

Inside the Observer

Series shows need for lenders to disclose more

Today we learn that to be black in America is to be much more likely to pay a higher interest rate for a home purchase loan from among the nation's 25 largest lenders.

It doesn't matter how much you earn. In fact, the more money you make, the more likely you are to pay a higher rate than someone who is white and makes the same amount.

To a lesser degree, Hispanics also are more likely to pay a higher rate.

Observer reporters discovered the patterns in their analysis of more than 2 million mortgage applications gathered from financial institutions across the nation.

Lenders of higher-interest, or "sub-prime" loans, say these racial patterns do not reflect discrimination.

But they will not disclose further information that could either support or refute their case.

Here's the story behind that.

For years, the federal government has required banks to disclose a variety of details about their loans to comply with the Home Mortgage Disclosure Act. The act is designed to promote fair lending practices.

When you take out a loan, aspects of the deal become public record. This allows all to see how lenders react to a number of variables that could point to unfair lending patterns, including sex, race, ethnicity and income.

But the act protects your privacy by withholding your name, address, Social Security number and other unique personal identifiers.

This spring, the government added another variable to its required list. It told lenders they must disclose which loans were assigned higher rates.

That move enabled reporters Binyamin Appelbaum, Ted Mellnik and Rick Rothacker to document the racial disparities that we report to you today. All told, the reporters worked more than five months collecting the data, analyzing it and reporting on the outcome.

The lending industry says this picture is still missing at least two crucial variables used to determine the interest rate.

One is the size of the down payment. The other is a credit score based on a person's history of repaying loans. The smaller the down payment, or the lower the credit score, the higher the interest rate, lenders say.

We asked several lenders for data that would include credit scores and down payments. All of them declined.

Lynne Strang, a spokeswoman for the industry, said lenders are protecting customers' privacy. Conceivably, someone could match details now disclosed about a loan applicant against other public records and determine the person's identity, Strang said.

"Start adding credit scores, it's possible to figure out whose score it is," Strang said in an e-mail on Friday.

The Federal Reserve could require financial institutions to disclose the information, but to this point it has not. In March, one of its senior ad-

Report at a Glance

Blacks who bought homes in communities across America last year were four times as likely as whites to receive high interest rates for mortgage loans, the Observer found in an analysis of records from 25 of the nation's largest lenders.

Income did not explain the disparities. Even blacks with incomes above \$100,000 a year were charged high rates more often than whites with incomes below \$40,000.

Experts, studies and analysis point to three reasons blacks get fewer market-rate home purchase loans:

Discrimination can occur throughout the lending process.

Blacks on average have less wealth and more credit problems.

And blacks on average are less knowledgeable about the home-buying process.

Lenders say they are confident race is not a factor in loan-pricing decisions.

But critics note the industry's history of discrimination and say lenders should disclose more information so the public can judge the extent of the role played by race.

Coming Monday: The role banks have played in the rise of the high-rate lending industry, and how Charlotte's big banks have responded to the growth of the new industry.

Tuesday: A look at ways Congress and the lending industry can improve the loan process and help borrowers.

visers, Glenn Canner, similarly cited concerns about privacy, both for individuals and the banks.

"As regulators at least, we have the option (of) going into the banks and going through the loan files and collecting in our own fashion as much as we need," Canner told a conference focused on fair lending practices.

Clearly, today's stories point to the need for the Federal Reserve and other regulators to do just that. And Congress should insist that lenders find a way to both protect individual privacy and allow all Americans to see the whole picture for themselves.

Three reporters and their editors have mined existing data as best they can. But there are missing pieces.

And as Keith Ernst of the Durham-based Center for Responsible Lending told the Observer: "When you see disparities like the kind you've identified here, the public deserves a more forthright answer than 'Trust me.'"

Meanwhile, there is a lot you can do to protect yourself. The advice listed on this page and throughout the three-day series will be useful to anyone who is considering a home loan.

My wife and I have taken out mortgages on four houses over the past 23 years. We'll be better prepared having read this series if we need another.

I believe you will, too.

News You Can Use

Getting the best loan: Plan early, shop around

Get educated about the mortgage lending process. You can find information, including housing counselors in your area, through the Web site of the Department of Housing and Urban Development: <http://www.hud.gov/buying>, or by calling (800) 569-4287. Several groups offer home buying classes in the Charlotte area, including the Urban League of Central Carolinas. Call (704) 373-2256, ext. 206.

1. Start early

Several months before you plan to start looking for a home, visit a local bank or credit union. Ask if you qualify for a market-rate loan. If not, ask how you can improve your financial profile. Most people can qualify for a market-rate loan by taking a few months to pay debts or save toward a larger down payment.

2. Find out how much you can afford

When you're ready to shop, get pre-approved for a loan. You can generally afford a home that costs up to three times your total annual income. Stay in your price range. Buyers get in trouble when they fall in love with a home first, then shop for a lender willing to provide the money.

3. Shop around

Visiting one mortgage broker is not the same as shopping around. Visit several brokers and lenders. Ask for a "good faith estimate," a document listing your interest rate and closing costs. Use the annual percentage rate, or APR, to compare offers - it is an interest rate adjusted to reflect most closing costs.

4. Understand the estimate

Ask about costs you don't understand. Closing costs should run between 3 percent and 5 percent of your loan amount, and no more. Those costs include attorney fees, broker fees and anything else beyond the actual cost of the house. Most fees are negotiable, including lender and broker fees.

5. Hold them to it

Your broker or lender should be able to provide a final list of closing costs before you meet to close the loan. Do not let them increase your costs by large amounts at the last minute. Be prepared to walk out if necessary.

— BINYAMIN APPELBAUM

If You Fall Behind on Payments

If you miss a monthly payment or are facing foreclosure: Contact a local housing counseling agency. The same groups that offer home buying classes also can help people who are struggling to keep their homes. To find a local agency, call HUD at (800) 569-4287 or go online to <http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm>.

Reporters for This Series



Binyamin Appelbaum



Rick Rothacker



Ted Mellnik

Glad You Asked

Let's clear the air on beans, biology

Q. Why ARE beans the musical fruit? - David Bennett

Beans, beans, the musical fruit! The more ya eat 'em, The more your small intestine can't break down oligosaccharides.

OK, it doesn't rhyme and won't make the kids laugh, but it carries the authentic aroma of truth.

Beans, and other gassy foods like cabbage, contain oligosaccharides - sugars made up of large molecules. Normally enzymes in the small intestine bust up such molecules. But, for some reason, the enzymes in there just don't know what to make of oligosaccharides. (Probably can't pronounce 'em.)

So these big ol' sugar molecules tumble into the large intestine. There the bacteria aren't so shy. They gobble the oligosaccharides up - and release gas as they do.

Most of this ill wind actually isn't stinky, but some of it contains sulfur compounds. (Think rotten eggs.) And that's the bad stuff that causes you to make a face and look acutely around at the other folks in the elevator. (It was probably the guy innocently staring at the ceiling.)

Sometimes you get gas even when you don't eat brussels sprouts or something else containing oligosaccharides. If you're

FRONTAL LOBES OF THE WEEK

These tough cons busted right out of our quiz on prison flicks

These are some of the folks who aced our quiz on prison movies.

Stefan Schetselaar, Elizabeth and Earl Wilcox, Patricia Nims, Kathryn Johnson, Mike George, Michael Swaringen, Ray Otstott, Don Poe, Cozette Stacy Nowak, Guy and Barbara Snow, Raine Cole, David Eakes, Cheryl Caine, David Bennett, Nancy Smaragdus, Richard Cosgrove, Wille Thompson, Loyd Dillon, Liz Nichols, Eric Fordley, Liz Nichols, Martha Covington and Chuck Saunders.

1. Who ominously observed, "What we've got here is failure to communicate" in "Cool Hand Luke"? **Actor Strother Martin**
 2. Steve McQueen's motorcycle chase scenes added thrills to what 1963 prisoner-of-war flick? **"The Great Escape"**
 3. What 2000 film's twangy bluegrass soundtrack featured Alison Krauss? **"O Brother Where Art Thou?"**

stressed out, that can throw off digestion. Or if you eat too fast, you swallow air, which adds to gas. Carbonated drinks can make you stink it up, too.

If you like your beans, you might try the product Beano, which essentially provides the enzyme the small intestine lacks. And soaking dry beans longer or rinsing canned beans can render them less caustic.

4. "I steal!" Paul Muni cries in the famous final line from what 1932 classic? **"I Am a Fugitive from a Chain Gang"**

5. "He had it comin'!" a chorus of women inmates insists in what stylish 2002 musical? **"Chicago"**

6. True or false: Robert Stroud, portrayed as a sympathetic "Birdman of Alcatraz" by Burt Lancaster, was actually volatile and violent. **True**

7. What boxer did Denzel Washington portray in a fine 1999 prison movie? **Rubin "Hurricane" Carter**

HAVE A QUESTION?

E-mail Jeff Elder at glad@charlotteobserver.com or call him at (704) 358-5032.

Finally, consider this quote from the Web site of the National Digestive Diseases Information Clearinghouse, a department of the National Institutes of Health: "Most people produce about 1 to 4 pints of gas a day and pass gas about 14 times a day."

My initial reaction: "That seems like a lot."

But then I thought of certain guys I know. I think they bring up the curve.

People



STEVE PARSONS - ASSOCIATED PRESS PHOTO

Celebs tee up in Wales

Catherine Zeta-Jones and her husband, Michael Douglas, prepare for the start of the All Star Cup celebrity golf tournament on Saturday, which is being held at the Celtic Manor Resort near Newport, Wales. Jodie Kidd, Rob Lowe, Chris Evans and Gavin Henson are among the celebrities making up the two teams pitted against each other during the two-day event.

Late Farley gets star on Walk of Fame

Comedian Chris Farley was a motivational speaker, a rabid fan and a topless dancer on "Saturday Night Live." On Friday, the late comic was the toast of his castmates as they honored him with a star on the Hollywood Walk of Fame. "I think it's sweet that everyone still has a real nice place in their hearts for him, they still remember him," said actor-comedian David Spade, who appeared with Farley during his 1990-95 reign on the show. Fans, friends and family surrounded Farley's star, the walk's 2,289th, in front of the Improv Olympic West theater where the actor used to perform. Farley, who was known for his physical comedy, wild antics and large appetite died on Dec. 18, 1997, from an accidental overdose of morphine and cocaine. He was 33.

— ASSOCIATED PRESS

Stewart's home confinement set to end

Unless she gets into trouble with her probation officer again, Martha Stewart will gain her freedom Wednesday from her "hideous" home confinement sentence and that bothersome, unstylish electronic anklet. She will still be on probation, but will no longer be limited to 48 hours out of the house per week.

— ASSOCIATED PRESS

Quoting

"All of the sudden I'll be pinched on the rear and jump and turn around and I'll see this little blue-haired old lady running back to her group of friends going: 'I did it, Martha. I did it!'"

PATRICK SWAYZE on his "Dirty Dancing" fans — ASSOCIATED PRESS

Birthdays

Former Defense Secretary William Cohen, 65. Baseball manager Lou Piniella, 62. Olympic gold medal figure skater Scott Hamilton, 47. Country singer Shania Twain, 40. Actor Jack Black, 36. Actor Jason Priestley, 36. Olympic gold medal swimmer Janet Evans, 34. Country singer LeAnn Rimes, 23.

ARTS & ENTERTAINMENT | Entertainment news

In History: Aug. 28

1955: Emmett Till, a black teenager from Chicago, was abducted from his uncle's home in Money, Miss., by two white men after he had supposedly whistled at a white woman. He was found dead three days later.

1963: About 200,000 people participated in a peaceful civil rights rally in Washington, where Dr. Martin Luther King Jr. delivered his "I Have a Dream" speech.

— ASSOCIATED PRESS

S.C. LOTTERY

Here are the winning numbers selected Saturday in the S.C. lottery. Powerball numbers were drawn Saturday night.

PICK 3: Midday: 7-2-8 Evening: 0-7-1

PICK 4: Midday: 6-2-5-8 Evening: 8-1-0-4

Powerball: 8-22-31-39-44 Powerball: 11 Power Play: 5

Corrections and Clarifications

The Observer strives to be accurate and fair. Those values are crucial to our relationship with readers. We are committed to correcting our mistakes promptly. Corrections from all main Observer sections are published here. Errors on Opinion and Viewpoint are corrected on those pages. Errors from our regional publications are corrected on page 2 of those sections.

The score of the Bandys-East Lincoln high school football game was incorrect in Saturday's Observer. Bandys won 42-12.

The National League schedule in Thursday's Sports section and NL results and schedule in Saturday's section were incorrect in the Major League Baseball roundup.

If you see a mistake, please call us at (704) 358-5040 or e-mail us at corrections@charlotteobserver.com.

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