



Mississippi  
Economic Policy  
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**Mississippians Experience Highest Rate of  
Subprime Lending in the Nation**

JACKSON, Miss. – Almost 40% of all home buyers in Mississippi receive mortgages from sub-prime lenders – a rate higher than in any other state. Additionally, homebuyers buying in predominantly African American communities are more likely to receive a subprime mortgage, a new study shows.

An analysis by the Mississippi Economic Policy Center also finds that that sub-prime lending to homeowners in Mississippi increased dramatically over the last 10 years, setting the stage for loan products that erode the financial assets of families.

“While not all subprime lending is predatory, predatory practices tend to be concentrated in the subprime market. Predatory lending strips homebuyer equity and significantly contributes to foreclosures,” said Ed Sivak, director of the Mississippi Economic Policy Center.

“Often, subprime borrowers have steady jobs and are trying to achieve the American dream. However, due to a lack of knowledge about mortgage options, they are being placed into products that borrowers cannot afford in the long run.”

The study examined data made available through the Home Mortgage Disclosure Act and the U.S. Census Bureau to analyze mortgage loans from 1997 to 2004. It comes as the Federal Reserve Bank begins hearings on June 14 on ways to curb abuses in the home mortgage market. Additional information about the hearing will be posted to the Board's website at <http://www.federalreserve.gov>.

Among the findings:

- Nearly four in ten conventional home loans in Mississippi in 2005 were sub-prime, nearly double the national average.
- Fifty-six of Mississippi's 82 counties had sub-prime lending rates of over 40%.
- Nearly two-thirds of conventional home loans made to African Americans were sub-prime.

Sivak noted that responsible sub-prime lending that appropriately compensates a lender for risk taken serves a valid purpose. However, national research has indicated that an increasing share of sub-prime loans is predatory and put borrowers into products that they could not repay. Borrowers who are unable to make payments ultimately end up in foreclosure. "It's unfortunate that so many people find themselves in this situation when they actually could have qualified for a conforming loan," said Shirley Bowen, senior vice president of mortgage lending at HOPE Mortgage Company. "This is what can happen when companies provide incentives to make loans that are not good for consumers or when borrowers opt for loan terms that are affordable in the short-term but forces them into financial hardships as the loan matures."

"Buying a home on good terms is a time-proven tool for improving the economic status of working families and local communities," said Sivak. "This study suggests that public policy makers and responsible lending institutions in Mississippi should work together to protect the hard earned homes of working families."

The study is available at [www.mepconline.org](http://www.mepconline.org). The Mississippi Economic Policy Center engages in rigorous, accessible and timely analysis to inform the policy debate on issues that affect the economic and social well being of working families and low-wealth Mississippians. An independent, nonpartisan initiative, MEPC is managed by the Enterprise Corporation of the Delta (ECD), a regional financial institution and community development intermediary dedicated to strengthening communities, building assets and improving lives in economically distressed areas across the Mid South. Key MEPC partners include the Mississippi Center for Justice and other organizations that contribute important expertise, guidance and support.

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