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MASSACHUSETTS COMMUNITY & BANKING COUNCIL



**CHANGING PATTERNS XXII
MORTGAGE LENDING IN 2014:
KEY FINDINGS**

**MEL KING INSTITUTE INNOVATION FORUM
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- The *Changing Patterns* reports are intended primarily as a resource for users with a wide range of interests in terms of both topic and geography.
- The heart of the report is its 38 tables with data on:
 - Type of loan (e.g., purchase v. re-fi; conventional v. government-backed)
 - Race/ethnicity and income of borrowers and neighborhoods
 - Denial rates
 - Major types of lenders (Mass Banks & CUs, mortgage companies, out-of-state banks)
 - Biggest individual lenders
 - For Boston, Greater Boston, Mass, and 36 large cities
- Several levels of guidance to what the 6,997 numbers in tables show:
 - Press release highlights five key findings
 - Executive Summary summarizes 20 key points
 - Main text of eighteen pages has 11 small tables/charts and 36 bullet points

People of color are underserved by mortgage lenders (HP loans; Table 4).

Boston			
Borrower Race/ Ethnicity	% of households	% of all loans	% of conventional loans
Black	21.0%	5.6%	3.6%
Latino	13.7%	4.8%	4.0%

Greater Boston			
Borrower Race/ Ethnicity	% of households	% of all loans	% of conventional loans
Black	7.3%	2.8%	2.0%
Latino	6.8%	4.5%	3.2%

The share of all home-purchase loans in going to Black and Latino homebuyers has been falling in recent years (Table 5)

	City of Boston		Greater Boston	
	Blacks	Latinos	Blacks	Latinos
2004	11.4%	8.2%	4.5%	6.7%
2005	14.3%	9.7%	5.8%	8.5%
2006	14.6%	8.4%	5.8%	7.1%
2007	11.8%	6.7%	4.5%	4.8%
2008	10.2%	5.7%	3.6%	4.3%
2009	8.9%	5.6%	3.2%	4.3%
2010	8.4%	5.4%	3.3%	4.1%
2011	7.2%	5.0%	3.0%	3.9%
2012	5.6%	4.6%	2.7%	3.7%
2013	5.2%	3.9%	2.5%	3.6%
2014	5.6%	4.8%	2.8%	4.5%

People of color who do get home-purchase loans disproportionately receive costlier government-backed loans (GBLs -- mainly FHA, also VA & USDA)(Table 4)

Boston: % of All Loans that were Government-Backed

Borrower Race/Ethnicity	% GBLs	Disparity Ratio
Black	39.5%	8.2
Latino	22.8%	4.8
White	4.8%	

Greater Boston: % of All Loans that were Government-Backed

Borrower Race/Ethnicity	% GBLs	Disparity Ratio
Black	36.3%	4.2
Latino	36.5%	4.2
White	8.6%	

Total home-purchase lending to blacks and Latinos is highly concentrated in a few cities, absent in many others (Table 19)

- Five cities account for 47% of total home-purchase loans to blacks , but for only 12% of all loans.
 - Brockton, Boston, Randolph, Springfield, and Worcester
- Seven cities account for 42% of total home-purchase loans to Latinos, but for only 14% to all loans.
 - Lawrence, Springfield, Boston, Lynn, Worcester, Methuen and Revere
- In 86 of the 351 cities and towns in MA, not a single loan was made to a black or a Latino homebuyer.

Home-purchase lending to blacks and Latinos in Boston is highly concentrated in some neighborhoods, absent in others (Table 8)

- 5 neighborhoods account for 89.9% of total home-purchase loans to blacks , but for only 28.9% of all loans.
 - Dorchester, Hyde Park, Mattapan, Roslindale, Roxbury
- 3 neighborhoods account for 52.1% of total home-purchase loans to Latinos, but for only 23.2% of all loans.
 - Dorchester, Hyde Park, East Boston
- In 7 of the 20 neighborhoods in Boston, not a single loan was made to a black homebuyer.
- In 2 of the 20 neighborhoods in Boston, not a single loan was made to a Latino homebuyer.

People of color have much higher denial rates for home purchase loans (Table 20)

Denial Rates by Race/Ethnicity for conventional home-purchase loans

	Denial Rate			Denial Rate Disparity Ratio	
	Blacks	Latinos	Whites	Black/White	Latino/White
Boston	21.1%	13.2%	5.9%	3.61	2.26
Greater Boston	16.6%	12.0%	5.9%	2.80	2.02

Even among people in same income category, blacks and Latinos have much higher denial rates (Table 21)

Denial Rates by Race & Income of Applicant for Conventional Home Purchase Loans in Greater Boston

Income (\$000)	Denial Rate			Denial Rate Ratio	
	Black	Latino	White	Black/White	Latino/White
31-50	28.1%	21.8%	12.4%	2.27	1.77
51-70	20.2%	11.3%	8.2%	2.47	1.38
71-90	15.4%	15.5%	6.2%	2.48	2.49
91-120	11.9%	5.3%	4.6%	2.61	1.17
Over 120	8.7%	5.9%	4.6%	1.89	1.27
Total	16.6%	12.0%	5.9%	2.80	2.02

- Denial Rate Disparity Ratios have shown no trend during the 2004-2014 period (Table 22)

Denial Rate Disparity Ratio in Greater Boston		
	Black/White	Latino/White
2004	2.84	2.33
2005	2.50	2.18
2006	2.92	2.54
2007	3.28	3.06
2008	2.69	2.43
2009	2.37	2.25
2010	2.16	2.01
2011	2.70	2.55
2012	2.61	2.33
2013	2.84	2.18
2014	2.98	2.08

Independent Mortgage Companies (Licensed Mortgage Lenders), the lenders covered by the state's unique-in-the-nation CRA for Mortgage Lenders regulation and oversight, account for a substantial share of lending (Tables 24 & 29)

- They made 44% of home-purchase loans in Boston, 43% in Greater Boston
- They included 6 of the top 10 lenders, and 14 of the top 30 lenders in Greater Boston

Implementation of the state's CRA for Mortgage Lenders regulation seems to have had a positive impact on the relative performance of LMLs for the second straight year (Table 27).

Shares of Conventional Loans by Major Type of Lender in Greater Boston

	Black Borrowers	Latino Borrowers	Low- & Mod Income (LMI) Borrowers	LMI Census Tracts	LMI Census Tracts >75% Minority
MA Banks & Credit Unions	2.2%	3.4%	19.0%	13.7%	1.5%
Licensed Mortgage Lenders	1.6%	2.6%	17.0%	13.4%	1.1%
Out-of-State Banks	1.2%	2.2%	9.6%	8.6%	0.7%

There is a stunning difference in the income levels of predominantly minority neighborhoods and predominantly white neighborhoods in Greater Boston (Table 16)

Number of Census Tracts in Massachusetts, 2014					
	Low Income	Moderate Income	Middle Income	Upper Income	Total
> 75% Minority	66	28	4	0	98
50%-75% Minority	45	58	14	0	117
25%–50% Minority	36	127	83	33	279
> 75% White	9	80	499	364	952
Total	156	293	600	397	1,446



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QUESTIONS

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