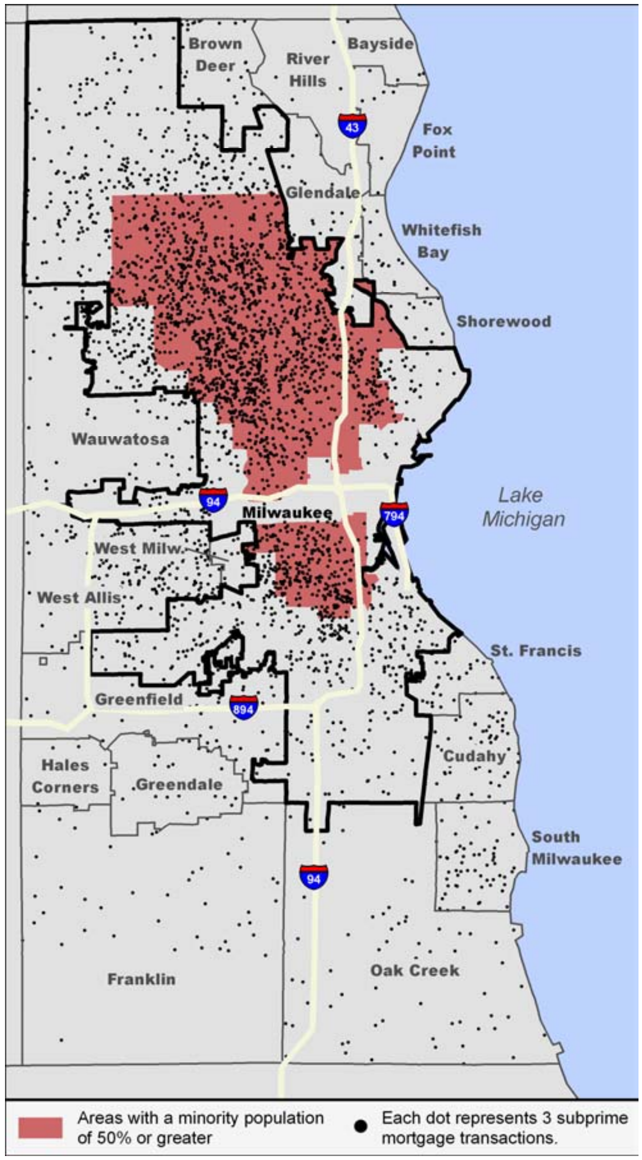
Legal Action of Wisconsin Report on Mortgage Lending Practices in Milwaukee County
Part Two



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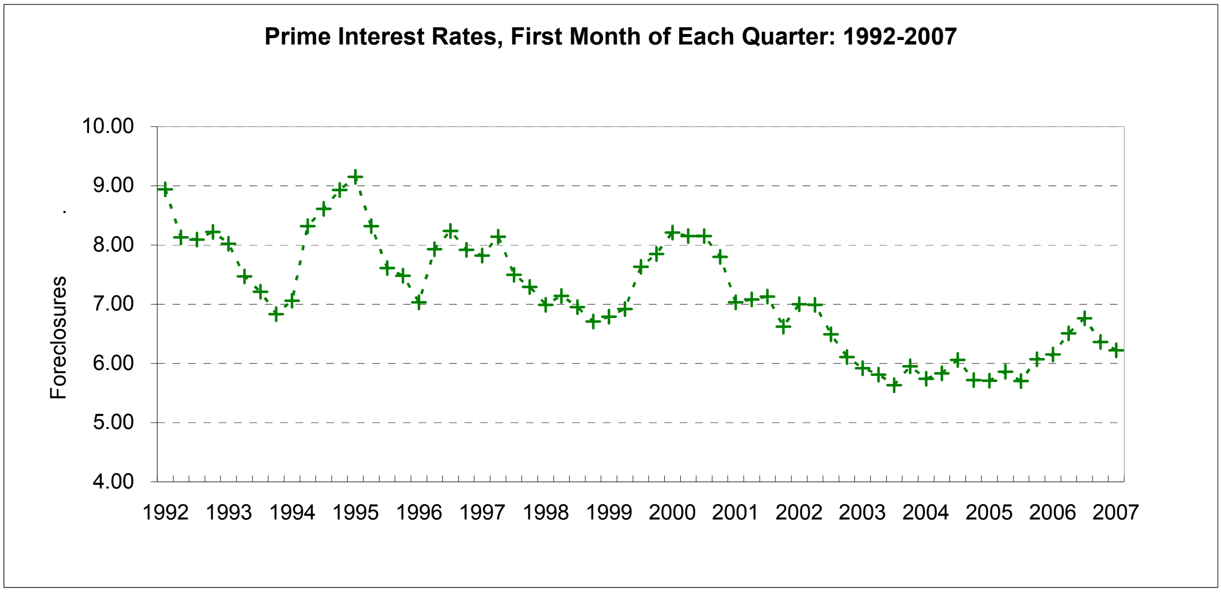
Legal Action of Wisconsin Report on Mortgage Lending in Milwaukee County: Part Two

This analysis prepared for Legal Action of Wisconsin as part of its examination of housing issues facing low-income residents identifies refinancing loans, subprime lending and other mortgage practices affecting employed and retired families in Milwaukee County. The publication examines 420,633 mortgage loans issued in Milwaukee County, including 49,180 loans issued by subprime lenders, for the period from 1993 through 2001 and 2003 through 2005, using the last available Home Mortgage Disclosure Act (HMDA) data files. A companion report, **Legal Action of Wisconsin Report on Milwaukee's Housing Crisis: Evictions, Foreclosures and Subprimes: The Housing Crisis in Milwaukee's Working Poor Neighborhoods** (online at www.eti.uwm.edu), assessed low-income populations with housing legal needs related to evictions, foreclosures and mortgage practices in low-income households throughout Milwaukee County.

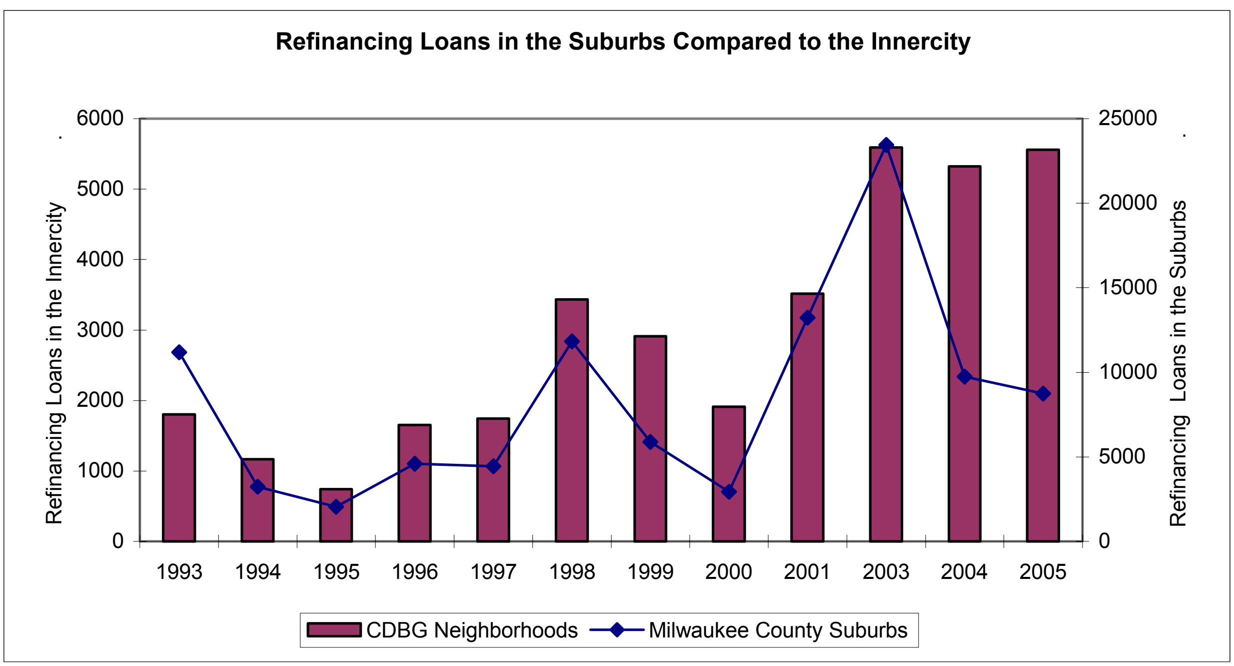
Contents

Findings

1. For each year since 2000 refinancing mortgages have exceeded the number of new home purchases in the county. Some borrowers refinance to take advantage of more favorable interest rates, to shorten or lengthen the time of their mortgages, or to move from an adjustable-rate mortgage to a fixed-rate loan. Refinancing activity increased in 1998 and again in 2003 and 2004 as interest rates dropped below the levels in place when many homeowners had previously purchased their homes.

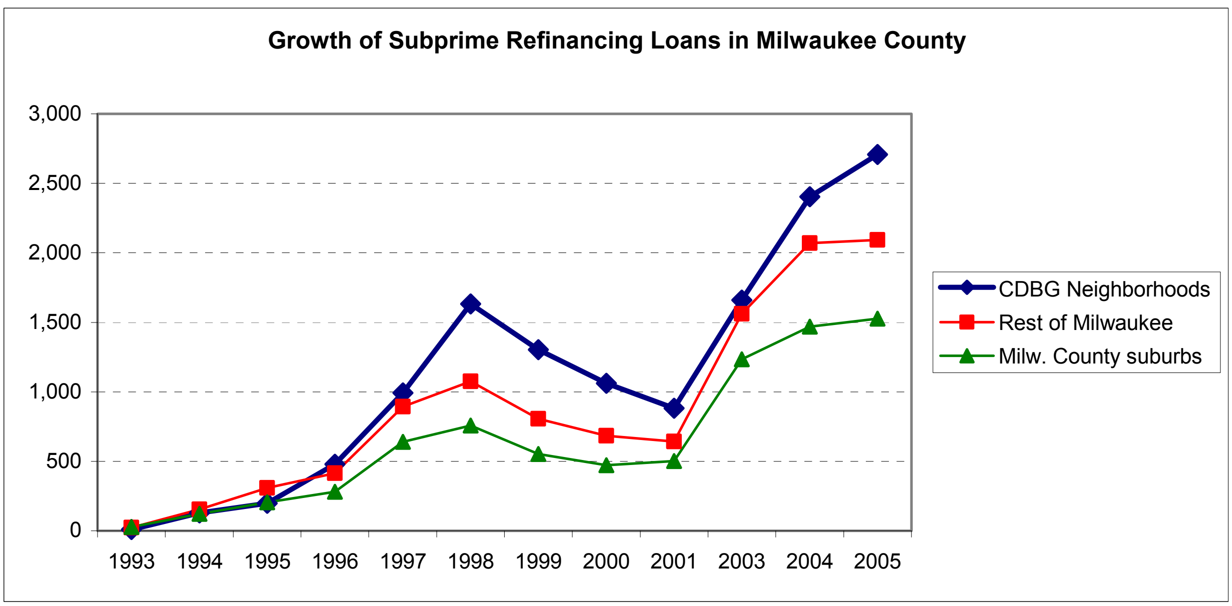


2. Of particular concern are refinancing loans where home owners take out new mortgages to obtain cash for credit card and other debt obligations. Central city residents, whose full value housing assessments have reported increases of $25,000 to $60,000 or more in the last six years, have been targeted for refinancing loans. For lower-income residents refinanced mortgages offer new found cash and illusory relief for consolidating credit card and other debts, but put owners' entire home equity in jeopardy if they cannot make their payments. The CDBG neighborhoods recorded over 5,000 refinancing loans a year to owner occupants from 2003 through 2005.



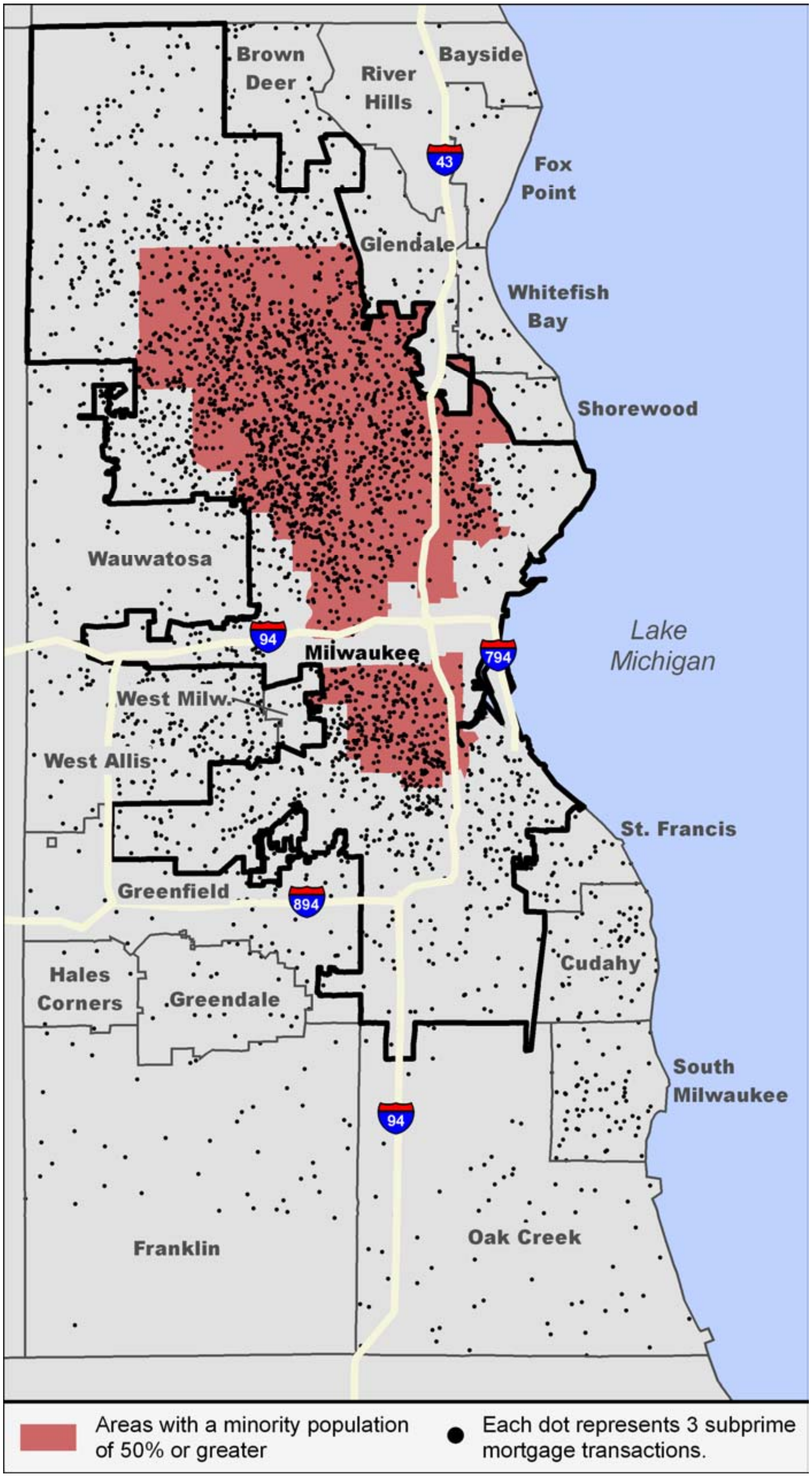
3. The number of refinancing loans issued in the Milwaukee County suburbs peaked in 2003 and then decreased in 2004 and 2005. Refinancing loans in the suburbs more closely mirrored market interest rates, with the number of loans peaking in 1993, 1998 and 2003, when homeowners found more favorable interest rates through refinancing. In the CDBG neighborhoods, however, the number of refinancing loans remained very high in 2004 and 2005, suggesting that many loans were taken to obtain needed cash or to restart an ARM mortgage which the homeowner could no longer afford.

4. While suburban property owners show the highest number of refinancing loans, the largest numbers of refinancing mortgages using subprime loans occur in the CDBG neighborhoods, where 2,707 subprime refinancing loans were reported in 2005 alone. Another 2,092 subprime refinancing loans were issued in the rest of the City of Milwaukee compared to only 1,527 in the Milwaukee County suburbs. These high-risk loans (totaling $711 million in 2005) to high-risk borrowers are often taken to gain equity income from rising housing prices or to forestall foreclosure on an existing mortgage that the homeowner cannot afford and likely represent the greatest threat to Milwaukee's housing stock as the subprime lending crisis deepens.



5. Subprime lending is taking place throughout Milwaukee County, as shown in the map below. Residents in the poorest minority areas of the city, however, are frequently the targets of subprime lending.

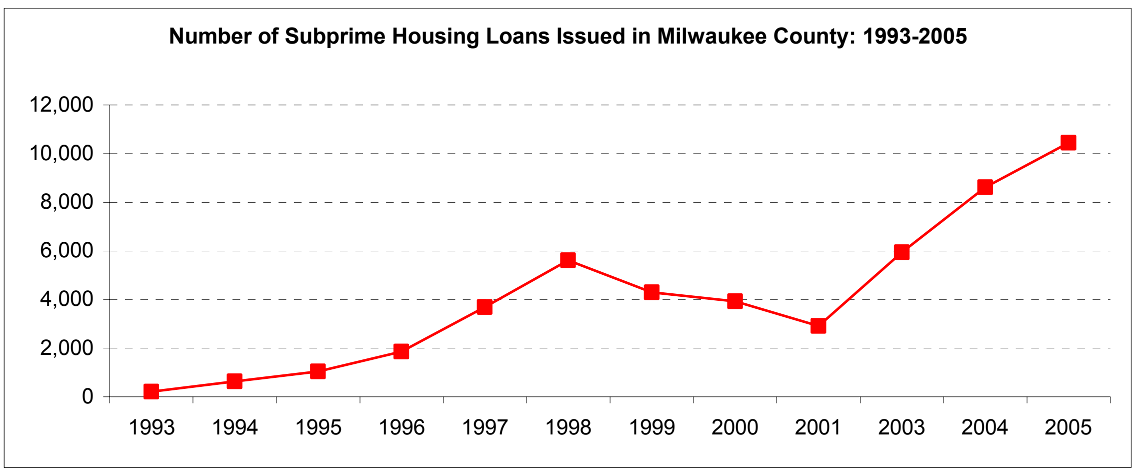
Subprime Transactions in Milwaukee County: 2004 and 2005



Source: UWM Employment and Training Institute analysis of HMDA data.

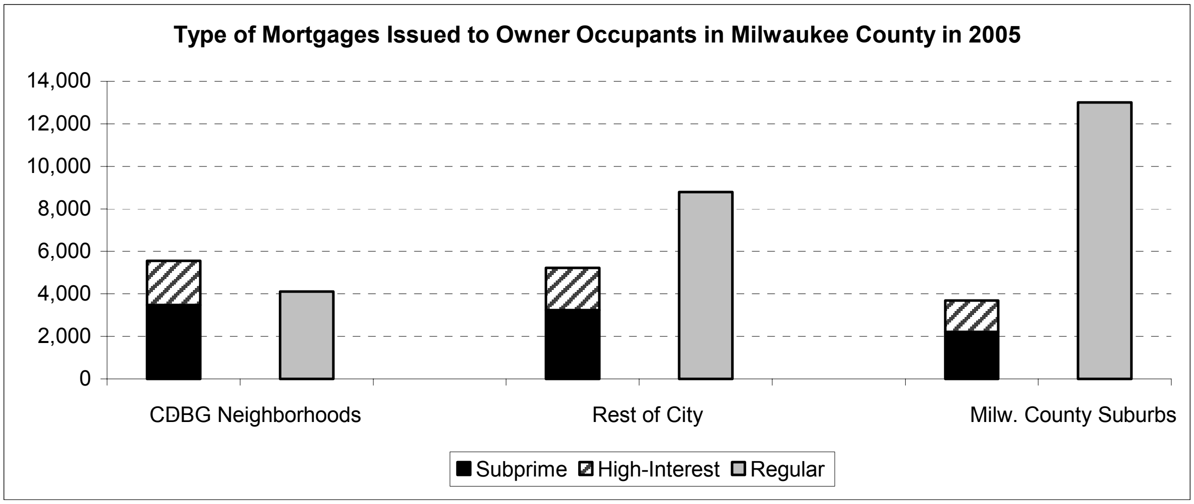
6. A number of the subprime lenders operating in Milwaukee County have recently been reported as having serious financial problems, facing bankruptcy, or under investigation by government agencies in other states. [1] In 2003 through 2005, the last three years available, a total of 92 subprime lenders (as identified by the Department of Housing and Urban Development) issued 25,009 loans in Milwaukee County worth over $2 billion, compared to only 206 subprime loans in 1993 worth $7.7 million.

7. The two categories of high risk loans -- subprime loans (22%) and high-interest loans (14%) -- made up over a third (36%) of the mortgage loans issued for owner occupants in 2005 in Milwaukee County. The growth of these costly high risk mortgages has been fueled by dramatic and suspect increases in the appraised value of housing -- even in the poorest neighborhoods, and promotion of adjustable rate mortgage (ARM) loans for cash-strapped residents. Subprime loans are typically made to individuals with poor credit histories, offer less favorable terms of repayment (often with low initial interest rates escalating into higher payment schedules 2-3 years after the mortgage is issued), may involve high fees and prepayment penalties, often do not include escrow accounts for property taxes and insurance, and may not verify the income and ability of the borrower to meet the payments.



[1] More than 30 subprime lenders have stopped operations or been sold because of increasing delinquencies from subprime loans (Boston Globe, April 20, 2007). In January 2006 Ameriquest Mortgage Company agreed to pay a $325 million settlement to 49 states and to reform its lending practices. (Wis. Department of Justice press release, January 23, 2006). In March 2007, Argent Mortgage announced plans to cut hundreds of staff throughout the country (The Journal News, March 16, 2007). In April 2007, New Century Financial filed for bankruptcy and announced plans to dismiss 3,200 staff and to liquidate assets. New Century has been restricted from making new loans in California, New York and other states (New York Times, April 3, 2007). Massachusetts regulators stopped operations of SouthStar Funding LLC (Boston Globe, April 4, 2007). The stock for NovaStar which had reached a high of $70.32 in March 2004 was trading at $5 a share (New York Times, April 1, 2007). Freemont General, which had received an order from the Federal Deposit Insurance Corporation to stop its risky lending practices, announced it was selling $4 billion of its subprime mortgages (New York Times, March 18, 2007). In March 2007, H&R Block reported $60 million quarterly losses resulting from its Option One subprime mortgage group (New York Times, March 15, 2003). As of March 2007, shares in Accredited Home Lenders had dropped by 65% (New York Times, March 14, 2007).

8. In the central city Milwaukee Community Development Block Grant (CDBG) neighborhoods over half (57%) of mortgages issued in 2005 were either subprime loans or high-interest loans with rates several points above mortgages issued to other borrowers. In the rest of Milwaukee these higher risk loans made up 37% of mortgages issued, and in the suburbs they made up 22% of mortgages issued.



I. Introduction to the HMDA Analysis

A total of 814,506 mortgages loan transactions and 420,633 issued mortgages were examined for houses in Milwaukee County for the period from 1993 through 2001 and 2003 through 2005, using the last available Home Mortgage Disclosure Act (HMDA) data files. Three types of loans are reported in the HMDA database: **home purchase mortgages, refinancing loans, and loans for home repairs**. Loan activity in Milwaukee County was analyzed separately for the low income neighborhoods targeted by the City of Milwaukee's Community Development Block Grant (CDBG) program (i.e., 53204, 53205, 53206, 53208, 53210, 53212, 53216, 53218 and 53233), the rest of the City of Milwaukee, and the Milwaukee County suburbs.

For the purpose of this analysis, housing loans are identified as "subprime" if they are issued by a lender considered by HUD (the U.S. Department of Housing and Urban Development) to be a subprime lender. **Subprime loans** are typically made to individuals with poor credit histories, and offer less favorable terms of repayment (often with lower initial interest rates that escalate into higher – and usually adjustable – interest rates 2 to 3 years after the loan is first made). These mortgages offer considerable risk to the borrower. In many cases, payment schedules do not provide for escrow payments for taxes and insurance, the lending company fails to adequately verify the income and capability of the borrower to meet future escalating payment requirements, the loans involve high fees and prepayment penalties, the market value of the house may be inflated, and borrowers do not realize the long-term costs of the loan.

In other cases, low-income residents may secure housing loans from **non** subprime lenders, but at **higher interest rates** because of the borrower's poor credit rating (and/or the shorter length of the loan). These high interest rate loans are also a concern when minority and poor neighborhoods are hit by higher rates of interest than other residential areas. Since 2004, the HMDA data files allow identification of **high interest rate** loans, e.g., loans which are more than 3 points above Treasury Rates for first liens and more than 5 points for second liens. (**Note: Prior to 2004, high interest rate loans are not identified and are therefore included in the category of other non-subprime loans.)**

Other loans from conventional lenders may have adjustable rate mortgage (ARM) payment schedules, whereby the borrower faces escalating interest rates after the first few years of the mortgage. These mortgages are also facing problems as low-income home owners fail to keep up with their escalating mortgage payments, rising property taxes, and rising utility costs.

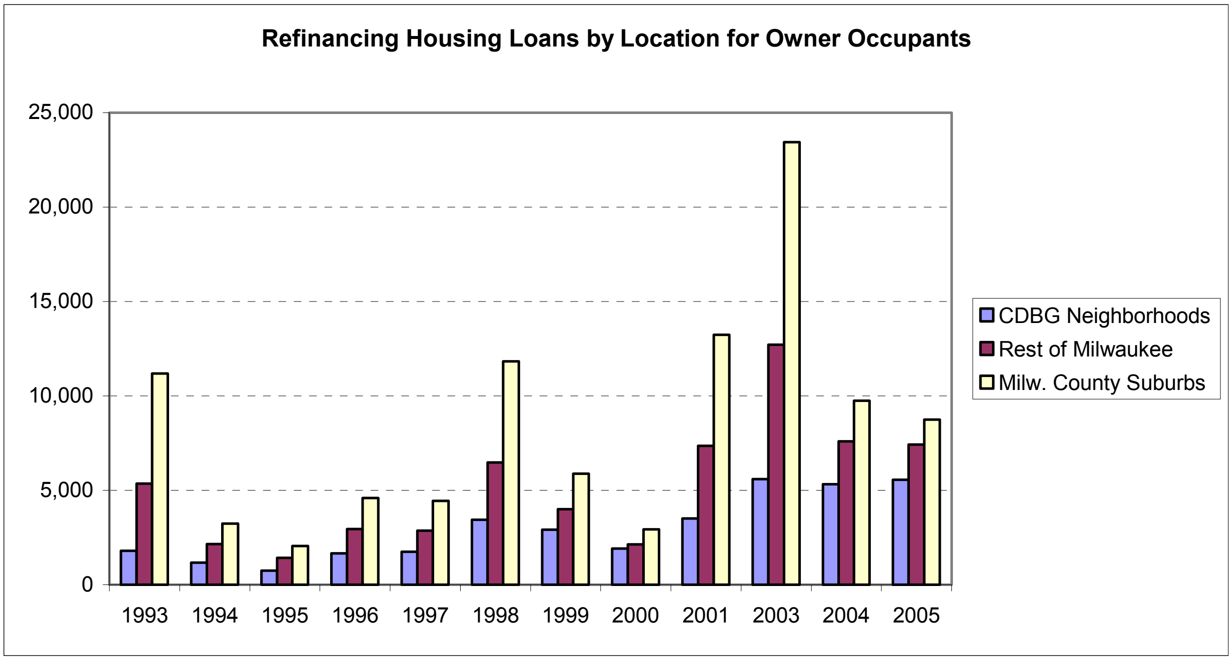
IV. Refinancing Loans a Major Concern in the Central City

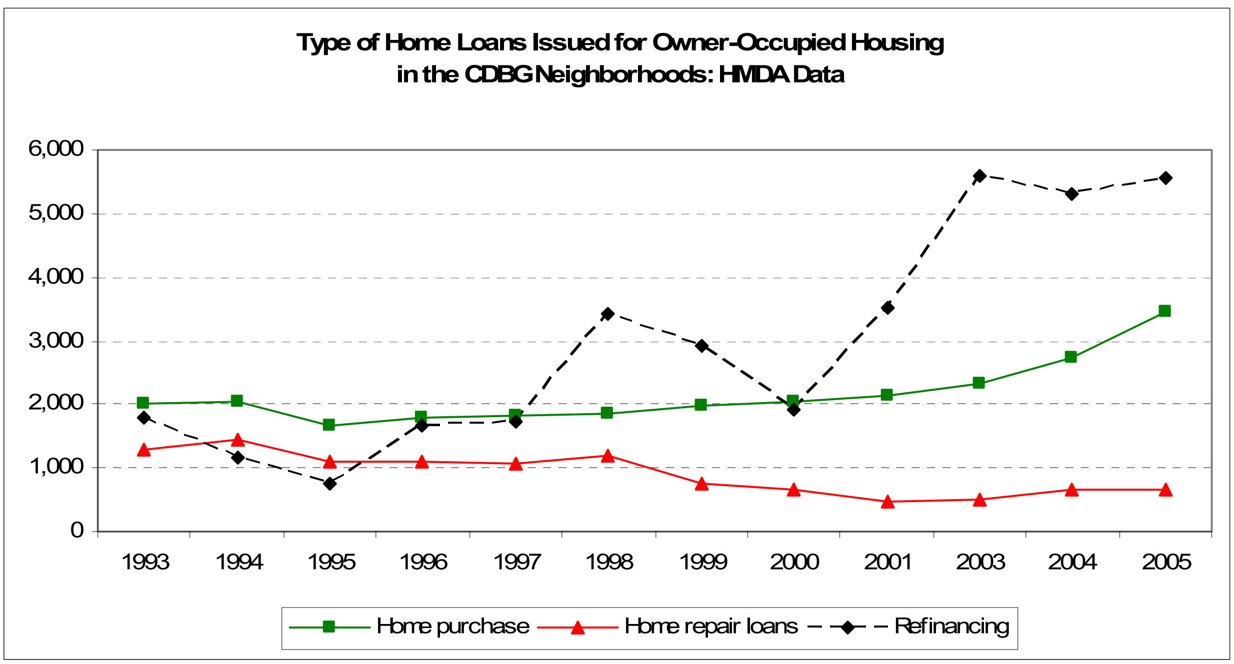
Refinancing mortgages are made for houses where a portion of the mortgage has already been repaid. Borrowers may refinance to take advantage of more favorable interest rates, to shorten or lengthen the time of the loans (and effect the amount of the monthly payment), or to move from an adjustable-rate mortgage to a fixed-rate loan. Many home owners throughout the county refinanced their mortgages to take advantage of lower interest rates in 1998 and again in 2003.

Of particular concern, however, are those cases where lower-income borrowers refinance in order to acquire immediate cash (liquidity) based on their equity in the home and its increased market value since they acquired their first mortgage. This cash may be used to consolidate credit-card or other debts, but puts the borrower's home at risk if mortgage payments are not met. In the last few years, with housing prices rising even in the poorest neighborhoods, borrowers unable to meet their current mortgage (or credit card) payments have been encouraged to refinance their home mortgages. For most property owners, the dramatic increases in their home's value have made it a source of new wealth. The gains in home assessed values, however, may be illusory when homeowners are unable to meet their escalating mortgage payments and forced into foreclosure or sale of their property at prices well below the value of the mortgage – thus losing their lifetime savings.

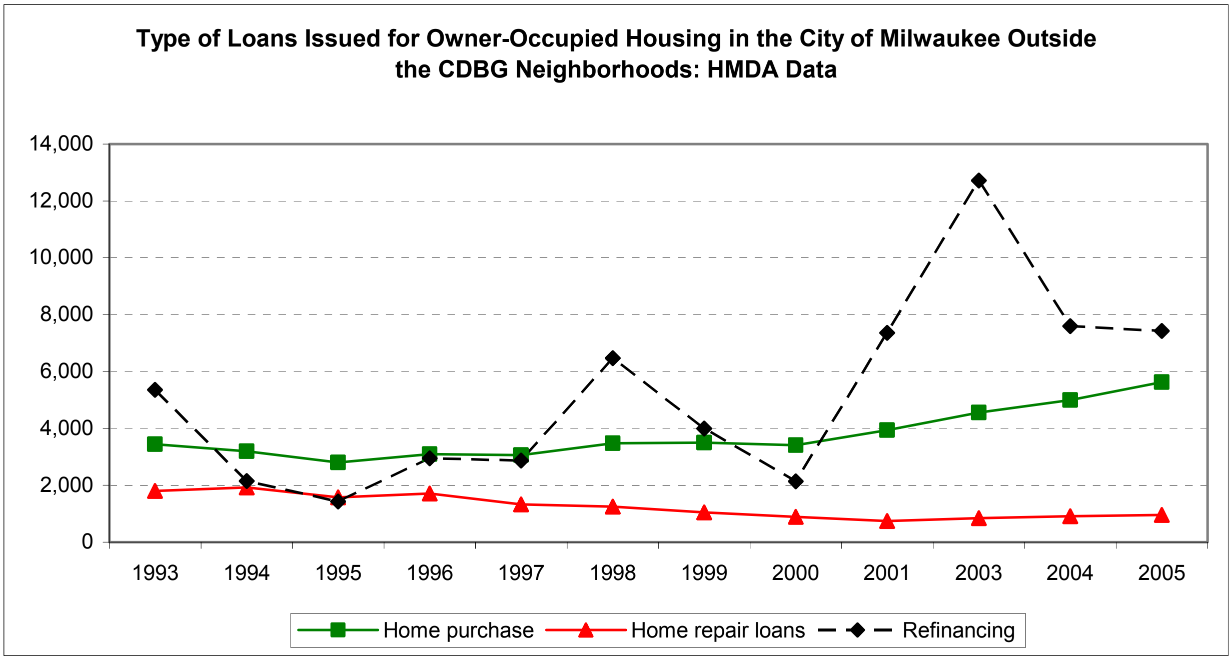
The low interest rates for the first years of subprime loans are initially tempting but when balloon payments kick in after the first few years, many families are caught short. Some owners refinance again based on continuing increases in the assessed values of their property. Once the housing market stalled, however, and the subprimes got hit, so did the mortgage holders, especially those in poorer neighborhoods, where foreclosures have been heavily concentrated.

- Most lending activity for owner-occupied housing in the CDBG neighborhoods in 2005 was for home refinancing loans. The CDBG neighborhood recorded over 5,000 refinancing loans a year to owner occupants from 2003 through 2005, while home purchase loans totaled 2,311 in 2003, 2,724 in 2004, and 3,447 in 2005. Home repair loans, which had totaled 1,287 loans in 1993, were down to 654 in 2005.

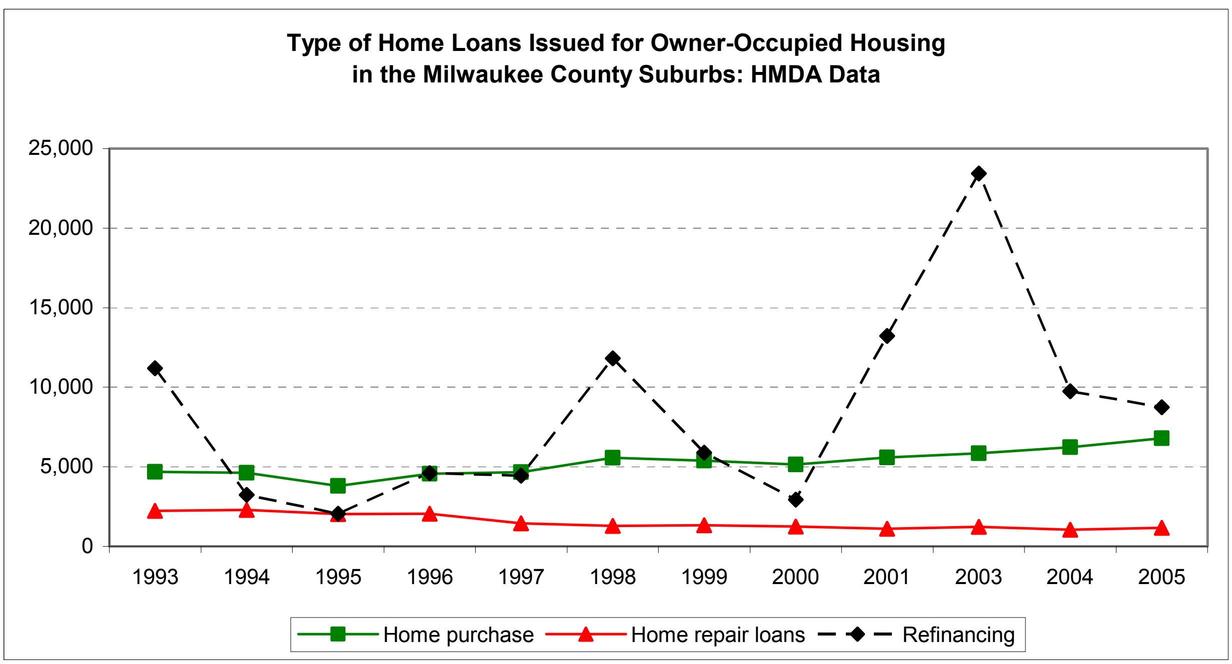




- In the rest of the City of Milwaukee there were 12,718 refinancing loans issued to owner occupants in 2003, and then the numbers dropped to 7,593 in 2004 and 7,425 in 2005. These mortgages outpaced new home purchase loans, which increased from 4,558 in 2003 to 5,624 in 2005, while home repair loans remained below 1,000 per year from 2003 through 2005.



- The suburbs had their highest volume of refinancing loans in 2003, when 23,439 loans were issued. The numbers dropped to 9,747 in 2004 and 8,739 in 2005. In all three years, refinancing loans outpaced home purchase loans, and repair loans stayed at around 1,000 to 1,200.



V. Type of Housing Loans to Owner Occupants

Total housing loans (including regular, subprime and high interest rate loans) issued for owner occupants in Milwaukee County increased from $2.1 billion (for 33,786 mortgages) in 1993, to $4.7 billion (for 40,369 mortgages in 2005, the last year available.

- Subprime loans to owner occupants rose from 184 loans (for $6.9 million) in 1993 to 4,860 loans (for $243.7 million) in 1998. Subprime loans accounted for 13% of all housing loans to owner occupants in the county in 1998. By 2005, 36% of housing loans were either subprime or high-interest loans. That year subprime loans had risen to 8,926 mortgages totaling $927 million and accounted for 21% of mortgages issued in the county to owner occupants, while an additional 14% of loans were issued at the high-interest rates level.

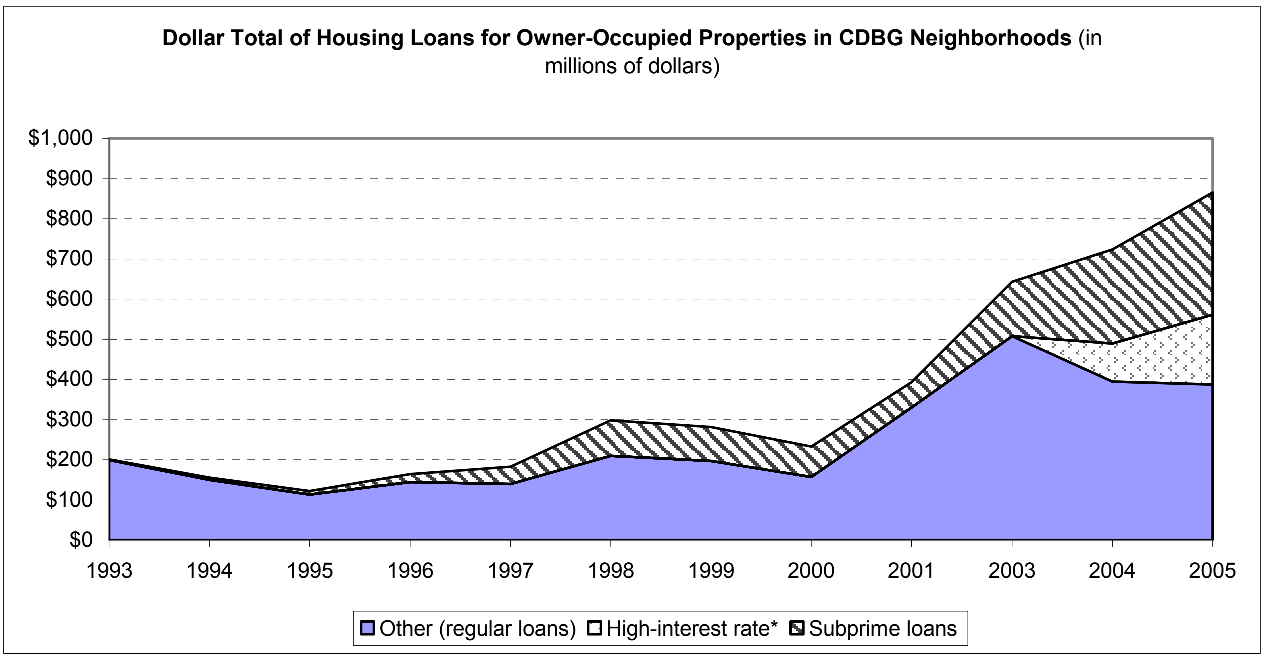
- The reliance on subprime and high-interest lending varied widely by location within the county. In the CDBG neighborhoods subprime loans to owner occupants totaled 3,478 in 2005 and accounted for 36% of all housing loans to owner occupants in the neighborhoods. (Another 21% of mortgage loans were high-interest rate loans.) In sharp contract, subprime loans to owner occupants in the Milwaukee County suburbs rose to 2,218 by 2005, but only accounted for 13% of housing loans to owner occupants in the suburbs, with higher-interest loans making up another 9% of loans issued.

Type of Housing Loans Issued to Owner Occupants in 2005 by Location

	Regular	High-Interest Rate	Subprime Loans	TOTAL
CDBG Neighborhoods	4,117	2,076	3,478	9,671
	43%	21%	36%	100%
Rest of Milwaukee	8,786	1,987	3,230	14,003
	63%	14%	23%	100%
Milw. County Suburbs	13,007	1,470	2,218	16,695
	78%	9%	13%	100%
Milwaukee County	25,912	5,533	8,927	40,372
	64%	14%	22%	100%

- The monetary amount of the subprime lending to owner occupants in Milwaukee County rose dramatically from $6.94 million in 1993 to $243.7 million in 1998. By 2005 the total of subprime housing loans in the county had reached $927 million.

- There were almost no subprime loans (71 loans) issued in the central city Milwaukee Community Development Block Grant (CDBG) neighborhoods in 1993, and these loans made up only 1% of housing loans issued. Subprime loans began increasing steadily through the 1990s. By 1998 the number of subprime loans had already risen to 2,811 and by 2005 the number had reached 4,573 in the CDBG neighborhoods. In 2005 the subprime housing loans issued to owner occupants in the CDBG neighborhoods reached $305 million. Another $323 million in subprime loans were issued to owner occupants in other neighborhoods within the City of Milwaukee and $299 million to suburban owners.



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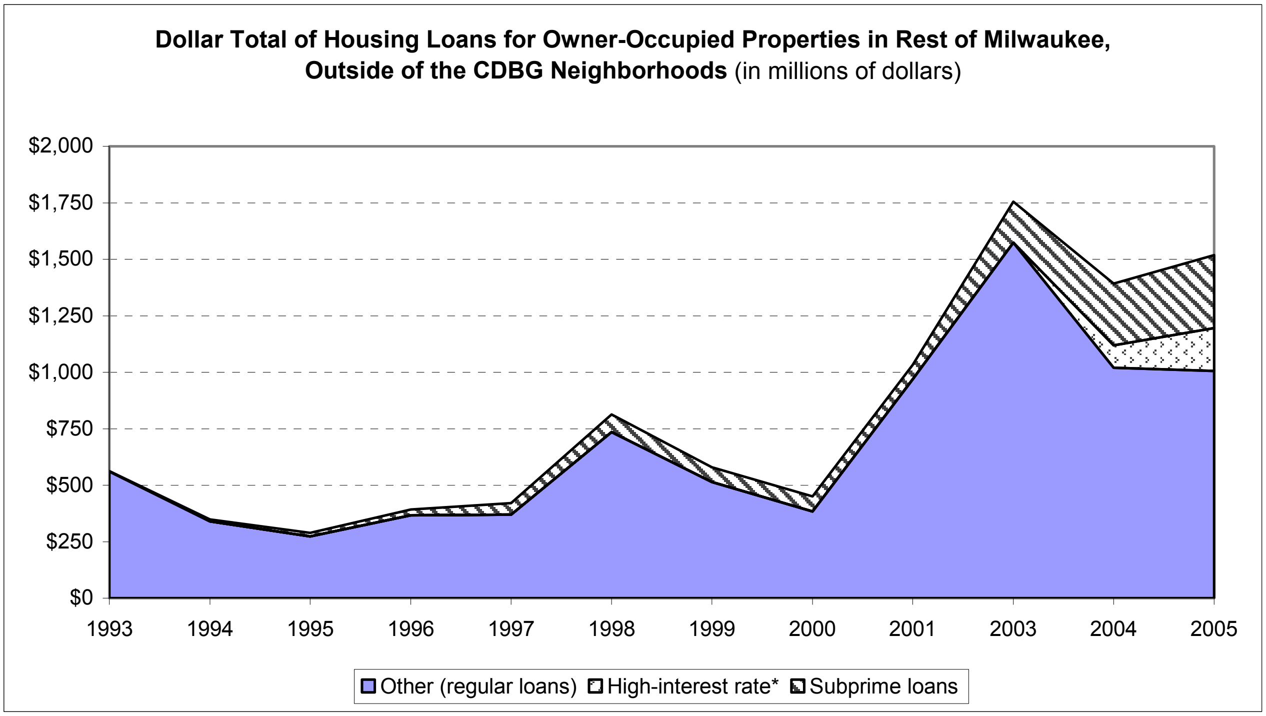

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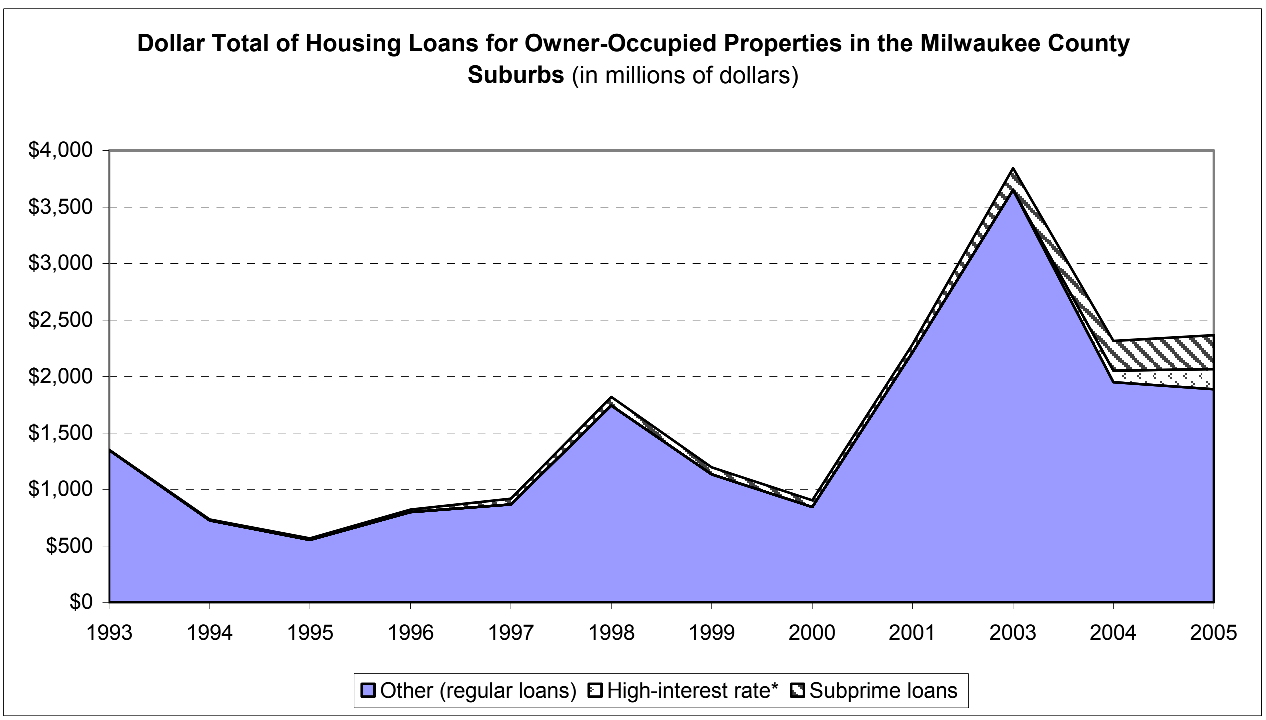


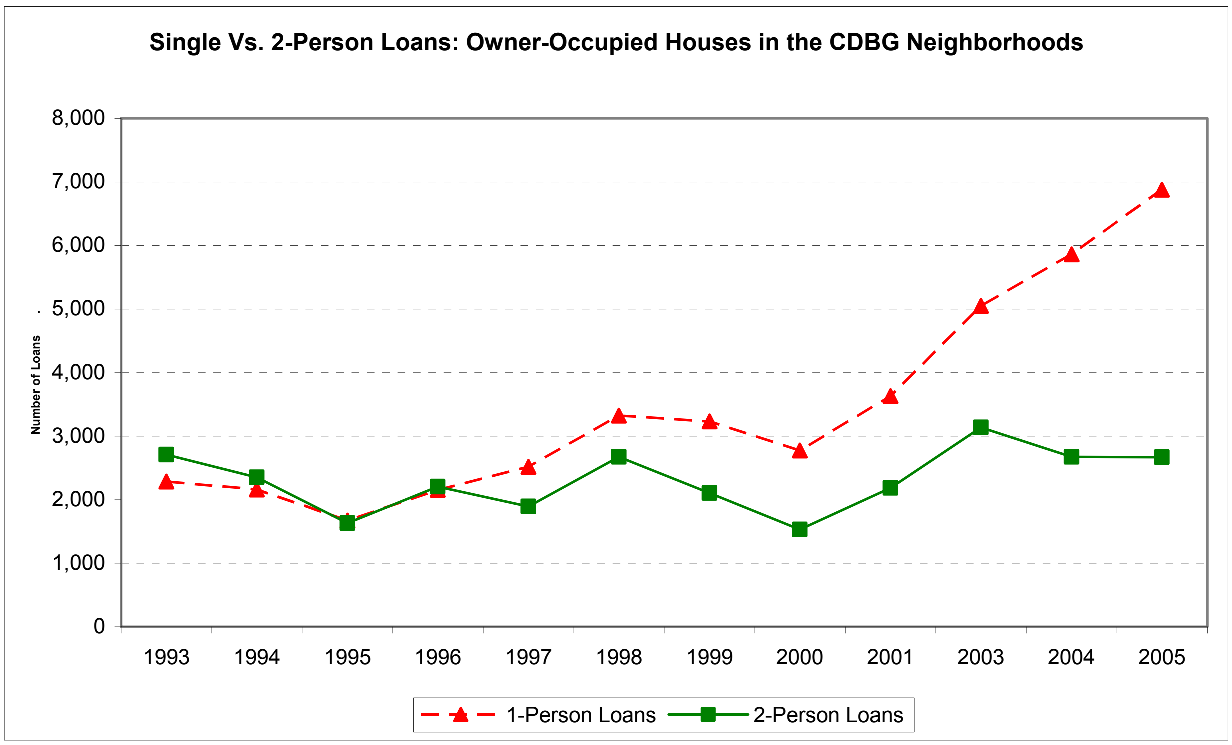
*Identified in 2004 and 2005 only.

VI. Single Individuals vs. 2-Person Home Owners

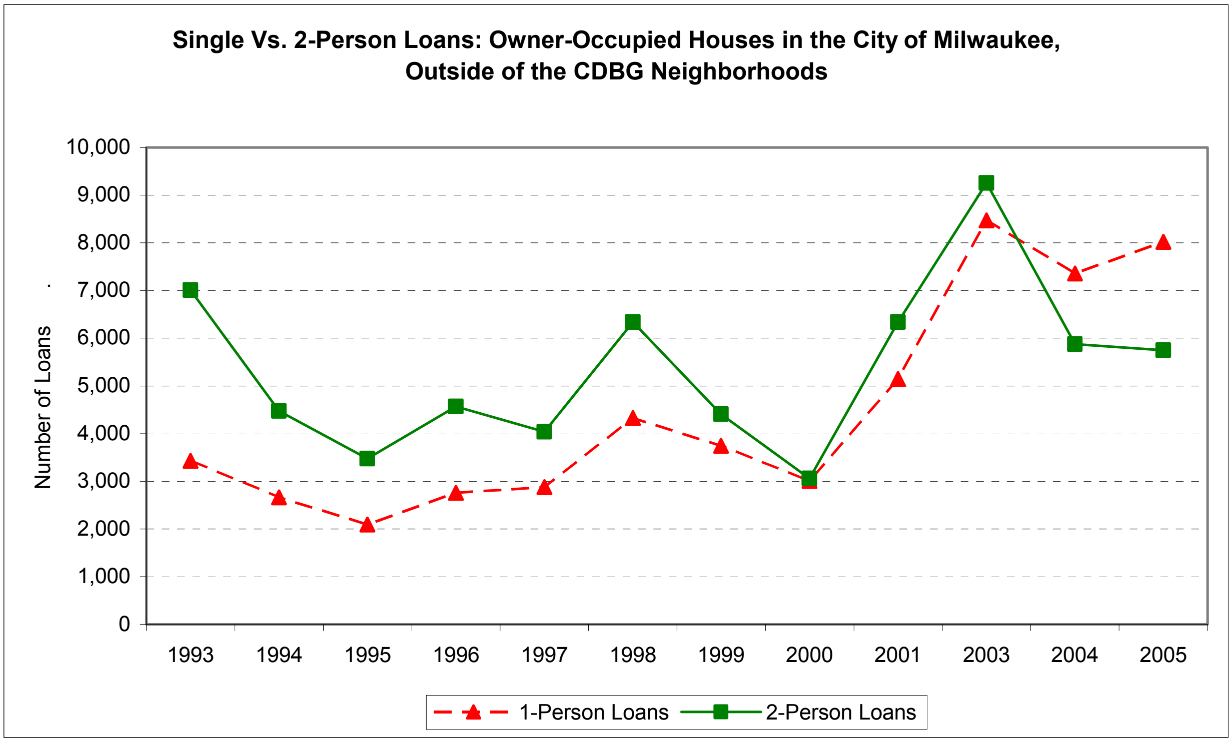
For owner occupied houses, the majority of housing loans in the CDBG neighborhoods were made to single purchasers rather than 2-person buyers. These trends are consistent with concerns about the largely single-parent families of the neighborhood seeking out or being targeted for housing loans (including refinancing loans) they can ill-afford.

- Single person loans made up 72% of mortgage loans issued to owner occupants in the CDBG neighborhoods in 2005.

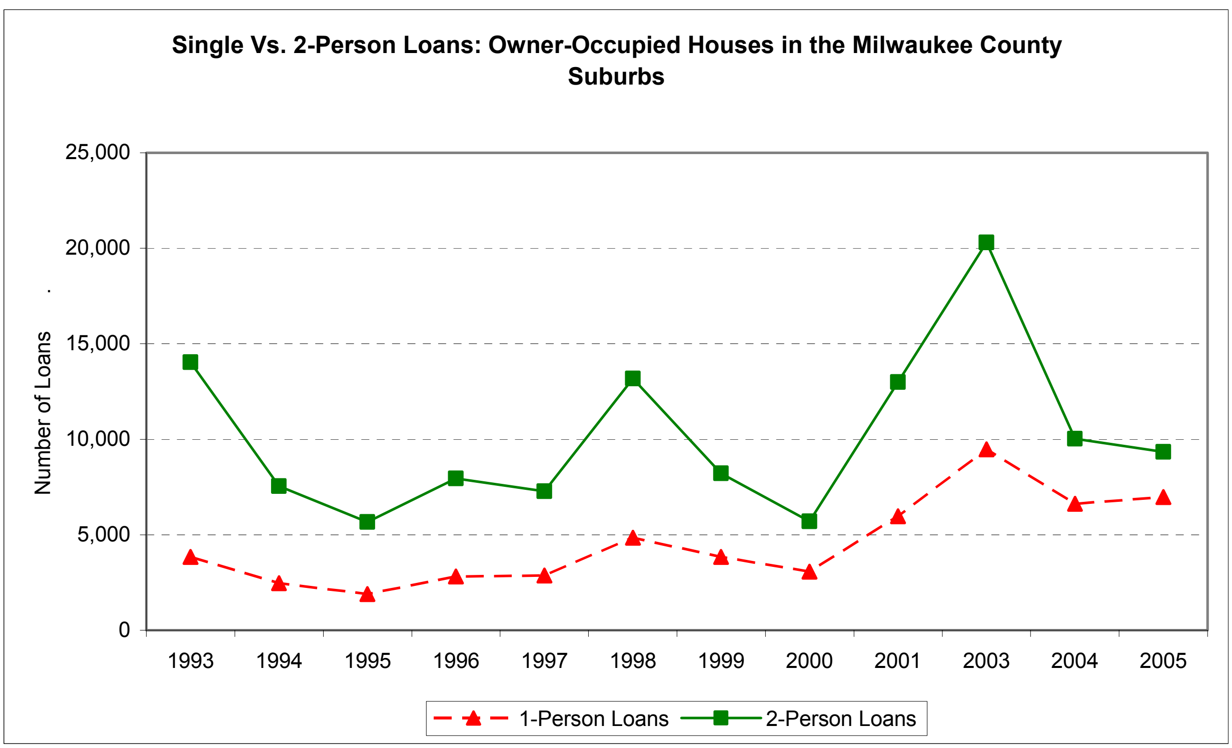
- The big jumps in home loans to owner occupants in the CDBG neighborhoods in 2004 and 2005 involved individual buyers rather than 2-person co-signers.



- In the remainder of the City of Milwaukee, loans with 2-person co-signers were more common than with a single signer until 2004 and 2005, when a majority of loans were made to single individuals (rather than married couples or other 2-person buyers).



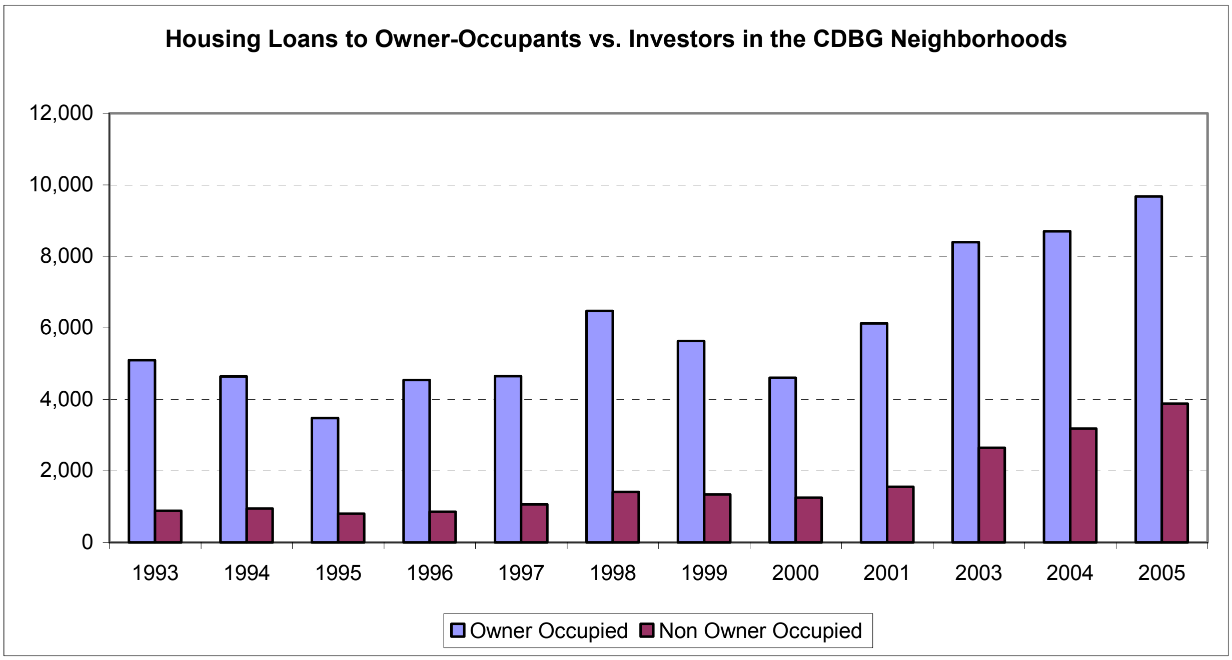
- The majority of loans in the suburbs for owner occupants were to 2-person buyers, rather than single individuals.



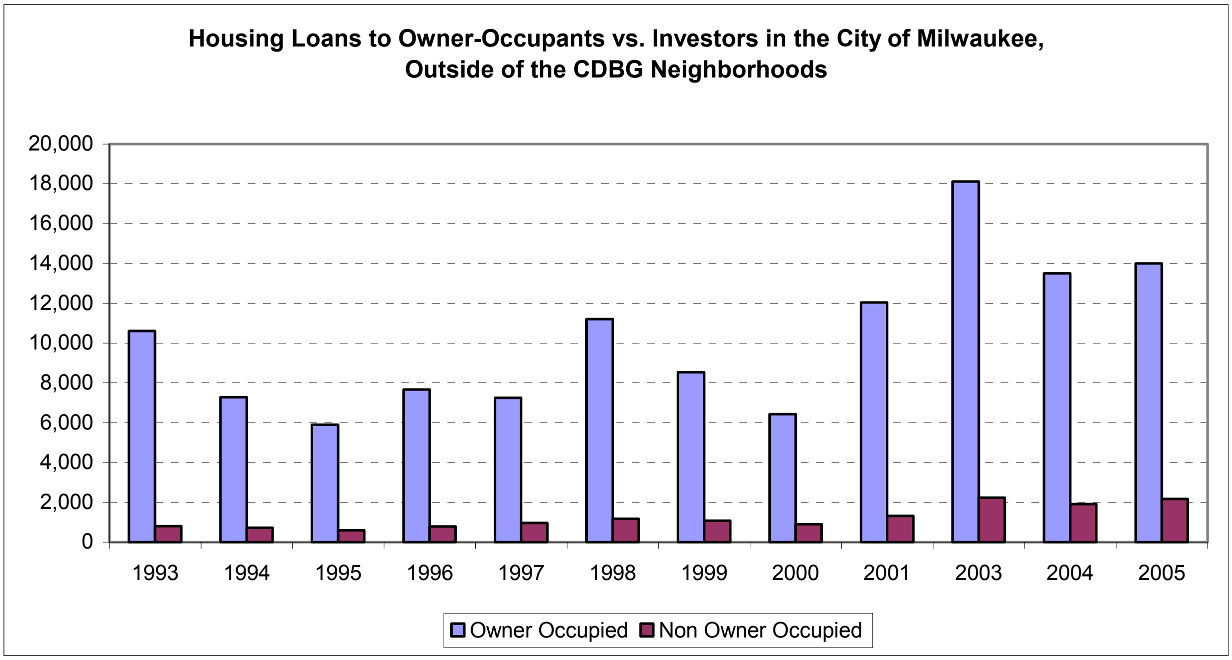
VII. Borrowing by Investor/Landlords in Milwaukee County

Investor/landlords (i.e., non owner occupants) have shown jumps in the numbers of their housing loans in the last three years in the CDBG neighborhoods.

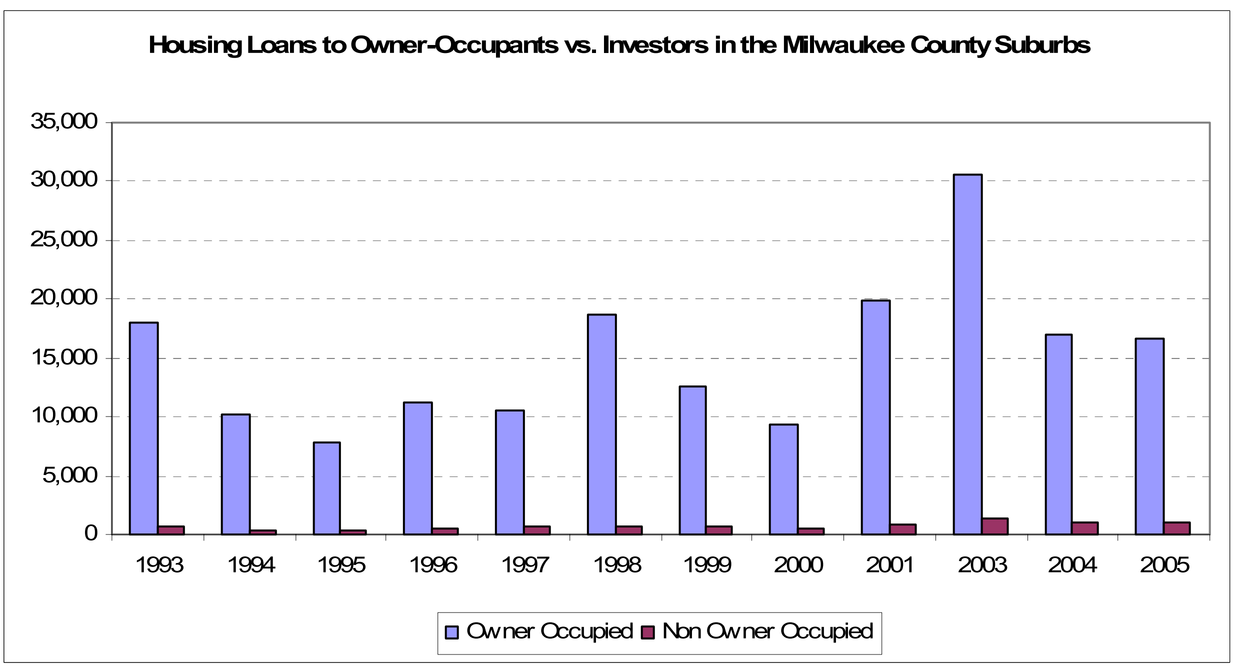
- By 2005 mortgages to investors made up 28% of total housing loans issued in the CDBG neighborhoods, compared to 15% of the loans issued in 1993.



- In the rest of the City of Milwaukee, housing loans to investors made up 13% of mortgages issued in 2005, up from 7% of the loans in 1993.



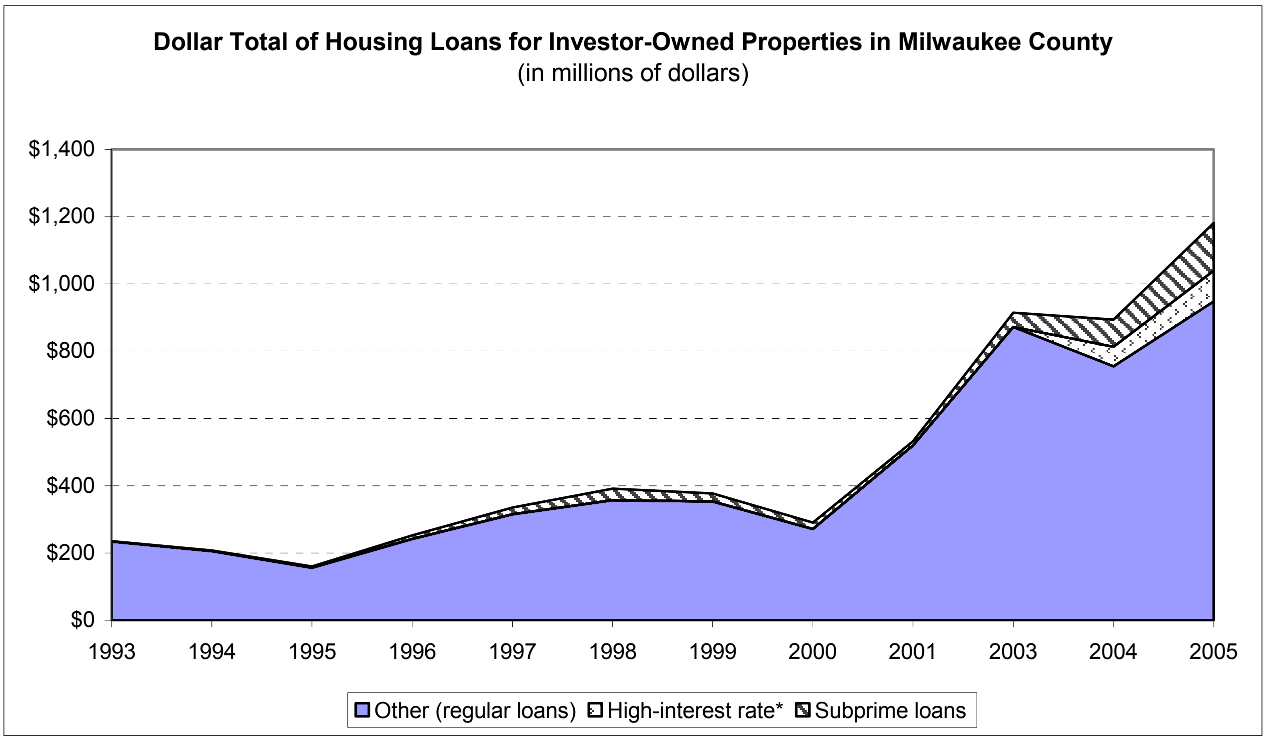
- In the Milwaukee County suburbs, nearly all (94%) of the housing loans issued in 2005 were to owner occupants rather than investors, similar to the rates shown in prior years.



There were far fewer subprime loans made to landlord/investors than to owners living in their own home, but even for investors borrowing from subprime lenders increased substantially.

- Total housing loans for investor-owned houses in Milwaukee County increased from $235 million (2,290 loans) in 1993 to $1.18 billion (7,098 loans) in 2005.

- The monetary value of subprime loans to investor-owned housing in Milwaukee County showed dramatic increases in the last three years available: rising from $42 million in subprime loans in 2003, to $76 million in 2004, and up to $128 million in subprime loans in 2005. High-interest rate loans (non-subprime) accounted for another 712 mortgages valued at $57.7 million in 2004, and rose to 1,083 mortgages totaling $91.4 million in 2005.



*Identified in 2004 and 2005 only.

- **<u>Refinancing loans for non-owner occupied houses</u>** in the CDBG neighborhood more than tripled from 380 in 1993 to 1,677 in 2005, of which 32% were subprime loans. The high numbers of these mortgages may account for the real estate "flipping" (i.e., purchasing and quickly reselling houses for far more than they are worth) during the last 5-6 years. In contrast, the suburbs showed almost no change in the number of refinancing loans for non-owner occupied homes.

II. Subprime Lenders Operating in Milwaukee County

The national fallout related to proliferation of subprime loans, particularly targeted to lower-income residents, will have a tremendous impact on home equity in Milwaukee County neighborhoods, where thousands of residents and landlords have acquired such mortgages. A number of the subprime lenders operating in Milwaukee County have recently been reported as having serious financial problems, facing bankruptcy, or under investigation by government agencies in other states.

- Over 90 subprime lenders were selling mortgage loans in Milwaukee County as of 2005, the most recent year available. Applications for subprime housing mortgage loans in Milwaukee County totaled $9.1 billion for the three years from 2003 through 2005, $2.5 billion in loans (27%) were approved and issued, and the rest were denied or still pending.

- In Milwaukee County the biggest subprime lenders were **AmeriQuest**, which received $2.2 billion in loan applications and originated $350 million in loans during the 3-year period, and **Argent Mortgage Company**, which received $848 million in loan applications and issued $357 million in loans. Subprime lenders with loan application activity in Milwaukee County are shown below; most are non-Wisconsin companies.

SUBPRIME LENDERS IN MILWAUKEE COUNTY: 2003 – 2005
(Ranked by Volume of Loan Applications, 2003-2005)

SUBPRIME LENDING INSTITUTION	Listed CITY	STATE	Loan Applications	Loan Approvals	Percent Approved
Ameriquest Mortgage Company	Orange	CA	$2,228,210,000	$350,419,000	16%
Argent Mortgage Company Llc	Irvine	CA	$848,161,000	$357,309,000	42%
Centex Home Equity Company Llc	Lewisville	TX	$331,885,000	$19,958,000	6%
New Century Mortgage Corporati	Irvine	CA	$293,802,000	$146,384,000	50%
Wells Fargo Finl Wisconsin Inc	Des Moines	IA	$290,415,000	$129,993,000	45%
Option One Mortgage Corp	Irvine	CA	$269,479,000	$125,950,000	47%
Delta Funding Corporation	Woodbury	NY	$221,072,000	$20,771,000	9%
Fremont Investment & Loan	Brea	CA	$212,752,000	$125,439,000	59%
Mila, Inc.	Mountlake Terrace	WA	$206,259,000	$27,818,000	13%
Long Beach Mortgage Co.	Albion	NY	$168,682,000	$118,264,000	70%
First Nlc Financial Services	Deerfield Beach	FL	$147,528,000	$22,215,000	15%
Home123 Corporation	Irvine	CA	$137,837,000	$13,130,000	10%
Equifirst Corporation	Charlotte	NC	$137,010,000	$59,525,000	43%
Citifinancial Mtg Co, Inc	Irving	TX	$134,648,000	$18,487,000	14%
Citicorp Trust Bank, Fsb	Irving	TX	$133,356,000	$41,689,000	31%
Aig Federal Savings Bank	Wilmington	DE	$122,253,000	$59,099,000	48%
Chase Manhattan Bank Usa, Na	Iselin	NJ	$112,648,000	$48,380,000	43%
American Equity Mortgage, Inc.	St. Louis	MO	$103,720,000	$18,670,000	18%
Aegis Lending Corporation	Houston	TX	$99,564,000	$28,250,000	28%
Aames Funding Corporation	Los Angeles	CA	$95,442,000	$23,951,000	25%

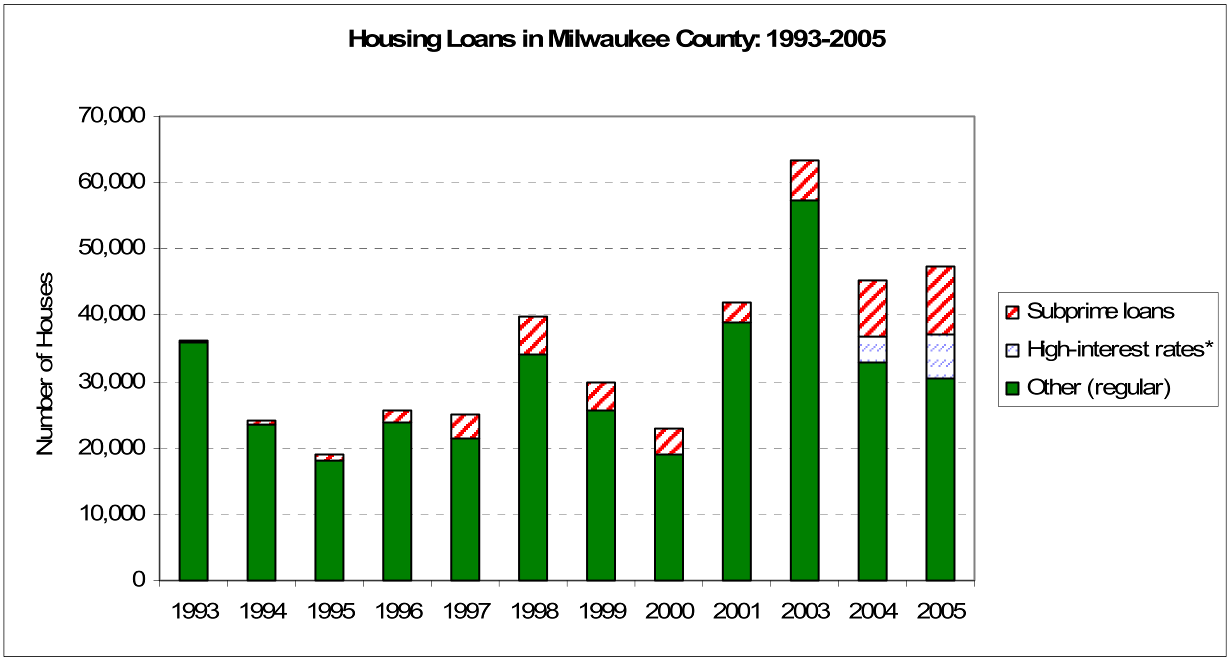
SUBPRIME LENDING INSTITUTION	Listed CITY	STATE	Loan Applications	Loan Approvals	Percent Approved
Mortgage Lenders Network Usa	Middletown	CT	$93,290,000	$33,885,000	36%
Hsbc Mortgage Services, Inc.	Brandon	FL	$91,664,000	$2,617,000	3%
Saxon Mortgage	Glen Allen	VA	$91,314,000	$6,073,000	7%
M&I Bank Fsb	West Allis	WI	$86,608,000	$28,233,000	33%
Accredited Home Lenders, Inc	San Diego	CA	$85,755,000	$26,931,000	31%
Encore Credit Corp	Irvine	CA	$77,380,000	$26,418,000	34%
Citifinancial, Inc.	Baltimore	MD	$73,586,000	$34,110,000	46%
Equity One, Inc.	Marlton	NJ	$69,112,000	$10,673,000	15%
Wmc Mortgage Corp.	Burbank	CA	$64,595,000	$27,304,000	42%
Calusa Investments, L.L.C.	Herndon	VA	$62,261,000	$3,846,000	6%
Advanced Financial Services In	Newport	RI	$61,954,000	$9,459,000	15%
Novastar Mortgage, Inc.	Kansas City	MO	$56,603,000	$17,446,000	31%
Ownit Mortgage Solutions, Inc	Agoura Hills	CA	$56,396,000	$41,174,000	73%
Sebring Capital Partners, L.P.	Carrollton	TX	$49,232,000	$11,847,000	24%
Oak Street Mortgage	Carmel	IN	$48,600,000	$19,111,000	39%
Novastar Home Mortgage, Inc.	Kansas City	MO	$41,029,000	$7,784,000	19%
Amc Mortgage Services, Inc.	Irvine	CA	$37,093,000	$3,794,000	10%
The Cit Group/Consumer Finance	Livingston	NJ	$32,500,000	$5,959,000	18%
Resmae Mortgage Corporation	Brea	CA	$30,233,000	$10,384,000	34%
Fieldstone Mortgage Company	Columbia	MD	$29,082,000	$12,287,000	42%
Impac Funding Corp	Newport Beach	CA	$27,731,000	$3,881,000	14%
Mbna America (Delaware), N.A.	Wilmington	DE	$26,362,000	$3,325,000	13%
Maribella Mortgage, Llc.	Edina	MN	$25,486,000	$14,478,000	57%
Southstar Funding	Atlanta	GA	$24,959,000	$12,197,000	49%
People's Choice Financial Corp	Irvine	CA	$22,834,000	$6,126,000	27%
Ocean Bank Fsb	Warwick	RI	$20,221,000	$642,000	3%
New Day Financial, Llc	Columbia	MD	$18,402,000	$690,000	4%
Bridge Capital Corporation	Foothill Ranch	CA	$18,117,000	$3,267,000	18%
Acoustic Home Loans, Llc	Orange	CA	$16,743,000	$9,602,000	57%
Concorde Acceptance Corporatio	Dallas	TX	$16,664,000	$3,816,000	23%
Aegis Funding Corporation	Houston	TX	$15,014,000	$3,221,000	21%
Greenpoint Mortgage Funding	Charlotte	NC	$14,682,000	$4,989,000	34%
Morequity, Inc. (Nv)	Evansville	IN	$12,842,000	$474,000	4%
Homeowners Loan Corporation	Atlanta	GA	$11,571,000	$502,000	4%
New Freedom Mortgage Corp	Slc	UT	$10,598,000	$8,341,000	79%
First State Mortgage Corporati	Lakeville	MN	$10,335,000	$3,906,000	38%
Corinthian Mortgage Corp	Mission	KS	$10,314,000	$941,000	9%
Lime Financial Services, Ltd.	Lake Oswego	OR	$8,727,000	$2,459,000	28%
Allied Home Mortgage Capital C	Houston	TX	$8,691,000	$0	0%
Lendsource Inc	Minnetonka	MN	$7,109,000	$1,778,000	25%
Master Financial, Inc.	Orange	CA	$5,358,000	$1,231,000	23%
Summit Mortgage	Chesapeake	VA	$5,345,000	$1,461,000	27%
Secured Funding	Costa Mesa	CA	$4,909,000	$1,776,000	36%
Chapel Mortgage	Rancocas	NJ	$4,466,000	$361,000	8%
Homeland Mortgage Company	Carmel	IN	$4,341,000	$2,515,000	58%
Dollar Mortgage Corporation	La Mesa	CA	$3,574,000	$464,000	13%
First Consolidated Mortgage	Dallas	TX	$3,361,000	$481,000	14%
The Lending Connection, Inc	Costa Mesa	CA	$3,312,000	$155,000	5%
Ameritrust Mortgage Company Ll	Charlotte	NC	$3,069,000	$1,292,000	42%
Eastern Savings Bank	Hunt Valley	MD	$2,974,000	$1,121,000	38%
Flexpoint Funding Corporation	Irvine	CA	$2,836,000	$1,669,000	59%
Sunset Direct Lending	Lake Oswego	OR	$2,546,000	$885,000	35%

SUBPRIME LENDING INSTITUTION	Listed CITY	STATE	Loan Applications	Loan Approvals	Percent Approved
Corestar Financial Group, Llc	Timonium	MD	$2,525,000	$974,000	39%
Franklin Security Bank, Fsb	Virginia Beach	VA	$2,391,000	$1,733,000	72%
Mlsg, Inc.	Reno	NV	$2,244,000	$1,990,000	89%
21st Mortgage Corporation	Knoxville	TN	$2,157,000	$200,000	9%
Green Tree Servicing	St Paul	MN	$1,537,000	$61,000	4%
Lenders Direct Capital Corp	Lake Forest	CA	$1,409,000	$1,409,000	100%
First Street Financial, Inc.	Irvine	CA	$1,230,000	$436,000	35%
American Home Loans	Santa Ana	CA	$1,074,000	$135,000	13%
Ocwen Federal Bank Fsb	West Palm Beach	FL	$989,000	$261,000	26%
Jlm Direct Funding Ltd	Houston	TX	$696,000	$269,000	39%
Town & Country Credit Corp	Irvine	CA	$633,000	$0	0%
First National Bank Of America	East Lansing	MI	$544,000	$0	0%
First Greensboro Home Equity	Greensboro	NC	$513,000	$0	0%
Origen Financial	Southfield	MI	$437,000	$0	0%
Vanderbilt Mortgage	Maryville	TN	$436,000	$0	0%
Pinnacle Direct Funding Corpor	Orlando	FL	$426,000	$150,000	35%
Wells Fargo Fin'l Illinois Inc	Des Moines	IA	$365,000	$108,000	30%
Hamilton Mortgage Company	Phoenix	AZ	$334,000	$0	0%
American Home Equity	167 Technology	CA	$315,000	$189,000	60%
Casa Blanca Mortgage, Inc	Woodland Hills	CA	$247,000	$191,000	77%

III. Growth of Subprime Lending Since the 1990s

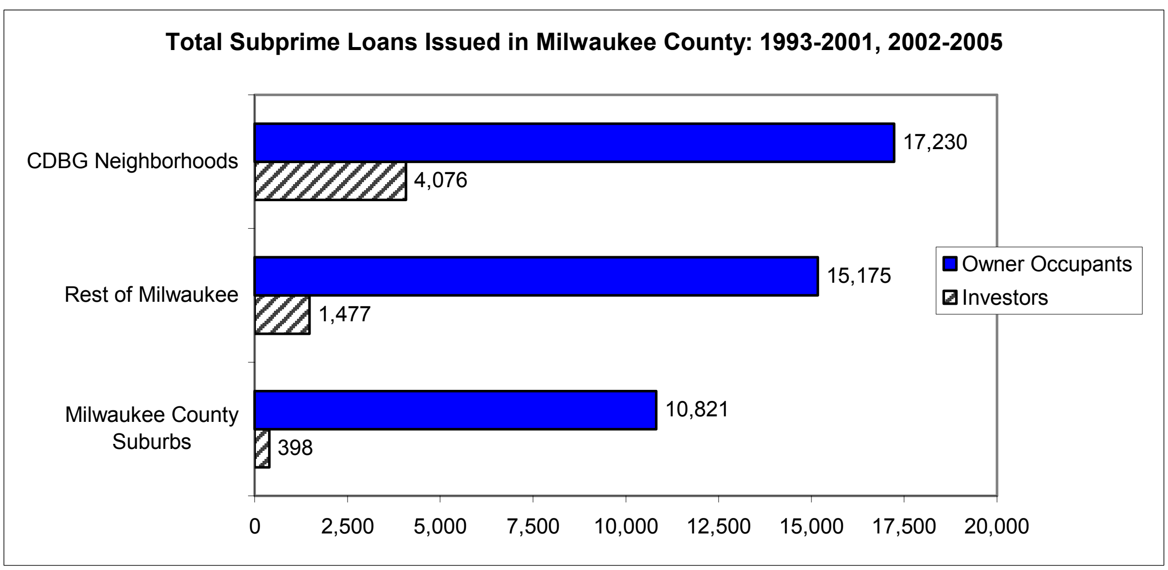
Although they comprise a minority of all housing loans, subprime mortgages have grown dramatically in Milwaukee County since 1993.

- There were very few subprime mortgages (206 loans out of 36,076 housing loans) issued in Milwaukee County in 1993. Subprime lending began increasing through the 1990s and had reached 5,612 loans in 1998. By 2005 a total of 10,451 subprime loans were reported. Additionally, 3,856 high interest rate loans (non subprime) were identified in 2004 and 6,616 were reported in 2005.



*Identified in 2004 and 2005 only.

- During the twelve years of HMDA data analyzed, there were 49,177 subprime loans issued for Milwaukee County houses. Most (88%) of these loans were to owner occupants, while 12% were to investors/landlords who did not live in the house.



Background Notes

HMDA (Home Mortgage Disclosure Act) data is collected federally from lending institutions in metropolitan areas on loans for home purchases, refinancing and home repairs. (Home equity loans taken out for consolidation of credit card debt are not reported in this database unless some part of the loan proceeds is intended for home improvements or home purchase.) See www.ffiec.gov/hmda for definitions of loans included in the database and www.huduser.org/datasets/manu.html for the methodology used by the Department of Housing and Urban Development (HUD) to define subprime lenders. For the purpose of this analysis, housing loans are identified as "subprime" if they are issued by a lender considered by HUD to be a subprime lender. **Subprime loans** are typically made to individuals with poor credit histories, and offer less favorable terms of repayment (often with lower initial interest rates that escalate into higher – and usually adjustable – interest rates 2 to 3 years after the loan is first made). These mortgages offer considerable risk to the borrower.

For more on impact of subprime and mortgage lending practices on Milwaukee neighborhoods, workers and elderly, see the **Legal Action of Wisconsin Report on Milwaukee's Housing Crisis: Evictions, Foreclosures, Evictions, and Subprime Lending** by the University of Wisconsin-Milwaukee Employment and Training Institute, and posted at www.eti.uwm.edu.