Fair Lending Helps Community Prosperity

An Analysis of Fair Lending Disparities
In the Baton Rouge Metro Area

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Prepared For:
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UNITED FOR A FAIR ECONOMY

Report Prepared By:

NCRC

Executive Summary: Baton Rouge, LA

Using a number of publicly-available data sets on lending, this report shows that minorities and low and moderate-income borrowers experienced fair lending disparities in the Baton Rouge Metropolitan Statistical Area (MSA) in 2005.

- Approximately twenty percent of all-single family loans to whites were subprime (high-cost), while 53.66% of loans to African-Americans were subprime. This means that an African-American was 2.72 times more likely than a white non-Hispanic to receive a subprime loan. In addition, whites, while constituting 67.59% of total households, received 82.64% of total prime loans made in the Baton Rouge MSA. In contrast, blacks constituted 29.77% of the households and only received 14.75% of the total prime loans made.

- African Americans have a higher percentage of subprime loans in Baton Rouge MSA than in the United States as a whole. More than half of loans to African Americans were subprime in Baton Rouge MSA compared to the national average, which is 46.55%.

- Data on loan denials shows that African-Americans in the Baton Rouge MSA were 2.02 times more likely than whites to be denied for a home loan.

- Differences existed between whites and other races as well; however, they are not as severe as the differences between whites and African-Americans on most of the indicators. For example, 67.05% of loans to Latinos were prime (market-rate), 83.75% of loans to Asians were prime, and 80.24% of loans to whites were prime, while only 46.34% of loans for African-Americans were prime.

- While this data does not control for creditworthiness, several national studies suggest that lending disparities still exist when incorporating borrowers' credit scores and housing market characteristics.

- Small businesses in predominantly minority census tracts received proportionally fewer loans than businesses in non-minority census tracts. Consider that 26.36% of small businesses in the Baton Rouge MSA were located in predominantly minority tracts; however, they received only 19.52% of small business loans made in 2005.

For more information, please refer to the following reports:
• "Are Banks on the Map? An Analysis of Bank Branch Location in Low-Income and Minority Neighborhoods." Online at www.ncrc.org
• "Homeownership and Wealth Building Impeded: Continuing Lending Disparities for Minorities and Emerging Obstacles for Middle-Income and Female Borrowers of All Races." Online at www.ncrc.org.
• "Paying More for the American Dream: A Multi-State Analysis of Home Purchase Lending." Online at www.calreinvest.org.
• "The Broken Credit System: Discrimination and Unequal Access to Affordable Loans by Race and Age." Online at www.ncrc.org.

NCRC's 2005 Home Lending Analysis for Baton Rouge, LA

The National Community Reinvestment Coalition (NCRC) conducted a portfolio and market share analysis using 2005 HMDA data with the following specifications for the Baton Rouge, LA MSA: all single family (ASF) lending; conventional and government-insured; single family units; and owner occupied units.

For the portfolio share analysis, NCRC evaluated the prime (or market-rate) and subprime (or high-cost) lending performances by race of borrower (white, African-American, Hispanic or Asian); income level of borrower (low-and moderate-income, or LMI, and middle- and upper-income, or MUI); income level of census tract (LMI neighborhood or MUI neighborhood), and minority level of census tract (substantially minority or substantially white census tracts). Lending patterns were then compared to the demographics of the metropolitan area to illustrate potential lending disparities.

In the market share analysis, NCRC compares the portion of subprime loans made to a particular borrower group to all loans (market-rate loans plus high-cost loans) made to that same borrower group. The disparity ratio illustrates how much more often lenders made high-cost loans to one borrower compared to another borrower.

Market-rate loans are loans made at prevailing interest rates to borrowers with good credit histories. High-cost loans, in contrast, are loans with rates higher than prevailing rates made to borrowers with credit blemishes. The higher rates compensate lenders for the added risks of lending to borrowers with credit blemishes. While responsible high-cost lending serves credit needs, public policy concerns arise when certain groups in the population receive a disproportionate amount of high-cost loans. When high-cost lending crowds out market-rate lending in traditionally underserved communities, price discrimination and other predatory and deceptive practices become more likely as residents face fewer product choices.

Portfolio Share Analysis of ASF Home Lending in Baton Rouge, LA MSA

In the Baton Rouge Metropolitan Statistical Area (MSA), African American received 44.77% of high-cost ASF loans but only 14.75% of market-rate loans during 2005. According to the 2000 census, African American were 29.77% of the MSA's households (see Table 1a. and Chart 1a.). Therefore, African American borrowers received a higher percent of high-cost loans and a lower percent of market rate loans than their share of the population. White borrowers received a higher proportion of market-rate loans than their household share of the population (78.05% of market-rate loans vs. 67.59% of households). Hispanic borrowers received percentages of high-cost and market-rate loans that were similar to their share of total households. High-cost and market-rate lenders made 1.77% and 1.39% of ASF loans to Hispanics, respectively, who account for 1.45% of the MSA's households.

Low- and moderate- income(LMI) borrowers received a disproportionately low portion of loans, especially prime loans. LMI borrowers received 44.64% of high-cost ASF loans but only 27.75% of market-rate loans during 2005. LMI borrowers were 40.18% of the MSA's households. Therefore, LMI borrowers received a higher percent of high-cost loans and a lower percent of market rate loans than their share of the population. Middle- and upper-income (MUI) borrowers received 72.25% of market-rate ASF loans and 55.36% of high-cost loans. MUI households make up 59.82% of households in the Baton Rouge MSA (see Table 2a., Chart 2a. and Chart 2d.).

The percentage of high-cost loans is considerably higher than the percentage of owner-occupied housing units in minority tracts. Market-rate lenders made 16.47% of their ASF loans in substantially minority census tracts while 27.89% of the MSA's owner occupied housing units are located in minority tracts. High-cost lenders originated 34.55% of their ASF loans in minority tracts. Comparatively, market-rate and high-cost lenders made 83.51% and 65.45% of their ASF loans in substantially white census tracts, respectively, while 72.11% of housing units are located in substantially white tracts (see Table 4a.).

Approximately 10.38% of market-rate ASF loans went to LMI census tracts, while 26.27% of high-cost home loans went to LMI tracts. In the Baton Rouge MSA, 24.42% of owner-occupied housing units were located in LMI census tracts. Comparatively, 89.62% of all market-rate ASF loans and 73.73% of high-cost ASF loans went to MUI census tracts while only 75.58% of owner-occupied housing units were located in MUI census tracts (see Table 5a.).

Market Share Analysis of ASF Home Lending in Baton Rouge, LA MSA

African American borrowers were more likely to receive high-cost loans than white borrowers. Roughly 53.66% of all ASF loans to African American borrowers were high-cost while only 19.66% of all ASF loans to white borrowers were high-cost. As a result, African American borrowers were 2.72 times more likely than white borrowers to receive a high-cost loan (53.66% of loans for African American borrowers that were high-cost divided by 19.66% of the loans for white borrowers that were high-cost)(see Table 1b. and Chart 1b.).

LMI borrowers were more likely to receive high-cost loans than MUI borrowers. Roughly 39.78% of all ASF loans to LMI borrowers were high-cost while only 23.93% of all ASF loans to MUI borrowers were high-cost. As a result, LMI borrowers were 1.66 times more likely than MUI borrowers to receive a high-cost loan (39.78% of loans for LMI borrowers that were high-cost divided by 23.93% of the loans for MUI borrowers that were high-cost)(see Table 2b. and Chart 2b.).

In Baton Rouge in 2005, residents of minority census tracts were more likely to receive high cost loans than residents of white tracts. High-cost loans were issued in substantially minority census tracts 1.92 times more frequently than substantially white census tracts (45.28% of loans to minority tracts that were high-cost divided by 23.61% of loans to white census tracts that were high-cost).

Borrowers in LMI tracts were nearly 2.13 times more likely to receive high-cost loans than borrowers in MUI tracts (49.97% of loans for borrowers in LMI tracts were high-cost divided by 24.51% of the loans for borrowers in MUI tracts were high-cost).

Denial rate analysis of ASF Home Lending in Baton Rouge, LA MSA

African American and Hispanic applicants were more likely to be denied loans than white applicants. 37.46% of all the African American loan applications were denied, and 29.44% of all the Hispanic loan applications are denied. Comparatively, the loan denial rate for white applicants was 18.47%. African Americans were more than 2 times more often to be denied than white applicants (37.46% African-American denial rate divided by 18.47% white denial rate)(see Table 1c. and Chart 1c.).

LMI consumers' loan applications were more likely to be denied than MUI consumers' loan applications. LMI consumers' denial rate was 32.94%, while MUI consumers' was 21.24%. The denial frequency for LMI consumers was 1.50 times higher than MUI consumers (see Table 2c. and Chart 2c.).

Table 1. All Single Family Lending to Owner-Occupants, Baton Rouge MSA

By Race of Borrower

Table 1a. Portfolio Share Analysis	Count of Loans			As a Percent of Loans to All Races (Portfolio Share)			Households		Ratio of Prime Portfolio Share to Percent of House-holds	Ratio of Subprime Portfolio Share to Percent of House-holds
	Prime	Subprime	All	Prime	Subprime	All	Count	Percent		
Borrower Race										
White	10,780	2,655	13,435	82.64%	53.35%	74.55%	173,644	67.59%	1.22	0.79
Black or African American	1,924	2,228	4,152	14.75%	44.77%	23.04%	76,497	29.77%	0.50	1.50
Hispanic or Latino	177	87	264	1.39%	1.77%	1.50%	3,713	1.45%	0.96	1.23
Asian	201	39	240	1.54%	0.78%	1.33%	3,018	1.17%	1.31	0.67
Total[1]	14,263	5,626	19,889	100.00%	100.00%	100.00%	256,919	100.00%		

Table 1b. Market Share Analysis	Count of Loans			As a Percent of Loans to that Race (Market Share)		Ratio of that Race to White (Market Share Ratio)	
	Prime	Subprime	All	Prime	Subprime	Prime	Subprime
Borrower Race							
White	10,780	2,655	13,435	80.24%	19.76%	1.00	1.00
Black or African American	1,924	2,228	4,152	46.34%	53.66%	0.58	2.72
Hispanic or Latino	177	87	264	67.05%	32.95%	0.84	1.67
Asian	201	39	240	83.75%	16.25%	1.04	0.82
Total[1]	14,263	5,626	19,889	71.71%	28.29%	3.46	0.71

Table 1c. Loan Denial Disparity Ratios	Denial Rate			Ratio of that Race to White (Denial Ratio)
	Applications	Denials	Percentage	
Borrower Race				
White	23,335	4,330	18.56%	1.00
Black or African American	11,970	4,484	37.46%	2.02
Hispanic or Latino	591	174	29.44%	1.59
Asian	424	77	18.16%	0.98
Total[1]	44,348	11,324	25.53%	1.38

NOTES

"Total" refers to total of all races, which includes races in addition to the four included in this analysis. Thus, the number in "total" may not necessarily equal the sum of "White," "Black or African American," "Hispanic or Latino," and "Asian." This note holds true for both the lending analysis and number of households.

Table 2. All Single Family Lending to Owner-Occupants, Baton Rouge MSA

By Income Level of Borrower

Table 2a. Portfolio Share Analysis	Count of Loans			As a Percent of Loans to all Income Levels (Portfolio Share)			Households		Ratio of Prime Portfolio Share to Percent of House-holds	Ratio of Subprime Portfolio Share to Percent of House-holds
	Prime	Subprime	All	Prime	Subprime	All	Count	Percent		
Income Level										
Low (<50% MSA Income)	990	891	1,881	7.37%	16.15%	9.92%	64,555	25.13%	0.29	0.64
Moderate (50-79.99% MSA Income)	2,739	1,572	4,311	20.38%	28.49%	22.74%	38,673	15.05%	1.35	1.89
Middle (80-119.99% MSA Income)	3,522	1,549	5,071	26.21%	28.07%	26.75%	44,075	17.16%	1.53	1.64
Upper (120% or More MSA Income)	6,188	1,506	7,694	46.05%	27.29%	40.59%	109,616	42.67%	1.08	0.64
LMI (<79.99% MSA Income)	3,729	2,463	6,192	27.75%	44.64%	32.66%	103,228	40.18%	0.69	1.11
MUI (>80% MSA Income)	9,710	3,055	12,765	72.25%	55.36%	67.34%	153,691	59.82%	1.21	0.93
Total[1]	14,263	5,626	19,889	106.13%	101.96%	104.92%	256,919	100.00%		

Table 2b. Market Share Analysis	Count of Loans			As a Percent of Loans to that Income Level (Market Share)		Ratio of that Income Level to Upper-Income (Market Share Ratio)[3]	
	Prime	Subprime	All	Prime	Subprime	Prime	Subprime
Income Level							
Low (<50% MSA Income)	990	891	1,881	52.63%	47.37%	0.65	2.42
Moderate (50-79.99% MSA Income)	2,739	1,572	4,311	63.54%	36.46%	0.79	1.86
Middle (80-119.99% MSA Income)	3,522	1,549	5,071	69.45%	30.55%	0.86	1.56
Upper (120% or More MSA Income)	6,188	1,506	7,694	80.43%	19.57%	1.00	1.00
LMI (<79.99% MSA Income)	3,729	2,463	6,192	60.22%	39.78%	0.79	1.66
MUI (>80% MSA Income)	9,710	3,055	12,765	76.07%	23.93%	1.00	1.00
Total[1]	14,263	5,626	19,889	71.71%	28.29%	0.89	1.45

Table 2c. Loan Denial Disparity Ratios	Denial Rate			Ratio of that Income Level to Upper-Income (Denial Ratio)
	Applications	Denials	Percentage	
Income Level				
Low (<50% MSA Income)	6,025	2,430	40.33%	2.14
Moderate (50-79.99% MSA Income)	10,277	2,940	28.61%	1.52
Middle (80-119.99% MSA Income)	11,052	2,697	24.40%	1.29
Upper (120% or More MSA Income)	14,663	2,764	18.85%	1.00
LMI (<79.99% MSA Income)	16,302	5,370	32.94%	1.55
MUI (>80% MSA Income)	25,715	5,461	21.24%	1.00
Total[1]	44,348	11,324	25.53%	1.35

NOTES

"Total" refers to total loans to all persons, including those applications with "income not available" reported. Thus, "total" may be a slightly larger number than the sum of "Low," "Middle," "Moderate," and "Upper." These four categories form a mutually exclusive group; likewise, "LMI" and "MUI" form a mutually exclusive group independent of "Low," "Middle," "Moderate," and Upper."

In the case of "Low," "Moderate," "Middle," and "Upper," the index for this ratio (that is, the denominator of the ratio) is "Upper." In the case of "LMI" and "MUI," the index is "MUI."

Table 3. All Single Family Lending to Owner-Occupants, Baton Rouge MSA

By Gender of Borrower

Table 3a. Portfolio Share Analysis	Count of Loans			As a Percent of Loans to All Genders(Portfolio Share)						
	Prime	Subprime	All	Prime	Subprime	All				
Gender										
Male	4,026	1,824	5,850	29.58%	33.80%	30.78%				
Female	3,193	1,749	4,942	23.46%	32.41%	26.00%				
Joint(Male/Female)	6,392	1,824	8,216	46.96%	33.80%	43.22%				
Total[1]	14,263	5,626	19,889	100.00%	100.00%	100.00%				

Table 3b. Market Share Analysis	Count of Loans			As a Percent of Loans to that Gender (Market Share)		Ratio of that Gender to Female (Market Share Ratio)	
	Prime	Subprime	All	Prime	Subprime	Prime	Subprime
Gender							
Male	4,026	1,824	5,850	68.82%	31.18%	1.07	0.88
Female	3,193	1,749	4,942	64.61%	35.39%	1.00	1.00
Joint(Male/Female)	6,392	1,824	8,216	77.80%	22.20%	1.20	0.63
Total[1]	14,263	5,626	19,889	71.71%	28.29%	1.11	0.80

Table 3c. Loan Denial Disparity Ratios	Denial Rate			Ratio of that Gender to Female (Denial Ratio)
	Applications	Denials	Percentage	
Gender				
Male	13,051	3,376	25.87%	0.87
Female	11,274	3,351	29.72%	1.00
Joint(Male/Female)	15,772	3,518	22.31%	0.75
Total[1]	44,348	11,324	25.53%	0.86

NOTES

"Total" refers to total loans to persons in census tracts. In rare cases, census tract information is unknown on an application; thus, "total" may contain a small sum of records in addition to "0-49% minority" and "50-100% minority."

Table 4. All Single Family Lending to Owner-Occupants, Baton Rouge MSA

By Minority Level of Census Tract

Table 4a. Portfolio Share Analysis	Count of Loans			As a Percent of Loans to Both Minority Levels (Portfolio Share)			Owner-Occupied Housing Units (OOHU)		Ratio of Prime Portfolio Share to Percent of OOHU	Ratio of Subprime Portfolio Share to Percent of OOHU
	Prime	Subprime	All	Prime	Subprime	All	Count	Percent		
Minority Level										
0-49% Minority	11,911	3,682	15,593	83.51%	65.45%	78.40%	128,304	72.11%	1.16	0.91
50-100% Minority	2,349	1,944	4,293	16.47%	34.55%	21.58%	49,622	27.89%	0.59	1.24
Total[1]	14,263	5,626	19,889	100.00%	100.00%	100.00%	177,926			

Table 4b. Market Share Analysis	Count of Loans			As a Percent of Loans to that Minority Level (Market Share)		Ratio of that Minority Level to 0-49% Minority (Market Share Ratio)	
	Prime	Subprime	All	Prime	Subprime	Prime	Subprime
Minority Level							
0-49% Minority	11,911	3,682	15,593	76.39%	23.61%	1.00	1.00
50-100% Minority	2,349	1,944	4,293	54.72%	45.28%	0.72	1.92
Total[1]	14,263	5,626	19,889	71.71%	28.29%	1.19	0.71

Table 4c. Loan Denial Disparity Ratios	Denial Rate			Ratio of that Minority Level to 0-49% Minority (Denial Ratio)
	Applications	Denials	Percentage	
Minority Level				
0-49% Minority	31,706	6,938	21.88%	1.00
50-100% Minority	12,626	4,377	34.67%	1.58
Total[1]	44,348	11,324	25.53%	1.17

NOTES

1 "Total" refers to total loans to persons in census tracts. In rare cases, census tract information is unknown on an application; thus, "total" may contain a small sum of records in addition to "0-49% minority" and "50-100% minority."

Table 5. All Single Family Lending to Owner-Occupants, Baton Rouge MSA

By Income Level of Census Tract

Table 5a. Portfolio Share Analysis	Count of Loans			As a Percent of Loans to all Income Levels (Portfolio Share)			Owner-Occupied Housing Units (OOHU)		Ratio of Prime Portfolio Share to Percent of OOHU[1]	Ratio of Subprime Portfolio Share to Percent of OOHU[1]
	Prime	Subprime	All	Prime	Subprime	All	Count	Percent		
Income Level										
Low (<50% MSA Income)	157	191	348	1.10%	3.39%	1.75%	7,171	4.03%	0.27	0.84
Moderate (50-79.99% MSA Income)	1,323	1,287	2,610	9.28%	22.88%	13.13%	36,286	20.39%	0.45	1.12
Middle (80-119.99% MSA Income)	6,615	2,714	9,329	46.39%	48.24%	46.91%	76,972	43.26%	1.07	1.12
Upper (120% or More MSA Income)	6,164	1,434	7,598	43.23%	25.49%	38.21%	57,497	32.32%	1.34	0.79
LMI (<79.99% MSA Income)	1,480	1,478	2,958	10.38%	26.27%	14.88%	43,457	24.42%	0.42	1.08
MUI (>80% MSA Income)	12,779	4,148	16,927	89.62%	73.73%	85.12%	134,469	75.58%	1.19	0.98
Total	14,263	5,626	19,889	100.03%	100.00%	100.02%	177,926			

Table 5b. Market Share Analysis	Count of Loans			As a Percent of Loans to that Income Level (Market Share)		Ratio of that Income Level to Upper-Income (Market Share Ratio)	
	Prime	Subprime	All	Prime	Subprime	Prime	Subprime
Income Level							
Low (<50% MSA Income)	157	191	348	45.11%	54.89%	0.56	2.91
Moderate (50-79.99% MSA Income)	1,323	1,287	2,610	50.69%	49.31%	0.62	2.61
Middle (80-119.99% MSA Income)	6,615	2,714	9,329	70.91%	29.09%	0.87	1.54
Upper (120% or More MSA Income)	6,164	1,434	7,598	81.13%	18.87%	1.00	1.00
LMI (<79.99% MSA Income)	1,480	1,478	2,958	50.03%	49.97%	0.66	2.04
MUI (>80% MSA Income)	12,779	4,148	16,927	75.49%	24.51%	1.00	1.00
Total	14,263	5,626	19,889	71.71%	28.29%	0.88	1.50

Table 5c. Loan Denial Disparity Ratios	Denial Rate			Ratio of that Income Level to Upper-Income (Denial Ratio)
	Applications	Denials	Percentage	
Income Level				
Low (<50% MSA Income)	1,416	646	45.62%	2.34
Moderate (50-79.99% MSA Income)	7,765	2,702	34.80%	1.79
Middle (80-119.99% MSA Income)	20,679	5,148	24.89%	1.28
Upper (120% or More MSA Income)	14,469	2,817	19.47%	1.00
LMI (<79.99% MSA Income)	9,181	3,348	36.47%	1.61
MUI (>80% MSA Income)	35,148	7,965	22.66%	1.00
Total	11,677	1,166	9.99%	0.51

NOTES

In the case of "Low," "Moderate," "Middle," and "Upper," the index for this ratio (that is, the denominator of the ratio) is "Upper." In the case of "LMI" and "MUI," the index is "MUI." "Total" refers to total loans to all persons, including those applications with "income not available" reported. Thus, "total" may be a slightly larger number than the sum of "Low," "Middle," "Moderate," and "Upper" census tracts. These four categories form a mutually exclusive group; likewise, "LMI" and "MUI" form a mutually exclusive group independent of "Low," "Middle," "Moderate," and Upper."

Chart 1a.

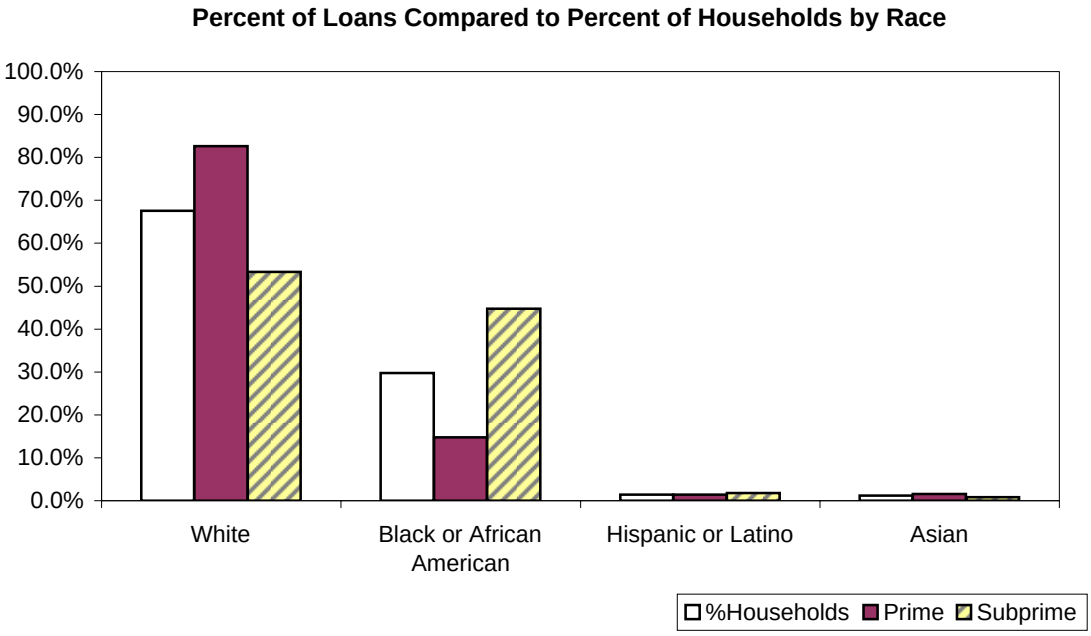
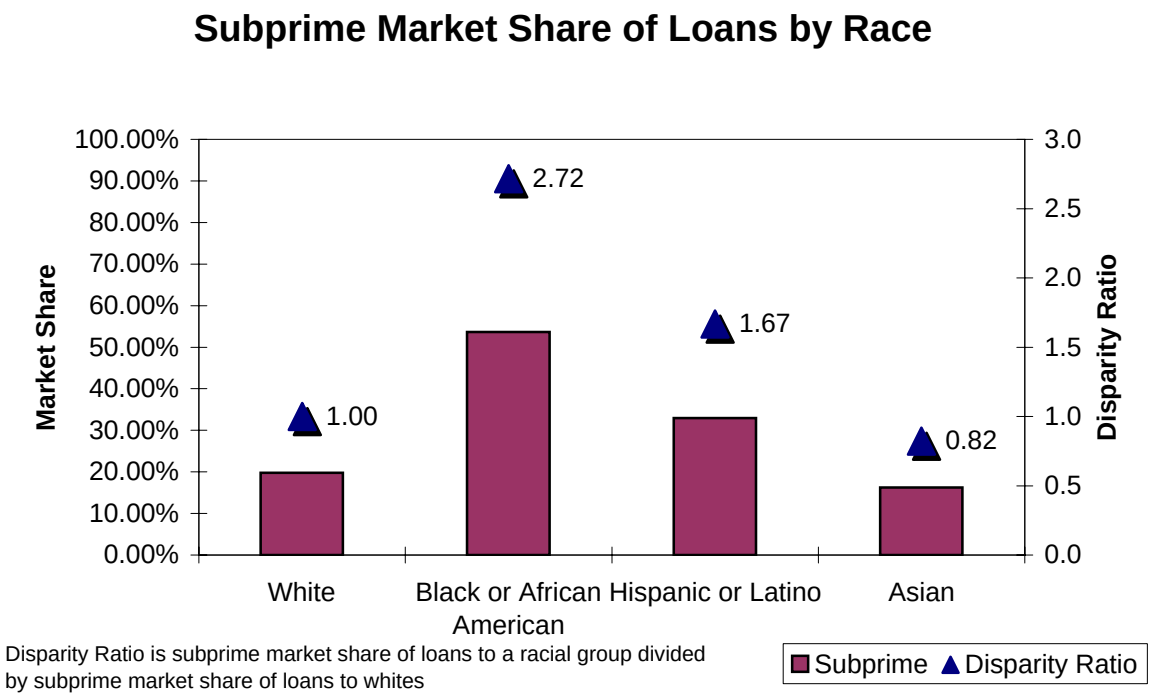
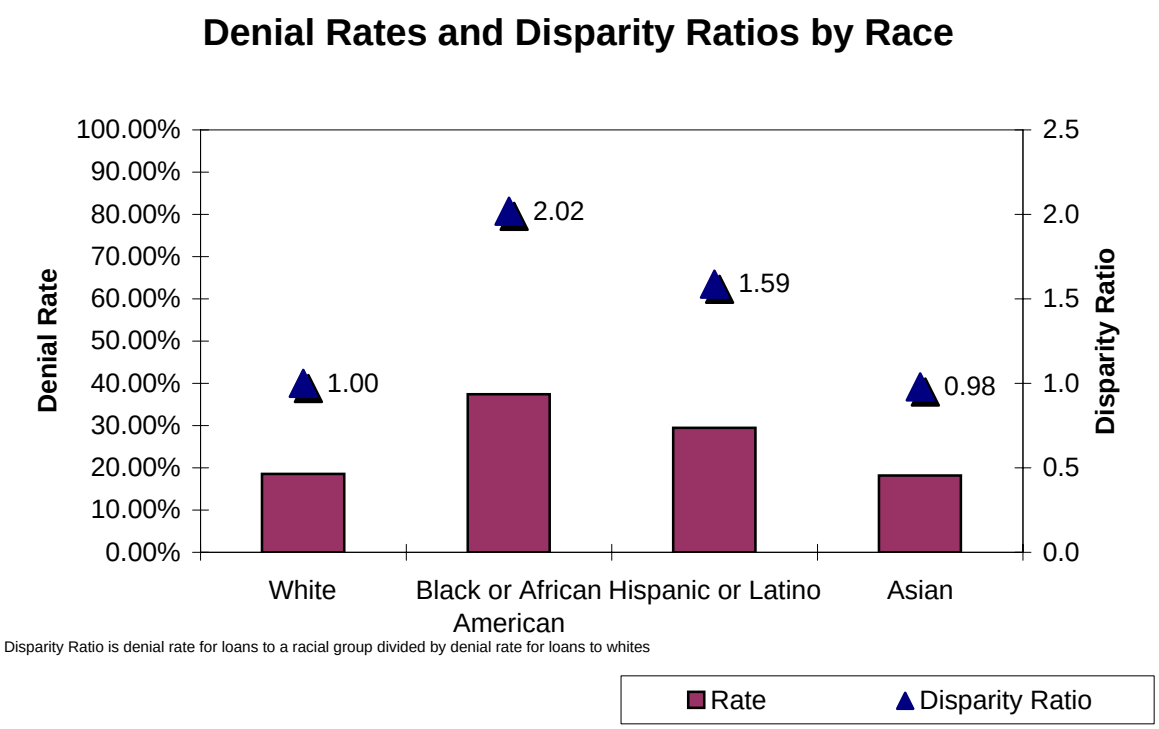


Chart 1b.



Disparity Ratio is subprime market share of loans to a racial group divided by subprime market share of loans to whites

Chart 1c.



Disparity Ratio is denial rate for loans to a racial group divided by denial rate for loans to whites

Chart 2a.

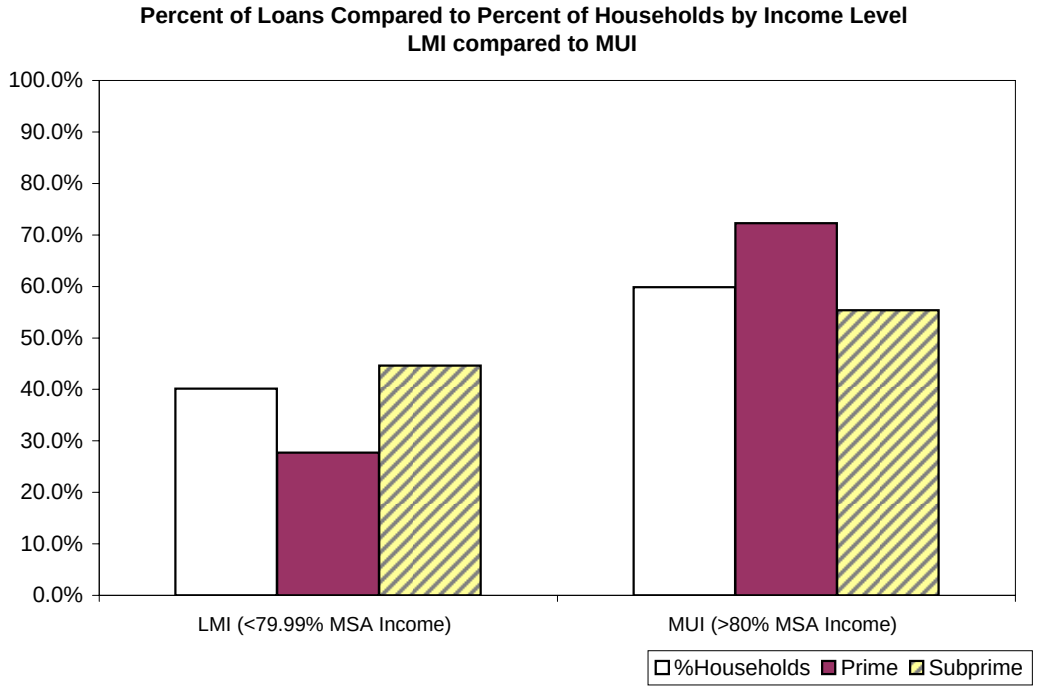
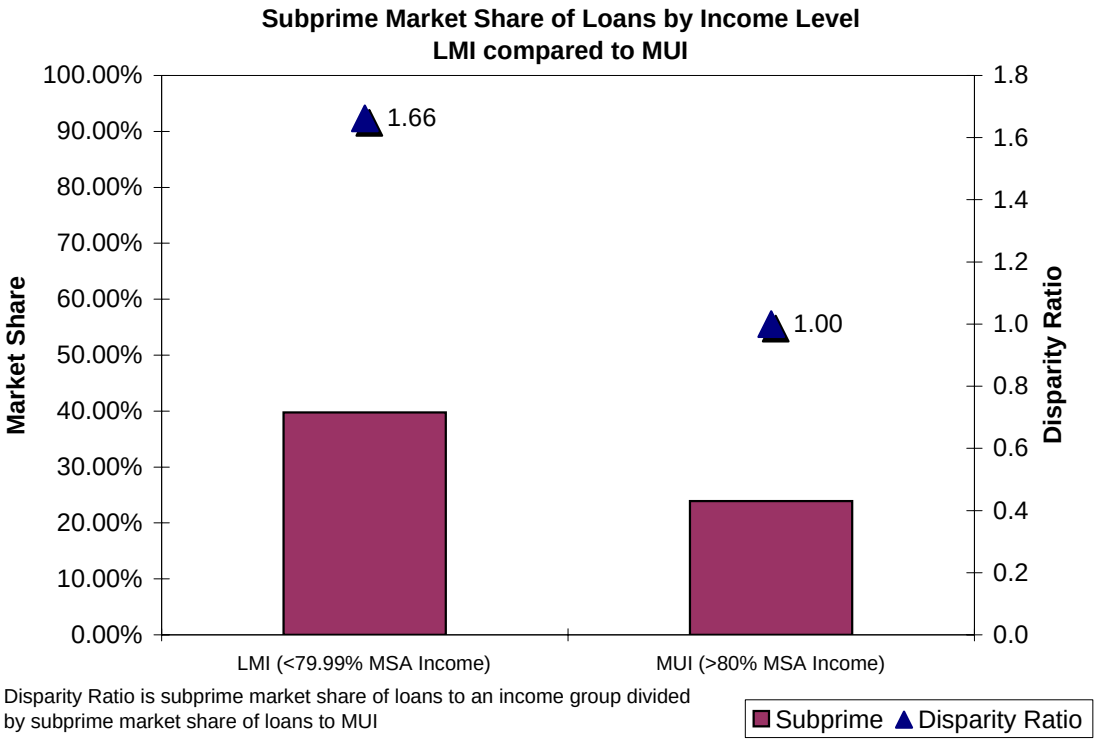


Chart 2b.



Disparity Ratio is subprime market share of loans to an income group divided by subprime market share of loans to MUI

Chart 2c.

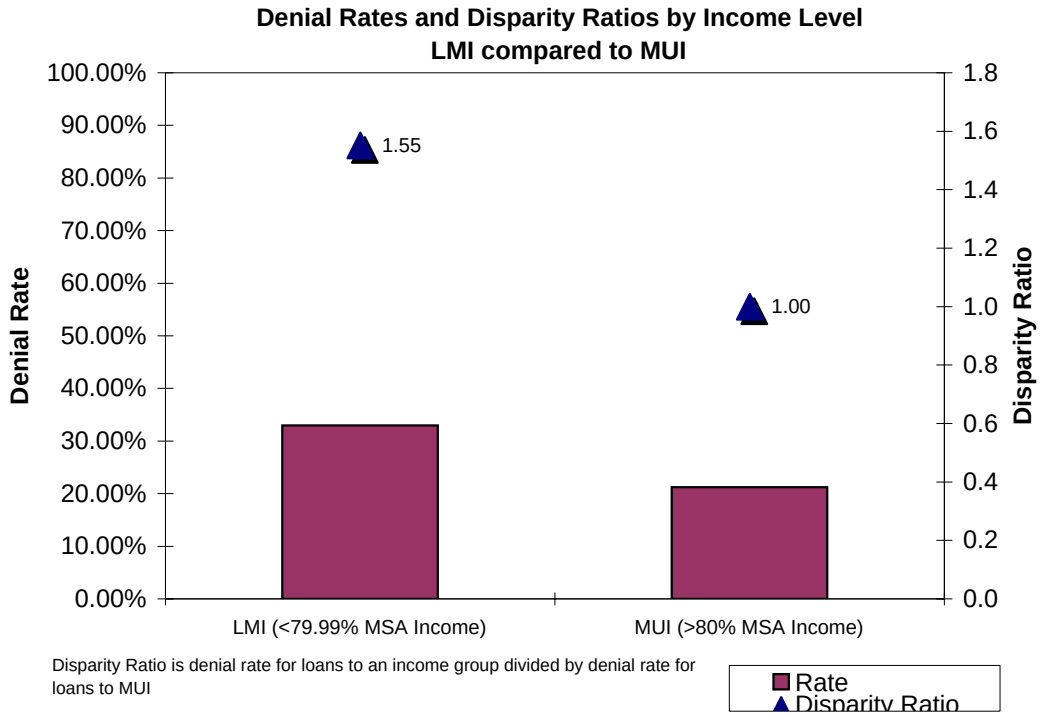


Chart 2d.

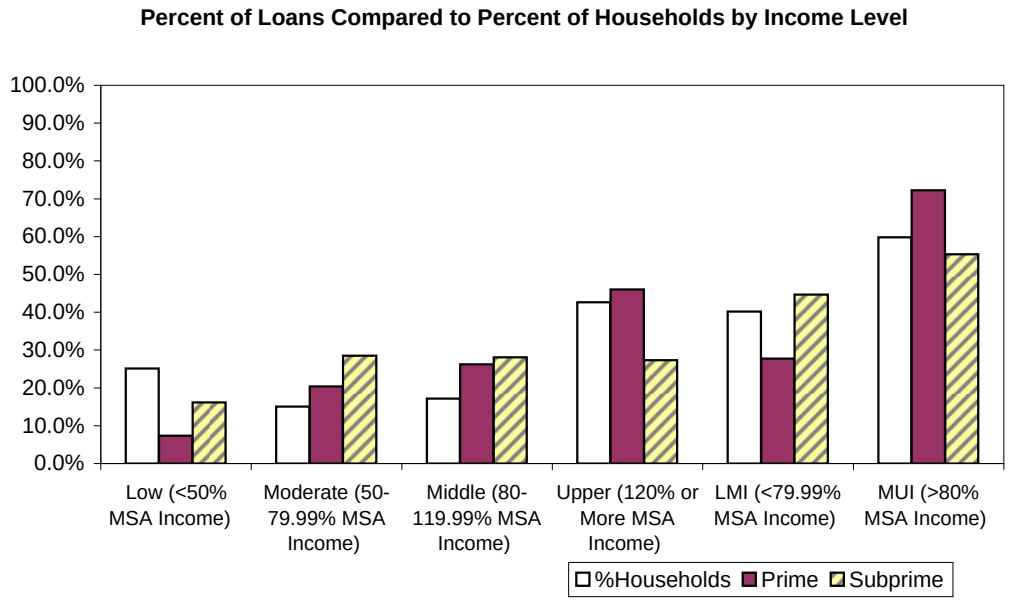
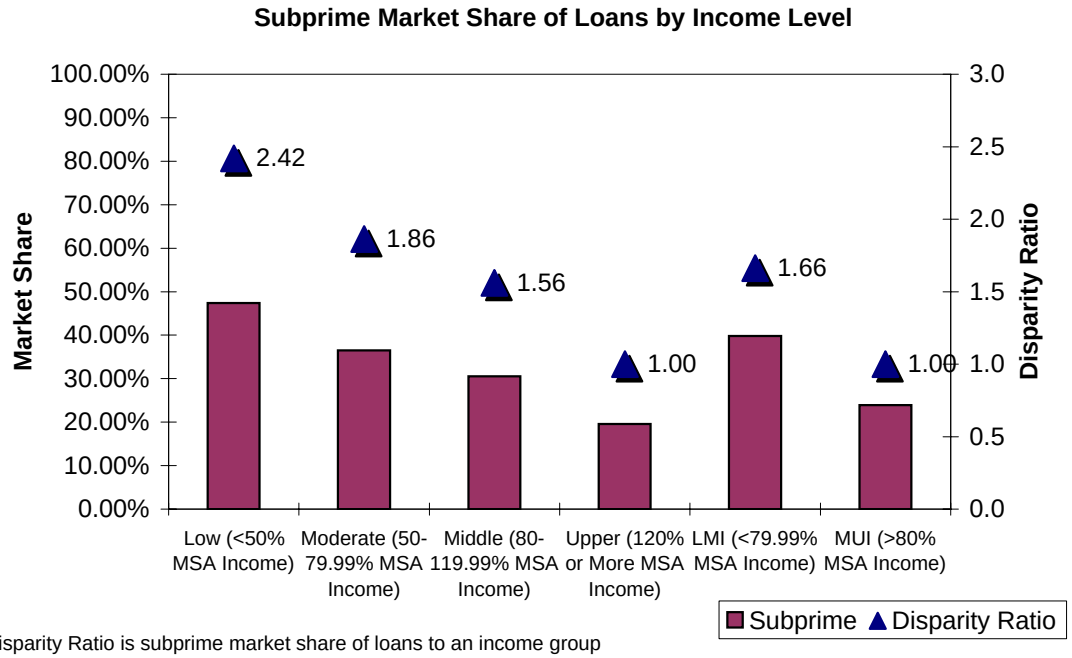
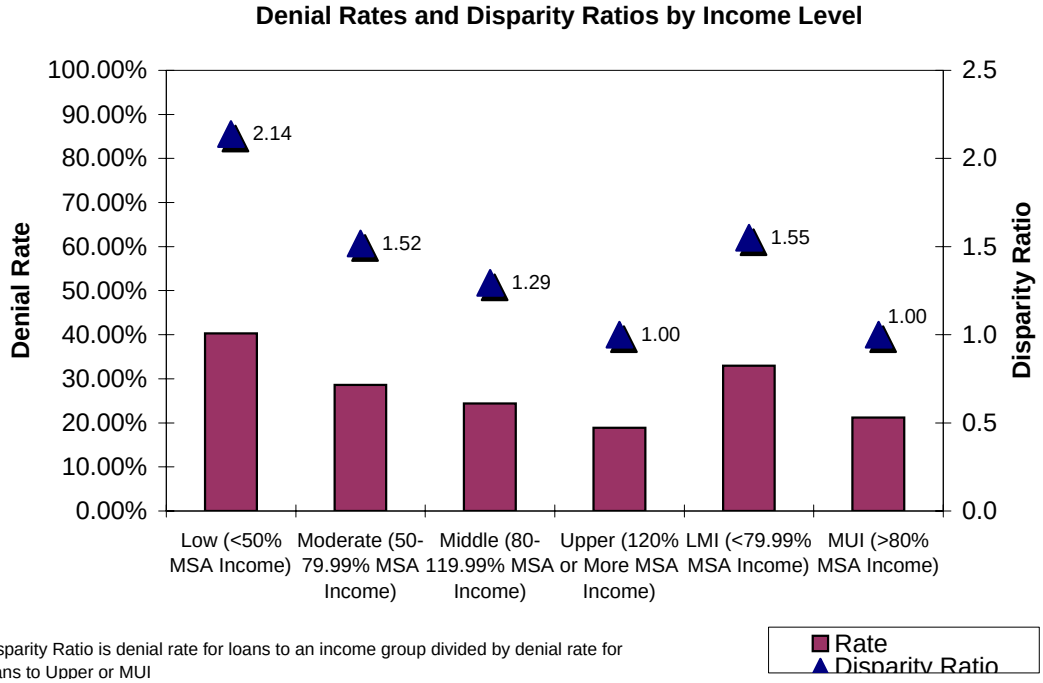


Chart 2e.



Disparity Ratio is subprime market share of loans to an income group divided by subprime market share of loans to Upper or MUI

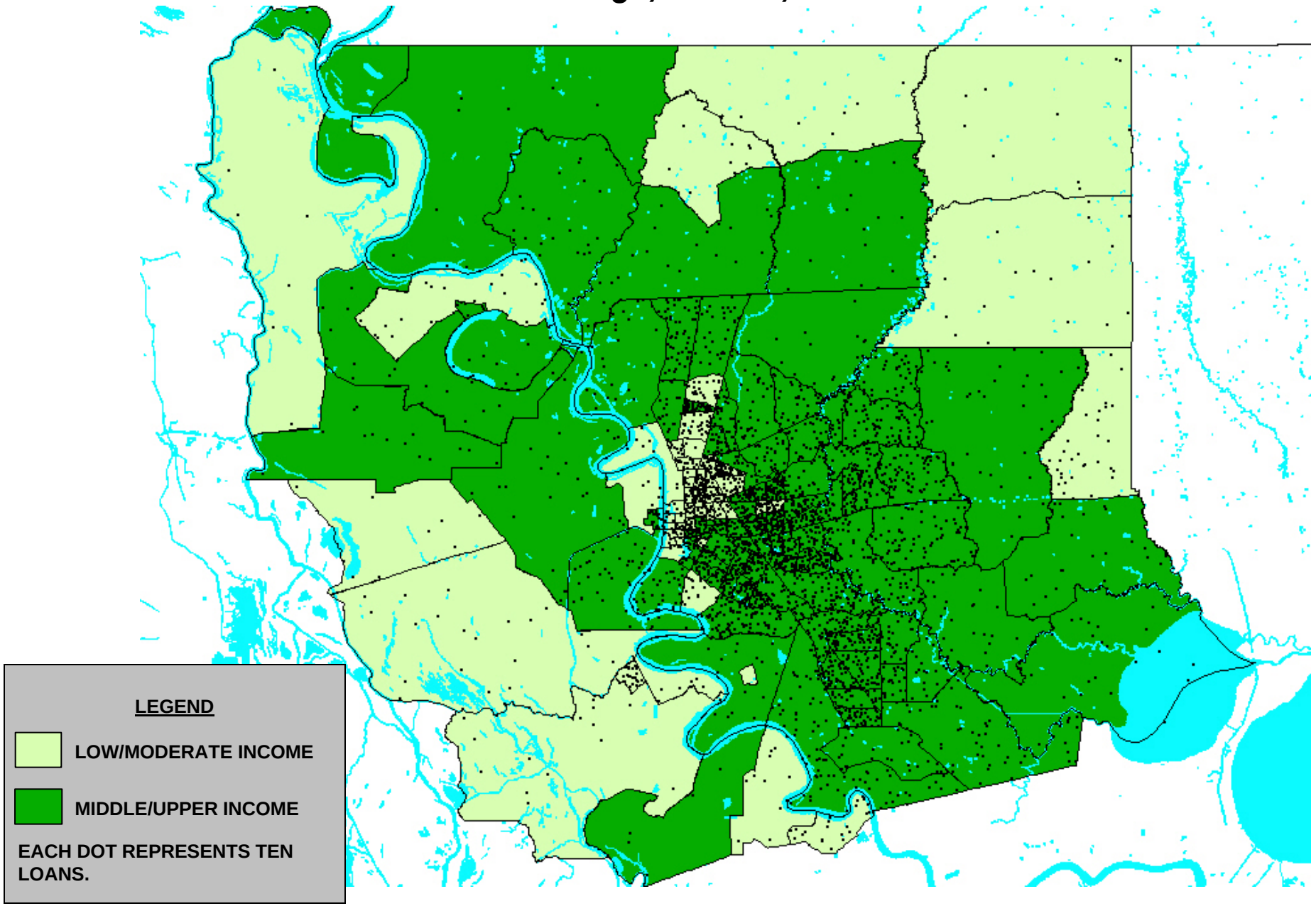
Chart 2f.



Disparity Ratio is denial rate for loans to an income group divided by denial rate for loans to Upper or MUI

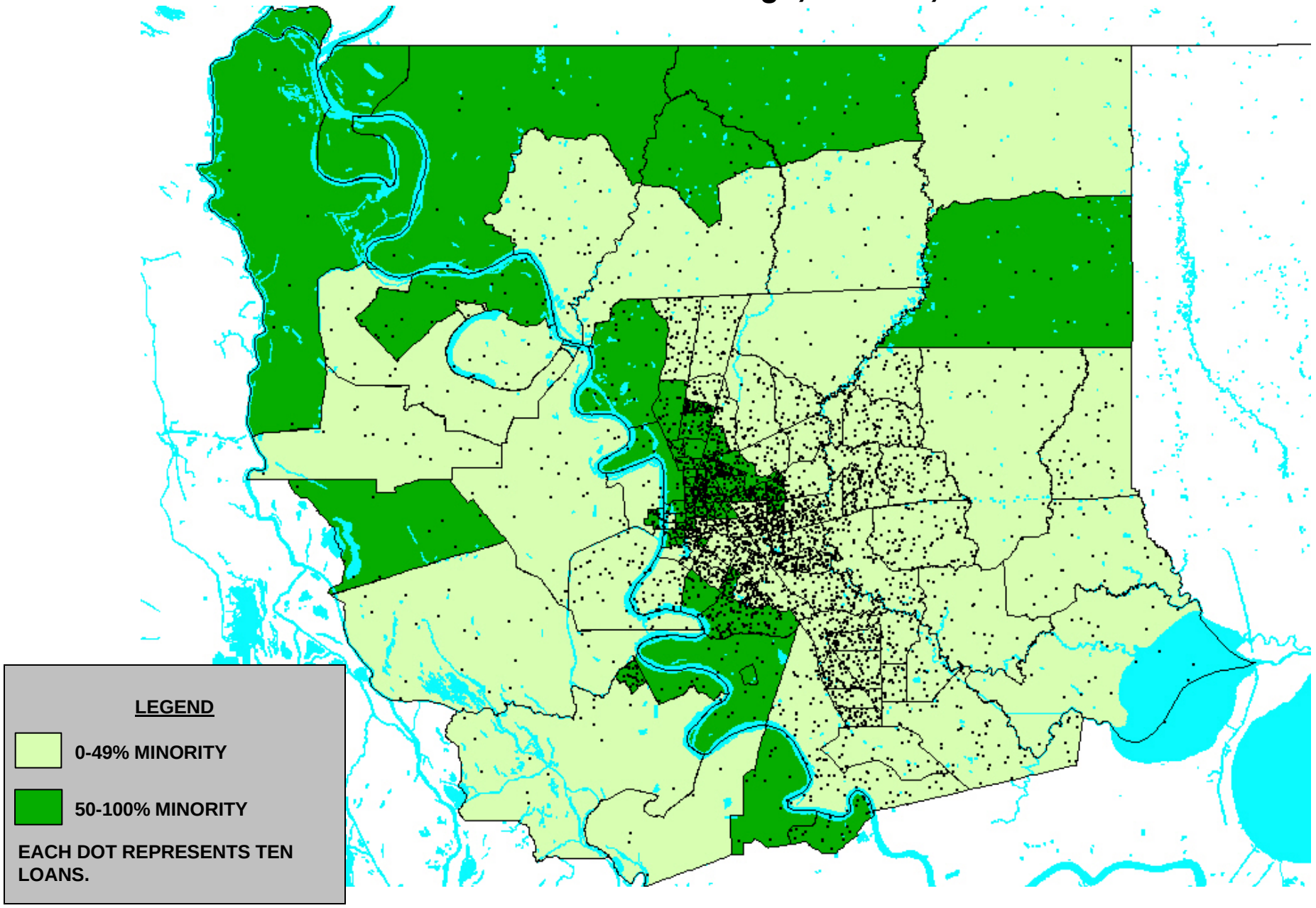
Subprime Home Loans by Income Level of Census Tract

Baton Rouge, LA MSA, 2005



Prime Home Loans by Minority Level of Census Tract

Selected Portion of Baton Rouge, LA MSA, 2005



Small Business Lending Analysis: Baton Rouge, Louisiana

Overview

An Analysis of small business lending data in the Baton Rouge Metropolitan Statistical Area (MSA) shows substantial disparities based on race and income level of census tract in which loans were made. Small business loans have numerous benefits for communities. First, credit for small businesses may aid an enterprise in staying profitable or increasing its number of employees or expanding its production capacity, which in turn increases employment opportunities in inner-city areas. Second, small business owners foster a greater sense of pride and well-being in the community. That is, small business owners have an increased interest in a clean, habitable neighborhood.

This section will analyze all CRA-reported small business lending activity in 2005 in the Baton Rouge MSA. In 2005, CRA-reporting small business lenders in the Baton Rouge MSA originated 15,780 loans. The data includes only the census tract in which the small business loan was made, and not information on the race, income, and gender of the borrower. Thus, CRA data can determine whether small business loans are being directed to low-income and minority neighborhoods, but not necessarily whether they are going to low-income and minority individuals.

This aggregate small business lending analysis is broken into three sections: first, an examination of the minority level of census tract; second, a section that examines the income level of census tract; and finally, an examination of the revenue size of small business.

Race Indicators

In the MSA of Baton Rouge, the data shows that the businesses in predominantly minority census tracts received proportionately fewer loans than businesses in predominantly non-minority tracts. For example, consider that 26.36 percent of small businesses in the MSA of Baton Rouge are located in predominantly minority tracts; however, they received only 19.52 percent of small business loans made in 2005. On the other hand, the remaining 73.64 percent of small businesses in predominantly non-minority census tracts received 80.48 percent of small business loans. This means that small businesses located in non-

minority census tracts received proportionally more loans than the number of small businesses in the tracts (see table 1 and chart 1). The same disparities by minority level of census tract occur when considering lends to businesses with revenues less than $1 million, which include the small businesses in the MSA (see right hand portion of table 1).

Income Indicators

Disparities were also evident when considering the level of census tract in which small business loans were made. In 2005, 5.71 percent of all small businesses in the Baton Rouge MSA were located in low-income census tracts, but only 3.54 percent of small business loans went to those particular tracts. Additionally, while 21.56 percent of small businesses were located in moderate-income level census tracts, small businesses in these tracts received 14.30 percent of all loans to small businesses. Similar disparities occurred when considering loans to small businesses with revenues less than $1 million (see right-hand side of table 2).

With 37.24 percent of all small businesses located in middle-income level census tracts, businesses in these tracts received 38.83 percent of all small business loans—a reasonable match. Furthermore, about 35.49 percent of small businesses were in upper-income census tracts, receiving 43.33 percent of all small business loans (see table 2 and chart 2).

Size of Business

Another indication that a financial institution is community-oriented is its capacity to make loans to the smallest of small businesses. To measure this notion, it is useful to analyze if banks are reaching small businesses with revenues less than $1 million. In the MSA of Baton Rouge, the number of loans to small businesses with revenues less than $1 million was not proportionate to the number of small businesses under that threshold. That is, 57.86 percent of all small businesses had revenues less than $1 million in Baton Rouge, but only 46.60 percent of all loans went to small businesses with revenues less than $1 million (see table 3 and chart 3).

Table 1: Small Business Lending, MSA of Baton Rouge, Louisiana

By Minority Level of Census Tract

MSA of Baton Rouge	All Small Businesses				Small Businesses with Revenues *less than* $1 million			
	Small Business Loans		Small Businesses		Small Business Loans		Small Businesses	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Minority Level								
0-49% Minority	12,700	80.48%	35,355	73.64%	6,077	82.65%	20,745	74.67%
50-100% Minority	3,080	19.52%	12,658	26.36%	1,276	17.35%	7,037	25.33%
Total	15,780	100.00%	48,013	100.00%	7,353	100.00%	27,782	100.00%

Table 2: Small Business Lending, MSA of Baton Rouge, Louisiana By Income Level of Census Tract								
MSA of Baton Rouge	**All Small Businesses**				**Small Businesses with Revenues *less than* $1 million**			
	Small Businesses		**Small Business Loans**		**Small Businesses**		**Small Business Loans**	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Income Level[1]								
Low Income	2,743	5.71%	558	3.54%	1500	5.40%	242	3.29%
Moderate Income	10,351	21.56%	2256	14.30%	5,545	19.96%	961	13.07%
Middle Income	17,881	37.24%	6128	38.83%	10,433	37.55%	2,922	39.74%
Upper Income	17,038	35.49%	6838	43.33%	10,304	37.09%	3,228	43.90%
Total[2]	48,013	100.00%	15780	100.00%	27,782	100.00%	7,353	100.00%

Table 3: Small Business Lending, MSA of Baton Rouge, Louisiana By Revenue Size of Business		
	MSA of Baton Rouge	
	Count	Percent
Revenue Size of Business		
All Small Businesses	48,013	100.00%
All Small Business Loans	15,780	100.00%
Small Businesses with Revenues less than $1 million	27,782	57.86%
All Loans to Small Businesses with Revenues less than $1 million	7,353	46.60%

Chart 1: Small Business Loans, by Minority Level Census Tract

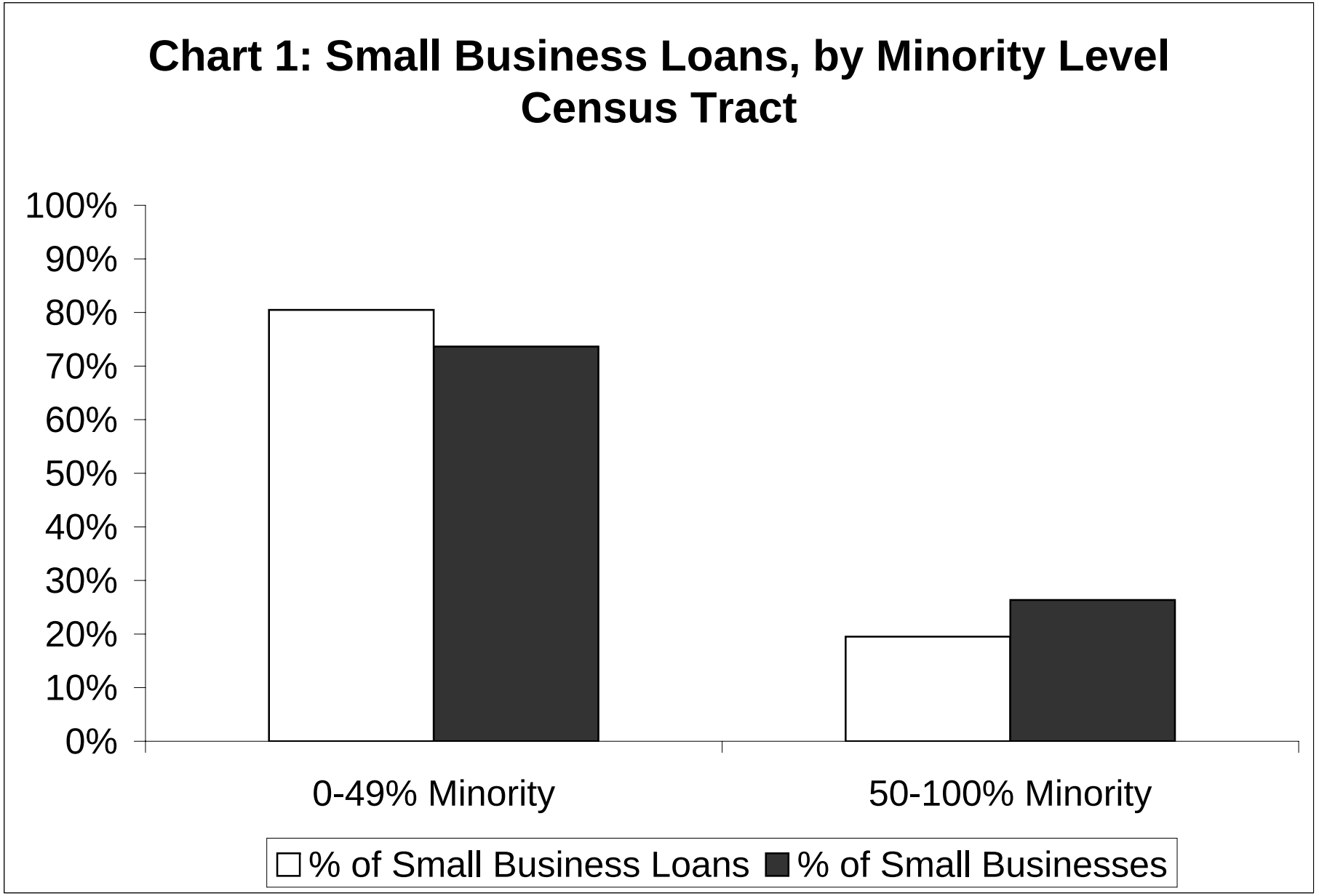


Chart 2: Percent of Small Business Loans, by Income Level of Census Tract

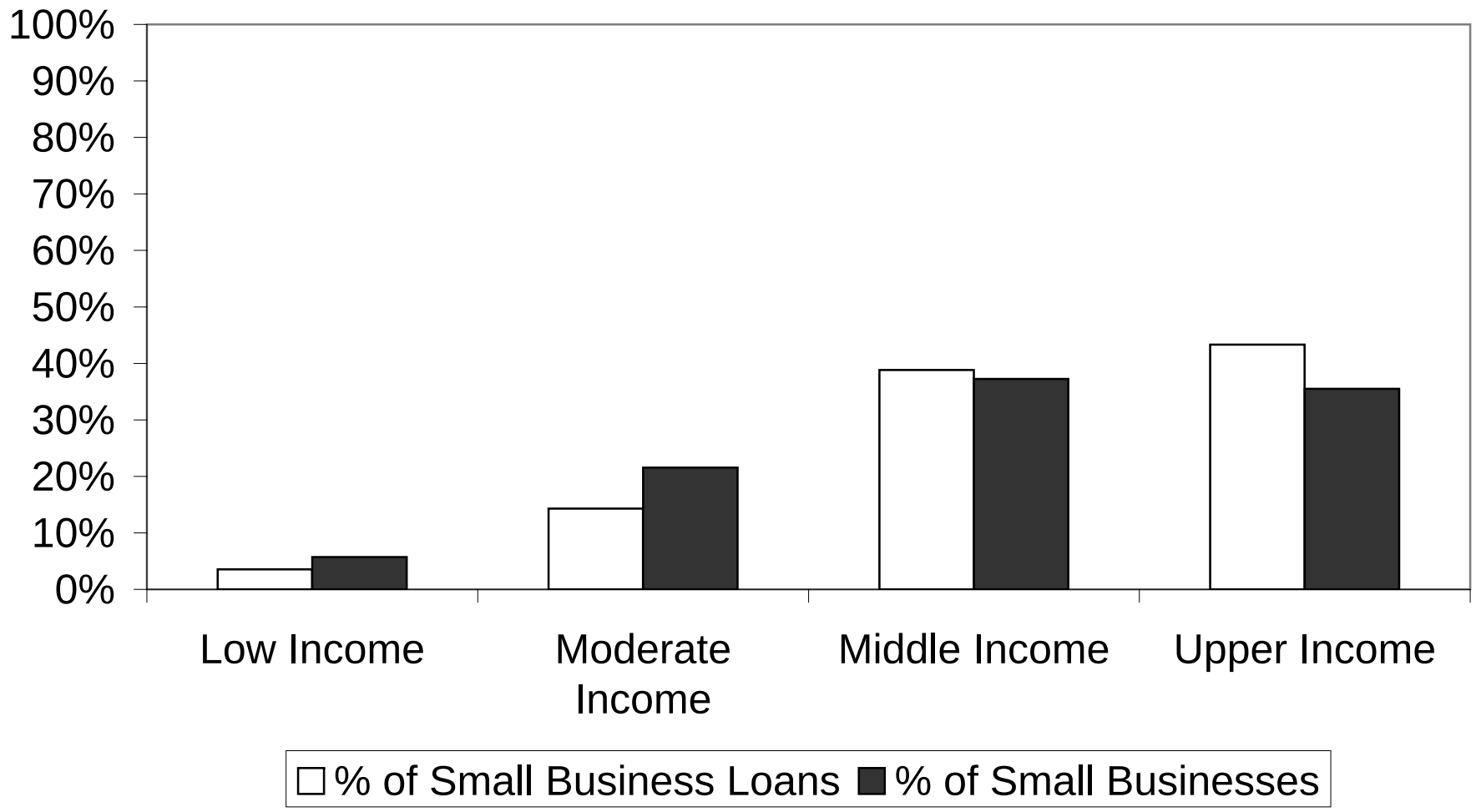


Chart 3: Small Business Lending by Revenue of Size of Business

