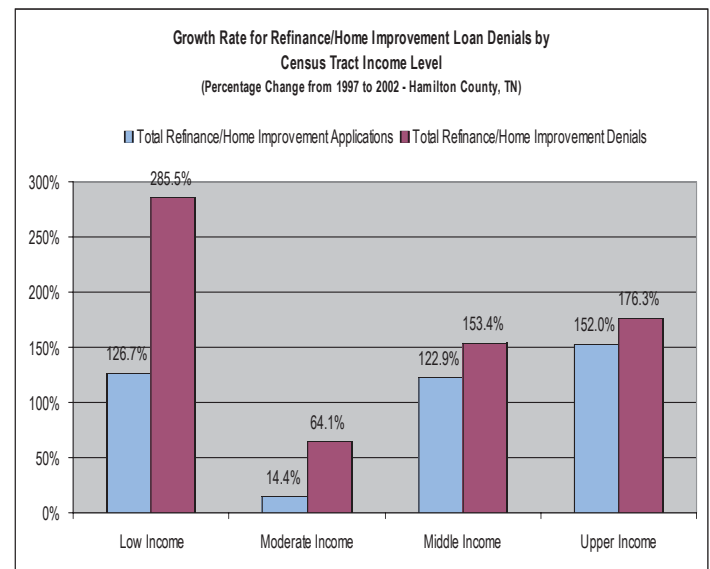
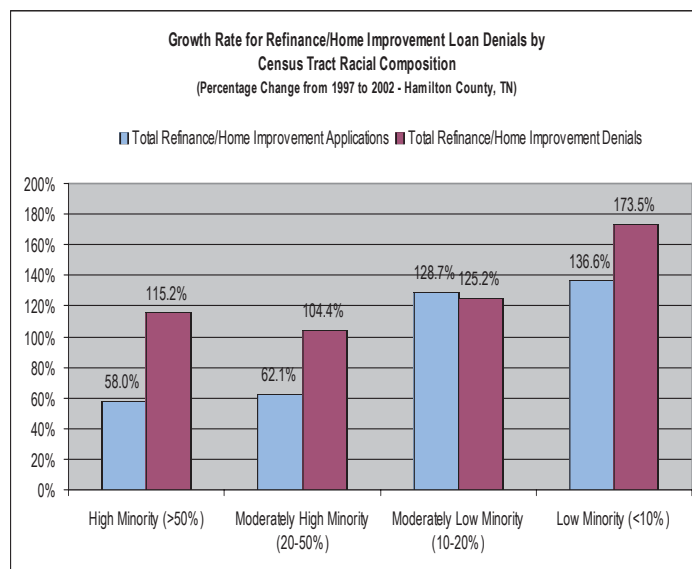
# Refinance/Home Improvement Loan Denials in Hamilton County, 1997-2002

The percentage of denials for refinance/home improvement loans *increased* from 21.2% in 1997 to 24.4% in 2002 for all of Hamilton County. The growth rate for total number of refinance/home improvement applications was 112.3%, while the growth rate for total number of refinance/home improvement loan denials was 144.5%.

The percentage of refinance/home improvement loan denials *increased* in all demographic categories from 1997 to 2002, with the exception of the moderately-low minority census tracts. The low and moderate income census tracts had the highest percentage of denials.



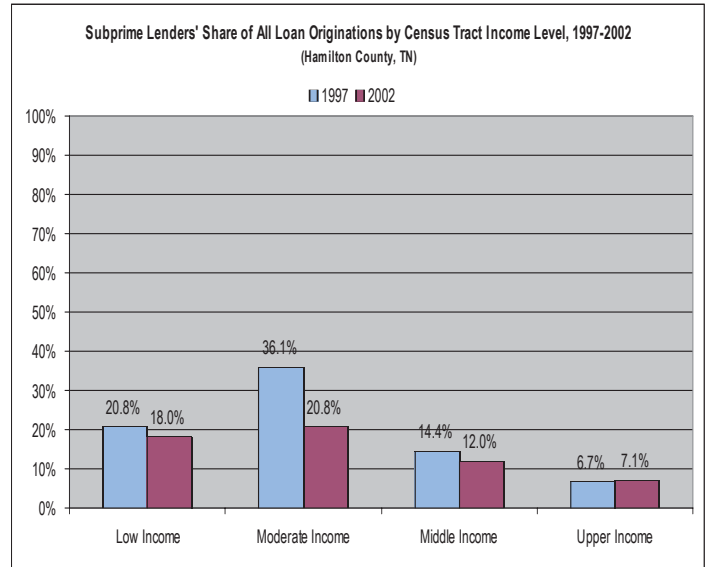
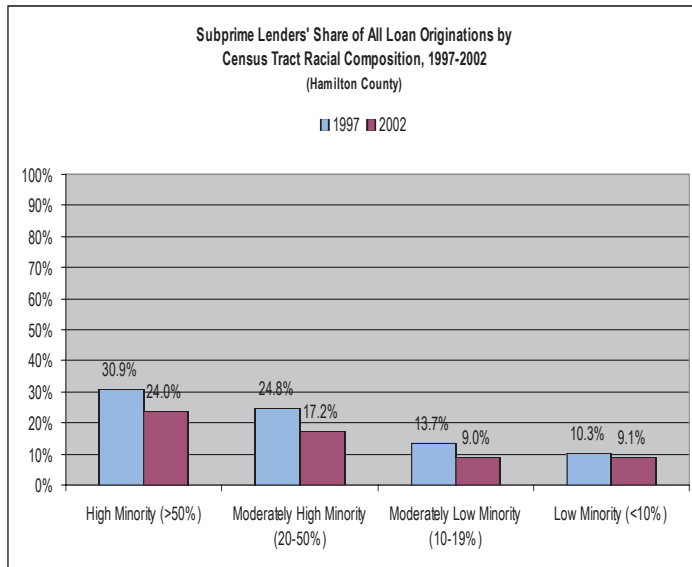
The growth rate for total number of refinance/home improvement loan denials was greater than the growth rate for refinance/home improvement applications in all demographic categories, with the exception of the moderately-low minority tracts. The low income census tracts had the highest growth rate in denials (285.5%).



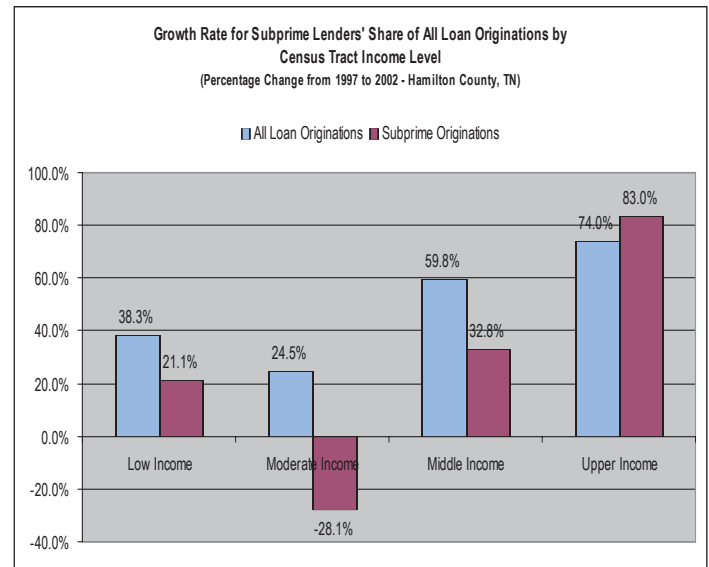
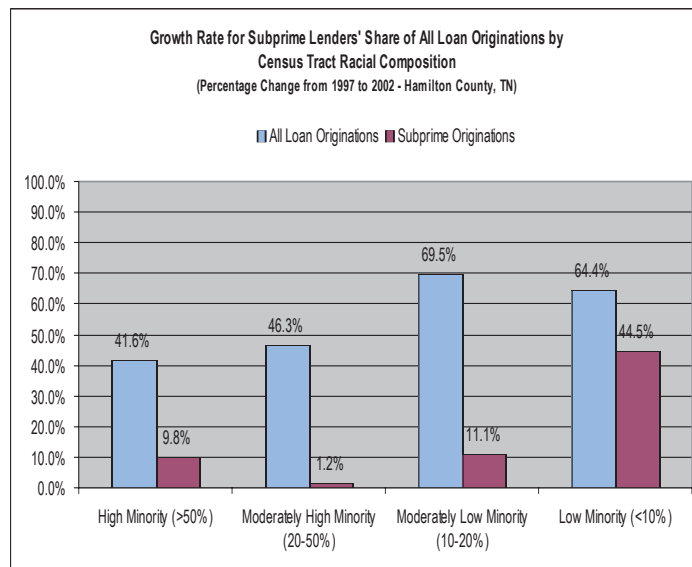
## Subprime Share of All Loan Originations for Hamilton County, 1997-2002

The share of all originations accounted for by subprime lenders declined from 13.7% to 10.8% for all of Hamilton County between 1997-2002. However, the growth rate in total number of loan originations by subprime lenders grew by 27.1%, while the growth rate for all loan originations grew by 61.2%.

The largest subprime share of originations are found in the low to moderate income tracts and the high minority tracts. In fact, in high minority tracts the subprime share of originations (24.0%) is almost triple that of the subprime share in the low minority tracts (9.1%). The same holds true between the low to moderate income tracts (18-20.8%) and the upper income tracts (7.1%).



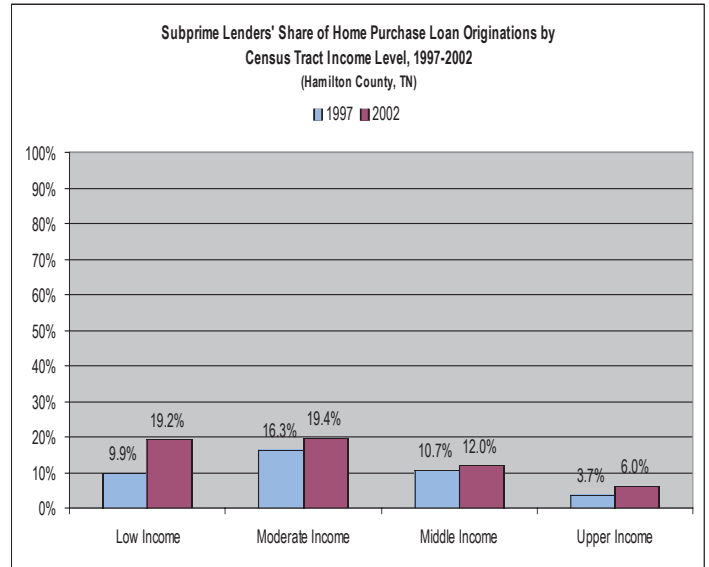
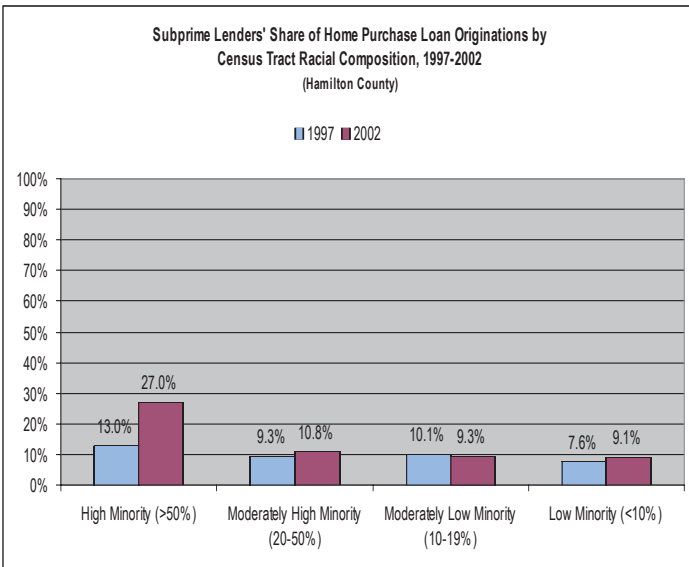
The largest growth in subprime lending occurred in upper income and low minority census tracts. Subprime lending grew by 83% in upper income census tracts and by 44.5% in low minority census tracts.



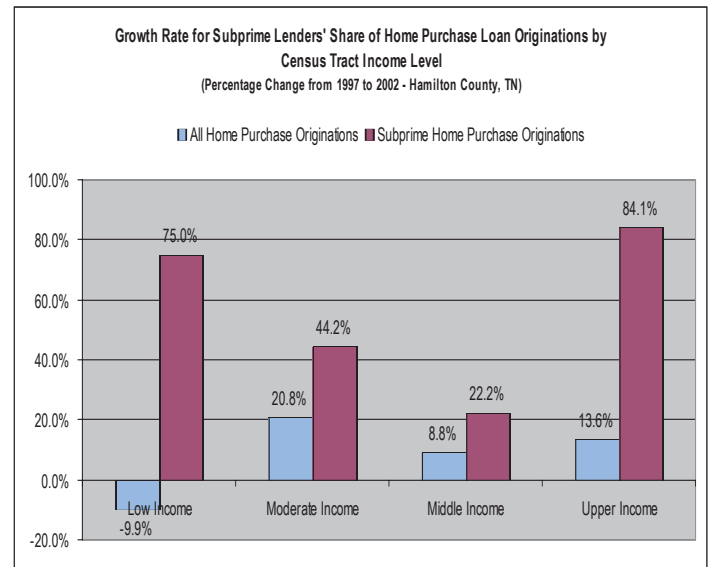
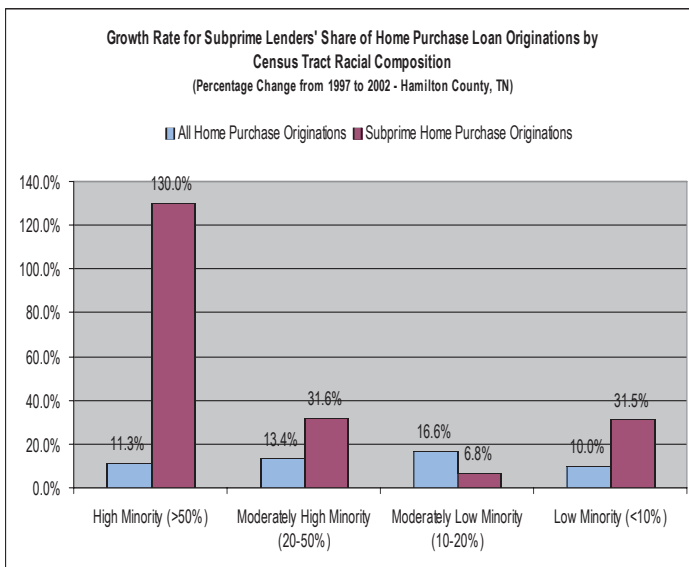
# Subprime Share of Home Purchase Loan Originations for Hamilton County, 1997-2002

The share of home purchase originations accounted for by subprime lenders increased from 8.3% to 10.2% from 1997 to 2002. The growth rate for total number of home purchase loan originations grew by 36.6%, which is compared to only an 11% growth rate for all home purchase originations.

The subprime share of home purchase originations in the low to moderate income tracts was more than triple that of the subprime share in the upper income tracts. The subprime share in the high minority tracts more than doubled from 13% to 27%, which is triple that of the subprime share in the low minority tracts (9.1%).



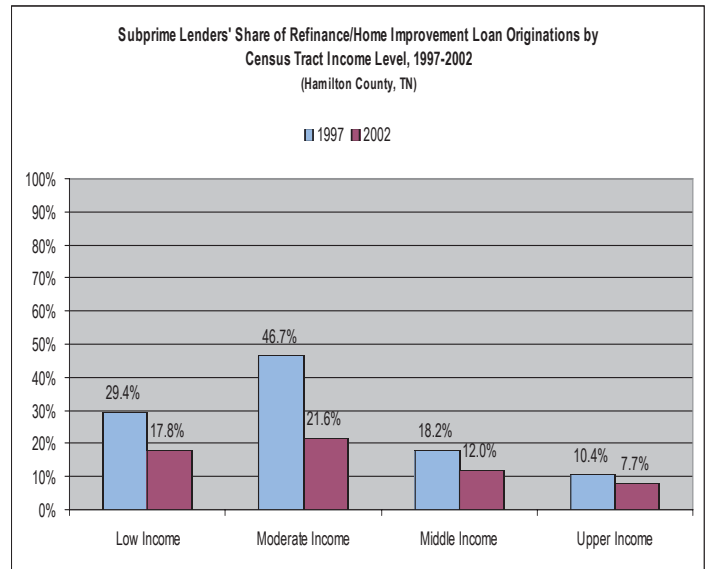
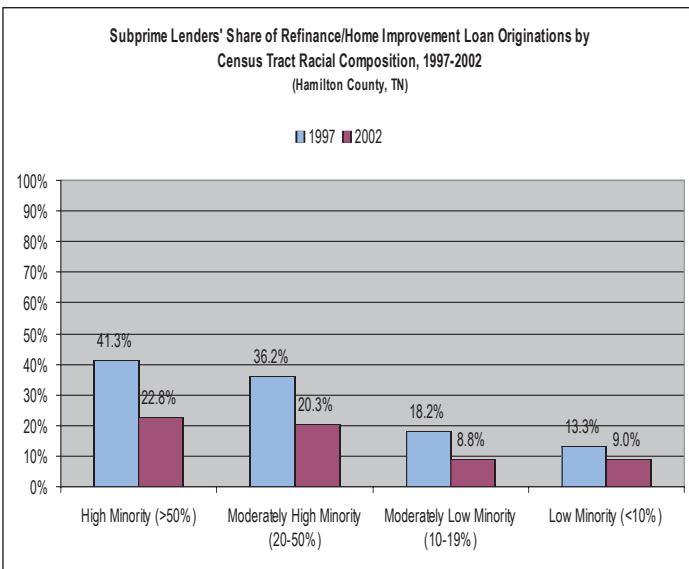
The largest growth for subprime home purchase originations occurred in the low income and high minority tracts, with growth rates of 75 and 130%, respectively. The upper income tracts also showed significant growth rates in subprime lending, although their share of home purchase originations accounted for by subprime lenders was still only 6%.



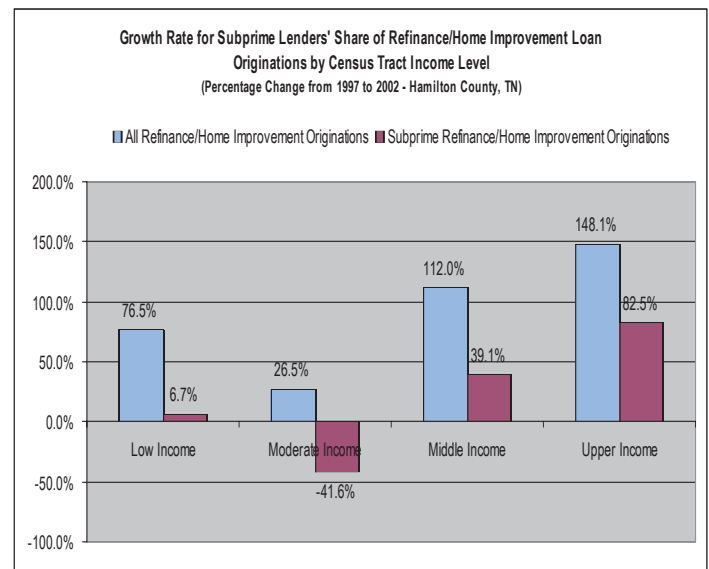
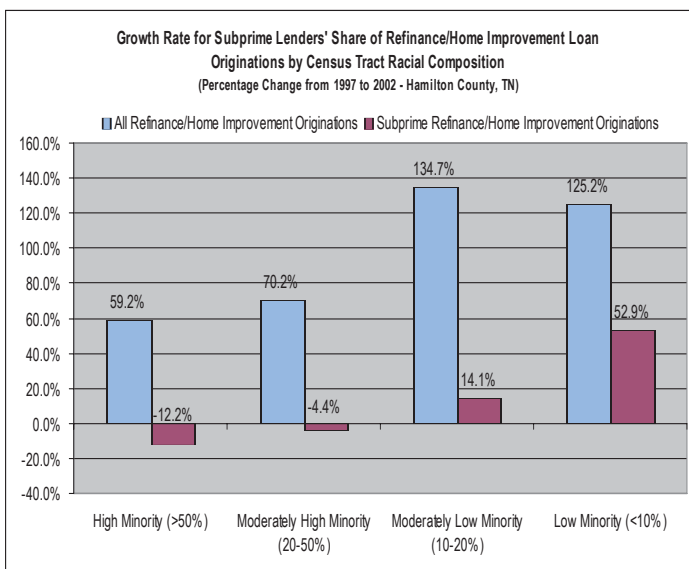
# Subprime Share of Refinance/Home Improvement Loan Originations for Hamilton County, 1997-2002

Refinance/home improvement loan originations by subprime lenders grew by 22.9% between 1997 and 2002 for all of Hamilton County, but that is compared to a growth rate of 112.7% for all refinance/home improvement originations. However, the subprime share of these originations declined from 19.3 to 11.1%.

While the subprime share of refinance/home improvement originations declined for all demographic categories, the subprime share in high to moderately-high minority tracts and low to moderate income tracts was more than double that of the subprime share in the tracts with fewer minorities and more wealth.



The growth rate for subprime lending in refinance/home improvement originations declined in high to moderately-high minority tracts and moderate income tracts, and grew modestly in all other demographic categories.



**Notes:**

The data contained in this report originates from the following sources:

1. Home Mortgage Disclosure Act (HMDA), 1997-2002
2. Department of Housing and Urban Development, Subprime & Manufactured Home List, 1997 & 2002
3. Hamilton County Register of Deeds, Trustee Deeds, 2000-2003

1990 census tracts were in use for the 1997-2002 HMDA data. Therefore, they do not correspond exactly to 2000 census tracts. 2000 census tracts were used for the 2000-2003 Trustee Deed (foreclosure) data.