



Changing Patterns

Mortgage

Lending in Boston

A 1994 Update

BY

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This report, based on Home Mortgage Disclosure Act (HMDA) data for 1994 that have recently become available, updates Changing Patterns: Mortgage Lending in Boston, 1990-1993.¹ The current report, like its predecessor, is concerned only with home-purchase mortgage loans within the city of Boston (that is, its analysis covers neither loans to refinance existing mortgages nor loans for properties located within the metropolitan area but outside Boston's city limits).

I: TOTAL LENDING BY RACE, INCOME, AND NEIGHBORHOOD

Tables 1-5, and the accompanying charts, update the analysis of trends in the overall level of lending to traditionally underserved borrowers and neighborhoods that was presented in Part I of Changing Patterns. Most generally, the tables and charts show that while lenders continued to increase the share of all home-purchase loans going to black and Hispanic borrowers, other measures of their performance indicate that they did less well in 1994 than in the preceding years. More specifically:

- Lenders continued to modestly increase the percentage of all home-purchase loans that went to black and Hispanic borrowers. Blacks, who make up 23.8% of Boston's population according to the 1990 census, received 20.8% of all home-purchase loans in 1994, up from 20.1% in 1993 and 16.2% in 1990. Hispanics, who make up 10.8% of the city's population, received 6.6% of all loans in 1994, up from 5.7% in 1993 and 5.1% in 1990. (See Table 1 and Chart 1.)
- The denial rates for black and Hispanic applicants changed very little in 1994, while the denial rate for white applicants dropped by nearly one-third (from 11.7% to 8.2%). As a result, the black/white and Hispanic/white denial-rate-ratios both reversed their downward trends and climbed to levels higher than those of 1990 (the earliest year for which denial rates by race are available). In 1994 the black denial rate in Boston was 2.06 times as high as the white denial rate, up from 1.49 times as high in 1993, and for the first time the black/white denial rate ratio was higher in Boston than nationwide. Meanwhile, the Hispanic denial rate rose from just 1.18 times as high as the white denial rate in 1993 to 1.71 times as high last year, also moving from well-below to above the denial-rate-ratio for the U.S. as a whole. (Table 2 and Chart 2)
- The percentage of all loans going to low- and moderate-income borrowers fell in 1994, after rising in each of the previous three years. Low-income borrowers received 9.2% of all loans last year, down from 10.3% in 1993, while the loan share of moderate-income borrowers declined to 26.9% in 1994, from 28.6% the preceding year. As a result, the share of total loans that went to low- and moderate-income borrowers combined fell from 38.9% in 1993 to 36.1% in 1994, a level that is nevertheless considerably higher than the 1990 combined share of 27.3%. (Table 3 and Chart 3)
- As was the case in previous years, the fact that blacks and Hispanics experienced higher denial rates than whites in 1994 cannot be explained by the lower incomes of black and Hispanic applicants. In every income category, the denial rate for blacks and Hispanics

¹ Jim Campen, Changing Patterns: Mortgage Lending in Boston, 1990-1993 (Boston: Massachusetts Community and Banking Council [MCBC], July 1995, 78 pages; copies are available from MCBC at 175 Federal Street, Tenth Floor, Boston MA 02110; 617/556-6537). Preparation of this report, like that of Changing Patterns, was supported by a grant from MCBC to the Mauricio Gaston Institute for Latino Community Development and Public Policy at the University of Massachusetts/Boston. Although preparation of the report has benefitted from the comments of a MCBC advisory committee (consisting of Board members Kathleen Tullberg of Shawmut Bank and Tom Callahan of the Massachusetts Affordable Housing Alliance, with the helpful participation of Katherine Krister of BayBank) and has been reviewed by a Gaston Institute review panel (consisting of Edwin Melendez, Luis Aponte-Peres, and Michael Stone), the ideas and conclusions presented here are those of the author, and should not be attributed to any of the officers or board members of either the Gaston Institute or MCBC.

combined was substantially above that of white applicants at the same income level. Indeed, the denial rate for blacks and Hispanics in the highest income category used in this analysis (over \$80,000) was higher than the denial rate for whites in the second-lowest income category (between \$21,000 and \$30,000). (Table 4 and Chart 4)

- The share of all home-purchase loans that went to high-minority, lower-income neighborhoods fell in 1994 to the lowest level since 1990, both in relation to all Boston loans and in relation to lending in predominantly-white lower-income neighborhoods. In particular, the 35 Boston low- or moderate-income census tracts in which blacks and Hispanics make up more than 75% of the population received 8.3% of all loans last year, down from 9.0% in 1993 (these tracts contained an estimated 11.6% of all mortgageable housing units in the city). These 35 census tracts have 57.6% as many mortgageable housing units as are in the 30 low- or moderate-income census tracts in which more than 75% of the population is white, but received only 44.8% as many home-purchase loans as the predominantly-white census tracts did in 1994, down from 46.3% in 1993. In fact, this latter percentage has declined every year since 1990. (Table 5 and Chart 5)

II: THE COMPARATIVE LENDING PERFORMANCE OF MORTGAGE COMPANIES ²

Part II of Changing Patterns examined the relative performance of major types of lenders. Its major finding was that mortgage companies unaffiliated with Massachusetts banks,³ while providing a rapidly growing share of all home-purchase loans in the city, performed substantially worse than banks and their affiliated mortgage companies in providing home-purchase loans to traditionally underserved borrowers and neighborhoods. Analysis of the 1994 HMDA data indicates that the overall market share of mortgage companies continued to rise last year; they accounted for 37.1% of all Boston home-purchase loans in 1994, up from 36.1% in 1993. More importantly, analysis of the 1994 data indicates that mortgage companies again performed substantially worse than bank lenders in serving minority and lower-income residents and neighborhoods:

- Mortgage companies directed a substantially smaller share of their total Boston loans to every major category of traditionally underserved borrower and neighborhood examined than did bank lenders. Black borrowers received 26.5% of the loans made by bank lenders, but only 10.9% of those made by mortgage companies. Hispanic borrowers received 8.5% of bank loans, but only 3.4% of mortgage company loans. Low-income borrowers obtained 12.7% of the loans made by bank lenders, but only 2.9% of mortgage company loans, while moderate-income borrowers received 31.5% of bank loans, but only 19.1% mortgage company loans. Finally, low- and moderate income census tracts that had over 75% black and Hispanic residents received 10.9% of bank loans, but only 3.9% of the loans made by mortgage companies. (Table 7 and Chart 7)

² As explained in the footnotes to Tables 6-8, "mortgage companies" as used in this report includes all lenders not affiliated with a Massachusetts bank or credit union. This includes independent mortgage companies based either inside or outside of Massachusetts, mortgage companies affiliated with non-Massachusetts banks, and non-Massachusetts banks themselves. Similarly, "bank lenders" as used in this report includes Massachusetts-based banks, mortgage company affiliates of Massachusetts banks, and credit unions. In the rest of this report the terms "mortgage companies" and "bank lenders" will be used as shorthand for the more complete descriptions.

³ To indicate who these unaffiliated mortgage companies are, the top panel of Table 6 lists the 25 mortgage companies that made 25 or more Boston home-purchase loans in 1994. Together, these 25 lenders made 82.7% of all mortgage company loans in Boston last year (1,425 of 1,724). For comparison, the bottom panel of the same table lists the 18 bank lenders who made 25 or more home-purchase loans in 1994; these lenders made 85.6% of all loans made by bank lenders (2,545 of 2,973).

- The same general conclusion emerges when the data are examined from a different perspective. While mortgage companies made 36.7% of all home-purchase loans in Boston, they made just 19.2% of the total loans to blacks, 18.8% of total loans to Hispanics, 11.8% of total loans to low-income borrowers, 25.9% of total loans to moderate-income borrowers, and 17.4% of total loans to predominantly-minority, lower-income neighborhoods. In other words, the mortgage company share of loans to various categories of traditionally underserved borrowers was, on average, only half as great as the mortgage company share of total lending. (Table 8 and Chart 8)
- The lower level of lending to blacks and Hispanics by mortgage companies than by bank lenders closely reflected the shares of black and Hispanic applications received by these lenders. For blacks and Hispanics combined, mortgage companies received 19.2% of all applications, and made 19.1% of all loans. Even though mortgage companies denied 17.7% of the applications they received from blacks and Hispanics, slightly higher than the 15.8% denial rate for bank lenders, their low share of total loans to these minority borrowers was primarily the result of marketing and outreach efforts that produced a disproportionately large share of white applicants, rather than of this modest denial rate differential.⁴

III: CONCLUDING OBSERVATIONS

On balance, the findings reported in Part I indicate that overall lender performance in meeting the mortgage credit needs of traditionally underserved borrowers and neighborhoods changed little in 1994. Modest increases in the shares of total loans that went to black and Hispanic borrowers were offset by modest decreases in the shares that went to low- and moderate-income borrowers and to lower-income, predominantly-minority neighborhoods. The sharp increases in the black/white and Hispanic/white denial-rate-ratios provide an exception to the general pattern of little change. However, there are at least three reasons for concluding that the increases in these ratios may be of limited significance. First, the increases in the ratios were due entirely to the sharp drop in the denial rate for whites; the denial rate for blacks actually fell slightly, while the Hispanic denial rate rose by an insignificant amount. Second, the Boston denial rates for blacks and Hispanics remain at levels approximately half as high as the corresponding national rates. Finally, lending to blacks and Hispanics rose rapidly in Boston last year even though the denial rate ratios increased -- the data in Table 1 indicate that the number of Boston home-purchase loans to black and Hispanic borrowers increased by 34.1% and 50.0%, respectively, between 1993 and 1994, while loans to white borrowers increased by only 26.5%.

The findings concerning the 1994 performance of mortgage companies that are reported in Part II confirm the validity and policy-relevance of the following observations (repeated here from page 7 of Changing Patterns): The generally poor, and worsening, performance of mortgage companies unaffiliated with Massachusetts banks is consistent with their lack of visible affirmative efforts to reach out to previously underserved borrowers and neighborhoods. And this lack of effort is, in turn, consistent with the fact that these mortgage companies are exempt from the requirement, codified in the Community Reinvestment Act (CRA), that banks serve the credit needs of the entire communities in which they do business, including low- and moderate-income neighborhoods. The poor performance of mortgage companies may also reflect the fact that it is the nature of their business to sell all of the loans that they originate, so that their flexibility in responding to the needs of lower-income and minority borrowers is limited by restrictions on the loans that participants in the secondary market, especially the government-sponsored enterprises Fannie Mae and Freddie Mac, are willing to purchase. Possible public policy measures to enhance mortgage company performance include extension of the Community Reinvestment Act to impose appropriate responsibilities on mortgage companies and further revisions of the still-too-narrow restrictions that Fannie Mae and Freddie Mac impose on the loans that they are willing to purchase from mortgage originators.

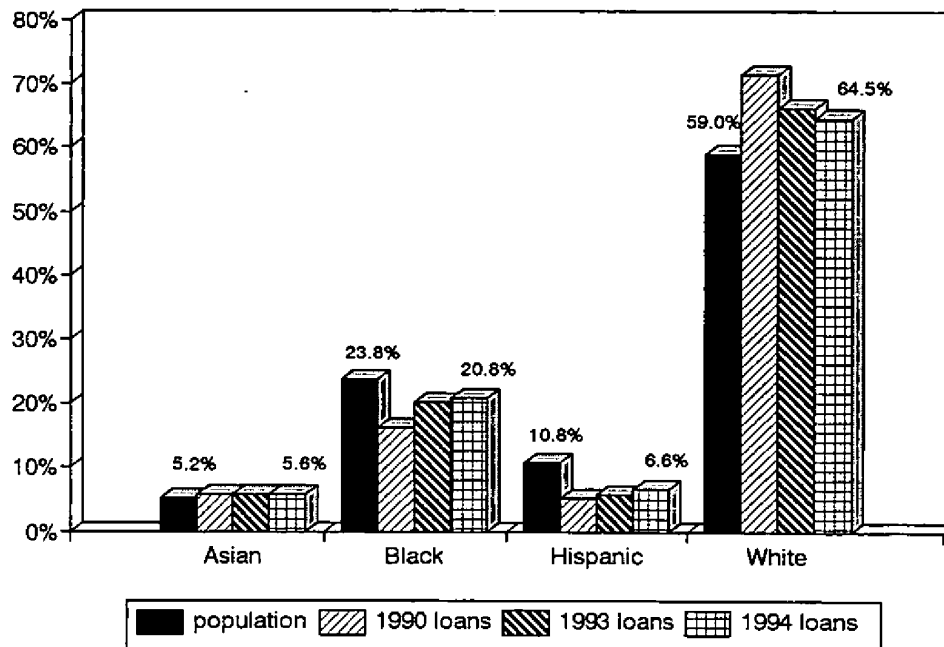
⁴ The data on applications and denial rates reported in this paragraph are not presented in any of the tables below.

TABLE 1
BOSTON HOME-PURCHASE LOANS BY RACE, 1990-1994

	Number of Loans					Per cent of All Loans				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
Asian	100	94	140	203	255	5.6%	4.9%	5.7%	5.7%	5.6%
Black	287	345	400	712	955	16.2%	18.1%	20.1%	20.1%	20.8%
Hispanic	91	87	127	202	303	5.1%	4.6%	5.7%	5.7%	6.6%
White	1266	1356	1591	2344	2964	71.5%	71.3%	66.1%	66.1%	64.5%
Total*	1770	1901	2292	3548	4592	100.0%	100.0%	100.0%	100.0%	100.0%

Total* includes loans to Native Americans (51 loans, 0.4% of 5-year total) and "others" (230 loans, 1.6% of total), but excludes loans for which race of borrower was not reported (511 loans over 5 years).

CHART 1
SHARES OF POPULATION AND LOANS, BY RACE
BOSTON HOME-PURCHASE LOANS: 1990, 1993, & 1994



Source: Table 1 (loans) and 1990 Census (population)

TABLE 2
HOME-PURCHASE LOAN DENIAL RATES BY RACE
BOSTON AND UNITED STATES, 1990-1994

	Denial Rate					Ratio to White Denial Rate				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
A. BOSTON										
Asian	14.5%	20.0%	15.1%	11.6%	7.6%	0.89	1.19	1.13	0.99	0.93
Black	32.7%	26.0%	22.7%	17.5%	16.9%	2.00	1.55	1.71	1.49	2.06
Hispanic	25.3%	28.3%	18.6%	13.8%	14.0%	1.55	1.68	1.40	1.18	1.71
White	16.4%	16.8%	13.3%	11.7%	8.2%	1.00	1.00	1.00	1.00	1.00
B. UNITED STATES										
Asian	12.9%	15.0%	15.3%	14.6%	12.0%	0.90	0.87	0.96	0.95	0.73
Black	33.9%	37.6%	35.9%	34.0%	33.4%	2.35	2.17	2.26	2.22	2.04
Hispanic	21.4%	26.6%	27.3%	25.1%	24.6%	1.49	1.54	1.72	1.64	1.50
White	14.4%	17.3%	15.9%	15.3%	16.4%	1.00	1.00	1.00	1.00	1.00

U.S. denial rates from Federal Reserve Bulletin: 11/91 p870; 11/92 p808; 2/94 p86; 2/95 p96; & 9/95 pA70.

CHART 2
MINORITY/WHITE DENIAL RATIOS, BY RACE
BOSTON HOME-PURCHASE LOANS, 1990-1994

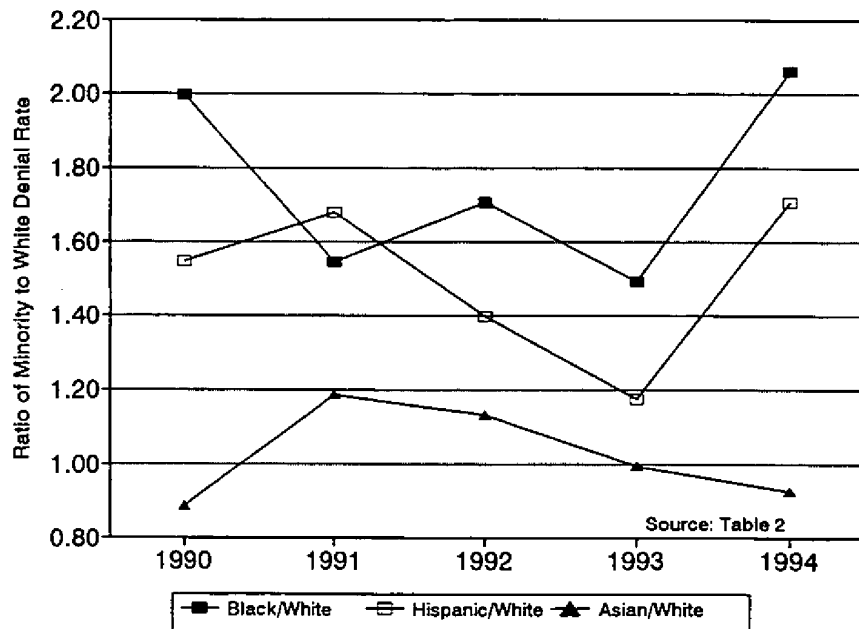


TABLE 3
BOSTON HOME-PURCHASE LOANS AND DENIALS BY INCOME LEVEL, 1990-94

Income Level	Loans					As Percent of All Loans					Denial Rate				
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
Low*	78	128	182	375	425	4.3%	6.7%	7.8%	10.3%	9.2%	33.3%	26.5%	24.8%	27.0%	16.3%
Moderate	413	487	612	1042	1250	23.0%	25.4%	26.3%	28.6%	26.9%	20.8%	21.3%	16.9%	16.9%	12.5%
Middle	550	626	723	995	1299	30.6%	32.6%	31.1%	27.3%	28.0%	20.1%	19.4%	15.4%	13.3%	11.8%
High	446	409	492	741	990	24.8%	21.3%	21.2%	20.3%	21.3%	18.8%	17.1%	12.9%	13.7%	6.7%
Highest	311	271	315	491	676	17.3%	14.1%	13.6%	13.5%	14.6%	16.3%	17.1%	13.7%	10.5%	7.8%
Hi+Hi'est	757	680	807	1232	1666	42.1%	35.4%	34.7%	33.8%	35.9%	17.8%	17.1%	13.2%	12.4%	7.1%
Total*	1798	1921	2324	3644	4640	100.0%	100.0%	100.0%	100.0%	100.0%	20.0%	19.6%	15.9%	15.7%	10.8%

Low* and Total* include only applicants with reported incomes over \$10,000.

Income categories defined as follows (in thousands of dollars & as % of MSA Median Family Income):

Low: 11-25K, <50% Mod: 26-40K, 50%-80% Mid: 41-60K, 80%-120% High: 61-100K, 120%-200% Hi'est: over 100K, >200%

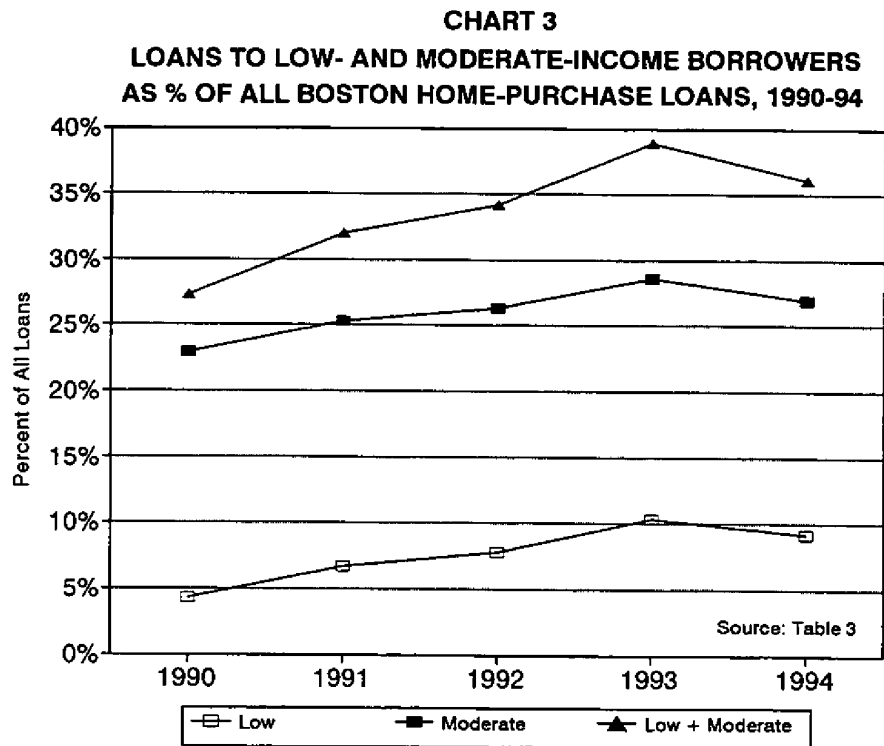


TABLE 4
APPLICATIONS, DENIALS, & DENIAL RATES, BY RACE & INCOME OF APPLICANT
BOSTON HOME-PURCHASE LOANS, 1994

Income (\$000)	Black			Hispanic			White		
	Applics	Denials	D-Rate	Applics	Denials	D-Rate	Applics	Denials	D-Rate
11-20	94	21	22.3%	38	6	15.8%	75	13	17.3%
21-30	304	49	16.1%	101	17	16.8%	315	33	10.5%
31-40	362	62	17.1%	99	14	14.1%	542	52	9.6%
41-50	264	42	15.9%	68	7	10.3%	558	61	10.9%
51-60	137	27	19.7%	48	5	10.4%	432	31	7.2%
61-70	83	12	14.5%	13	1	7.7%	338	18	5.3%
71-80	37	7	18.9%	13	1	7.7%	264	12	4.5%
over 80	46	5	10.9%	22	4	18.2%	1051	70	6.7%
Total*	1327	225	17.0%	402	55	13.7%	3575	290	8.1%

Total* includes only applications with reported incomes over \$10,000.

CHART 4
DENIAL RATES BY RACE AND INCOME, 1994
HOME-PURCHASE LOANS IN BOSTON

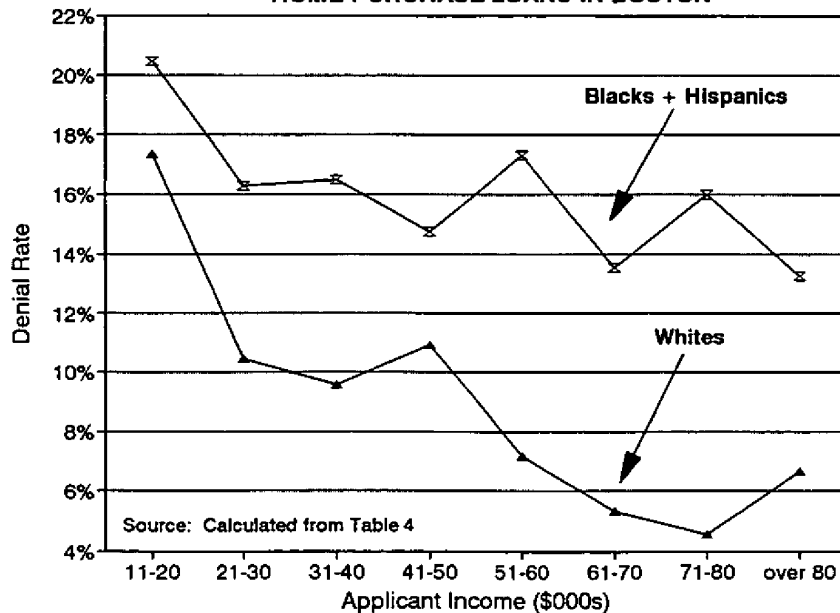
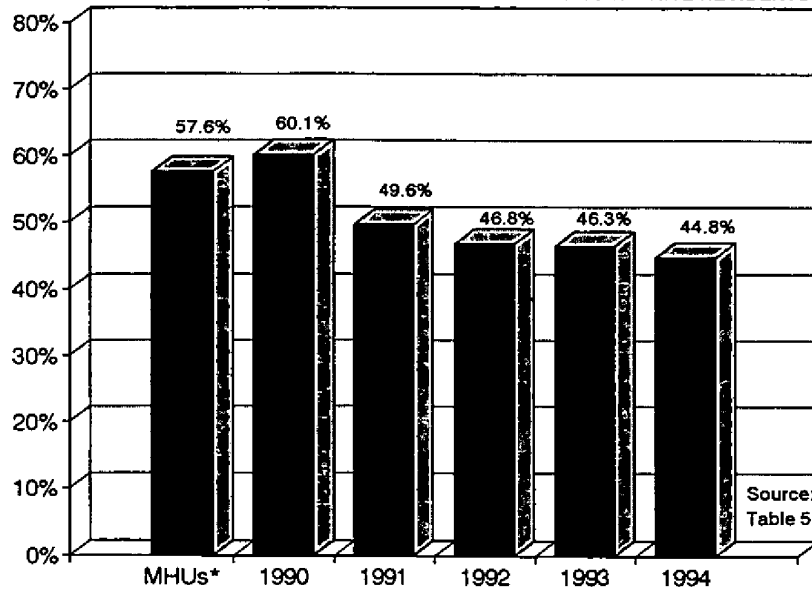


TABLE 5
LOAN DISTRIBUTION BY RACIAL COMPOSITION OF NEIGHBORHOOD
BOSTON LOW- AND MODERATE-INCOME CENSUS TRACTS, 1990-1994

Racial Composition of Census Tract	No. of Census Tracts	No. of MHUs*	% of all Boston MHUs*	% of all Boston Home-Purchase Loans				
				1990	1991	1992	1993	1994
>75% Blk + Hisp	35	11,341	11.6%	11.7%	8.8%	8.4%	9.0%	8.3%
50%-75% Blk+Hisp	14	3,939	4.0%	3.2%	4.6%	4.6%	5.2%	4.8%
All Other	33	16,687	17.1%	17.0%	14.3%	17.6%	14.7%	15.7%
>75% White	30	19,684	20.1%	19.4%	17.7%	17.9%	19.4%	18.6%
Total: All Low/Mod CTs	112	51,651	52.8%	51.3%	45.5%	48.4%	48.3%	47.5%
Compare: All Boston CTs	160	97,782	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio: >75%B+H / >75%White		57.6%	57.6%	60.1%	49.6%	46.8%	46.3%	44.8%

* "MHUs" are "mortgageable housing units," an estimate of the properties eligible for mortgage loans.

CHART 5
HOME-PURCHASE LOANS AND MORTGAGEABLE HOUSING UNITS IN LOW/MOD CENSUS TRACTS WITH OVER 75% BLACK + HISPANIC RESIDENTS AS A PERCENT OF THOSE IN LOW/MOD TRACTS WITH MORE THAN 75 % WHITE RESIDENTS



* MHUs are mortgageable housing units

TABLE 6
THE BIGGEST MORTGAGE LENDERS IN BOSTON, 1994
 (ALL LENDERS WITH 25 OR MORE HOME-PURCHASE LOANS IN 1994)

LENDER	1990 Loans	1991 Loans	1992 Loans	1993 Loans	1994 Loans
A. THE 25 BIGGEST MORTGAGE COMPANY LENDERS					
Chase Manhattan	11	37	26	37	170
Citicorp Mortgage	49	18	31	139	136
Countrywide Funding Corp		4	9	77	128
Bank United of Texas FSB			20	61	85
Great Western Mortgage Corp	49	38	44	51	83
1st NH Mortgage Corp	32	19	25	77	82
Arbor National Mortgage			1	46	77
Carl I. Brown & Co				34	57
Margaretten & Co	6	84	65	113	53
Chemical Residential Mortgage	1		34	1	48
Bristol Mortgage Co		9	8	19	45
Huntington Mortgage Co	39	65	61	77	44
G E Mortgage Services	75	11	7	25	43
North American Mortgage Co					39
Residential Mortgage Co					38
Medallion Mortgage Corp			4	23	37
J I Kislak Mortgage Corp				32	36
Crossland Mortgage Co					35
Prudential	26	13	6	34	32
Ford Consumer Finance Co					30
Barclay's Amer Mortgage Corp				4	26
Graystone Mortgage Corp				38	26
Accubank Mortgage Corp					25
Assurance Mortgage Corp of Amer				12	25
Centerbank Mortgage			13	51	25
Subtotal: Top 25 Mortgage Company Lenders	288	298	354	951	1,425
Total: All Mortgage Company Lenders	410	535	580	1,336	1,724
B. THE 18 BIGGEST BANK LENDERS					
Fleet	7		96	261	497
Shawmut	149	209	344	457	492
BayBanks	67	162	110	204	314
Bank of Boston	146	86	207	312	281
Citizens SB (Boston Five thru '92)	40	98	97	181	157
South Boston SB	48	65	92	112	156
Boston FSB	18	15	29	32	102
Boston Safe Deposit	10	11	57	117	97
First Eastern Mortgage Corp (First FSB of Boston)	43	66	111	120	75
Grove Bank	7	17	14	19	53
USTRust	6	19	26	33	53
Salem Five Mortgage	10	15	13	16	46
Co-op Bank of Concord	2	3	6	2	45
East Boston SB	25	14	29	23	45
Cambridge SB	4	10	14	11	36
Cambridgeport SB	85	95	107	50	36
Plymouth SB/MC	24	3	4	28	31
Boston Private B&TC	1	3	4	14	29
Subtotal: Top 18 Bank Lenders	692	891	1,360	1,992	2,545
Total: All Bank Lenders	1,460	1,428	1,782	2,386	2,973

Mortgage Companies: all lenders not affiliated with Mass. banks or credit unions, including out-of-state banks.
 Bank Lenders includes: Massachusetts banks, their affiliated mortgage companies, and credit unions.

TABLE 7
PERCENTAGES OF MORTGAGE COMPANY AND BANK LOANS THAT WENT
TO TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
(BOSTON HOME-PURCHASE LOANS, 1994)

	Total Loans	Loans to Black Borrowers	Loans to Hispanic Borrowers	Loans to Low- Income Borrowers	Loans to Moderate- Income Borrowers	Loans in CenTracts >75% Blk+Hisp
A. MORTGAGE COMPANIES						
Number of Loans	1724	183	57	50	324	68
% of all MC Loans	100.0%	10.9%	3.4%	2.9%	19.1%	3.9%
B. BANK LENDERS						
Number of Loans	2973	772	246	375	926	323
% of all Bank Loans	100.0%	26.5%	8.5%	12.7%	31.5%	10.9%

Notes

Mortgage Companies: all lenders not affiliated with Mass. banks or credit unions, including out-of-state banks.

Bank Lenders: Massachusetts banks, their affiliated mortgage companies, and credit unions.

Black means "Black, not of Hispanic origin"

Low-Income is below 50% of Boston MSA median of approximately \$50,000; *moderate-income* is between 50% and 80% of MSA median.

Percentages of loans by race and income are of loans for which relevant data was reported rather than of total loans as shown here;
 borrower race was not reported for 43 MC loans and 62 bank loans; income was not reported for 26 MC loans and 31 bank loans.

CenTracts >75% Blk+Hisp: The 35 low- or moderate-income census tracts in Boston in which over 75% of the population was black or Hispanic.

CHART 7
SHARE OF MORTGAGE COMPANY AND BANK LOANS GOING TO
TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
BOSTON HOME-PURCHASE LOANS, 1994

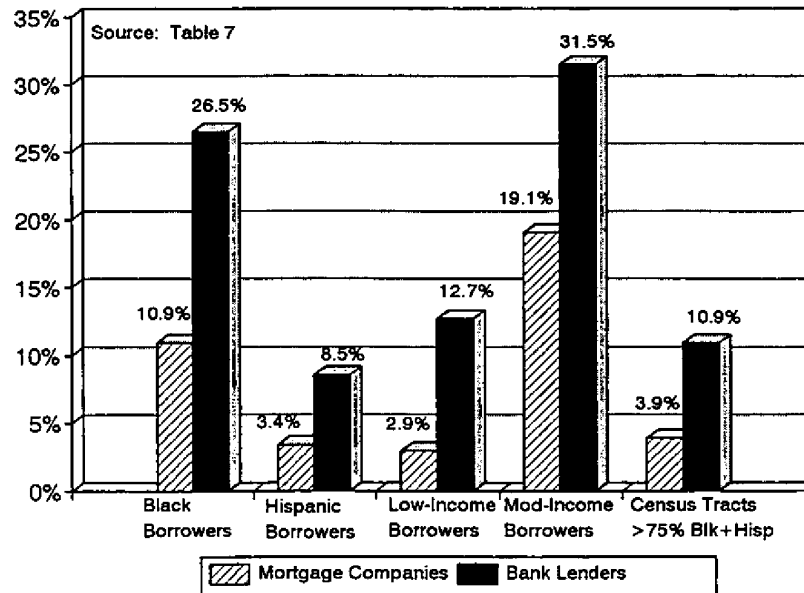


TABLE 8
MORTGAGE COMPANY SHARES OF ALL LOANS: TOTAL BOSTON AND
TO TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
(BOSTON HOME-PURCHASE LOANS, 1994)

	Total Boston Loans	Loans to Black Borrowers	Loans to Hispanic Borrowers	Loans to Low- Income Borrowers	Loans to Moderate- Income Borrowers	Loans in CenTracts > 75% Blk + Hisp
All Lenders	4,697	955	303	425	1,250	391
Mortgage Companies	1,724	183	57	50	324	68
Mortgage Co. Share	36.7%	19.2%	18.8%	11.8%	25.9%	17.4%

Notes

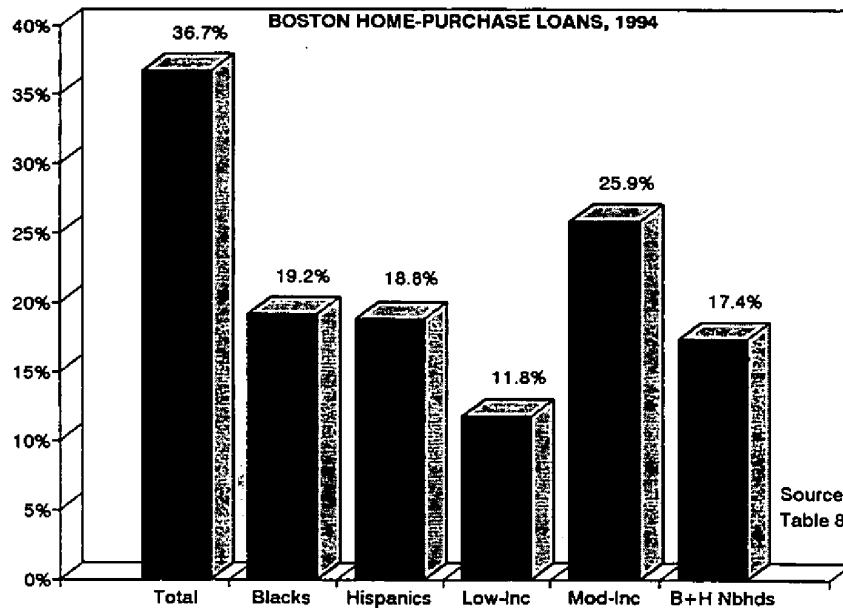
*Mortgage Companies: all lenders not affiliated with Mass. banks or credit unions, including out-of-state banks.

Black means "Black, not of Hispanic origin"

Low-income is below 50% of Boston MSA median of approximately \$50,000; *moderate-income* is between 50% and 80% of MSA median.

CenTracts > 75% Blk+Hisp: the 35 low- or moderate-income census tracts in Boston in which over 75% of the population was black or Hispanic.

CHART 8
MORTGAGE COMPANY SHARES OF ALL LOANS: TOTAL BOSTON AND
TO TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS



NOTES ON DATA AND METHODS

Data on loans, applications, and denials were calculated from Home Mortgage Disclosure Act data (HMDA data), as collected, processed, and released each year by the Federal Financial Institutions Examination Council. Among the HMDA data provided for each loan application are: the identity of the lending institution; the 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 more 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 1994 HMDA data were obtained on CD-ROM in September 1995. The data were carefully pruned to create a database consisting only of records of applications for home-purchase loans ("purpose" code = 1) for properties located in valid census tracts in the city of Boston (CTs 0001.00 through 1501.00).

Adjustment for the double-counting of Soft Second Loan Program records: Because one of the major targeted mortgage programs in Boston, the Soft Second Program (SSP), involves the creation of two mortgages for each home purchased under the program -- a first mortgage and a ("soft") second mortgage -- SSP applications and loans, if reported in accordance with HMDA regulations, are double-counted in HMDA data. I therefore attempted to locate all pairs of SSP records (by matching year, lender, action, census tract, and applicant characteristics) in my database and delete the record in each pair that had the smaller of the two loan amounts. This resulted in the removal of a total of 420 records from the database (341 records for second mortgage loans and 79 records for SSP applications that did not result in loans; 268 of these records, including 215 loans, were from 1994). Because SSP loans are effectively targeted to minority and low/mod income borrowers, failing to remove their double-counting would exaggerate the extent of lending to these categories of borrowers.

Income categories for applicants/borrowers are defined in relationship to the median family income of the Boston Metropolitan Statistical Area (MSA) as reported annually by the U.S. Department of Housing and Urban Development: \$49,300 in 1990, \$50,200 in 1991, \$51,100 in 1992, \$51,200 in 1993, and \$51,300 in 1994. Using \$50,000 as an approximation for the average level of median family income over the whole period being studied, income categories are defined as follows -- low: \$11,000 - \$25,000 (below 50% of the MSA median); moderate: \$26,000 - \$40,000 (between 50% and 80% of the MSA median); middle: \$41,000 - \$60,000 (between 80% and 120% of the MSA median); high: \$61,000 - \$100,000 (between 120% and 200% of the MSA median); and highest: over \$100,000 (over 200% of the MSA median). Applicants/borrowers were assigned to income groups on the basis of their income as reported (to the nearest \$1000) in the HMDA data.

Geographical analysis of lending is based on 1980 census tracts, which were the basis for HMDA reporting through 1991. Four 1980 census tracts (0004.00, 0005.00, 0008.00, and 0104.00) were subdivided into pairs of 1990 census tracts (for example, 0004.01 and 0004.02). Applications and loans in each pair of newly subdivided tracts for 1992, 1993 and 1994 were combined and attributed to their "parent" 1980 census tract. Racial composition and median family incomes for each "parent" census tract for 1990 were calculated from the census data for its two "offspring" census tracts. The census did not report income data for tract 1501.00 (Harbor Islands). Low- and moderate-income census tracts are those with 1990 median family incomes, as reported by the 1990 U.S. census, of \$39,440 or less -- that is, 80% or less of the 1990 median family income of the Boston MSA as reported by HUD.

Denial rates are calculated simply as the number of applications denied divided by the total number of applications. Not all loan applications result in either a loan or a denial. Of the 6,112 Boston home-purchase loan applications in 1994, 76.8% resulted in loans being originated and 11.0% were denied. As for the remaining 12.2%: 2.7% of all applications were approved by the bank but not accepted by the applicant; 8.1% were withdrawn by the applicant, and 1.4% resulted in files being closed because of incompleteness of the application. The U.S. (but not Boston) denial rates in Table 2 are for conventional home-purchase loans only. Nationwide, about one-fifth of all 1994 applications were for government-backed loans (e.g., loans insured by the VA or FHA), and the denial rates for government-backed loans was substantially higher than for conventional loans [*Federal Reserve Bulletin*, 9/95, pp. A69-A70]. In Boston, by contrast, only 6.4% of 1994 home-purchase loan applications were for government-backed loans and the denial rates for these loans were substantially higher than for conventional loans.

Minor differences in totals and percentages reported in different tables result from incomplete data. For example, Table 8 reports a total of 4,697 loans for 1994, whereas total 1994 loans in Table 1 include only the 4,592 loans for which data on the race of the applicant was reported, and total 1994 loans in Table 3 include only the 4,640 loans for which applicant income of at least \$11,000 was reported.

Mortgageable Housing Units: to provide a basis for comparing the numbers of loans made in different geographical areas (for example, the sets of census tracts used in Table 5), it is necessary to somehow take into account the fact that the numbers and types of housing units may differ. In this report, lending rates in geographical areas are normalized by comparing them to estimates of the number of one-to-four family properties in the same area that were calculated from detailed data on residential housing units in Boston that were obtained from the Boston Redevelopment Authority.

Lender names reported in Table 6 in many cases represent sets of affiliated lenders that are treated separately in HMDA data. For example, the annual loans reported for "Fleet" are a consolidation of loans included in HMDA data under at least five different ID numbers and names.

More detailed notes on data and methods are provided in *Changing Patterns* (see footnote 1), especially pages 50-54.