



Changing Patterns III

Mortgage Lending to
Traditionally Underserved
Borrowers and Neighborhoods
in Boston, 1990-1995

BY

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INTRODUCTION ¹

In January 1990, the leaders of the local and statewide banking industry announced a commitment to substantially increase the provision of credit and banking services to the low-income and minority communities within the city of Boston. Three studies released in 1989 had demonstrated the existence of substantial racial disparities in the number of mortgage loans made in different neighborhoods within the city.² One of the major components of the bankers' subsequent response was a pledge for a major expansion in the supply of mortgage lending to previously underserved borrowers.

As the fifth anniversary of the announcement of that commitment approached, the Massachusetts Community and Banking Council (MCBC) – whose Board of Directors has an equal number of bank and community representatives – commissioned a study to evaluate the extent to which it had been fulfilled. That study, conducted by the present author, was organized around three principal questions:

- Whether and to what extent had mortgage lending to low-income and minority households and neighborhoods in the city of Boston increased since 1990?
- Whether and to what extent had major types of lenders (the biggest Boston banks, other banks, and mortgage companies) performed differently in meeting previously underserved mortgage lending needs?
- Whether and to what extent had multi-bank targeted mortgage programs made significant contributions toward meeting the banks' commitments?

The resulting seventy-eight page report, *Changing Patterns: Mortgage Lending in Boston, 1990-1993*, was released by MCBC in August 1995. Soon thereafter, Home Mortgage Disclosure Act (HMDA) data for 1994 became available and a follow-up report was released in November 1995 as *Changing Patterns: Mortgage Lending in Boston, A 1994 Update*.³

The present report uses HMDA data for 1995 to carry the analysis of the first two questions forward one more year. In addition to providing a snapshot of lending levels and denial rates during

¹ Preparation of this report was supported by a grant from the Massachusetts Community and Banking Council [MCBC] to the Mauricio Gaston Institute for Latino Community Development and Public Policy at the University of Massachusetts/Boston. An advisory board consisting of two members of the MCBC Board of Directors, Tom Callahan of the Massachusetts Affordable Housing Alliance and Julie Connelly of Citizens Bank, plus MCBC manager Kathleen Tullberg and Katherine Krister of BankBoston, oversaw preparation of the report and reviewed the final draft. In spite of their helpful comments and suggestions, the ideas and conclusions in this report are the responsibility of the author, and should not be attributed to any of the officers or board members of either the Gaston Institute or the MCBC.

² The three studies were: Katherine L. Bradbury, Karl E. Case, and Constance R. Dunham, "Geographic Patterns of Mortgage Lending in Boston, 1982-87," *New England Economic Review* [Federal Reserve Bank of Boston], September-October 1989; Charles Finn, *Mortgage Lending in Boston's Neighborhoods, 1981-87: A Study of Bank Credit and Boston's Housing*, Boston Redevelopment Authority, 1989; and Melvin W. LaPrade and Andrea Nagle, *Roxbury – A Community at Risk: An Analysis of the Disparities in Mortgage Lending Patterns*, Greater Roxbury Neighborhood Authority, 1989.

³ Both of these reports are available from the Massachusetts Community and Banking Council [MCBC] at 175 Federal Street, Tenth Floor, Boston MA 02110 (telephone: 617/556-6537), or by contacting the author – Jim Campen, Department of Economics, University of Massachusetts/Boston, 100 Morrissey Boulevard, Boston MA 02125 (617/287-6962).

1995, most of the tables and charts that follow also contain information for each of the years from 1990 through 1995, thereby facilitating the analysis of trends over the entire six-year period.

Like last year's *1994 Update*, the present report does not include data or analysis on the multi-bank targeted mortgage programs analyzed in the original *Changing Patterns... 1990-1993*. There was no need to include information on these programs in the *1994 Update* because the original report, although it included HMDA data only through 1993, had in fact presented data on the targeted mortgage programs through 1994. The present report was intended to update analysis of targeted mortgage program lending through 1995. However, delays in obtaining some of the necessary data plus concerns about the quality of some of the data that were obtained led to a decision to produce a separate report on targeted mortgage program lending at a later date.

The current report, like its predecessors, is concerned only with home-purchase mortgage loans within the city of Boston (that is, the analysis excludes both loans to refinance existing mortgages and loans for properties located within the metropolitan area but outside Boston's city limits). Because MCBC again wanted to focus attention on the performance of the lending industry as a whole and of major components of that industry, and to avoid comparative examinations of the performance of individual lenders, this report follows its predecessors in containing no analysis of lending by individual banks or mortgage companies.

I. TOTAL LENDING BY RACE, INCOME, AND NEIGHBORHOOD

Tables 1-5 and their accompanying charts present data on overall lending to traditionally underserved borrowers and neighborhoods. Most generally, the tables and charts show that the level and patterns of lending in 1995 were quite close to those in the previous year, with small improvements in some indicators offset by minor deterioration in others. Over the entire six-year period, there was a substantial increase in the share of all loans going to low- and moderate-income borrowers, and modest gains in the shares of all loans going to black and Hispanic borrowers, but a decline in the lending share of lower-income minority neighborhoods. While the denial rate experienced by black and Hispanic mortgage applicants fell dramatically, the denial rate for whites fell even faster, resulting in an increase in black/white and Hispanic/white denial ratios. More specifically:

- **Blacks, who made up 20.6% of Boston's households according to the 1990 census, received 19.8% of all home-purchase loans in 1995, down from 20.8% in 1994, but still substantially above the 1990 level of 16.2%. Hispanics, who made up 8.1% of the city's households, received 6.8% of all 1995 loans, up slightly from 6.6% in 1994, and significantly above their 5.1% share of all loans in 1990.⁴ Asians continued to receive more than their proportionate share of mortgage loans. (See Table 1 and Chart 1.)**
- **The denial rate for black applicants fell for the fifth consecutive year, to 15.8%, but the Hispanic denial rate jumped nearly five percentage points to 18.6%, thereby returning to its 1992 level. Meanwhile, the white denial rate dropped to just 7.3%. As a result, the black/white**

⁴ The comparison of the loan shares of blacks and Hispanics to their shares of the city's *households* instead of to their shares of the city's *population* is a change from the previous reports in this series. Since the number of homes is much more closely related to the number of households than to the number of individuals, it seems more appropriate to compare the number of home-purchase loans to the former percentage than to the latter. (The 1990 population shares of blacks and Hispanics were 23.8% and 10.8%, respectively.)

denial ratio increased to 2.16 and the Hispanic/white denial ratio jumped substantially for the second year in a row, to 2.55. **Denial rates for blacks and whites in 1995 were less than half as great as they were in 1990, while the Hispanic denial rate was down by approximately one-third.** Over the same six-year period, all three denial rates *increased* substantially for the U.S. as a whole, so that **Boston's black and white denial rates for 1995 were well below one-half of their nationwide counterparts, while the local Hispanic denial rate was more than one-third below the U.S. rate.** Statewide denial rates were very similar to those in Boston from 1992 through 1995, the only years for which I have statewide data. (Table 2 and Chart 2)

- **Low- and moderate-income borrowers (those with incomes no greater than 80% of the median family income in the Boston metropolitan area) received 38.6% of all Boston home-purchase loans in 1995, a marginally greater loan share than in 1994, and substantially above the 22.4% level of 1990.** Low-income borrowers alone (those with incomes no greater than 50% of the Boston area median) received 11.6% of all loans in 1995, up from 11.2% in 1994, and from just 2.8% in the first year of our period. (In 1995, low-income borrowers were those with incomes of \$27,000 or less, while moderate income borrowers were those with incomes from \$28,000 to \$42,000).⁵ (Table 3 and Chart 3)
- Although black and Hispanic mortgage applicants had substantially lower incomes than their white counterparts, these **lower incomes do not account for the fact that blacks and Hispanics experienced higher denial rates than whites in 1995.** As in previous years, when applicants are grouped into income categories, the combined denial rate for blacks and Hispanics at every income level was substantially above that of white applicants in the same income category.⁶ (This year, but not in previous years, there is an exception to this generalization for the very lowest income category, which consists of applicants with incomes between \$11,000 and \$20,000.) Indeed, the denial rate for blacks and Hispanics in the highest income category used in this analysis (over \$80,000) was substantially higher than the denial rate for whites with incomes 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 increased in 1995, both in relation to all Boston loans and in relation to lending in predominantly-white lower-income neighborhoods. **The 35 Boston low- or moderate-income census tracts – located primarily in Roxbury and Mattapan (see Map) – in which blacks and Hispanics make up more than 75% of the population contain an estimated 11.6% of all mortgageable housing units in the city. These 35 census tracts received 8.8% of all loans last year, up from 8.3% in 1993.** While these 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, they received only 46.9% as many home-purchase loans as the predominantly white census tracts did in 1995. This ratio was up from 44.8% in 1994 but, after four consecutive years of decline, it remained below its level in the first two years of the decade. (Table 5, Chart 5, and Map)

⁵ The percentages for 1990-1993 shown in Table 3 differ from those reported in the earlier reports in this series. Those earlier percentages were calculated on the simplifying assumption that the Boston MSA median family income remained constant at \$50,000 from 1990 through 1994. See "Notes on Data and Methods" at the end of this report for a fuller explanation.

⁶ Because of the small numbers of black and/or Hispanic applicants in some income categories, this report again combines black and Hispanic applicants for purposes both of formulating the findings stated in the text and of preparing Chart 4. Enlarging the pools of applicants in this way reduces the impact that small variations in the absolute number of denials have on observed denial rates.

II. COMPARATIVE PERFORMANCE OF MAJOR TYPES OF LENDERS

Tables 7 and 8, together with their accompanying charts, present summary data on the relative performance of three major types of lenders in meeting the needs of traditionally underserved borrowers and neighborhoods in Boston during the last two years. These data indicate a continuation of the principal patterns identified in Part II of *Changing Patterns... 1990-1993* on the basis of an extensive analysis of Home Mortgage Disclosure Act (HMDA) data for that period. In general, the group of six big Boston banks continued to have by far the best performance record, while mortgage company lenders⁷ continued to perform much more poorly than bank lenders according to the performance measures used in this series of reports. More specifically:

- **The group of six big Boston banks (Bank of Boston, BayBanks, Boston Safe Deposit, Citizens, Fleet, and Shawmut – together with their affiliated mortgage companies) continued to account for the largest share of Boston home-purchase loans, a share that rose to 43.6% in 1995.** The five largest individual lenders, originating between 552 and 210 loans each, were all from this group. **Nearly as large a share of total loans (37.7%) was accounted for by mortgage company lenders**, defined to include all lenders not affiliated with a Massachusetts bank or credit union. This group included the 6th through 11th largest lenders in 1995, each of whom originated between 157 and 108 loans that year. The remaining 18.3% of 1995 loans were made by “all other banks,” a diverse group of 91 lenders that included 26 banks with at least one Boston office (12.4% of all loans), 45 other Massachusetts banks (5.3%), and 17 credit unions (1.0%). (See Table 6, which includes information on the 15 mortgage companies and 16 banks that made 25 or more Boston home-purchase loans in 1995, and reports the number of loans made by each of these lenders during each of the last six years.)
- **The big Boston banks directed a substantially greater share of their total Boston loans in 1995 to every one of the categories of traditionally underserved borrowers and neighborhoods examined in this report than did either of the other two major types of lenders.** Black borrowers received 31.8% of the loans made by the big Boston banks, but only 9.7% of those made by mortgage companies and 7.8% of those made by all other banks. Hispanic borrowers received 10.5% of big bank loans, but only 3.1% of mortgage company loans and 4.1% of other bank loans. Low-income borrowers obtained 20.0% of the loans made by the Big Boston banks, but only 4.3% of mortgage company loans and 6.0% of the loans made by all other banks. The differences in lending to moderate-income borrowers were not quite so great; they received 33.6% of big bank loans, compared to 20.1% of mortgage company loans and 23.2% of loans by all other banks. Finally, low- and moderate-income census tracts that had over 75% black and Hispanic residents received 12.7% of the loans by the big Boston banks, but only 6.8% of the loans made by mortgage companies and 3.7% of the loans made by other banks. There were only minor changes in these percentages between 1994 and 1995.⁸ (Table 7 and Chart 7)

⁷ More precisely, 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.

⁸ The use of three major lender categories was decided upon after analyses indicated that alternative, more detailed categories did not correspond to significant differences in lending performance as measured in this report. In particular, when “all other banks” were divided into the three subcategories of “other banks with at least one Boston office,” “all other Massachusetts banks,” and “credit unions,” the differences from the loan percentages reported in Table 7 for the “all other banks” category were neither large nor systematic. In addition, I explored the hypothesis that the biggest “mortgage company” lenders might have performed differently from other “mortgage companies,” a possibility suggested by the large [footnote continued on next page]

- The same general conclusion concerning the performance of mortgage companies relative to banks emerges when the data are examined from a different perspective. While mortgage companies made 37.7% of all home-purchase loans in Boston in 1995, they made just 19.2% of the total loans to blacks, 17.8% of total loans to Hispanics, 14.5% of total loans to low-income borrowers, and 28.5% of total loans to moderate-income borrowers. Each of these four percentages was close to the corresponding percentage for 1994 – two were higher and the other two lower. In other words, **the mortgage company share of loans to various categories of traditionally underserved borrowers was, on average, only about half as great as the mortgage company share of total lending.** The highest market share for mortgage companies, and their only market share that increased significantly between 1994 and 1995, was their 29.0% share of total loans to predominantly-minority lower-income neighborhoods, up from 16.9% in 1994. (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 two types of lenders. In 1995, for blacks and Hispanics combined, mortgage companies received 18.8% of all applications, and made 18.9% of all loans. Mortgage companies actually denied a somewhat smaller percentage (13.7%) of the applications they received from blacks and Hispanics in 1995 than did the big Boston banks (15.3%). Thus, **the mortgage companies' low share of total loans to these minority borrowers is not the result of higher denial rates.**⁹

III. CONCLUDING OBSERVATIONS

This report, like its predecessors, seeks to make two contributions to the ongoing process of improving the performance of mortgage lenders in meeting the needs of traditionally underserved borrowers and neighborhoods in the city of Boston. The first contribution is the following set of tables and charts that present detailed summary data on mortgage lending during the period since 1990. The second contribution is the preceding text, which identifies and describes important patterns and trends that emerge from an examination of these data. In other words, the principal goal of this series of reports is to present a careful *description* of what has happened that all interested parties can agree is fair and accurate. It is beyond the scope of these reports to offer either an *explanation* of why the observed trends have occurred or an *evaluation* of how well lenders have performed during this period. Rather, the descriptive contribution of this series of reports is intended to be one important input into the complex on-going tasks of explanation and evaluation.

From this descriptive perspective, it may be useful to end this report by highlighting three particularly striking sets of findings from among those identified above, each of which raises issues that merit further discussion and investigation:

differences in performance between the big Boston banks and all other bank lenders. I did this by comparing the 1995 percentages for all mortgage companies, as reported in Table 7, to the corresponding percentages calculated for a group consisting of only the six mortgage company lenders that made more than 100 Boston home-purchase loans in that year. Each of these calculated percentages for this hypothetical group was within one percentage point of the corresponding percentage for all mortgage companies. (Although the differences were small, it is interesting to note that all six categories of traditionally underserved borrowers and neighborhoods, received a *smaller* share of the loans made by the big mortgage company lenders than of the loans made by other mortgage company lenders.

⁹ The data on applications and denial rates reported in this paragraph are not presented in any of the tables in this report.

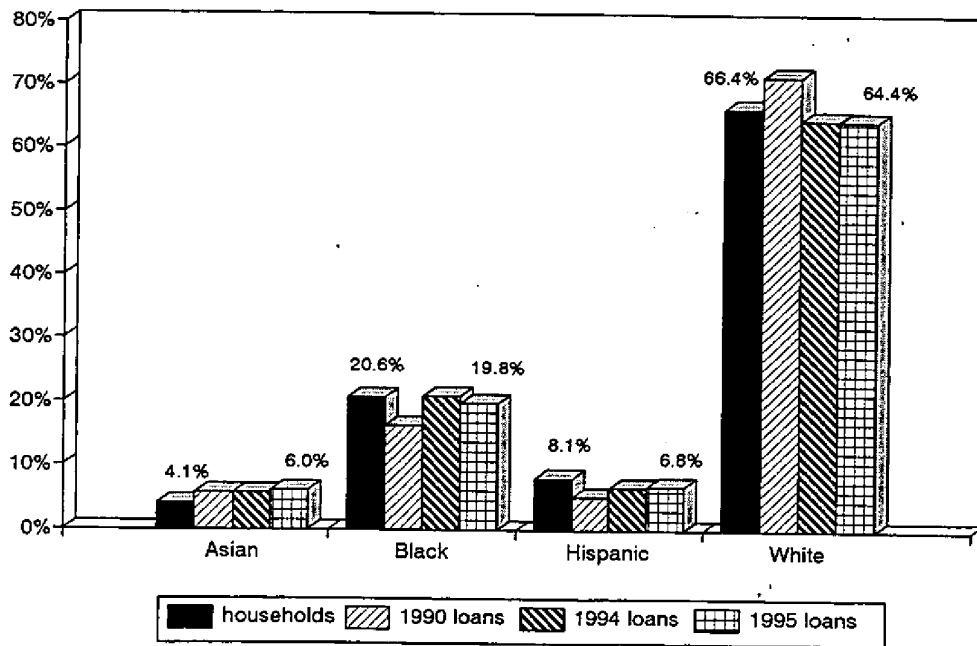
- In 1990, denial rates in Boston were close to, but generally somewhat higher than, the corresponding nationwide denial rates. Since then, local denial rates have fallen dramatically, while denial rates nationwide have increased. As one result, the 1995 denial rate for blacks in Boston was 15.8%, far below the nationwide rate of 40.5%. However, these falling local black and Hispanic denial rates have been accompanied by soaring black/white and Hispanic/white denial ratios – which climbed to well above 2.0 by 1995 – as the Boston denial rate for whites plunged in the last two years to just 7.3% (the corresponding U.S. rate was 20.6%). How are these curious patterns to be explained and interpreted? (During the last four years, the level and pattern of denial rates for Massachusetts as a whole have been quite close to those for Boston, so the explanation cannot depend on factors specific to the city of Boston itself.)
- While recent years have witnessed significant increases in the shares of Boston home-purchase loans that have gone to black and Hispanic *borrowers*, and to low- and moderate-income *borrowers*, the share of loans that have gone to predominantly-minority, lower-income *neighborhoods* has decreased. One obvious implication is that many lower-income and minority borrowers are buying homes outside of these neighborhoods. Beyond this, what lies behind the continuing disparity in mortgage lending in these neighborhoods compared to their predominantly white counterparts? Are there implications for community revitalization efforts in these neighborhoods? Does this continuing disparity signal the existence of a problem that requires attention?
- The present report confirms last year's finding that mortgage company lenders direct a much smaller share of their total loans to traditionally underserved borrowers and neighborhoods than do bank lenders. It adds the finding that when bank lenders are subdivided into two groups – the six biggest Boston banks and all others – virtually all of the difference between banks and mortgage companies, with respect to every performance indicator used in this series of reports, results from the strong performance of the biggest Boston banks. In other words, the lending patterns by the group of all other banks were quite similar to those of the mortgage companies. The relatively weak performance of the mortgage companies is consistent with the fact that they 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 relatively weak performance of all other bank lenders is consistent with the claim that they lack the resources necessary to compete successfully with the aggressive marketing and pricing of the six biggest Boston banks. Can these and other factors be combined to provide an overall explanation for the relative performance of these three categories of lenders? Are the differences in performance cause for concern? If so, what policy measures might reasonably be expected to bring about more uniformly strong performance by all major types of lenders?

TABLE 1
BOSTON HOME-PURCHASE LOANS BY RACE, 1990-1995

| | Number of Loans | | | | | | Per cent of All Loans | | | | | |
|----------|-----------------|-------|-------|-------|-------|-------|-----------------------|--------|--------|--------|--------|--------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| Asian | 100 | 94 | 140 | 203 | 255 | 269 | 5.6% | 4.9% | 6.1% | 5.7% | 5.6% | 6.0% |
| Black | 287 | 345 | 400 | 712 | 955 | 880 | 16.2% | 18.1% | 17.5% | 20.1% | 20.8% | 19.8% |
| Hispanic | 91 | 87 | 127 | 202 | 303 | 303 | 5.1% | 4.6% | 5.5% | 5.7% | 6.6% | 6.8% |
| White | 1,266 | 1,356 | 1,591 | 2,344 | 2,964 | 2,866 | 71.5% | 71.3% | 69.4% | 66.1% | 64.5% | 64.4% |
| Total* | 1,770 | 1,901 | 2,292 | 3,548 | 4,592 | 4,450 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Total* includes loans to Native Americans (64 loans in 6 years, 13 in 1995) and "others" (349 loans in 6 years, 119 in 1995), but excludes loans for which race of borrower was not reported (698 loans in 6 years, 187 in 1995).

CHART 1
SHARES OF HOUSEHOLDS AND LOANS, BY RACE
BOSTON HOME-PURCHASE LOANS: 1990, 1994, & 1995



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

TABLE 2
HOME-PURCHASE LOAN DENIAL RATES BY RACE
BOSTON, MASSACHUSETTS, AND UNITED STATES* -- 1990-1995

| | Denial Rate | | | | | | Ratio to White Denial Rate | | | | | |
|--------------------------|-------------|-------|-------|-------|-------|-------|----------------------------|------|------|------|------|------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| A. BOSTON | | | | | | | | | | | | |
| Asian | 14.5% | 20.0% | 15.1% | 11.6% | 7.6% | 8.2% | 0.89 | 1.19 | 1.13 | 0.99 | 0.93 | 1.12 |
| Black | 32.7% | 26.0% | 22.7% | 17.5% | 16.9% | 15.8% | 2.00 | 1.55 | 1.71 | 1.49 | 2.06 | 2.16 |
| Hispanic | 25.3% | 28.3% | 18.6% | 13.8% | 14.0% | 18.6% | 1.55 | 1.68 | 1.40 | 1.18 | 1.71 | 2.55 |
| White | 16.4% | 16.8% | 13.3% | 11.7% | 8.2% | 7.3% | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| B. MASSACHUSETTS | | | | | | | | | | | | |
| Asian | | | 12.7% | 8.8% | 7.1% | 7.3% | | | 1.18 | 0.95 | 0.94 | 0.99 |
| Black | | | 21.3% | 18.5% | 16.8% | 16.3% | | | 1.97 | 2.00 | 2.22 | 2.23 |
| Hispanic | | | 19.7% | 15.3% | 12.7% | 13.1% | | | 1.82 | 1.66 | 1.68 | 1.79 |
| White | | | 10.8% | 9.2% | 7.6% | 7.3% | | | 1.00 | 1.00 | 1.00 | 1.00 |
| C. UNITED STATES* | | | | | | | | | | | | |
| Asian | 12.9% | 15.0% | 15.3% | 14.6% | 12.0% | 12.5% | 0.90 | 0.87 | 0.96 | 0.73 | 0.73 | 0.61 |
| Black | 33.9% | 37.6% | 35.9% | 34.0% | 33.4% | 40.5% | 2.35 | 2.17 | 2.26 | 2.04 | 2.04 | 1.97 |
| Hispanic | 21.4% | 26.6% | 27.3% | 25.1% | 24.6% | 29.5% | 1.49 | 1.54 | 1.72 | 1.50 | 1.50 | 1.43 |
| White | 14.4% | 17.3% | 15.9% | 15.3% | 16.4% | 20.6% | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Massachusetts denial rates for 1992-1995 calculated by author.

U.S. denial rates for 1990-1994 from Federal Reserve Bulletin: 11/91 p870; 11/92 p808; 2/94 p86; 2/95 p96; & 9/95 pA70.

U.S. denial rates for 1995 from Federal Financial Institutions Examination Council Press Release, July 30, 1996, p. 10.

* U.S. denial rates are for conventional loans only; including VA & FHA loans would result in even higher denial rates.

CHART 2
MINORITY/WHITE DENIAL RATIOS, BY RACE
BOSTON HOME-PURCHASE LOANS, 1990-1995

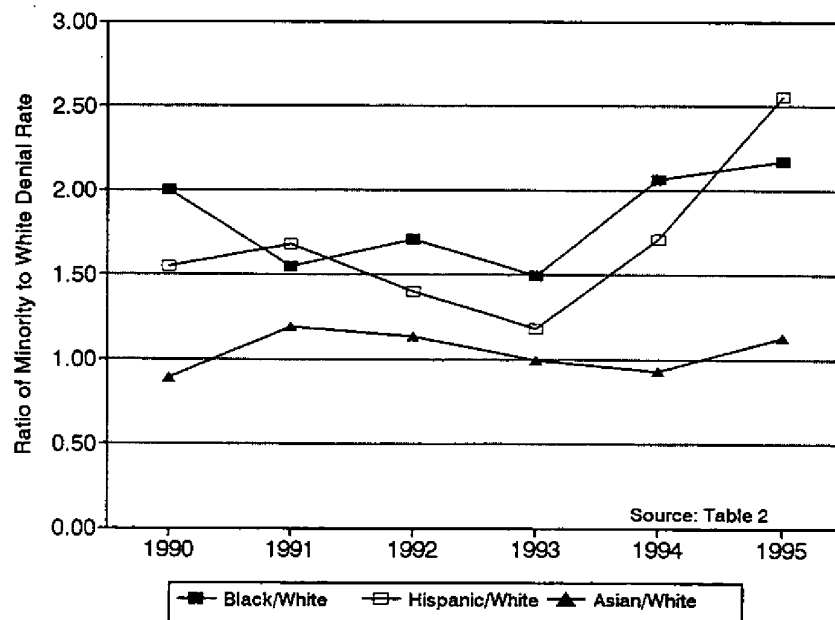


TABLE 3
BOSTON HOME-PURCHASE LOANS AND DENIALS BY INCOME LEVEL, 1990-95

| Income Level# | As Percent of All Loans | | | | | | Denial Rate | | | | | |
|---------------|-------------------------|--------|--------|--------|--------|--------|-------------|-------|-------|-------|-------|-------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| Low* | 2.8% | 6.7% | 9.1% | 11.7% | 11.2% | 11.6% | 33.3% | 26.5% | 24.8% | 27.0% | 16.3% | 20.0% |
| Moderate | 19.6% | 25.4% | 27.2% | 28.9% | 27.1% | 27.0% | 20.8% | 21.3% | 16.9% | 16.9% | 12.5% | 10.2% |
| Middle | 29.3% | 32.6% | 30.0% | 26.8% | 27.2% | 27.6% | 20.1% | 19.4% | 15.4% | 13.3% | 11.8% | 9.5% |
| High | 28.5% | 21.3% | 20.7% | 19.5% | 20.6% | 19.4% | 18.8% | 17.1% | 12.9% | 13.7% | 6.7% | 7.3% |
| Highest | 19.7% | 14.1% | 13.0% | 13.1% | 14.0% | 14.4% | 16.3% | 17.1% | 13.7% | 10.5% | 7.8% | 5.7% |
| Hi+Hi'est | 48.3% | 35.4% | 33.7% | 32.6% | 34.5% | 33.9% | 17.8% | 17.1% | 13.2% | 12.4% | 7.1% | 6.6% |
| Total* | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 20.0% | 19.6% | 15.9% | 15.7% | 10.8% | 10.1% |

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

Income categories are defined in relationship to Boston MSA Median Family Income as follows:

Low: <50% Moderate: 50%-80% Middle: 80% - 120% High: 120%-200% Highest: >200%

The actual income ranges for each year were calculated from the following Boston MSA Median Family Incomes:

1990: \$46,300 1991: \$50,200 1992: \$51,100 1993: \$51,200 1994: \$51,300 1995: \$53,100

CHART 3
LOANS TO LOW- AND MODERATE-INCOME BORROWERS
AS % OF ALL BOSTON HOME-PURCHASE LOANS, 1990-95

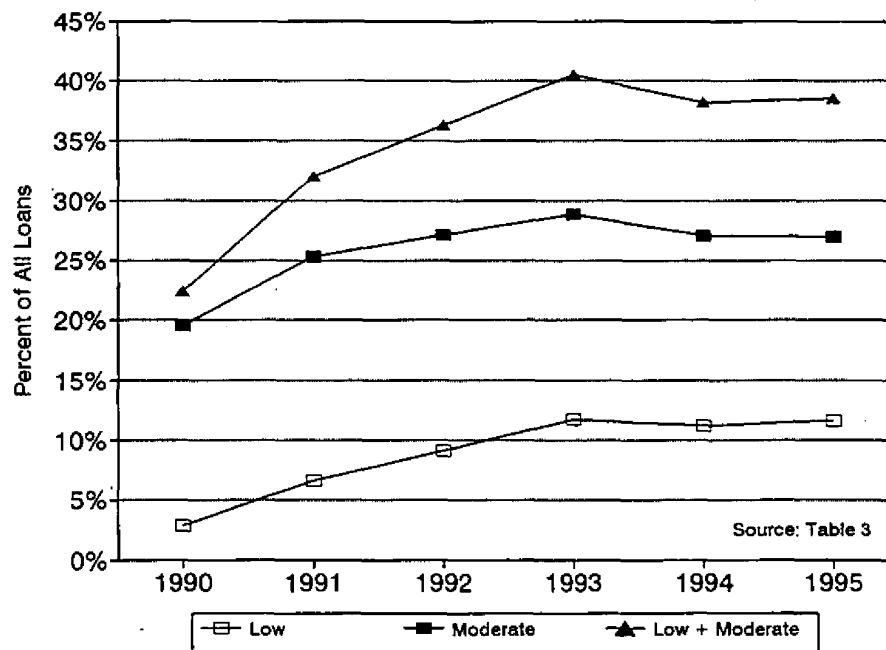


TABLE 4
APPLICATIONS, DENIALS, & DENIAL RATES, BY RACE & INCOME OF APPLICANT
BOSTON HOME-PURCHASE LOANS, 1995

| Income (\$000) | Black | | | Hispanic | | | White | | |
|----------------|---------|---------|--------|----------|---------|--------|---------|---------|--------|
| | Applics | Denials | D-Rate | Applics | Denials | D-Rate | Applics | Denials | D-Rate |
| 11-20 | 89 | 24 | 27.0% | 42 | 11 | 26.2% | 65 | 21 | 32.3% |
| 21-30 | 294 | 59 | 20.1% | 111 | 26 | 23.4% | 257 | 22 | 8.6% |
| 31-40 | 332 | 43 | 13.0% | 97 | 14 | 14.4% | 529 | 31 | 5.9% |
| 41-50 | 223 | 32 | 14.3% | 69 | 8 | 11.6% | 502 | 35 | 7.0% |
| 51-60 | 133 | 15 | 11.3% | 37 | 9 | 24.3% | 439 | 31 | 7.1% |
| 61-70 | 56 | 8 | 14.3% | 23 | 5 | 21.7% | 312 | 22 | 7.1% |
| 71-80 | 29 | 2 | 6.9% | 17 | 3 | 17.6% | 239 | 17 | 7.1% |
| over 80 | 45 | 5 | 11.1% | 24 | 3 | 12.5% | 1113 | 61 | 5.5% |
| Total* | 1201 | 188 | 15.7% | 420 | 79 | 18.8% | 3456 | 240 | 6.9% |

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

CHART 4
DENIAL RATES BY RACE AND INCOME, 1995
HOME-PURCHASE LOANS IN BOSTON

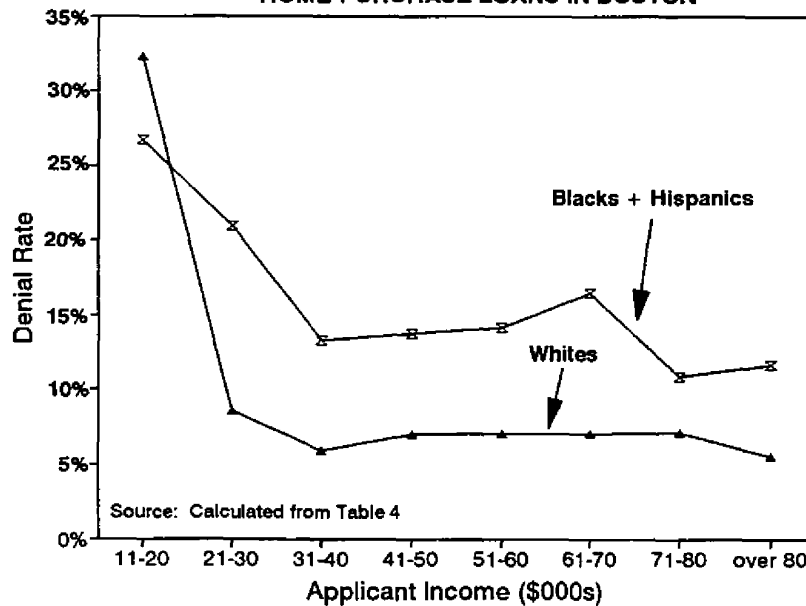
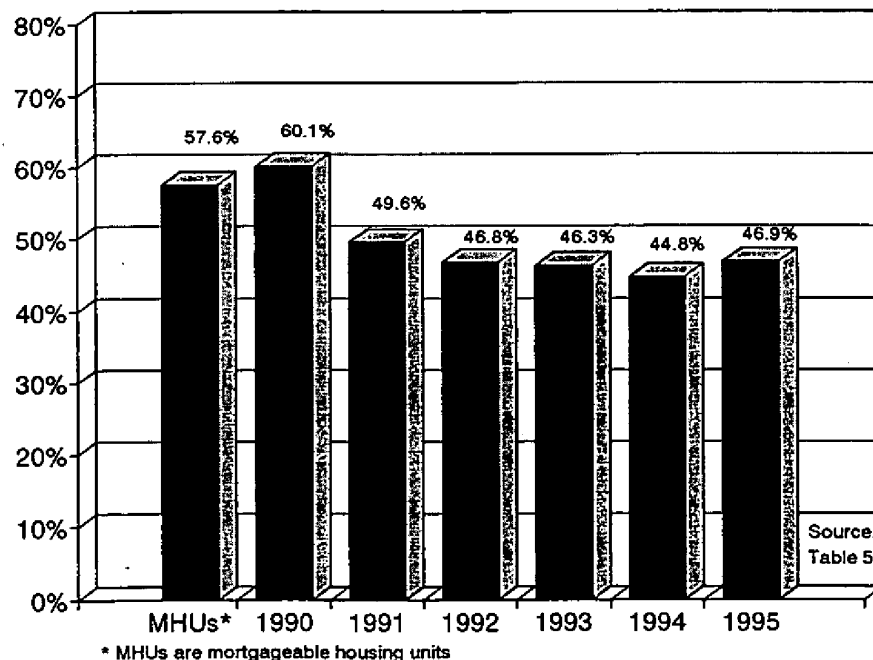


TABLE 5
LOAN DISTRIBUTION BY RACIAL COMPOSITION OF NEIGHBORHOOD
BOSTON LOW- AND MODERATE-INCOME CENSUS TRACTS, 1990-1995

| 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 | 1995 |
| >75% Blk + Hisp | 35 | 11,341 | 11.6% | 11.7% | 8.8% | 8.4% | 9.0% | 8.3% | 8.8% |
| 50%-75% Blk+Hisp | 14 | 3,939 | 4.0% | 3.2% | 4.6% | 4.6% | 5.2% | 4.8% | 5.5% |
| All Other | 33 | 16,687 | 17.1% | 17.0% | 14.3% | 17.6% | 14.7% | 15.7% | 16.3% |
| >75% White | 30 | 19,684 | 20.1% | 19.4% | 17.7% | 17.9% | 19.4% | 18.6% | 18.7% |
| Total: All Low/Mod CTs | 112 | 51,651 | 52.8% | 51.3% | 45.5% | 48.4% | 48.3% | 47.5% | 49.3% |
| Compare: All Boston CTs | 160 | 97,782 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Ratio: >75%B+H / >75%White | | 57.6% | | 60.1% | 49.6% | 46.8% | 46.3% | 44.8% | 46.9% |

* "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



BOSTON'S HIGHLY MINORITY AND HIGHLY WHITE LOW- AND MODERATE-INCOME CENSUS TRACTS

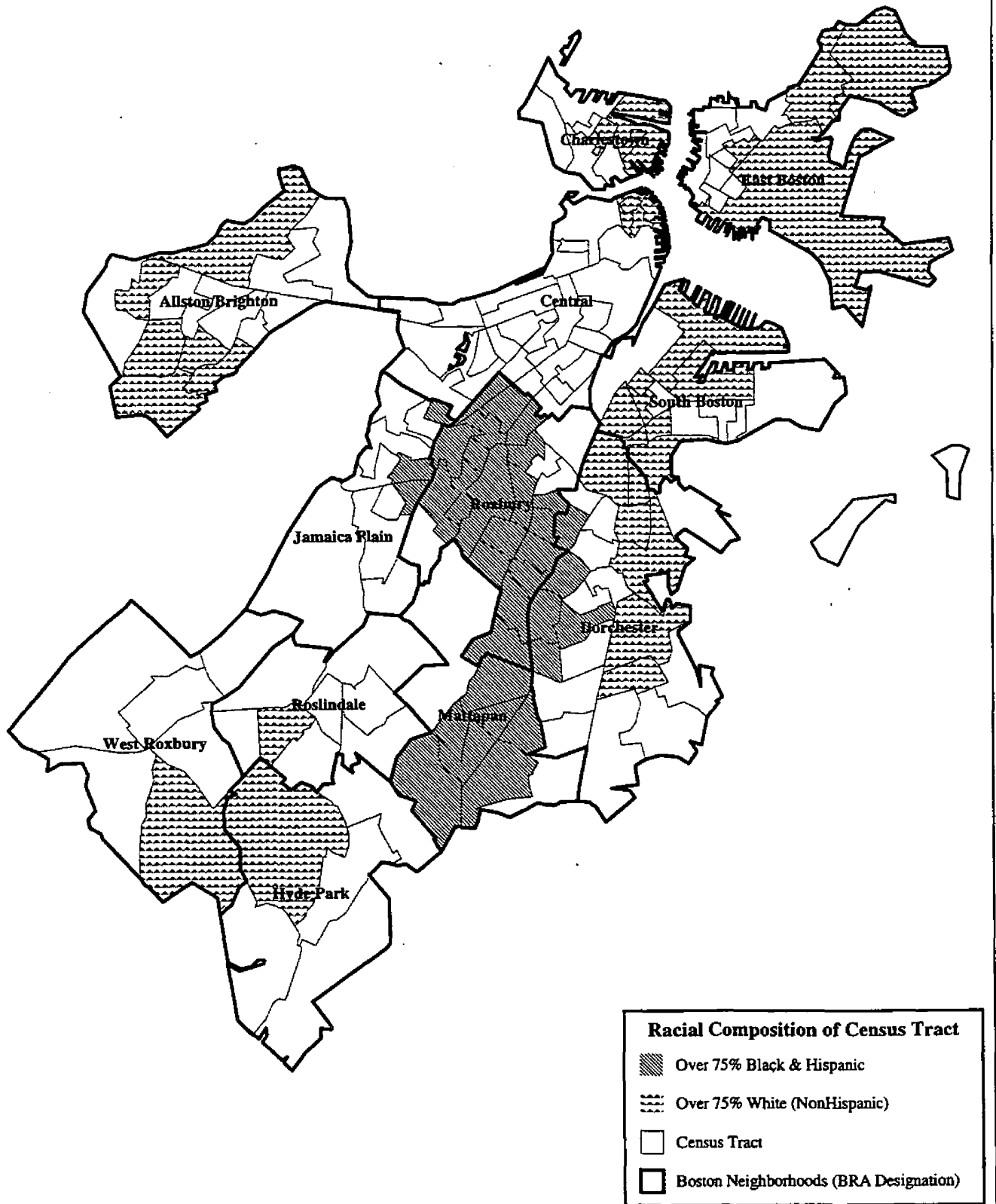


TABLE 6
THE BIGGEST MORTGAGE LENDERS IN BOSTON, 1995
 (ALL LENDERS WITH 25 OR MORE HOME-PURCHASE LOANS IN 1995)

| LENDER | 1990 Loans | 1991 Loans | 1992 Loans | 1993 Loans | 1994 Loans | 1995 Loans |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| A. THE 15 BIGGEST MORTGAGE COMPANY LENDERS | | | | | | |
| Norwest Mortgage Co | 6 | 17 | 50 | 4 | 1 | 157 |
| Carl I. Brown & Co | | | | 34 | 57 | 150 |
| Chemical Residential Mortgage | 1 | | 34 | 1 | 48 | 119 |
| Bank of America | | | | | | 116 |
| Chase Manhattan | 11 | 37 | 26 | 37 | 170 | 115 |
| Countrywide Funding Corp | | 4 | 9 | 77 | 128 | 108 |
| North American Mortgage Co | | | | | 39 | 98 |
| 1st NH Mortgage Corp | 32 | 19 | 25 | 77 | 82 | 88 |
| Bank United of Texas FSB | | | 20 | 61 | 85 | 63 |
| Assurance Mortgage Corp of Amer | | | | 12 | 25 | 62 |
| Great Western Mortgage Corp | 49 | 38 | 44 | 51 | 83 | 60 |
| Crossland Mortgage Co | | | | | 35 | 59 |
| G E Mortgage Services | 75 | 11 | 7 | 25 | 43 | 56 |
| Eastern Mortgage Services | | | | | 9 | 50 |
| Accubank Mortgage Corp | | | | | 25 | 47 |
| Subtotal: These 15 Mortgage Company Lenders | 174 | 126 | 215 | 379 | 830 | 1,348 |
| Total: All Mortgage Company Lenders | 410 | 535 | 580 | 1,301 | 1,690 | 1,748 |
| B. THE 16 BIGGEST BANK LENDERS | | | | | | |
| Shawmut | 149 | 209 | 344 | 457 | 492 | 552 |
| BayBanks | 67 | 162 | 110 | 204 | 314 | 463 |
| Fleet | 7 | | 96 | 261 | 497 | 462 |
| Bank of Boston | 146 | 86 | 207 | 312 | 281 | 237 |
| Citizens SB (Boston Five thru '92) | 40 | 98 | 97 | 181 | 157 | 210 |
| Boston Safe Deposit (inc. Mellon since '94) | 10 | 11 | 57 | 117 | 108 | 96 |
| South Boston SB | 48 | 65 | 92 | 112 | 156 | 76 |
| Boston FSB | 18 | 15 | 29 | 32 | 102 | 71 |
| Wainwright Bank | 1 | 3 | 12 | 8 | 20 | 60 |
| Greater Boston Bank | 18 | 16 | 24 | 10 | 16 | 41 |
| Grove Bank | 7 | 17 | 14 | 19 | 53 | 39 |
| PNC | | | | 35 | 23 | 34 |
| East Boston SB | 25 | 14 | 29 | 23 | 45 | 31 |
| Mt. Washington Co-op | 15 | 21 | 22 | 23 | 13 | 30 |
| Salem Five Mortgage | 10 | 15 | 13 | 16 | 46 | 30 |
| USttrust | 6 | 19 | 26 | 33 | 53 | 26 |
| Subtotal: These 16 Bank Lenders | 567 | 751 | 1,172 | 1,843 | 2,376 | 2,458 |
| Total: All Bank & CU Lenders | 1,460 | 1,428 | 1,782 | 2,421 | 3,007 | 2,889 |
| Total Boston Home-Purchase Loans | | | | | | |
| | 1,870 | 1,963 | 2,362 | 3,722 | 4,697 | 4,637 |

"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 LOANS THAT WENT TO TRADITIONALLY UNDERSERVED
BORROWERS AND NEIGHBORHOODS, BY TYPE OF LENDER
(BOSTON HOME-PURCHASE LOANS, 1994 & 1995)

| | 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 | |
|---|-------------|-------|--------------------------|-------|-----------------------------|-------|-------------------------------|-------|------------------------------------|-------|----------------------------------|-------|
| | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 |
| A. 6 BIG BOSTON BANKS | | | | | | | | | | | | |
| Number of Loans | 1,849 | 2,020 | 650 | 643 | 202 | 213 | 341 | 403 | 664 | 679 | 270 | 257 |
| % of Loans | 100% | 100% | 35.2% | 31.8% | 10.9% | 10.5% | 18.4% | 20.0% | 35.9% | 33.6% | 14.6% | 12.7% |
| B. ALL OTHER BANKS AND CREDIT UNIONS | | | | | | | | | | | | |
| Number of Loans | 1,158 | 869 | 128 | 68 | 46 | 36 | 102 | 52 | 257 | 202 | 56 | 32 |
| % of Loans | 100% | 100% | 11.1% | 7.8% | 4.0% | 4.1% | 8.8% | 6.0% | 22.2% | 23.2% | 4.8% | 3.7% |
| C. MORTGAGE COMPANIES | | | | | | | | | | | | |
| Number of Loans | 1,690 | 1,748 | 177 | 169 | 55 | 54 | 69 | 75 | 321 | 352 | 66 | 118 |
| % of Loans | 100% | 100% | 10.5% | 9.7% | 3.3% | 3.1% | 4.1% | 4.3% | 19.0% | 20.1% | 3.9% | 6.8% |

Notes

6 Big Boston Banks: Bank of Boston, BayBank, Boston Safe Deposit, Citizens, Fleet, and Shawmut -- + affiliated mort co's.
 All Other Banks and Credit Unions included, in 1995: 26 banks with at least one Boston office (575 loans); 48 other Massachusetts banks (247 loans); and 17 credit unions (47 loans) -- + all affiliated mort co's.
 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 (\$26K or less in 1994; \$27K or less in 1995).
 Moderate-income is between 50% and 80% of MSA median (\$27K - \$41K in 1994; \$28K - \$42K in 1995).
 CenTracts >75% Blk+Hisp: The 35 low- or mod-income Boston CTs in which over 75% of the pop'n was black or Hispanic.

CHART 7
SHARE OF MORTGAGE COMPANY AND BANK LOANS GOING TO
TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
BOSTON HOME-PURCHASE LOANS, 1995

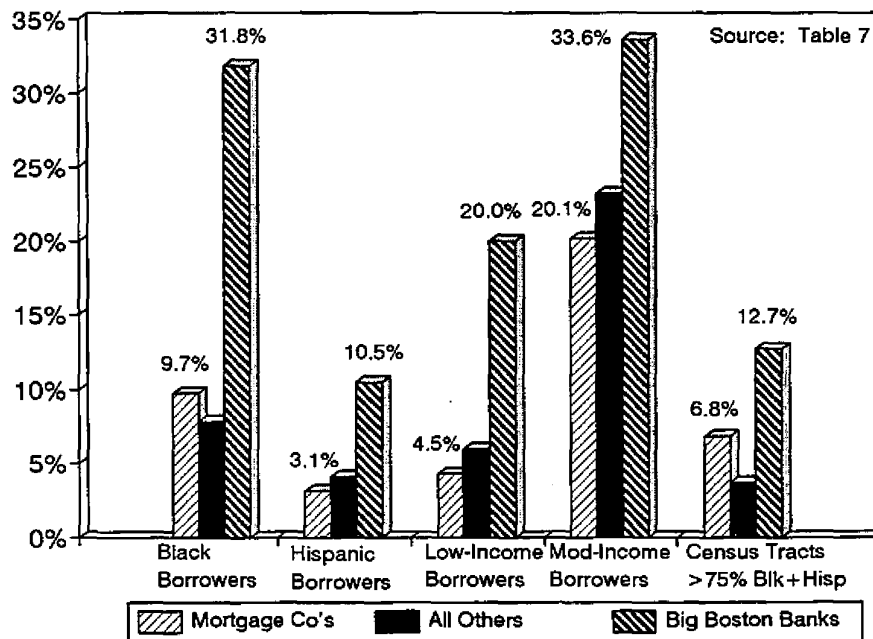


TABLE 8
MORTGAGE COMPANY SHARES OF ALL LOANS: TOTAL BOSTON AND
TO TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
(BOSTON HOME-PURCHASE LOANS, 1994 & 1995)

| | 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 | |
|--------------------|--------------------|-------|--------------------------|-------|-----------------------------|-------|-------------------------------|-------|------------------------------------|-------|----------------------------------|-------|
| | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 | 1995 |
| All Lenders | 4,697 | 4,637 | 955 | 880 | 303 | 303 | 425 | 538 | 1,250 | 1,233 | 391 | 407 |
| Mortgage Companies | 1,690 | 1,748 | 177 | 169 | 55 | 54 | 69 | 78 | 321 | 352 | 66 | 118 |
| Mortgage Co. Share | 36.0% | 37.7% | 18.5% | 19.2% | 18.2% | 17.8% | 16.2% | 14.5% | 25.7% | 28.5% | 16.9% | 29.0% |

Notes

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

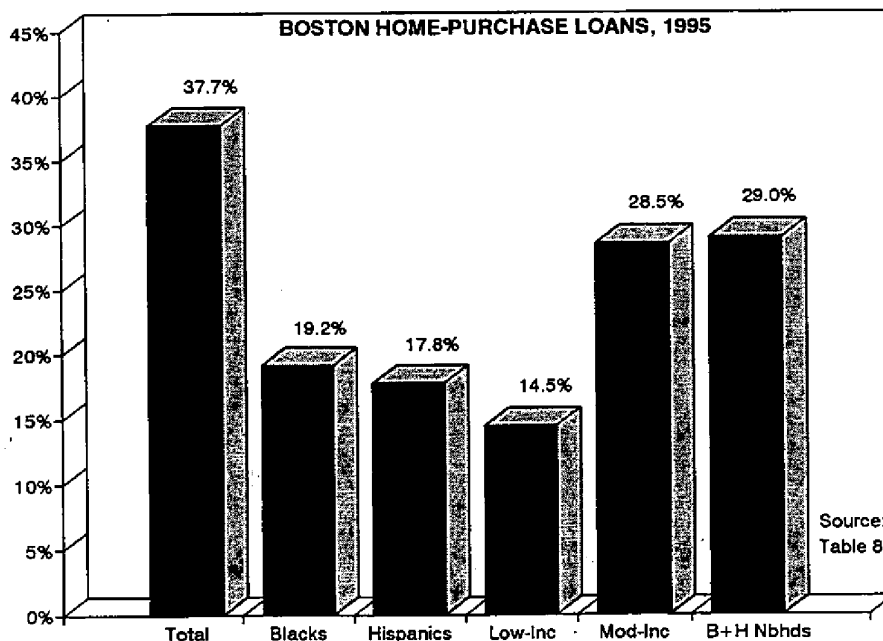
Black means *Black, not of Hispanic origin*

Low-Income is below 50% of Boston MSA median (\$26K or less in 1994; \$27K or less in 1995).

Moderate-income is between 50% and 80% of MSA median (\$27K - \$41K in 1994; \$28K - \$42K in 1995).

CenTracts > 75% Blk+Hisp: the 35 low- or mod-income Boston CTs where over 75% of the pop'n 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 raw HMDA data were carefully pruned to create a database consisting only of records of applications for originations of home-purchase loans 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 the Soft Second Program (SSP), one of the major targeted mortgage programs in Boston, 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 693 records from the database (566 records for second mortgage loans and 127 records for SSP applications that did not result in loans; 268 of these records, including 215 loans, were from 1994; 273 records, including 225 loans, were from 1995; and 152 records, including 126 loans, were from earlier years). 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. After removing these records, the database of applications for Boston home-purchase mortgage loans consists of 26,260 records for the entire 1990-95 period (6,045 of these are for 1995).

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: \$46,300 in 1990, \$50,200 in 1991, \$51,100 in 1992, \$51,200 in 1993, \$51,300 in 1994, and \$53,100 in 1995. (The 1996 level is \$56,500.) Income categories are defined 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; high: between 120% and 200% of the MSA median; and highest: over 200% 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. This is a change from the two predecessor reports, which used \$50,000 as an approximation for the average level of median family income over the whole period being studied. In making this change, I discovered that the predecessor reports had incorrectly used \$49,300 rather than \$46,300 as the median family income for 1990.

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 1992-95 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 \$49,300, which I had until recently believed to be 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 6,045 Boston home-purchase loan applications in 1995, 76.7% resulted in loans being originated and 10.4% were denied. As for the remaining 12.9%: 3.6% of all applications were approved by the bank but not accepted by the applicant; 8.0% were withdrawn by the applicant, and 1.3% 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 were substantially higher than for conventional loans [*Federal Reserve Bulletin*, 9/95, pp. A69-A70]. In Boston, by contrast, only 7.8% 1995 home-purchase loans were government-backed (up from 5.5% in 1994 and 1.6% in 1990) and the denial rates for the two types of loans were quite similar (10.5% for conventional and 9.4% for government-backed).

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 over \$10,000 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 Boston residential housing units in 1990 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 loans reported for "Fleet" are a consolidation of loans included in HMDA data under the names and ID numbers of eleven different subsidiaries of Fleet Financial Group.

More detailed notes on data and methods are provided in *Changing Patterns...1990-1993* (see footnote 3), especially pages 50-54.