



## Consumer Federation of America

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### **WOMEN MORE LIKELY TO RECEIVE SUBPRIME HOME LOANS; DISPARITY HIGHEST FOR WOMEN WITH HIGHEST INCOMES**

#### ***Women of Color Have Highest Rates of Subprime Mortgage Lending, Disparity with White Men Grows with Income***

Washington, D.C. – Women are more likely to receive subprime home mortgage than men and these higher rates of subprime lending make it harder for households headed by women to build wealth through homeownership. In 2005, about a third of women took out mortgages with interest rates over 7.66 percent (well above the average prime mortgage rate of 5.87 percent) compared to about a quarter of men, according to a new study released today by the Consumer Federation of America.

“The high levels of subprime lending among women compromise their ability to steadily accrue equity by paying off their mortgage – one of the easiest and most effective pathways to building wealth in America,” said Nancy Register, Associate Director of Consumer Federation of America and National Director of America Saves, a social marketing campaign to encourage lower- and moderate-income households to save and build wealth.

The study examined 4.4 million mortgage originations throughout the country where borrowers identified their gender. CFA examined borrower incomes based on the Area Median Income where they lived to analyze comparable borrowers across the country. The CFA analysis found that the subprime disparity between women and men increased for women with higher incomes relative to men with similar earnings. Although women earning below the area median income were 8 percent more likely to receive subprime loans than similarly earning men, women earning more than double the area median income were 50 more likely to receive subprime loans than men with similar earnings.

“Evidence suggests that women have slightly higher credit scores on average than men and similar credit usage patterns, yet the fact that women are more likely to receive more expensive mortgages at all income levels undercuts the lending industries calm assurances that borrowers are priced based on their creditworthiness,” said Allen Fishbein, Director of Housing and Credit Policy at CFA.

African American and Latino women had the highest incidences of subprime lending – and the gap between women of color and white men increased as incomes rose. African American women earning double the area median income were nearly five times more likely to receive subprime home purchase mortgages than white men with similar incomes and Latino women earning twice the area median income were about four times more likely to receive subprime purchase mortgages than white men with similar earnings. African American women make up half the African American purchase mortgage borrowers and Latino women make up nearly a third of Latino home purchase mortgage borrowers.

“For the African American and Latino communities, women are a key driver in achieving

homeownership. The high rates of subprime lending to African American and Latino women – even those earning double the prevailing local income – may make it harder to sustain homeownership in these communities because of the high monthly payments on subprime loans,” said Patrick Woodall, Senior Researcher at CFA.

*Among the study’s key findings:*

- **Women are more likely to receive subprime and high-cost subprime mortgages:** About a third (32.0 percent) of women borrowers receive subprime mortgage loans of all types compared to about a quarter (24.2 percent) of male borrowers – making women 32 percent more likely to receive subprime mortgages than men. More than one in ten (10.9 percent) women received high-cost subprime mortgages compared to about one in thirteen (7.7 percent) men – making women 41 percent more likely to receive higher-cost subprime loans with interest rates above 9.66 percent.
- **Women are significantly over-represented in the pool of subprime mortgages.** Although women make up 30.0 percent of borrowers for mortgages of all types, they make up 38.8 percent of subprime borrowers – a 29.1 percent over-representation.
- **Women are more likely to receive subprime mortgages of all types regardless of income, and disparity between men and women increases as incomes rise.** For purchase mortgages, women earning double the median income are 46.4 percent more likely to receive subprime mortgages than men with similar incomes. In contrast, women earning below the area median income are 3.3 percent more likely to receive subprime mortgages. Women earning between the median and twice the median income are 28.1 percent more likely to receive subprime purchase mortgages than men.
- **Women of color are the most likely to receive subprime loans and white men are the least likely to receive subprime loans at every income level and the gap grows with income.** African American women earning below the area median income are nearly two and a half times more likely to receive a subprime purchase mortgage than white men and Latino women earning below the area median are nearly twice as likely to receive subprime purchase mortgages as white men. The gap is much higher at incomes above twice the area median income. Upper income African American women are nearly five times more likely to receive subprime purchase mortgages than upper income white men and upper income Latino women are nearly four times more likely to receive subprime loans than upper income white men.

CFA’s findings raise important public policy concerns especially as adjustable rate mortgage rates rise and monthly payments reset upward this year and next. Adjustable rate mortgages are now the predominant product in the subprime market. The subprime market provides higher cost credit predominantly to borrowers who are un-served by the prime market and is fertile ground for abusive predatory lending practices. Growing delinquency and foreclosure rates for these loans demonstrate that some borrowers are placed into mortgages with unsustainable terms and payments.

The report is available online at:

<http://www.consumerfed.org/pdfs/WomenPrimeTargetsStudy120606.pdf>

*CFA is a non-profit association of 300 organizations that, since 1968, has sought to advance the consumer interest through research, advocacy and education.*