

ECONOMIC SNAPSHOT

Subprime lending in Dane lags well behind the nation, but is increasing rapidly

Percentage of conventional mortgage loans (all types) by subprime lenders:

Dane County
In 2001: **1.6%**
In 2004: **6.2%**

Wisconsin
In 2001: **3.7%**
In 2004: **10.9%**

USA
In 2001: **8.6%**
In 2004: **18.7%**

SOURCE: DataPlace,
www.dataplace.org

Subprime loans in general are made to borrowers who do not qualify for conventional loans at market interest rates because of problems with the borrower's credit. Typically the interest rate and/or fees on a subprime loan are higher and the terms of the loan can be more restrictive. It is important to recognize that not all subprime loans are predatory. In fact, the growth in subprime loans has increased the availability of credit to many who otherwise would have been unable to purchase a home.

The following table illustrates the recent dramatic growth in mortgage loans originated by lenders who specialize in subprime lenders (HUD currently has a list of 210 such lenders). In 2001, subprime lenders accounted for 8.6

percent of all conventional* mortgage loans in the United States. By 2004 (the latest available data), their share had increased to 18.7 percent of all conventional mortgage loans nationally. It is important to note that the data includes both prime and subprime lending by subprime lenders. Regardless, it does provide an indicator of the growth in this sector of the financial industry.

In 2004, the percentage of mortgage loans made in Dane County by subprime lenders (6.2 percent) was about one-third the national average (18.7 percent) and half the Wisconsin average (10.9 percent). However, the percentage of loans made in Dane County by subprime lenders increased almost four-fold between 2001 and 2004.

* "Conventional" refers to a loan not insured by a government program, like FHA or VA.

Part 1 of this month's series on subprime mortgage loans

Next week:
Subprime lenders focus on refinance mortgage loans

QUESTIONS:
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