Borrowing Trouble? II

Subprime Mortgage Lending

in Greater Boston, 1999 – 2000

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BY

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INTRODUCTION

Last year, in response to numerous reports of the growth of predatory lending, both locally and nationwide, the Massachusetts Community & Banking Council (MCBC) – whose Board of Directors has an equal number of bank and community representatives – commissioned a study of subprime lending in the city of Boston and surrounding communities. The resulting report, *Borrowing Trouble? Subprime Mortgage Lending in Greater Boston, 1999*, was the first detailed look at subprime lending in the city of Boston and in twenty-seven surrounding communities. The present report updates that initial study with data on subprime mortgage lending during the year 2000.

Although they were motivated by a concern with *predatory* lending, this study and its predecessor – like all of the other quantitative studies of which I am aware – analyzes and reports on lending by *subprime* lenders. It is therefore important to emphasize that *while all predatory loans are subprime, only a fraction of subprime loans are predatory.* While predatory loans are by their nature abusive and harmful to borrowers, responsible subprime lending can provide a useful service. Subprime lenders can do this by making credit available to borrowers who might not otherwise be able to obtain it, at a somewhat higher cost that bears a reasonable relationship to the increased expenses and risks borne by the lender. Nevertheless, the existence of high levels of subprime lending in certain types of neighborhoods or among certain groups of borrowers indicates that these neighborhoods or borrowers are more likely to be targeted by predatory lenders and more vulnerable to being exploited by them.

In spite of this very important distinction, the present study attempts to shed light on the problem of predatory lending – an unknown portion of total subprime lending – by examining data on lending by subprime lenders. The reason is very simple: systematic data on predatory lending are not available, but data on lending by subprime lenders are.

The tables and charts in this report are based on the Home Mortgage Disclosure Act (HMDA) data released annually by the federal government. Almost all lenders who make substantial numbers of mortgage loans are required to submit information about each loan application received, including the income, race/ethnicity, and sex of the applicant; the location of the property; whether the loan is for home purchase, refinance, or home improvement; and whether the application was approved or denied. However, HMDA data do not include any of the information about interest rate, fees, loan terms, or applicant credit record that could make it possible to identify any particular loan as subprime.

While data about subprime loans are not available, it is possible to obtain information about lending by subprime lenders. Each year the U.S. Department of Housing and Urban Development (HUD) prepares a list of HMDA-reporting lenders for whom subprime loans make up at least a majority of total lending. These are the *subprime lenders* referred to in this report. To facilitate comparisons, all other lenders are referred to as *prime lenders*.

It is important to recognize that the HMDA-reported loans by these *subprime lenders* are only an approximation to the number of *subprime loans* that were made. One important reason for this is that some of the loans made by subprime lenders are prime loans, and some of the loans made by prime lenders are subprime loans – although there is no good basis for estimating how many loans there are in either of these categories. [1]

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[1] It is also important to note that many of those who receive subprime loans, whether from prime or subprime lenders, are not *subprime borrowers*. That is, they are borrowers whose credit histories and other risk characteristics would have made them eligible for prime loans, but who in fact received the higher interest rates, greater fees, and/or other less favorable terms that characterize subprime loans. Reported estimates by Fannie Mae and Freddie Mac are that a third or more of those who received subprime mortgage loans were in fact qualified to have receive prime loans instead.

Patterns of lending by subprime lenders are analyzed in this report both in terms of the income level and race/ethnicity of the *borrowers* who received the loans and in terms of the income level and percentage of minority residents in the *neighborhoods* where the loans were made. Information on borrowers is included in HMDA data, while information on geographical areas is provided by the decennial U.S. Census. Data on population from the 2000 Census were available for use in this report, but new Census data on income will not be available until 2002. (The interested reader will find much greater detail on technical matters in the "Notes on Data and Methods" at the end of this report.)

This study is a companion to *Changing Patterns VIII: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Greater Boston, 1990-2000*, the most recent in a series of annual reports on mortgage lending in Boston prepared for MCBC by the present author. The *Changing Patterns* series was motivated primarily by a concern for expanding home ownership and was therefore restricted to analysis of *home-purchase lending*. However, the "prey" for predatory lenders are sought and found among those who not only own their own homes, but who also have accumulated substantial equity in these properties. Thus, the present study examines *refinance lending* – loans that refinance existing mortgages.[2]

The goal of this study is to provide interested parties – community groups, consumer advocates, banks, other lenders, regulators, and policy-makers – with information on the extent of subprime mortgage lending in Greater Boston, on the distribution of this lending among different types of borrowers and neighborhoods, and on the identity of the lenders making these loans. By presenting a careful, fair, and accurate *description* of what has happened, this report, like those in the *Changing Patterns* series, seeks to contribute to improving the performance of mortgage lenders in meeting the needs of traditionally underserved borrowers and neighborhoods. The report does not offer either an *explanation* of why the observed trends have occurred or an *evaluation* of how well lenders have performed. Rather, its descriptive contribution is intended to be one important input into the complex, on-going tasks of explanation and evaluation.

The following two sections summarize the most significant findings that emerge from an analysis of the tables and charts that constitute the bulk of the report. Section I reports on subprime lending patterns within the city of Boston, drawing on Tables 1-9 and their associated charts. The analysis looks at: the growth of subprime lending; lending to borrowers grouped by race/ethnicity and by income; lending in census tracts grouped by income level and by percentage of minority residents[3]; lending in the city's major neighborhoods; and lending by the largest subprime lenders.

Section II reports on subprime lending patterns in 27 cities and towns surrounding Boston, drawing on Tables 10-17 and their associated charts. The twelve cities and towns that share a boundary with Boston are grouped together as the "Inner Ring," while the fifteen additional cities and towns that share a boundary with at least one of the Inner Ring municipalities constitute the "Outer Ring." (The cities and towns in the two Rings are shown on the map that precedes Table 10.) Section III concludes the report by discussing factors that may lie behind two of the report's findings and identifying two particularly relevant issues of public policy.

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[2] *Changing Patterns VIII* reports that subprime lenders accounted for 6.5% of all home-purchase loans in the city of Boston in 2000 – up from 3.3% in 1999, but still far below the 28.2% share of refinance loans reported in this report. *Changing Patterns VIII* is being released at the same time as this report. Copies of both reports are available from the Massachusetts Community & Banking Council, Exchange Place, 53 State Street, 8th Floor, Boston MA 02109 (617/725-5748).

[3] This report follows the common practice of using the term "minority" to refer to all persons other than non-Latino whites, even though "minorities" constitute the majority in some geographical areas. See "Notes on Data and Methods" for additional details.

I. SUBPRIME LENDING IN THE CITY OF BOSTON

The data presented in Tables 1 - 9 and their associated charts provide an overview of subprime lending in the city of Boston. They indicate that subprime lending is far greater now than six years earlier and that loans by subprime lenders make up a disproportionately large share of total refinance loans both to black, Latino, and lower-income borrowers and to neighborhoods with low incomes and high percentages of minority residents. The tables also provide information on the largest individual lenders, prime as well as subprime.

- **Subprime lenders accounted for more than one in four refinance loans in Boston in 2000 (28.2%), up from one in six (17.6%) in 1999, and just one in twenty (4.9%) in 1994. The number of loans by subprime lenders remained more than nine times as great as in 1994,** although it was 8.2% lower than in 1999. In spite of the decreased number of loans by subprime lenders, their share of total loans rose substantially because the number of refinance loans by prime lenders was only half as great in 2000 as in the previous year. (See Table 1 and Chart 1.)

- **Subprime loans made up disproportionately large shares of the refinance loans to black and Latino borrowers in Boston. In 2000, subprime lenders made almost half (45.6%) of all refinance loans to blacks and over one-third (35.2%) of the loans to Latinos, compared to just 17.5% of the loans to whites.** All of these loan shares were up substantially from 1999 – when they were 32.4%, 29.1%, and 8.8%, respectively. In interpreting these numbers, it should be noted that in both years subprime lenders reported no information on borrower race/ethnicity for over one-third of all loans. (Table 2 and Chart 2)

- **Borrowers at lower income levels were more likely to receive subprime loans. For low-income borrowers, 37.8% of all refinance loans were from subprime lenders, compared to 35.7% of all loans to moderate-income borrowers, 32.6% of all loans to middle-income borrowers, and 20.3% of all loans to upper-income borrowers.** While all of these percentages were higher than in 1999, the increases were greatest for the two higher-income groups; as a result, the differences between the subprime shares of borrowers at different income levels decreased. Following standard practice in mortgage lending studies, these income categories are defined in relationship to the median family income (MFI) in the Boston metropolitan statistical area (MSA) – which was $65,500 in 2000. Less than 50% of the MFI of the MSA is "low-income"; between 50% and 80% is "moderate-income"; between 80% and 120% is "middle-income"; and over 120% is "upper-income." (Table 3 and Chart 3)

- The disproportionately high shares of subprime loans among all loans to black and Latino borrowers cannot be explained simply by the fact that these borrowers have, on average, lower incomes than white borrowers. **Within each of the four income categories, loans from subprime lenders made up substantially higher shares of all loans to black and Latino borrowers than of all loans to white borrowers. In fact, the lowest of all of the subprime loan shares for blacks or Latinos was higher than the highest of the subprime loan shares for whites** (28.7% for middle-income Latinos vs. 21.8% for moderate-income whites). At the same time, this cross-classification of borrowers by both income and race/ethnicity reveals some deviations from anticipated patterns: for both blacks and whites, the subprime share of low-income borrowers was lower than the shares for those with moderate and middle incomes; and for the lowest and highest of the four income categories, the subprime shares of Latinos were higher than those of blacks. (Table 4 and Chart 4)

- When attention is turned from the person receiving the loan to the neighborhood in which the home is located, analogous patterns emerge. The share of all refinance loans from subprime lenders was

47.5% in census tracts with more than 75% minority residents, compared to just 14.4% in census tracts where more than 75% of the residents were white. That is, **the share of all refinance loans from subprime lenders was 3.30 times greater in predominantly minority neighborhoods than in predominantly white neighborhoods**. (Table 5 and Chart 5)

- As the income level of census tracts decreases, the share of all refinance loans made by subprime lenders increases. **The share of loans from subprime lenders was four and one-half times greater in low-income census tracts than it was in upper-income census tracts (37.2% vs. 8.4%). The share in moderate-income census tracts (32.9%) was four times greater than that in the upper-income tracts**. (Income categories for census tracts are defined similarly to those for borrowers: low-income tracts are those where the 1990 median family income (MFI) was less than 50% of that for the Metropolitan Statistical Area (MSA); moderate-income census tracts are those where the MFI was between 50% and 80% of the MFI in the MSA; middle-income tracts are those where the MFI was between 80% and 120% of the MFI in the MSA; and upper-income tracts are those with MFIs greater than 120% of the MSA's MFI.) (Table 6 and Chart 6)

- **The share of all refinance loans that were made by subprime lenders varied dramatically among Boston's major neighborhoods. The highest subprime share – 49.1% in Mattapan – was almost five times greater than the 10.3% share in Back Bay/Beacon Hill. Neighborhoods with higher subprime shares tended to have higher percentages of minority residents and lower income levels.** The correlation was clearest in the case of race/ethnicity: the five neighborhoods with the highest percentages of minority residents– Roxbury, Mattapan, South and North Dorchester, and Hyde Park – also had the five highest subprime shares, ranging from 37.1% to 49.1%; meanwhile, the four neighborhoods with fewer than 25% minority residents – Back Bay/Beacon Hill, South Boston, West Roxbury, and Charlestown – all had subprime shares at least ten percentage points below the citywide average of 28.2%. In the case of income, Roxbury had the lowest income level and the second highest subprime share while, at the other extreme, the four neighborhoods with the four highest income levels– Back Bay/Beacon Hill, West Roxbury, Central, and Charlestown – had four of the five lowest subprime shares. [4] (Table 7 and Chart 7)

- Who are the subprime lenders? Table 8 presents information about each of the 26 subprime lenders that made ten or more refinance loans in Boston in 2000; these lenders accounted for 94.4% of all subprime loans in the city. **Three subprime lenders made more than 100 refinance loans in Boston in 2000: Option One (a subsidiary of H&R Block), Champion (a subsidiary of KeyCorp), , and New Century (a subsidiary of USBancorp).** None of the top 26 subprime lenders is affiliated with a Massachusetts-based bank or based in Massachusetts. For purposes of comparison, Table 8 also provides information about each of the 16 prime refinance lenders that made 50 or more loans in Boston in 2000.

- The outcomes of applications to subprime lenders were dramatically different from those submitted to prime lenders. **Just 25.2% of applications to subprime lenders resulted in loans, compared to 58.2% of applications to prime lenders**. Less than one-quarter of this difference is accounted for by the higher denial rate of subprime lenders (31.8% vs. 24.4%). Far more important is that 43.0% all applicants to subprime lenders (compared to just 17.4% of applicants to prime lenders)

[4] It would have been interesting to classify *census tracts* simultaneously by both percentage of minority residents and income level in order to see if the patterns resembled those found when *borrowers* were classified simultaneously by both race/ethnicity and income level (Table 4 and Chart 4). In particular, it would have been very interesting to compare the subprime share of all refinance loans in upper-income tracts that were predominantly minority to the subprime share in lower-income tracts that were predominantly white. However, it is impossible to make this comparison because only three of the 48 census tracts in Boston with more than 75% minority residents are moderate-income tracts, and none are upper-income tracts.

abandoned their applications at some point – by formally withdrawing them, by failing to provide all required information, or by declining to accept loans that were offered. (Table 8)

- **Studies in other cities have found the markets for refinance loans to be sharply divided, with traditionally under-served borrowers and areas served mainly by subprime lenders while traditionally well-served areas are served mainly by prime lenders.[5] Such extreme market segmentation does not seem to be the case in Boston.** Table 9 shows the top five lenders to six categories of traditionally under-served borrowers or neighborhoods alongside the top five lenders to corresponding categories of traditionally well-served borrowers or neighborhoods. Although two subprime lenders were among the top five overall lenders (as shown in Table 8), no subprime lender was among the top five lenders in any of the well-served categories. However, two of the top five lenders in a well-served category were typically included among the top five lenders in the corresponding under-served category, along with one other prime lender. That is, less than half of the top lenders in the under-served categories were subprime lenders. For example, Fleet and Washington Mutual, who ranked first and second in lending to census tracts with more than 75% white residents, also ranked third and first in lending to census tracts with more than 75% minority residents.

II. SUBPRIME LENDING IN THE INNER AND OUTER RINGS

The data presented in Tables 10 - 17 and their associated charts provide an overview of subprime lending in the Inner and Outer Rings of communities that surround the city of Boston. Subprime lending accounted for a smaller share of total refinance lending in the year 2000 in the two rings combined than in Boston itself (19.4% vs. 28.2%), but the *patterns* of subprime lending observed in the rings are very similar to those noted above for the city. Almost all of the data presented in Tables 10 – 17, and the findings summarized in the rest of this section, are for total lending in the two rings combined. However, Table 16 presents data on lending in each of the 27 cities and towns contained in the rings (plus selected other cities and towns), and for each ring as a whole. [6]

- **Subprime lenders accounted for almost one-fifth (19.4%) of all refinance loans in the Inner and Outer Rings in 2000, up from just over one-tenth (10.6%) the year before, and far above their 3.1% share in 1994.** The number of loans by subprime lenders was 14.4% lower than in 1999, but was still almost five and one-half times as great as in 1994. In spite of the decreased number of loans by subprime lenders, their share of total loans almost doubled because the number of refinance loans by prime lenders dropped from over 18,000 in 1999 to under 8,000 in 2000. (See Table 10 and Chart 10.)

- **Subprime loans made up disproportionately large shares of the refinance loans to black and Latino borrowers in the two rings. In 2000, subprime lenders made one-third (34.0%) of all refinance loans to blacks and over one-quarter (27.8%) of all loans to Latinos, compared to**

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[5] For example, the main finding of a study of Chicago was "the hypersegmentation of residential finance." This study found that of the 20 top lenders in predominantly minority census tracts, 14 were subprime lenders, while of the 20 top lenders in predominantly white census tracts, 19 were prime lenders. (Daniel Immergluck and Marti Wiles, *Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development*, Chicago: Woodstock Institute, November 1999)

[6] The subprime share of all refinance loans was 18.3% in the Inner Ring and 20.4% in the Outer Ring. The lower subprime shares in the two rings than in the city of Boston were accompanied by lower percentages of black residents (4.4% in the Inner Ring and 4.0% in the Outer Ring, compared to 23.8% in Boston), lower percentages of Latino residents (8.4% in the Inner Ring and 3.5% in the Outer Ring, compared to 14.4%), and higher median family incomes ($47,301 in the Inner Ring and $58,714 in the Outer Ring, compared to $36,240 in Boston).

14.3% of all loans to whites. All of these loan shares were up substantially from 1999 – when they were 22.8%, 17.1%, and 7.4%, respectively. In interpreting these numbers, it should be noted that subprime lenders did not report information on borrower race/ethnicity for over one-third of all loans. (Table 11 and Chart 11)

- **The general pattern of borrowers at lower income levels being more likely to receive loans from subprime lenders held true in the Inner and Outer Rings in 2000 with one notable exception.** While the subprime shares of moderate-, middle- and upper-income borrowers rose substantially from their levels in 1999 (e.g., the subprime share for moderate-income borrowers rose from 16.5% to 26.2%), the subprime lender share of all refinance loans to low-income borrowers remained essentially unchanged at just over 21%. As a result, the subprime shares for moderate- and middle-income borrowers (26.2% and 23.7%) were somewhat higher than the subprime share for those with low incomes. All of these loan shares were well above the 14.0% share for upper-income borrowers. (Table 12 and Chart 12)

- The disproportionately high subprime lender shares of all loans to black and Latino borrowers in the rings cannot be explained simply by the fact that these borrowers have, on average, lower incomes than white borrowers. Within each income category, loans from subprime lenders made up substantially higher shares of all refinance loans to black and Latino borrowers than of all loans to white borrowers. (There is one exception to this finding and to the finding in the next sentence: the unusually small share of the very small number of subprime loans to low-income blacks – just 1 of only 12 total loans, or 8.3%.) **The lowest of all the subprime loan shares for blacks and Latinos at different income levels (20.8% for low-income Latinos) was higher than the highest of the subprime loan shares for whites (19.1% for moderate-income whites).** Consistent with what was noted in the preceding bullet point, the subprime share for low-income borrowers was lower than that for moderate- and middle-income borrowers for each of the three racial/ethnic groups; for blacks and Latinos, the low-income subprime shares were even lower than the subprime shares of upper-income borrowers. (Table 13 and Chart 13)

- When attention is turned from the person receiving the loan to the neighborhood in which the home is located, analogous patterns emerge – that is, neighborhoods with higher percentages of minority residents receive higher percentages of their loans form subprime lenders. **The share of all refinance loans that were from subprime lenders was 36.6% in the 17 census tracts with over 50% minority residents, 26.6% in the 54 tracts with 25% - 50% minority residents, and 16.5% in the 176 census tracts that were predominantly white** (i.e., that had fewer than 25% minority residents). (Table 14 and Chart 14)

- As the income level of census tracts decreases, the share of all refinance loans made by subprime lenders increases. **The share of loans from subprime lenders was over four times greater in low-income census tracts, and more than three and one-half times greater in moderate-income tracts, than it was in upper-income tracts (33.6% and 28.4% vs. 7.9%).** The share in middle-income census tracts was 20.4%. (Table 15 and Chart 15)

- **The share of all refinance loans that were made by subprime lenders varied dramatically among the individual cities and towns in the two rings. In the Inner Ring, the subprime share was thirty percent or more in Chelsea (32.1%) and Everett (30.0%), but in single digits in Newton (6.8%) and Brookline (5.9%). In the Outer Ring, the subprime share ranged from over thirty percent in Randolph (32.3%) and Lynn (31.2%) to just 2.4% in Needham and Wellesley. Communities with higher subprime shares tended to have higher percentages of minority residents and lower income levels.** For example, the three communities in the Inner Ring with the highest subprime shares – Chelsea, Everett, and Revere – also were also the three communities with the lowest income levels and the highest percentages of Latino residents. At the other extreme, the two Inner Ring communities with the lowest subprime shares – Brookline and Newton – also had the two highest income levels. Similarly, the Outer Ring community with the highest subprime percentage – Randolph – had more than twice as high a percentage of black residents as any other Outer Ring community, and the communities with the second and third highest subprime shares – Lynn and Malden – both ranked first, second, or third with respect to (low) income, (high) black population percentage, and (high) Latino population percentage. Meanwhile, the Outer Ring communities with the lowest subprime shares all had high income levels and low percentages of minority residents. (Table 16)

- Table 16 also presents information on refinance lending by subprime and prime lending in twenty additional cities and towns. These include Boston, the 14 communities outside the two Rings that are among the 25 largest in the state, and the five others that rank among the 50 largest and had subprime shares greater than 25% in 2000. **In Springfield, 43.7% of all refinance loans were from subprime lenders; Lawrence (37.5%) and Westfield (33.5%) also had subprime shares greater than any community in either of the two rings. Four other communities – Fitchburg, New Bedford, Worcester, and Brockton – had subprime shares of at least thirty percent** (when rounded to the nearest percentage point). Examination of Table 16 reveals a strong correlation between communities with high subprime shares and those with high percentages of black and/or Latino residents. (Westfield, with only 5.8% black or Latino residents, is the primary exception to this generalization.)

- Who are the subprime lenders in the two Rings? Table 17 presents information on lending by each of the 23 subprime lenders that made 20 or more loans in the two rings in 2000; these lenders accounted for 91.4% of all subprime loans in the rings. **Four subprime lenders made more than 150 refinance loans in the two rings in 2000: Champion (a subsidiary of KeyCorp), Option One (a subsidiary of H&R Block), Greenpoint, and Ameriquest.** None of the top 23 subprime lenders is based in Massachusetts or affiliated with a Massachusetts-based bank. For purposes of comparison, Table 17 also provides information about each of the 19 prime refinance lenders that made more than 100 loans, five of whom made more loans than the biggest subprime lender.

- As in Boston, the outcomes of applications to subprime lenders were dramatically different from those submitted to prime lenders. **Less than one-fourth (24.1%) of applications to subprime lenders resulted in loans, compared to almost two-thirds (65.4%) of applications to prime lenders.** A relatively small part of this difference is accounted for by the higher denial rate of subprime lenders (29.3% vs. 17.5%). Far more important is that 46.6% all applicants to subprime lenders abandoned their applications at some point – by formally withdrawing them, by failing to provide all required information, or by declining to accept loans that were offered – whereas this was done by only 17.1% of applicants to prime lenders. (Table 17)

III. CONCLUDING COMMENTS

Although this study was motivated by reports of increased levels of *predatory lending* in Boston and surrounding communities, it presents findings on *lending by subprime lenders.* The opening pages of this report explained why data limitations require this indirect approach to shedding light on the subject of primary concern. This concluding section offers brief comments on two findings that merit further discussion and identifies two important pending issues of public policy.

Subprime lenders' share of all refinance loans

Subprime lenders made 28.2% of all refinance loans in the city of Boston last year, up from 17.6% in 1999. Similarly, the share of subprime lenders in the two Rings was 19.4% in 2000, compared to 10.6% a year earlier. Increases in these overall shares for subprime lenders – as well as in their shares of loans to particular types of borrowers and geographical areas – are consistent with an upward trend in these shares during the last decade. However, the dramatic size of last year's increases may also reflect a cyclical factor – the relatively high level of mortgage interest rates that resulted in the major drop in the total number of refinance loans shown in Tables 1 and 10. [7]

The percentage decreases were much greater for refinance loans from prime lenders than for those from subprime lenders, presumably because borrowers from subprime lenders are considerably more likely to be motivated by factors other than simply taking advantage of a lower interest rate to reduce monthly payments or shorten the maturity of an unchanged mortgage amount. That is, a much larger percentage of subprime borrowers seek to obtain additional funds (i.e., to increase the size of their mortgage) in order to consolidate debt or to undertake home improvements or repairs. Other things equal, this greater sensitivity of prime refinance lending to changes in interest rates will tend to increase subprime lenders' share of all refinance loans during a period of rising interest rates such as the year 2000. Conversely, during a period of falling interest rates, such as 2001, the accompanying refinance boom will tend to decrease subprime lenders' share of all refinance loans.

Attempting to quantify the relative importance of these two effects – the longer-term trend toward a growing subprime loan share and the short-term cyclical relationship between rising (or falling) interest rates and a rising (or falling) subprime loan share – is well beyond the scope of this report. It is, however, important to note that part of the rising subprime loan share during 2000 was almost certainly due to the cyclical factor – and that this same factor may lead to a decrease in the subprime loan share in 2001.

Subprime lenders' shares of loans to low-income borrowers

Although the "normal" pattern of an inverse relationship between subprime share and income level (that is, subprime lenders account for a higher share of total refinance loans when the income level is lower) continued to hold for geographical areas (see Tables 6 and 15), the relationship did not hold this year for borrowers. In the city of Boston, for both blacks and whites, the subprime shares for low-income borrowers were lower than those for moderate- or middle-income borrowers (Table 4). In the Rings, for both blacks and Latinos, the subprime shares for low-income borrowers were lower than those for any of the other three income categories, and for whites only the upper-income subprime share was lower than that for low-income borrowers (Table 13). These findings are consistent with the hypothesis that subprime lenders target their marketing more by the demographic characteristics of geographical areas than by those of individuals or households. This does not, however, explain the relatively small size of the subprime loan shares for low-income borrowers, which remains an interesting topic for discussion and investigation.

Community Reinvestment Act (CRA) noncoverage of subprime lenders

Under the federal and Massachusetts CRA regulations, government regulators evaluate a lender's performance in meeting the credit needs of a local community only if the lender is a bank with one or

[7] During six months of 2000, the Mortgage Index Rate calculated by the Federal Housing Finance Board was at least 8.00%, the first time it had reached that level since March 1995. (Data at www.fhfb.gov.)

more branch offices in that community.[8] As a result, none of the biggest subprime lenders listed in either Table 8 or Table 17 are covered by the CRA for their lending in the Boston area. In spite of the important impacts – positive or negative – that these lenders may have on the neighborhoods where they make their loans, they are not subjected to regulatory review, evaluation, and ratings. This state of affairs could be changed by two pieces of pending legislation and/or by a change in CRA regulations.

Massachusetts Senate Resolution 17 and House Resolution 2467 ("The Mortgage Equity, Availability, and Affordability Act"), whose primary sponsors are Rep. Jarrett Barrios and Sen. Dianne Wilkerson, would apply CRA-type responsibilities and regulation to licensed mortgage lenders in Massachusetts. These lenders are indicated by "LML" in Tables 8 and 17. Fifteen of the 26 biggest subprime lenders in Boston would be covered, including four of the top five. Similarly, thirteen of the 23 biggest subprime lenders in the two Rings would be covered, including six of the top seven. [9]

An alternative way to bring CRA requirements to state-licensed mortgage lenders – and the only way to extend these requirements to out-of-state banks – is through action at the national level. House Resolution 865 ("The Community Reinvestment Modernization Act of 2001"), whose primary sponsors are Reps. Barrett (D-Wis) and Gutierrez (D-Ill), would extend CRA type requirements to independent mortgage companies and would expand the "assessment areas" within which lending is subject to CRA review to "each community in which the regulated financial institution makes more than 0.5% of the total amount of loans." Such an expansion of "assessment areas" could also be brought about by the Federal Reserve and other federal bank regulatory agencies through the extensive review and possible revision of CRA regulations that was initiated earlier this year when the agencies jointly issued an "Advanced Notice of Proposed Rulemaking." (Details in Federal Reserve press release of July 19, 2001; available at www.federalreserve.gov/boarddocs/press/boardacts/2001.)

Proposed enhancements to Home Mortgage Disclosure Act (HMDA) data

In late 2000, the Federal Reserve Board submitted for public comment a proposal for revising its Regulation C, which governs the reporting of HMDA data. Several of the Fed's proposed changes are useful steps that would make it possible for the first time to identify *subprime loans* rather than simply lending by *subprime lenders*. The proposed changes include: reporting the interest rate for each loan, as measured by the annual percentage rate (APR) and reporting if the loan's interest rate and/or fees are high enough to make it subject to the Home Owners Equity Protection Act. This additional information would make it possible, for the first time, not only to identify some of the loans included in HMDA data as subprime loans but also to identify those subprime loans with rates so high that they are likely to be predatory. (Reg C and the Fed's proposed revisions are available at www.federalreserve.gov/regulations.)

The final regulations adopted by the Fed may differ from those proposed. The lending industry has campaigned to scale back the new reporting requirements. On the other hand, community advocates have argued that the identification of subprime and even predatory loans would be greatly facilitated by requiring lenders to report several additional pieces of information about each loan. Among the most useful of these would be: total fees (in addition to the APR); the existence of such loan features as prepayment penalties, single-payment credit life insurance, and balloon payments; and the appraised value of the property (or the loan-to-value ratio).

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[8] This required evaluation extends to lending by subsidiaries of these banks. Lending by other affiliated lenders within the same corporation (a bank holding company or thrift holding company) may be included at the option of the bank.

[9] Out-of-state banks (whether chartered by the federal government or by another state) – as well as the mortgage lending subsidiaries of federally chartered out-of-state banks – are exempt from regulation by the Massachusetts Division of Banks. Because they do not need a license to make mortgage loans in Massachusetts, they would not be covered by the proposed Senate 17/House 2467. These lenders are indicated by an "OSB" in the second column of Tables 8 and 17.

Table 1
Increase in Subprime Lending, 1994-2000
City of Boston, Refinance Loans Only

	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime
1994	2,858	2,718	140	4.9%
1999	7,921	6,527	1,394	17.6%
2000	4,532	3,253	1,279	28.2%
Ratio: 2000/1994	1.59	1.20	9.14	5.76
Ratio: 2000/1999	0.57	0.50	0.92	1.60

Chart 1
Growth of Prime and Subprime Lending
City of Boston, Refinance Loans Only, 1994-2000

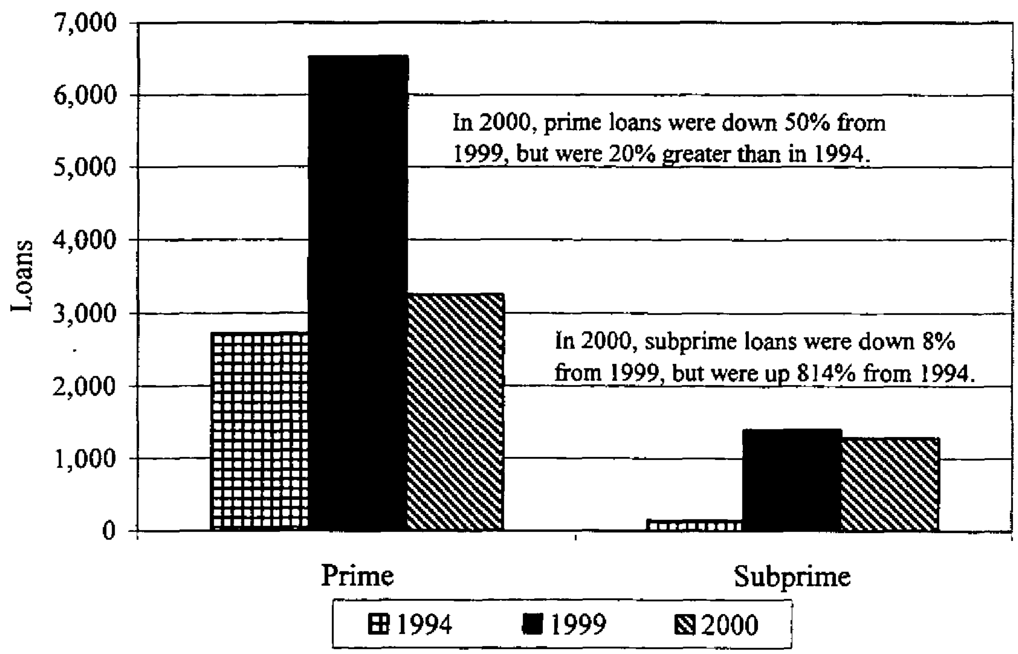

Table 2
Subprime and Prime Lending, By Race/Ethnicity of Borrower
City of Boston, Refinance Loans Only, 2000

Borrower Race/Ethnicity	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to White %
Asian	126	99	27	21.4%	1.22
Black	802	436	366	45.6%	2.60
Latino	236	153	83	35.2%	2.01
White	2,260	1,864	396	17.5%	1.00
Not Reported	1,024	644	380	37.1%	
Total	4,532	3,253	1,279	28.2%	

Notes: "Not Reported" is "Information not provided...in mail or telephone application"& "Not applicable"
"Total" includes "American Indian" (13 loans, 3 subprine) and "Other" (71 loans, 24 subprime)
as well as the categories shown in the table.

Chart 2
Subprime Loans as Percent of All Refinance Loans
By Borrower Race/Ethnicity
City of Boston, 1999 - 2000

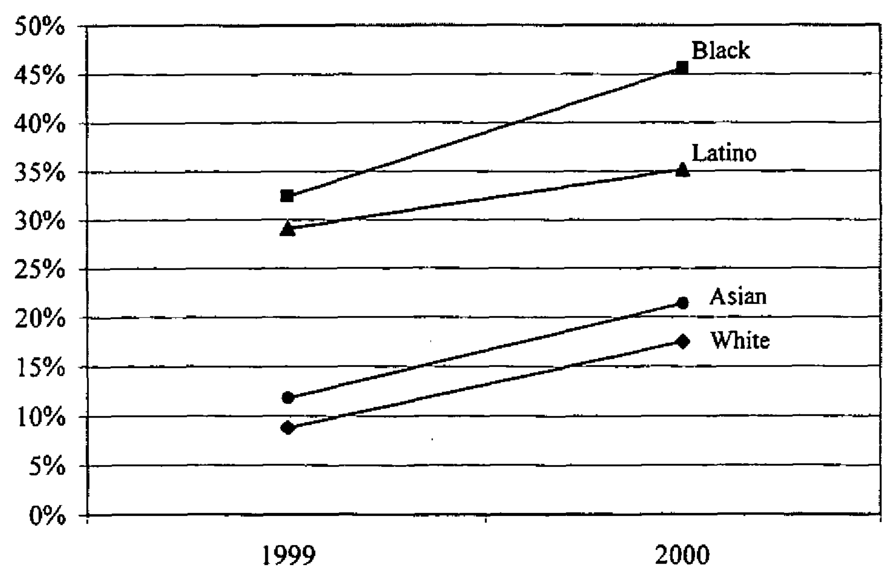

Table 3
Subprime and Prime Lending, By Income of Borrower
City of Boston, Refinance Loans Only, 2000

Income Category	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low	347	216	131	37.8%	1.86
Moderate	1,007	647	360	35.7%	1.76
Middle	1,348	909	439	32.6%	1.60
Upper	1,532	1,221	311	20.3%	1.00
Not Reported	298	260	38	12.8%	
Total	4,532	3,253	1,279	28.2%	

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($65,500 in 2000). "Low" is less than 50% of this amount ($1K-$32K in 2000); "Moderate" is 50%-80% of this amount ($33K-$52K); "Middle" is 80%-120% of this amount ($53K-$78K); and "Upper is over 120% of this amount (>$78K in 2000).

Chart 3
Subprime Loans as Percent of All Refinance Loans
By Borrower Income, City of Boston, 1999 - 2000

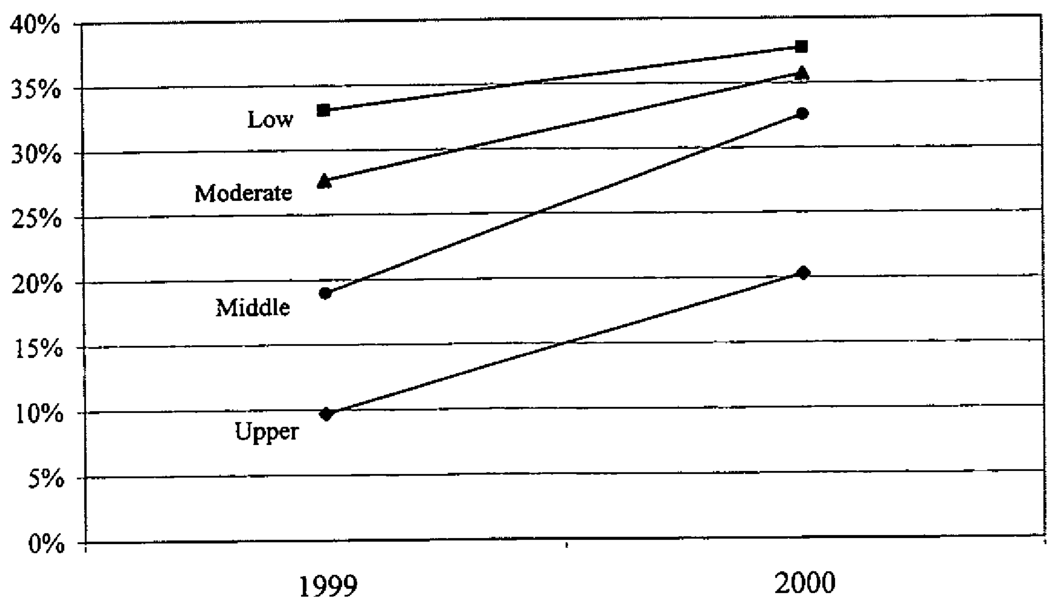

Table 4
Subprime Loans as Percent of Total Loans
By Race & Income of Borrower
City of Boston, Refinance Loans Only, 2000

	Low Income	Moderate Income	Middle Income	Upper Income
Black	39.7%	55.3%	47.7%	38.6%
Latino	45.5%	35.1%	28.7%	52.2%
White	16.8%	21.8%	20.2%	12.5%

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($65,500 in 2000). "Low" is less than 50% of this amount ($1K-$32K in 2000); "Moderate" is 50%-80% of this amount ($33K-$52K); "Middle" is 80%-120% of this amount ($53K-$78K); and "Upper" is over 120% of this amount (>$78K in 2000).

Chart 4
Subprime Loans as Percent of All Refinance Loans
By Borrower Race/Ethnicity and Income
City of Boston, 2000

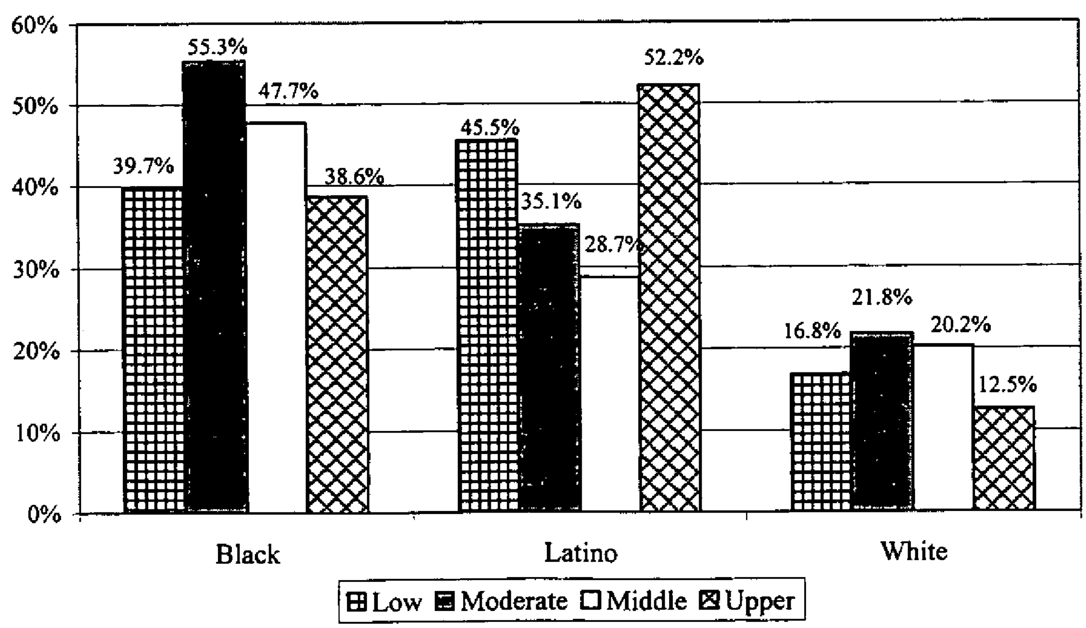

Table 5
Subprime and Prime Lending, By Percent Minority in Census Tract*
City of Boston, Refinance Loans Only, 2000

	Number of Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to >75% White
> 75% Minority	48	1,325	696	629	47.5%	3.30
50%-75% Minority	31	804	587	217	27.0%	1.88
25%-50% Minority	39	1,020	786	234	22.9%	1.59
> 75% White	47	1,383	1,184	199	14.4%	1.00
Total	165	4,532	3,253	1,279	28.2%	

* This table classifies 1990 census tracts (used in HMDA data) into minority percentage categories on the basis of 2000 Census data. If census tracts were categorized on the basis of 1990 Census data, the percentages of loans from subprime lenders would be (reading down in the table): 47.1%, 32.1%, 28.0%, and 18.6%.

Chart 5
Subprime Loans as Percent of All Refinance Loans
By Percent Minority in Census Tract
City of Boston, 1999 - 2000

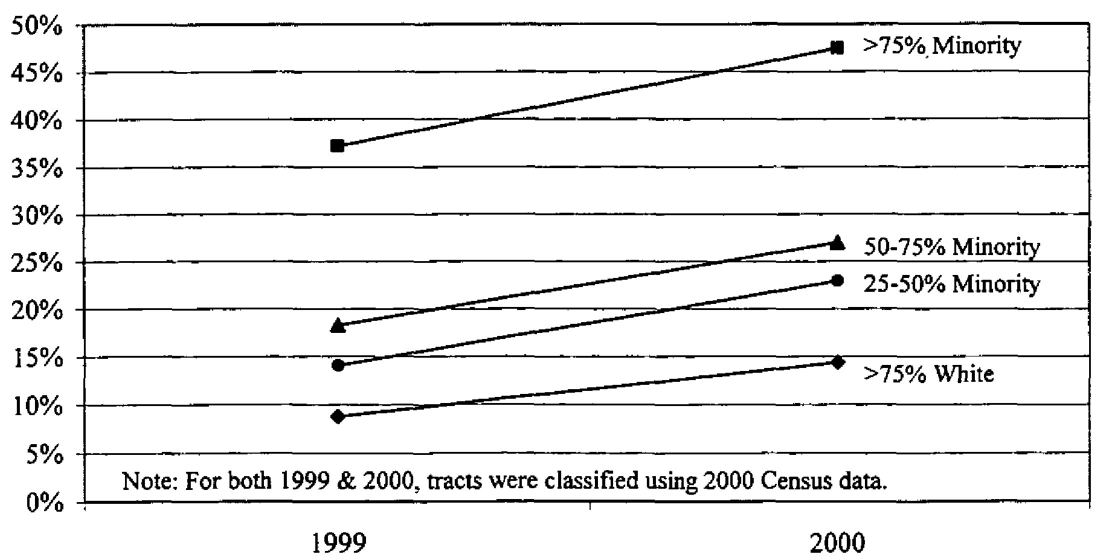

Table 6
Subprime and Prime Lending, By Income Level of Census Tract
City of Boston, Refinance Loans Only, 2000

	Number of Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low-Income	37	503	316	187	37.2%	4.45
Moderate-Income	74	2,240	1,503	737	32.9%	3.94
Middle-Income	37	1,356	1,037	319	23.5%	2.82
Upper-Income	13	431	395	36	8.4%	1.00
Total	161	4,530	3,251	1,279	28.2%	3.38

The number of census tracts in this table is two smaller than in Table 5 because there are two tracts for which no income was reported. These two tracts (1101.01 and 1501.00) received a total of 2 loans, both from prime lenders.

A census tract is placed into an income category on the basis of the relationship, according to the 1990 census, between its Median Family Income (MFI) and the MFI of the Boston MSA. "Low" is less than 50% of the MFI of the MSA; "Moderate" is between 50% and 80%; "Middle" is between 80% and 120%; and "Upper" is is greater than 120% of the MFI of the MSA.

Chart 6
Subprime Loans as Percent of All Refinance Loans
By Census Tract Income
City of Boston, 1999 - 2000

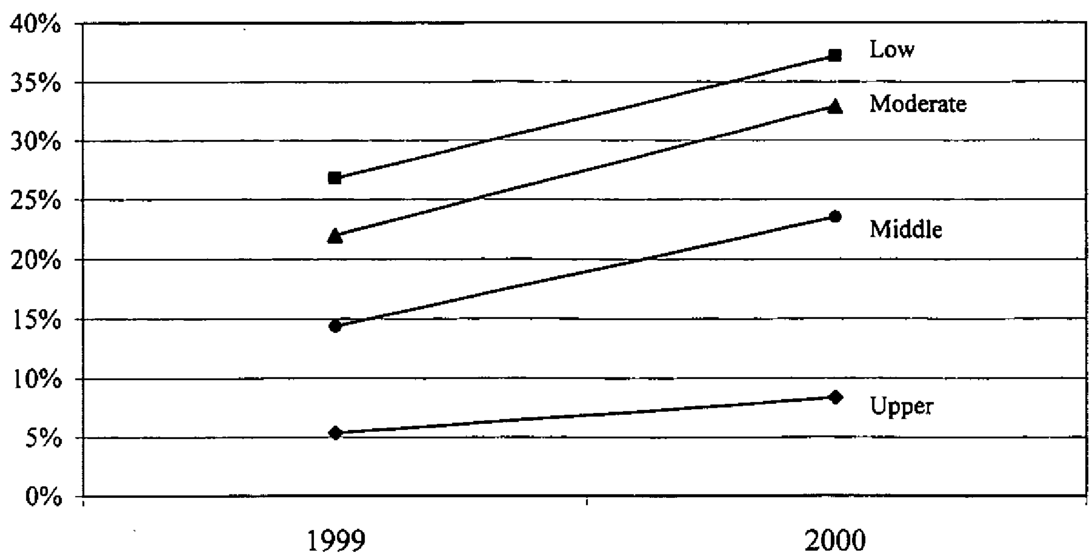

Table 7
Subprime and Prime Lending, By Neighborhood
City of Boston, Refinance Loans Only, 1999

Neighborhood#	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	2000 % Minority	1990 % Minority	MFI as % of MSA MFI*
Mattapan	385	196	189	49.1%	96.2%	89.9%	65.7%
Roxbury	416	233	183	44.0%	95.2%	93.7%	49.4%
South Dorchester	635	382	253	39.8%	70.0%	52.6%	72.1%
Hyde Park	385	237	148	38.4%	57.0%	28.8%	84.4%
North Dorchester	183	114	69	37.7%	64.4%	49.8%	63.4%
East Boston	254	183	71	28.0%	50.3%	23.6%	57.4%
Roslindale	296	220	76	25.7%	44.2%	21.0%	82.2%
Fenway/Kenmore	107	82	25	23.4%	30.5%	28.2%	63.5%
South Boston	327	267	60	18.3%	15.5%	4.1%	69.7%
Jamaica Plain	271	224	47	17.3%	50.2%	49.0%	70.5%
Allston/Brighton	306	258	48	15.7%	31.3%	26.9%	74.5%
Charlestown	139	120	19	13.7%	21.4%	4.9%	86.5%
West Roxbury	262	228	34	13.0%	16.4%	4.9%	103.4%
South End	220	194	26	11.8%	54.7%	62.1%	62.3%
BackBay/BeaconHill	194	174	20	10.3%	15.2%	11.4%	192.3%
Central	152	141	11	7.2%	30.4%	25.0%	86.8%
City of Boston	4,532	3,253	1,279	28.2%	50.5%	40.9%	74.4%

The neighborhoods used in this study are based on the Planning Districts (PDs) defined by the Boston Redevelopment Authority (BRA); *data on population and income* were calculated by the BRA for these exact neighborhoods from 1990 and 2000 Census data. However, *lending data* are available only on a census tract basis and many tracts are divided among two or more PDs. For this table, loans in each neighborhood were calculated using a list of census tracts obtained from the BRA that correspond to the PDs as closely as possible. The table excludes the Harbor Islands, which received no refinance loans in 2000.

* MFI is Median Family Income; MSA is Boston Metropolitan Statistical Area; MFI data are from 1990 Census.

Chart 7
Subprime Loans as Percent of All Refi Loans, Boston Neighborhoods, 2000

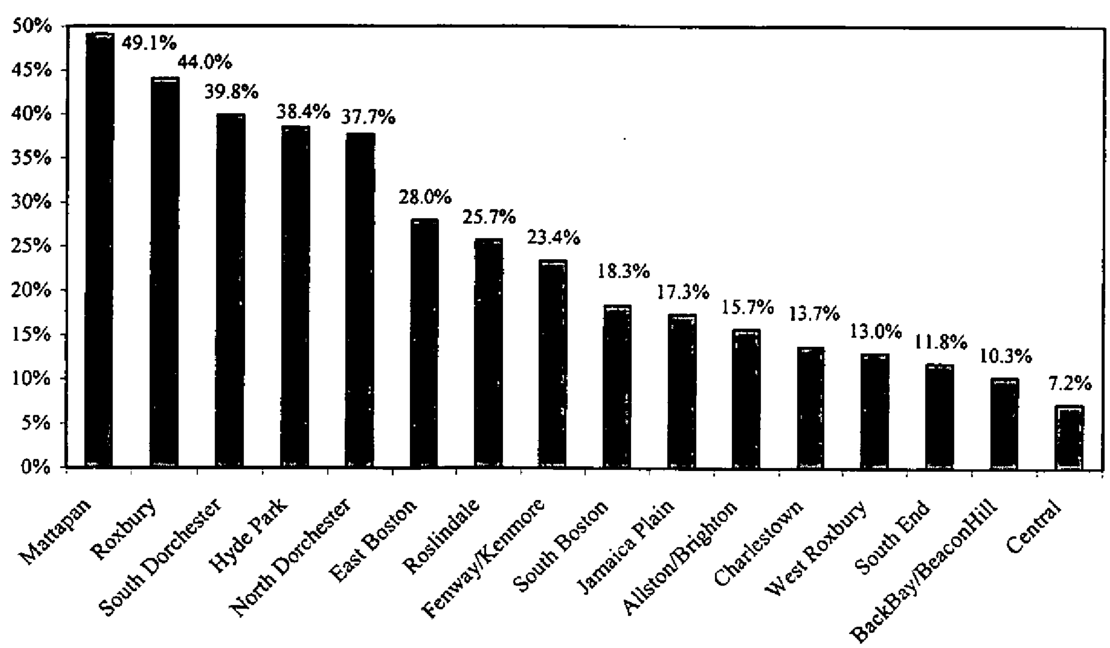

Table 8
Biggest Subprime and Prime Lenders in City of Boston, Refinance Loans Only, 2000
(The 26 Subprime Lenders That Made 10 or More Loans & The 16 Prime Lenders with 50 or More Loans)

Lender Name	Lender Type*	Applica-tions	Loans	Denials	Other Outcomes#	Lending Rate	Denial Rate	Other Outcome Rate
A. Subprime Lenders								
Option One Mort. Corp. (H&R Block)	LML	295	143	109	43	48.5%	36.9%	14.6%
Champion Mort Co. (KeyCorp)	OSB	239	121	58	60	50.6%	24.3%	25.1%
New Century MC (US Bancorp)	LML	233	112	99	22	48.1%	42.5%	9.4%
Greenpoint Mortgage Funding	LML	207	94	47	66	45.4%	22.7%	31.9%
American Business Financial	LML	346	87	36	223	25.1%	10.4%	64.5%
Long Beach Mortgage Co. (WAMU)	OSB	132	75	35	22	56.8%	26.5%	16.7%
Ameriquest Mortgage Co.	LML	703	70	39	594	10.0%	5.5%	84.5%
Nationscredit Financial (BofA)	OSB	216	66	98	52	30.6%	45.4%	24.1%
Full Spectrum Lending (Countrywide)	LML	146	57	35	54	39.0%	24.0%	37.0%
Ehome Credit Corp.	LML	306	50	98	158	16.3%	32.0%	51.6%
Aames Funding Corp.	LML	79	36	15	28	45.6%	19.0%	35.4%
Advanced Financial Services	LML	96	33	56	7	34.4%	58.3%	7.3%
Travelers Bank & Trust (CitiGroup1)	OSB	37	29	3	5	78.4%	8.1%	13.5%
Delta Funding	LML	66	27	5	34	40.9%	7.6%	51.5%
Fremont Investment & Loan	OSB	52	27	21	4	51.9%	40.4%	7.7%
Accredited Home Lenders	LML	53	25	11	17	47.2%	20.8%	32.1%
First Franklin Financial Corp.	OSB	33	25	4	4	75.8%	12.1%	12.1%
Associates Hme Eq Srvs (CitiGroup2)	OSB	45	18	9	18	40.0%	20.0%	40.0%
Aegis Mortgage Corp.	LML	313	16	217	80	5.1%	69.3%	25.6%
CitiFinancial Services (CitiGroup3)	OSB	31	16	7	8	51.6%	22.6%	25.8%
Advanta NB	OSB	906	15	410	481	1.7%	45.3%	53.1%
Conseco Financial Servicing Corp.	LML	43	15	22	6	34.9%	51.2%	14.0%
Household Bank FSB	OSB	17	15	2	0	88.2%	11.8%	0.0%
Mortgage Lenders Network USA	LML	39	15	16	8	38.5%	41.0%	20.5%
Parkway Mortgage	OSB	24	10	0	14	41.7%	0.0%	58.3%
WMC Mortgage Corp.	LML	45	10	27	8	22.2%	60.0%	17.8%
Subtotal, These 26 Lenders		4,702	1,207	1,479	2,016	25.7%	31.5%	42.9%
Sub-subtotal, 15 LML Lenders		2,970	790	832	1,348	26.6%	28.0%	45.4%
Subtotal, All 48 SubPrime Lenders		5,073	1,279	1,614	2,180	25.2%	31.8%	43.0%
B. Prime Lenders								
Fleet NB	CRA	768	383	315	70	49.9%	41.0%	9.1%
Washington Mutual Bank	OSB	389	282	42	65	72.5%	10.8%	16.7%
North American Mortgage Co.	OSB	281	176	44	61	62.6%	15.7%	21.7%
Ohio Savings Bank	OSB	128	118	4	6	92.2%	3.1%	4.7%
Citizens Bank (Citizens1)	CRA	281	92	171	18	32.7%	60.9%	6.4%
Countrywide Home Loans	LML	150	89	13	48	59.3%	8.7%	32.0%
RBMG, Inc.	LML	91	79	2	10	86.8%	2.2%	11.0%
Wells Fargo Home Mortgage	OSB	103	75	11	17	72.8%	10.7%	16.5%
Boston Federal SB	CRA	97	72	4	21	74.2%	4.1%	21.6%
Bank of America	OSB	104	70	24	10	67.3%	23.1%	9.6%
Chase Manhattan Mortgage Corp.	OSB	118	70	34	14	59.3%	28.8%	11.9%
Citizens Mortgage Corp. (Citizens2)	CRA	115	68	22	25	59.1%	19.1%	21.7%
GMAC Mortgage	LML	114	62	18	34	54.4%	15.8%	29.8%
National City Mortgage Co.	OSB	114	58	19	37	50.9%	16.7%	32.5%
H&R Block Mort Co.	LML	78	55	11	12	70.5%	14.1%	15.4%
East Boston SB	CRA	70	50	5	15	71.4%	7.1%	21.4%
Subtotal, These 16 Lenders		3,001	1,799	739	463	59.9%	24.6%	15.4%
Sub-subtotal, 5 CRA Lenders		1,331	665	517	149	50.0%	38.8%	11.2%
Sub-subtotal, 4 LML Lenders		433	285	44	104	65.8%	10.2%	24.0%
Subtotal, All 193 Prime Lenders		5,594	3,253	1,365	976	58.2%	24.4%	17.4%
Total, All 241 Lenders		10,667	4,532	2,979	3,156	42.5%	27.9%	29.6%

* "Lender Type" indicates if Boston area performance in meeting community credit needs is subject to evaualtion by federal or state bank regulators:
CRA: currently covered by federal and/or state Community Reinvestment Act -- banks and state-chartered credit unions with branches in Mass.
LML: Licensed Mortgage Lender, licensed by Mass. Div. of Banks, potentially subject to CRA-type evaluation under proposed state legislation.
OSB: Out-of-State Bank (or subsidiary of federally-charted out-of-state bank), which the state of Massachusetts is powerless to regulate.

\# "Other Outcomes" are (1) "application approved but not accepted by applicant"; (2) "application withdrawn"; and (3) "file closed for incompleteness." In each case, it is action (or inaction) by the applicant, rather than a negative decision by the lender, that causes the application to not result in a loan.

Table 9
Top Five Lenders for Various Categories of Loans:
Traditionally Under-Served vs. Well-Served Borrowers and Neighborhoods
City of Boston, Refinance Loans Only, 2000

(**Boldface** indicates Subprime Lenders; *Italics* indicates Lenders in Both Top 5 Lists)

Lender Name	Loans		Lender Name	Loans
A. Black Borrowers			**White Borrowers**	
Fleet	60		Washington Mutual	196
Champion	59		*Fleet*	119
Option One	43		Ohio Savings Bank	93
New Century	35		North American Mort Co	90
Citizens*	35		RBMG, Inc.	70
B. Latino Borrowers			**White Borrowers**	
Fleet	21		*Washington Mutual*	196
Citizens*	16		*Fleet*	119
Washington Mutual	14		Ohio Savings Bank	93
Countrywide#	12		North American Mort Co	90
Option One & Greenpoint #	12		RBMG, Inc.	70
C. Low-Income Borrowers			**Upper-Income Borrowers**	
Fleet	28		*Washington Mutual*	151
RBMG, Inc.	27		*Fleet*	86
Washington Mutual	21		*Citizens**	61
*Citizens**	16		North American Mort Co	57
EHome Credit Corp.	15		Ohio Savings Bank	49
D. Census Tracts >75% Minority			**Census Tracts >75% White**	
Fleet	89		*Fleet*	135
Option One	69		*Washington Mutual*	108
Champion	55		Norht American Mort Co	54
Washington Mutual	55		Citizens*	53
New Century	49		Ohio Savings Bank	48
E. Low-Income Census Tracts			**Upper-Income Census Tracts**	
Washington Mutual	38		*Fleet*	52
Option One	25		*Washington Mutual*	52
Fleet	24		North Americian Mort Co.	15
Greenpoint	23		Ohio Savings Bank	14
Citizens*	20		RBMG, Inc.	14
F. Roxbury and Mattapan			**BackBay/BeaconHill, Charlestown, & W. Roxbury**	
Fleet	58		*Fleet*	68
Champion	36		Washington Mutual	51
Option One	35		Citizens*	26
New Century	31		RBMG, Inc.	25
North American Mort Co	30		*North American Mort Co.*	18

* "Citizens" is the total of the loans by Citizens Mortgage Co. and by Citizens Bank of Mass.

Three lenders tied for fourth, fifth, and sixth place in lending to Latinos, with 12 loans each.

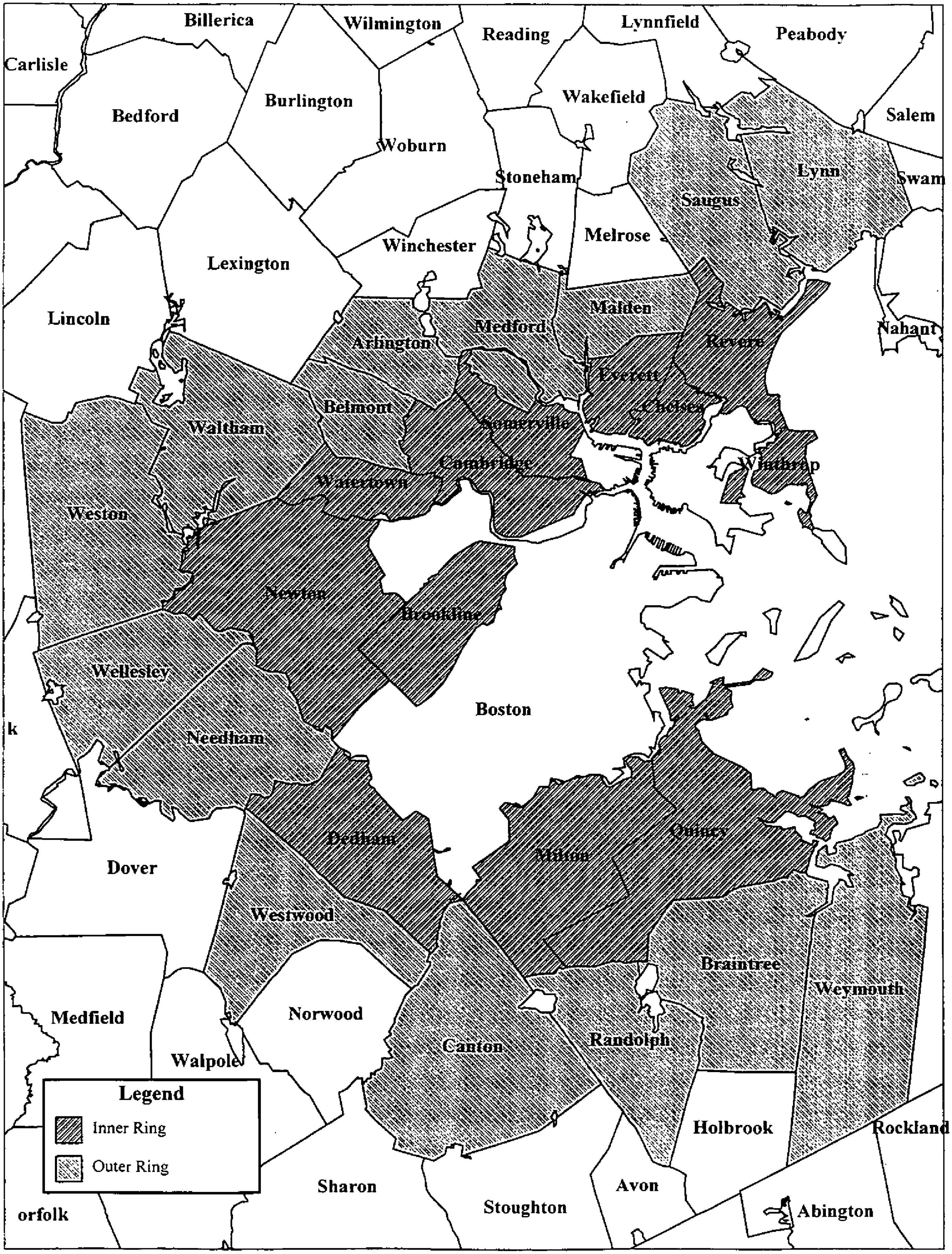
Billerica
Wilmington
Reading
Lynnfield
Peabody
Carlisle
Bedford
Burlington
Woburn
Wakefield
Salem
Stoneham
Lynn
Saugus
Swam
Melrose
Winchester
Lexington
Lincoln
Malden
Medford
Arlington
Revere
Nahant
Everett
Belmont
Chelsea
Somerville
Waltham
Cambridge
Winthrop
Watertown
Weston
Newton
Brookline
Wellesley
Boston
k
Needham
Quincy
Milton
Dedham
Dover
Westwood
Braintree
Weymouth
Medfield
Norwood
Randolph
Canton
Walpole
Legend
Inner Ring
Outer Ring
Holbrook
Rockland
Sharon
Avon
Stoughton
Abington
orfolk

Table 10
Increase in Subprime Lending, 1994-2000
Inner and Outer Rings, Refinance Loans Only

	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime
1994	11,115	10,770	345	3.1%
1999	20,569	18,380	2,189	10.6%
2000	9,667	7,794	1,873	19.4%
Ratio: 2000/1994	0.87	0.72	5.43	6.24
Ratio: 2000/1999	0.47	0.42	0.86	1.82

Chart 10
Growth of Subprime Lending in Inner & Outer Rings
Refinance Loans Only, 1994-2000

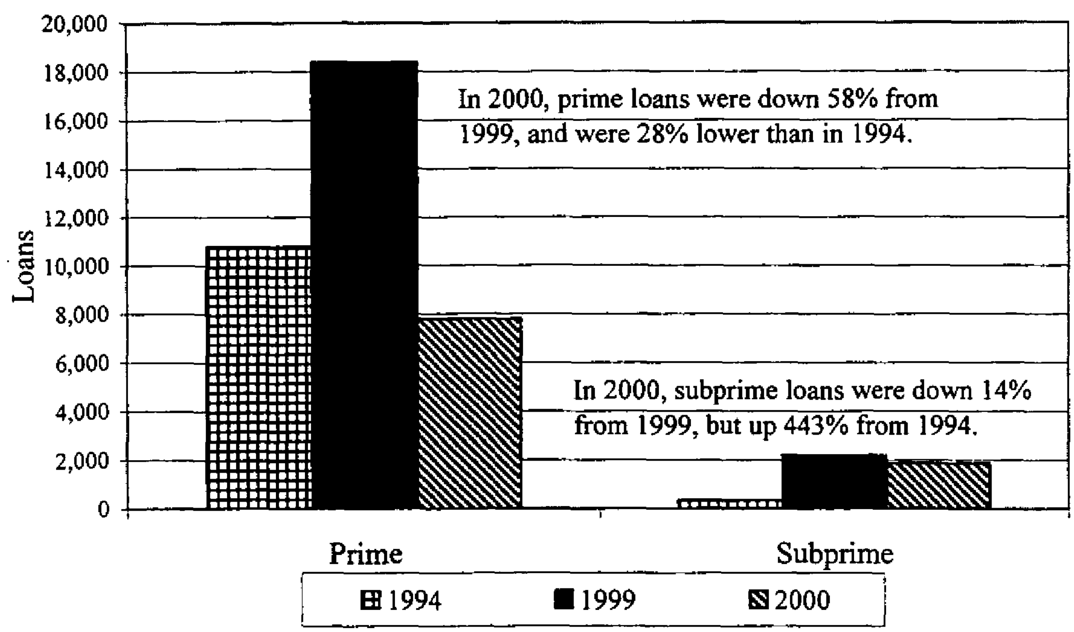

Table 11
Subprime and Prime Lending, By Race/Ethnicity of Borrower
Inner and Outer Rings, Refinance Loans Only, 2000

Borrower Race/Ethnicity	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to White %
Asian	265	226	39	14.7%	1.03
Black	288	190	98	34.0%	2.39
Latino	230	166	64	27.8%	1.95
White	6,844	5,868	976	14.3%	1.00
Not Reported	1,921	1,255	666	34.7%	
Total	9,667	7,794	1,873	19.4%	

Notes: "Not Reported" is "Information not provided...in mail or telephone application" & "Not applicable"
"Total" includes "American Indian" (15 loans, 3 subprime) and "Other" (104 loans, 27 subprime) as well as the categories shown in the table.

Chart 11
Subprime Loans as Percent of All Refinance Loans
By Borrower Race/Ethnicity
Inner & Outer Rings, 1999 - 2000

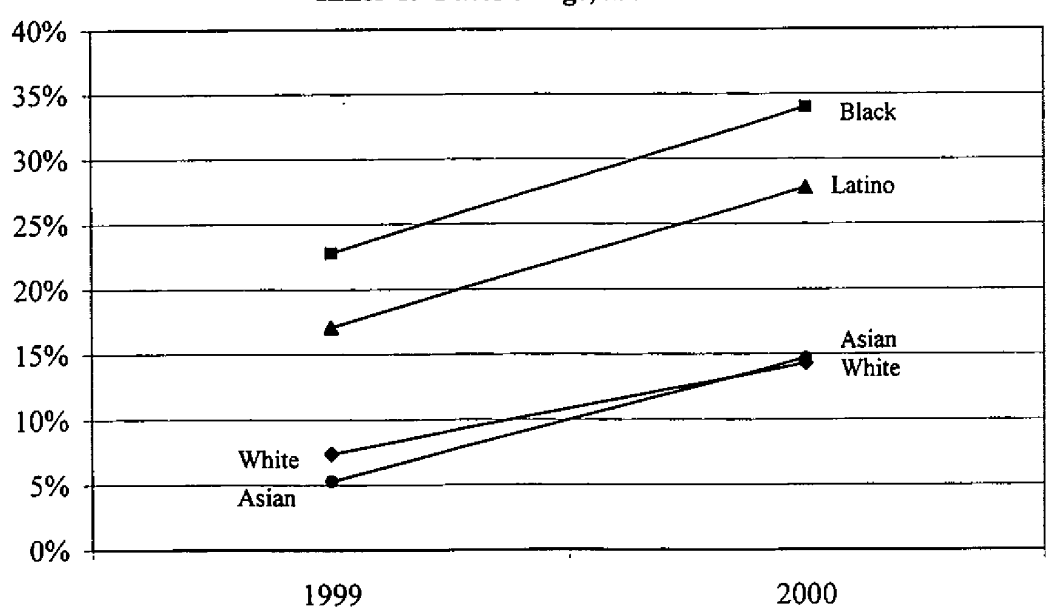

Table 12
Subprime and Prime Lending, By Income of Borrower
Inner and Outer Rings, Refinance Loans Only, 2000

Income Category	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low	630	496	134	21.3%	1.52
Moderate	1,940	1,432	508	26.2%	1.87
Middle	2,735	2,086	649	23.7%	1.69
Upper	3,732	3,209	523	14.0%	1.00
Not Reported	630	571	59	9.4%	
Total	9,667	7,794	1,873	19.4%	

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($65,500 in 2000). "Low" is less than 50% of this amount ($1K-$32K in 2000); "Moderate" is 50%-80% of this amount ($33K-$52K); "Middle" is 80%-120% of this amount ($53K-$78K); and "Upper is over 120% of this amount (>$78K in 2000).

Chart 12
Subprime Loans as Percent of All Refinance Loans
By Borrower Income, Both Rings, 1999 - 2000

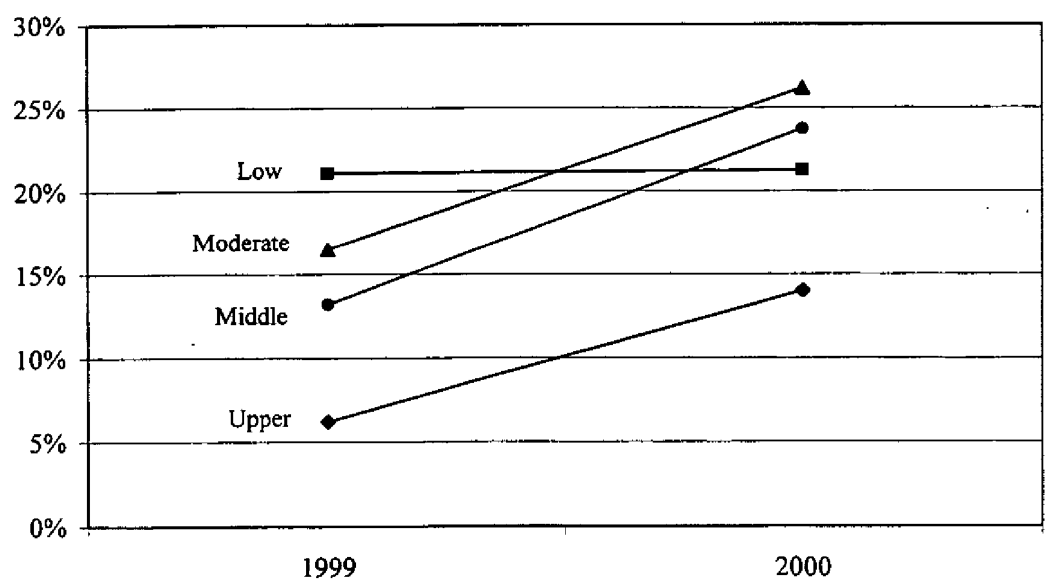

Table 13
Subprime Loans as Percent of Total Loans
By Race & Income of Borrower
Inner and Outer Rings, Refinance Loans Only, 2000

	Low Income*	Moderate Income	Middle Income	Upper Income
Black	8.3%	40.0%	39.5%	28.4%
Latino	20.8%	26.4%	33.8%	24.4%
White	14.9%	19.1%	17.3%	10.2%

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($65,500 in 2000). "Low" is less than 50% of this amount ($1K-$32K in 2000); "Moderate" is 50%-80% amount ($33K-$52K); "Middle" is 80%-120% of this amount ($53K-$78K); and "Upper" is over 120% of this amount (>$78K in 2000).

* The percentage for low-income blacks is based on only 12 loans (1 from a subprime lender), and that for low-income Latinos is based on only 24 total loans (5 from subprime lenders).

Chart 13
Subprime Loans as Percent of All Refinance Loans
By Borrower Race/Ethnicity and Income
Inner & Outer Rings, 2000

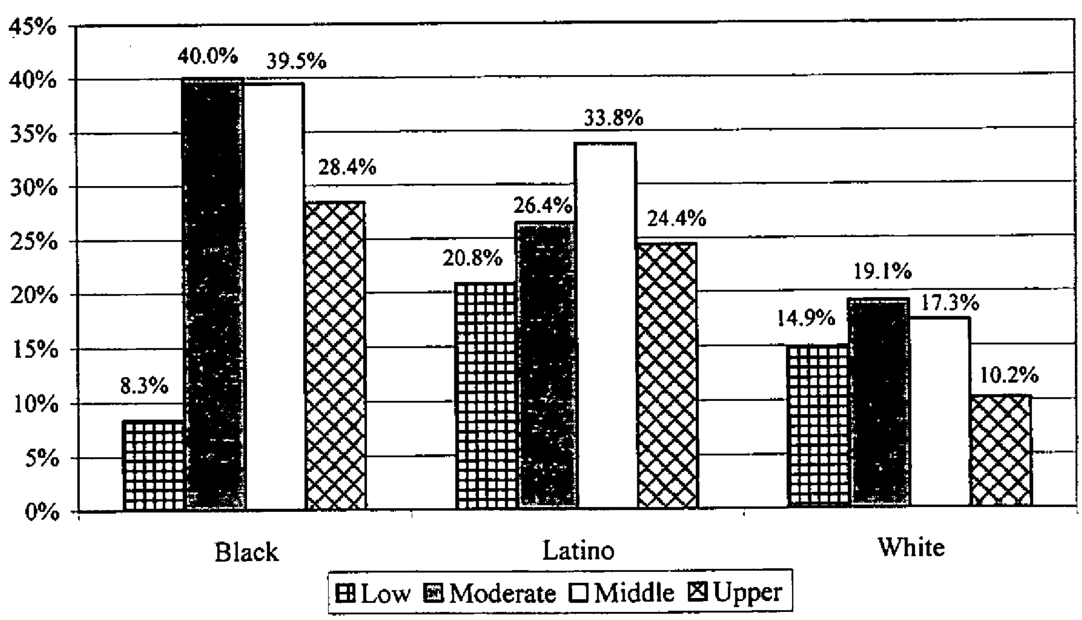

Table 14
Subprime and Prime Lending, By Percent Minority in Census Tract*
Inner and Outer Rings, Refinance Loans Only, 2000

	Number of Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to >75% White
> 75% Minority	3	86	56	30	34.9%	2.12
50%-75% Minority	14	307	193	114	37.1%	2.25
25%-50% Minority	54	1,976	1,450	526	26.6%	1.61
> 75% White	176	7,298	6,095	1,203	16.5%	1.00
Total	247	9,667	7,794	1,873	19.4%	

* This table classifies 1990 census tracts (used in HMDA data) into minority percentage categories on the basis of 2000 Census data. If census tracts were categorized on the basis of 1990 Census data, the percentages of loans from subprime lenders would be (reading down in the table): NA(no tracts), 28.0%, 33.0%, and 18.4%.

Chart 14
Subprime Loans as Percent of All Refinance Loans
By Percent Minority in Census Tract
Inner & Outer Rings, 1999 - 2000

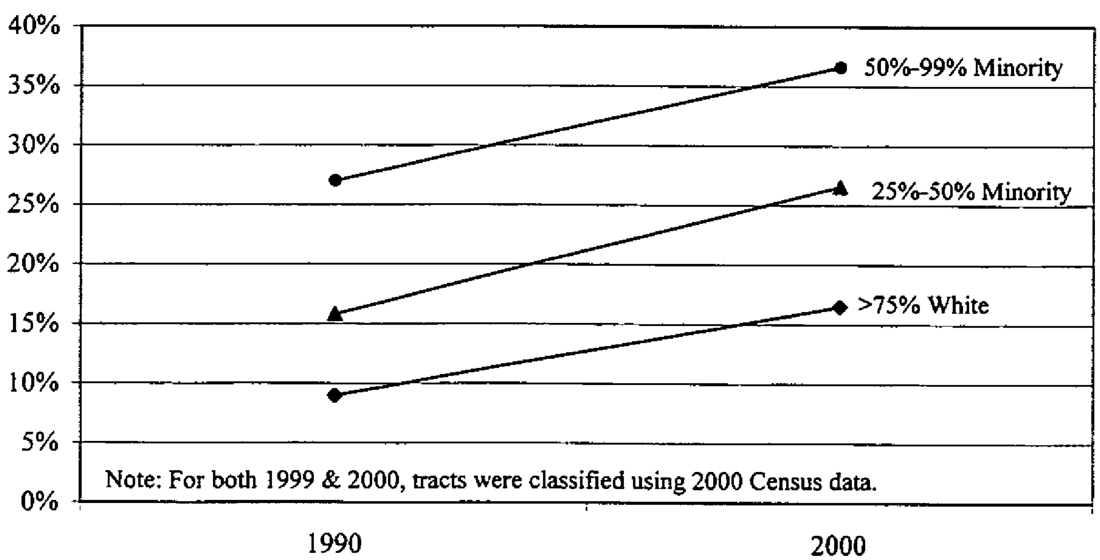

Table 15
Subprime and Prime Lending, By Income Level of Census Tract
Inner and Outer Rings, Refinance Loans Only, 2000

	Number Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low-Income	8	119	79	40	33.6%	4.25
Moderate-Income	55	1,850	1,324	526	28.4%	3.59
Middle-Income	127	5,574	4,435	1,139	20.4%	2.58
Upper-Income	57	2,124	1,956	168	7.9%	1.00
Total	247	9,667	7,794	1,873	19.4%	

A census tract is placed into an income category on the basis of the relationship, according to the 1990 census, between its Median Family Income (MFI) and the MFI of the Boston MSA. "Low" is less than 50% of the MFI of the MSA; "Moderate" is between 50% and 80%; "Middle" is between 80% and 120%; and "Upper" is is greater than 120% of the MFI of the MSA.

Chart 15
Subprime Loans as Percent of All Refinance Loans
By Census Tract Income
Inner and Outer Rings, 1999 - 2000

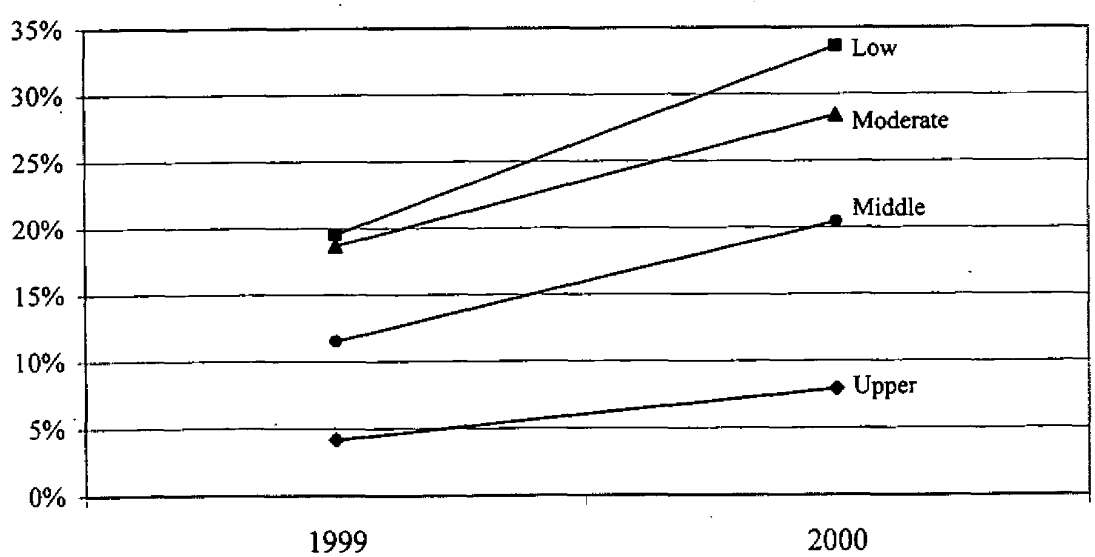

Table 16

Subprime & Prime Lending in Individual Cities & Towns - Refinance Loans, 2000: All Municipalities in Inner & Outer Rings, All Others Among the State's 25 Biggest, and the 5 Others among the State's 50 Biggest That Had Subprime Shares > 25%

Ring	City or Town	All Lenders	Prime Lenders	SubPrime Lenders	Percent SubPrime	Med Fam Income	2000 Population % Black*	2000 Population % Latino
Inner	Chelsea	224	152	72	32.1%	29,039	5.6%	48.4%
Inner	Everett	340	238	102	30.0%	37,397	6.0%	9.5%
Inner	Revere	514	377	137	26.7%	37,213	2.6%	9.4%
Inner	Winthrop	203	160	43	21.2%	45,677	1.6%	2.7%
Inner	Somerville	459	363	96	20.9%	38,532	6.3%	8.8%
Inner	Milton	294	238	56	19.0%	61,694	10.0%	1.7%
Inner	Dedham	310	255	55	17.7%	52,554	1.4%	2.4%
Inner	Quincy	661	544	117	17.7%	44,184	2.1%	2.1%
Inner	Cambridge	429	365	64	14.9%	39,990	11.5%	7.4%
Inner	Watertown	178	155	23	12.9%	49,467	1.7%	2.7%
Inner	Newton	573	534	39	6.8%	70,071	1.9%	2.5%
Inner	Brookline	324	305	19	5.9%	61,799	2.6%	3.5%
Outer	Randolph	399	270	129	32.3%	50,718	20.5%	3.2%
Outer	Lynn	847	583	264	31.2%	35,830	9.2%	18.4%
Outer	Malden	460	340	120	26.1%	42,099	7.9%	4.8%
Outer	Weymouth	634	481	153	24.1%	48,331	1.4%	1.3%
Outer	Medford	505	390	115	22.8%	45,532	6.0%	2.6%
Outer	Saugus	307	238	69	22.5%	48,669	0.4%	1.0%
Outer	Braintree	326	269	57	17.5%	51,920	1.1%	1.2%
Outer	Waltham	339	291	48	14.2%	45,730	4.2%	8.5%
Outer	Canton	206	177	29	14.1%	62,471	2.8%	1.4%
Outer	Westwood	155	140	15	9.7%	67,317	0.4%	0.9%
Outer	Arlington	277	253	24	8.7%	52,749	1.6%	1.9%
Outer	Weston	103	95	8	7.8%	108,751	1.2%	1.9%
Outer	Belmont	145	137	8	5.5%	61,046	1.1%	1.8%
Outer	Needham	246	240	6	2.4%	69,515	0.6%	1.2%
Outer	Wellesley	209	204	5	2.4%	90,030	1.5%	2.3%
	Springfield	860	484	376	43.7%	30,824	19.6%	27.2%
	Lawrence	448	280	168	37.5%	26,398	2.0%	59.7%
	Westfield	158	105	53	33.5%	40,144	0.8%	5.0%
	Fitchburg	272	186	86	31.6%	33,357	3.1%	15.0%
	New Bedford	554	384	170	30.7%	28,373	3.7%	10.2%
	Worcester	1,044	734	310	29.7%	36,261	6.2%	15.1%
	Brockton	1,000	704	296	29.6%	38,544	16.9%	8.0%
	Fall River	295	211	84	28.5%	28,972	2.3%	3.3%
	Taunton	520	373	147	28.3%	38,534	2.4%	3.9%
	Holyoke	124	89	35	28.2%	29,366	2.6%	41.4%
	Leominster	332	242	90	27.1%	41,927	3.0%	11.0%
	Attleboro	469	347	122	26.0%	43,248	1.6%	4.3%
	Lowell	664	493	171	25.8%	35,138	3.5%	14.0%
	Plymouth	790	587	203	25.7%	37,636	1.8%	1.7%
	Framingham	560	432	128	22.9%	53,270	4.5%	10.9%
	Barnstable	773	599	174	22.5%	40,299	2.7%	1.7%
	Haverhill	710	570	140	19.7%	43,209	1.9%	8.8%
	Chicopee	245	197	48	19.6%	35,560	2.0%	8.8%
	Peabody	539	444	95	17.6%	44,952	0.8%	3.4%
	Boston	4,532	3,253	1,279	28.2%	36,240	23.8%	14.4%
	Total Inner Ring*	4,509	3,686	823	18.3%	47,301	4.4%	8.4%
	Total Outer Ring*	5,158	4,108	1,050	20.4%	58,714	4.0%	3.5%
	Total, Massachusetts	58,181	45,503	12,678	21.8%	44,367	5.0%	6.8%

For Inner and Outer Ring Totals, Median Family Income and Black & Latino Population percentages are unweighted averages.

* "Black" here is shorthand for "Non-Hispanic/Latino Black or African-American alone" (i.e., of one race only)

Table 17
Biggest Subprime Lenders in Inner and Outer Rings, Refinance Loans Only, 2000
(The 23 SubPrime Lenders with 20 or More Loans & The 19 Prime Lenders with 100 or More Loans)

Lender Name	Lender Type*	Applica-tions	Loans	Denials	Other Outcomes#	Lending Rate	Denial Rate	Other Outcome Rate
A. Subprime Lenders								
Champion Mort Co. (KeyCorp)	OSB	338	188	62	88	55.6%	18.3%	26.0%
Option One MC (H&R Block)	LML	332	176	117	39	53.0%	35.2%	11.7%
Greenpoint Mortgage Funding	LML	312	162	69	81	51.9%	22.1%	26.0%
Ameriquest Mortgage Co.	LML	1283	161	103	1,019	12.5%	8.0%	79.4%
American Business Financial	LML	575	130	78	367	22.6%	13.6%	63.8%
New Century MC (US Bancorp)	LML	224	117	85	22	52.2%	37.9%	9.8%
Full Spectrum (Countrywide)	LML	191	85	37	69	44.5%	19.4%	36.1%
NationsCredit Financial (BofA)	OSB	263	81	121	61	30.8%	46.0%	23.2%
EHome Credit Corp.	LML	391	78	115	198	19.9%	29.4%	50.6%
Long Beach Mort Co. (WAMU)	OSB	134	78	30	26	58.2%	22.4%	19.4%
Conseco Finance Servicing Corp.	LML	75	33	33	9	44.0%	44.0%	12.0%
Advanced Financial Services	LML	152	64	79	9	42.1%	52.0%	5.9%
First Franklin Financial Corp.	OSB	58	49	3	6	84.5%	5.2%	10.3%
First Union Bank, Delaware	OSB	96	38	32	26	39.6%	33.3%	27.1%
Aames Funding Corp.	LML	85	34	13	38	40.0%	15.3%	44.7%
Travelers B&T (CitiGroup1)	OSB	45	34	2	9	75.6%	4.4%	20.0%
Associates Hme Eq (CitiGroup2)	OSB	124	33	27	64	26.6%	21.8%	51.6%
Delta Funding Corp.	LML	71	33	4	34	46.5%	5.6%	47.9%
CitiFinancial Servs (CitiGroup3)	OSB	48	32	10	6	66.7%	20.8%	12.5%
Aegis Mortgage Corp.	LML	462	29	324	109	6.3%	70.1%	23.6%
Fremont Investment & Loan	OSB	80	29	39	12	36.3%	48.8%	15.0%
Accredited Home Lenders	LML	57	25	14	18	43.9%	24.6%	31.6%
Parkway Mortgage	OSB	54	23	3	28	42.6%	5.6%	51.9%
Subtotal, These 23 Lenders		5,450	1,712	1,400	2,338	31.4%	25.7%	42.9%
Sub-subtotal, 13 LML Lendeers		4,210	1,127	1,071	2,012	26.8%	25.4%	47.8%
Subtotal, All 53 SubPrime Lenders		7,774	1,873	2,276	3,625	24.1%	29.3%	46.6%
B. Prime Lenders								
Fleet NB	CRA	1335	750	424	161	56.2%	31.8%	12.1%
Washington Mutual Bank	OSB	630	443	68	119	70.3%	10.8%	18.9%
North American MC (Dime SB)	OSB	505	320	67	118	63.4%	13.3%	23.4%
Ohio Savings Bank	OSB	313	302	3	8	96.5%	1.0%	2.6%
Bank of America	OSB	254	194	33	27	76.4%	13.0%	10.6%
Eastern Bank	CRA	221	162	30	29	73.3%	13.6%	13.1%
Countrywide Home Loans	LML	252	152	22	78	60.3%	8.7%	31.0%
National City Mortgage Co.	OSB	225	148	20	57	65.8%	8.9%	25.3%
Citizens Bank of MA (Citizens1)	CRA	355	141	180	34	39.7%	50.7%	9.6%
Boston Federal SB	CRA	172	138	14	20	80.2%	8.1%	11.6%
Wells Fargo Home Mortgage	OSB	187	134	27	26	71.7%	14.4%	13.9%
RBMG, Inc.	LML	158	134	6	18	84.8%	3.8%	11.4%
Chase Manhattan Mort Corp.	OSB	186	133	40	13	71.5%	21.5%	7.0%
H&R Block Mort Co.	LML	181	125	17	39	69.1%	9.4%	21.5%
Metropolitan Credit Union	CRA	189	120	43	26	63.5%	22.8%	13.8%
ABN AMRO Mortgage Group	OSB	136	116	19	1	85.3%	14.0%	0.7%
First Horizon Home Loan Corp.	OSB	198	105	77	16	53.0%	38.9%	8.1%
Citizens Mort Corp. (Citizens2)	CRA	136	103	9	24	75.7%	6.6%	17.6%
SunTrust Mortgage	OSB	114	101	4	9	88.6%	3.5%	7.9%
Subtotal, These 19 Lenders		5,747	3,821	1,103	823	66.5%	19.2%	14.3%
Sub-subtotal, 6 CRA Lenders		2,408	1,414	700	294	58.7%	29.1%	12.2%
Sub-subtotal, 3 LML Lenders		591	411	45	135	69.5%	7.6%	22.8%
Subtotal, All 291 Prime Lenders		11,909	7,794	2,080	2,035	65.4%	17.5%	17.1%
Total, All 344 Lenders		19,683	9,667	4,356	5,660	49.1%	22.1%	28.8%

* "Lender Type" indicates if Boston area performance in meeting community credit needs is subject to evaualtion by federal or state bank regulators:
CRA: currently covered by federal and/or state Community Reinvestment Act -- banks and state-chartered credit unions with branches in Mass.
LML: Licensed Mortgage Lender, licensed by Mass. Div. of Banks, potentially subject to CRA-type evaluation under proposed state legislation.
OSB: Out-of-State Bank (or subsidiary of federally-charted out-of-state bank), which the state of Massachusetts is powerless to regulate.

\# "Other Outcomes" are (1) "application approved but not accepted by applicant"; (2) "application withdrawn"; and (3) "file closed for incompleteness."
In each case, it is action (or inaction) by the applicant, rather than a negative decision by the lender, that causes the application to not result in a loan.

Appendix Table A-1
Distribution of Refinance Loans, City of Boston, 1994 and 1999
By Type of Loan and Type of Lender

	Prime Lenders	Subprime Lenders	Manf. Home Lenders*	Total
A. Number of Refinance Loans, 1994				
Conventional	2,668	101	39	2,808
Government-Backed	50	0	0	50
Total	2,718	101	39	2,858
B. Percent of Total Refinance Loans, 1994				
Conventional	93.4%	3.5%	1.4%	98.3%
Government-Backed	1.7%	0.0%	0.0%	1.7%
Total	95.1%	3.5%	1.4%	100.0%
C. Number of Refinance Loans, 1999				
Conventional	6,335	1,363	30	7,728
Government-Backed	192	1	0	193
Total	6,527	1,364	30	7,921
D. Percent of Total Refinance Loans, 1999				
Conventional	80.0%	17.2%	0.4%	97.6%
Government-Backed	2.4%	0.0%	0.0%	2.4%
Total	82.4%	17.2%	0.4%	100.0%
E. Number of Refinance Loans, 2000				
Conventional	3,160	1,264	15	4,439
Government-Backed	93	-	0	93
Total	3,253	1,264	15	4,532
F. Percent of Total Refinance Loans, 2000				
Conventional	69.7%	27.9%	0.3%	97.9%
Government-Backed	2.1%	0.0%	0.0%	2.1%
Total	71.8%	27.9%	0.3%	100.0%

* There was just one manufactured home lender in each year: Ford Consumer Finance in 1994 and Conseco Financial Services Corp. in 1999 and 2000.

NOTES ON DATA AND METHODS

These "Notes" are intended to supplement the information provided in the text and in notes to the tables, and not all of the information provided in those places is repeated here.

Predatory vs. Subprime Lending

The distinction between the terms *subprime lending* and *predatory lending* has been clearly expressed by Massachusetts Banking Commissioner Thomas Curry:

> *Subprime lending* generally refers to borrowers who do not meet standard underwriting criteria because they have impaired credit and do not qualify for 'prime' or conventional mortgage financing terms. Lenders that engage in subprime lending responsibly offer loans at a price or with terms that reasonably compensate the lender for the increased risk associated with subprime loans. Such prices and terms are also done in a manner that is clearly understood by the consumer. When done responsibly, subprime lending can help consumers who have impaired credit histories due to past financial difficulties or who need temporary financial relief to help avoid bankruptcy or foreclosure.
>
> *Predatory lending* is a pernicious form of lending that can have a destabilizing effect on low- and moderate-income neighborhoods, as these lenders often attack the most vulnerable segments of the population. Predatory lending usually involves high rates, points, fees, and onerous loan terms, and often is accompanied by high pressure sales tactics or advertising. Predatory lending invariably leaves consumers worse off than when they entered into the transaction, even if their payments are lower in the short-term.

(From letter accompanying the distribution of the Division of Banks' proposal for revised regulations on high rate mortgage loans, August 3, 2000.) A much more detailed discussion of how predatory lending might best be defined is offered in Deborah Goldstein, "Understanding Predatory Lending: Moving Toward a Common Definition and Workable Solutions" (Neighborhood Reinvestment Corporation and Joint Center for Housing Studies of Harvard University, October 1999, pages 7-20).

Subprime lenders

Each year the U.S. Department of Housing and Urban Development (HUD) prepares a list of HMDA-reporting lenders that it has identified as subprime lenders. On the basis of a several sources of information, including direct contact with each lender, HUD determines that these are lenders that specialize in subprime lending or for whom subprime loans make up at least a majority of loans originated. Randall Scheessele of HUD has provided the annual lists to me in electronic form. Information on how the lists are compiled and the lists themselves are available at: www.huduser.org/datasets.manu.html. HUD has been slow in posting the 2000 list to this website, but contact information for Scheessele is provided. A fuller discussion of the methodology, together with lists for 1993 through 1998, is contained in Randall M. Scheessele, *1998 HMDA Highlights* (Housing Finance Working Paper No. HF-009, Office of Policy Development and Research, HUD, October 1999).

There are 209 lenders on HUD's subprime lenders list for 2000 (down from 287 lenders on the list for 1999); 75 of these made at least one loan in Boston or one of the two Rings in 2000. These are the *subprime lenders* referred to in this report. To facilitate comparisons, all other lenders are referred to in this report as *prime lenders*. The HUD lists separately identify subprime lenders and manufactured home lenders; the latter are important in some areas, but they do very little business in the Boston area and in this report they are included among subprime lenders. Appendix Table A-1 shows that only one manufactured home lender made refinance loans in the city of Boston in 1999 and 2000; Conseco Financial Services Corp. made 15 loans in 2000, just 0.3% of all refinance loans in the city.

It is important to recognize that the HMDA-reported loans by these *subprime lenders* are only an approximation to the number of *subprime loans* that were made. One important reason for this is that some of the loans made by subprime lenders are prime loans, and some of the loans made by prime lenders are subprime loans – although there is no good basis for estimating how many loans there are in either of these categories. In addition, some important subprime lenders, such as Household International, are exempted from HMDA reporting because mortgage lending constitutes less than one-tenth of their total lending. Furthermore, although many subprime loans take the form of second mortgage loans or home equity loans, HMDA regulations do not require either of these types of loans to be reported

The Inner and Outer Rings

The twelve cities and towns that share a boundary with Boston are grouped together as the *Inner Ring*. Listed clockwise from the southeast, these are: Quincy, Milton, Dedham, Brookline, Newton, Watertown, Cambridge, Somerville, Everett, Chelsea, Revere, and Winthrop. The fifteen additional cities and towns that share a boundary with at least one of the "Inner Ring" municipalities constitute the "Outer Ring." These are Weymouth, Braintree, Randolph, Canton, Westwood, Needham, Wellesley, Weston, Waltham, Belmont, Arlington, Medford, Malden, Saugus, and Lynn. (The cities and towns in the two Rings are shown on the map that precedes Table 10.) The total population of each of the rings is within seven percent of that in Boston itself, with the communities in the Inner Ring containing somewhat more people than Boston and the communities in the Outer Ring containing somewhat fewer. Together, the City and the two Rings contain about 54% of the total population in the Boston MSA.

Home Mortgage Disclosure Act (HMDA) Data

Data on loans, applications, and denials were calculated from HMDA data, as collected, processed, and released each year by the FFIEC (www.ffiec.gov). Among the HMDA data provided for each loan application are: the identity of the lending institution; the 1990 census tract in which the property is located; the race and sex of the applicant (and co-applicant, if any); the income of the applicant(s); the purpose of the loan (home purchase, refinancing of existing mortgage, or home improvement for a one-to-four family building; or any loan for a building with five or more dwelling units); the amount of the loan or request; and the disposition of the application (loan originated, approved but not accepted by applicant, denied, application withdrawn, or file closed for incompleteness). The FFIEC makes raw HMDA data available on CD-ROM.

Conventional and government-backed (VA & FHA) loans are identified in HMDA data. Some studies of subprime lending include only conventional loans (that is, they exclude government backed-loans – those backed by the Federal Housing Administration or the Department of Veterans Affairs). In this report all these loans are combined and only total loans are analyzed. Appendix Table A-1 shows that only 2.1% of all refinance loans in Boston in 2000 were government-backed loans.

Income categories for applicants/borrowers are defined in relationship to the median family income (MFI) of the Boston Metropolitan Statistical Area (MSA) as reported annually by the U.S. Department of Housing and Urban Development. The MFIs for the years covered in this report are: $46,300 in 1990, $50,200 in 1991, $51,100 in 1992, $51,200 in 1993, $51,300 in 1994, $53,100 in 1995, $56,500 in 1996, $59,600 in 1997, $60,000 in 1998, $62,700 in 1999, and $65,500 in 2000. The MFI for the Boston MSA for 2001 is $70,000. The borrower income categories are as follows -- low: below 50% of the MSA median; moderate: between 50% and 80% of the MSA median; middle: between 80% and 120% of the MSA median; upper: over 120% of the MSA median. Using these definitions, specific income ranges were calculated for each category for each year. Applicants/borrowers were assigned to income categories on the basis of their income as reported (to the nearest $1000) in the HMDA data.

Racial/Ethnic categories provided in HMDA data are: "American Indian or Alaskan Native," "Asian or Pacific Islander," "Black," "Hispanic," "White," "Other," "Information not provided by applicant in mail or telephone application," and "Not available." In this report, "Asian," is used as shorthand for "Asian or Pacific Islander"; "Latino" is substituted for "Hispanic"; and only data on the race of applicants are used (that is, data on race of co-applicants are ignored). HMDA regulations do not require that loan applicants be asked their race/ethnicity if the application is made entirely by phone; all other applicants must be asked. For applications made in person, but not for mail or internet applications, if the applicant chooses not to provide the information, the lender must note the applicant's race/ethnicity "on the basis of visual observation or surname." The share of refinance borrowers from subprime lenders for whom information on race/ethnicity was not reported was considerably larger than the share for prime lenders (29.7% vs. 19.8%).

Data from the 1990 Census and the 2000 Census

Population data from the 2000 Census are available and were used in this report. Rolf Goetze of the Policy Development and Research Department at the Boston Redevelopment Authority (BRA) provided me with 2000 Census data in electronic form on requested variables for all of the census tracts in the city of Boston. Roy Williams of the Massachusetts Institute for Social and Economic Research (MISER) at UMass/Amherst provided me with information on these same variables for all Massachusetts cities and towns and for all census tracts in the Boston MSA.

Racial/ethnic composition of geographic areas may be defined in more ways than previously as a result of the fact that the 2000 Census allowed individuals to choose two or more racial categories for themselves, in addition to classifying themselves as either Hispanic/Latino or not (the 2000 Census regards the terms "Latino" and "Hispanic" as equivalent; this report uses the term "Latino"). For different tables in this report, three different definitions are used in providing information on the race/ethnicity of the residents of geographical areas. First, in Tables 5 and 14, census tracts are classified by the percentage of minority residents, defined as 100% minus the percentage white, where percentage white is calculated as the average of (1) the percentage that identified themselves as non-Latino white alone (2) the percentage that identified themselves either as non-Latino white alone or as non-Latino white together with one or more other races. Second, in Table 7, neighborhoods are classified by the percentage of minority residents as reported by the BRA; the BRA defines percentage minority as 100% minus the percentage white, but defines percentage white simply as the percentage that identified themselves as non-Latino white alone. Third, Table 17 provides information on the percentage of black and Latino residents in cities and towns, where percentage black is defined as the percentage that identified themselves as non-Latino black alone and percentage Latino is defined as the percentage who classified themselves as Latino, regardless of the race or races that they selected. The term "minority" is used in this report in spite of the fact that "minorities" constitute the majority of the population in many geographical areas (including the world as a whole.)

HMDA data are reported for 1990 census tracts. HMDA data report the location of the home for which a mortgage loan was obtained by state, MSA, country, and 1990 census tract. Urban census tracts are typically several blocks square and contain between 3,000 and 4,000 residents. Using 2000 Census data for population and housing creates a problem because in some cases census tract definitions (boundaries) change between one decennial census and the next. In Boston, there were 165 census tracts for the 1990 Census, but only 157 census tracts for the 2000 Census; this net reduction of 8 census tracts resulted from a five single tracts being divided into pairs of tracts (+5 tracts) and 23 former tracts being consolidated into ten new tracts (-13 tracts). (For detailed information, see the Boston Redevelopment Authority's Research Report #544, available at www.ci.boston.ma.us/bra/publications.asp.) For Tables 5 and 14, considerable effort was expended in using 2000 Census data to provide estimates of the year 2000 racial/ethnic composition within those 1990 census tracts that no longer existed for the 2000 Census. The record for each mortgage application in HMDA data provides information on the census tract in which the home is located, including the percentage of minority residents in the census tract and the ratio of the MFI in the census tract to the MFI of the MSA in which the tract is located. The census tracts used in 2000 HMDA data are from the 1990 census and the population and income data are from that year's census.

Income data for geographical areas are from the 1990 Census; income data from the 2000 Census will not be available until mid-2002. This includes information on the MFI for individual cities and towns as well as information on the ratio of the MFI in individual census tracts to the MFI in the Boston MSA. Note that while information on the MFIs for census tracts and for cities and towns are only available from the decennial census, current borrower incomes are reported in HMDA data and these incomes can be compared to the annual data from HUD on the MFI in each MSA.

Major categories of lenders: the biggest individual subprime and prime lenders listed in Tables 8 and 17 are each classified into one of three major categories in order to indicate their status with respect to current and potential evaluation, by government regulators, of their performance in meeting the mortgage lending needs of Boston-area communities. **"CRA"** indicates lenders whose local lending is currently covered by the federal and/or Massachusetts Community Reinvestment Act (CRA). These lenders consist of Massachusetts banks, defined as any bank with one or more branches in the state. (Massachusetts-chartered credit unions also fall into this category, although none are among the lenders listed in these two tables.) **"LML"** (for "licensed mortgage lender") indicates lenders that were required to obtain a license from the Massachusetts Division of Banks (DoB) in order to make mortgage loans in the state. These lenders consist of independent mortgage companies, mortgage company affiliates of federally-chartered non-Massachusetts banks, and mortgage company subsidiaries or affiliates of non-Massachusetts banks chartered by other states. (Mortgage company subsidiaries or affiliates of "Massachusetts banks" based in other states that require a license to make mortgage loans in Massachusetts are classified, in this report, as "CRA" lenders; the most important example is Citizens Mortgage Company, a subsidiary of Citizens Bank of Rhode Island but an affiliate of Citizens Bank of Massachusetts because it is within the same bank holding company.) These lenders would be subject to DoB evaluation of their performance in meeting the mortgage credit needs of local communities under the provisions of proposed Massachusetts Senate Resolution 17 and House Resolution 2467 ("The Mortgage Equity, Availability, and Affordability Act"). **"OSB"** (for "out-of-state bank") indicates lenders able to make mortgage loans in the state without a license from the DoB. These lenders consist of federally-chartered banks (or credit unions) and their subsidiaries and banks (or credit unions) chartered by other states. These lenders are exempt from regulation by the Massachusetts government and therefore would not be subject to the provisions of the proposed Senate Resolution 17.

Other Studies of Subprime Lending

While a guide to the large and growing literature about predatory and subprime lending is beyond the scope of this report, it may be useful to list a few particularly useful contributions to that literature. Two previous studies of the Boston MSA are "Analyzing Trends in Subprime Originations and Foreclosures: A Case Study of the Boston Metro Area," by Debbie Gruenstein and Christopher E. Herbert (Cambridge MA: Abt Associates, prepared for the Neighborhood Reinvestment Corporation, September 2000) and "Stripping the Wealth: Analysis of Predatory Lending in Boston," by ACORN (late 1999). One important nationwide study is "Unequal Burden: Income and Racial Disparities in Subprime Lending in America" by the U.S. Department of Housing and Urban Development (HUD) (August 2000; available at www.huduser.org/publications/fairhsg/unequal.html; this national report has links to studies of five individual cities: Atlanta, Baltimore, Chicago, Los Angeles, and New York). Another good national study is "Separate and Unequal: Predatory Lending in America," by ACORN (November 2001 – this updates an October 2000 study with the same title; available at www.acorn.org.) *Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development* by Daniel Immergluck and Marti Wiles (Chicago: Woodstock Institute, 1999) contains both an excellent analysis of the reasons underlying the growth of subprime and predatory lending and an important case study of subprime lending in the Chicago area. Finally, the hearings held by the U.S. Senate Banking Committee on July 26 and 27, 2001, contain much informative testimony (available from http://thomas.loc.gov/home/sencom.html).