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#### INTRODUCTION

Two years ago, 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 is the third in the annual series begun by that initial study; it covers a larger geographical area than its predecessors and extends the time period covered through 2001.

Although motivated by a concern with *predatory* lending, this study and its predecessors – 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 *although 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), using a variety of sources, 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.<sup>1</sup>

<sup>&</sup>lt;sup>1</sup> 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 received prime loans instead.

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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 households 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 used for the first time in last year's report; this is the first year for which income data from the 2000 Census were available. (The "Notes on Data and Methods" at the end of this report provide greater detail on technical matters.)

This study is a companion to Changing Patterns IX: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Greater Boston, 1990-2001, 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 primarily among homeowners who have accumulated substantial equity in their homes. Thus, the present study examines refinance lending – loans that refinance existing mortgages.<sup>2</sup>

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 three 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 1-10 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 households; <sup>3</sup> lending in the city's major neighborhoods; and lending by the largest subprime lenders.

Section II reports on subprime lending patterns in the Metropolitan Area Planning Council (MAPC) region, an area consisting of the city of Boston plus 100 surrounding communities. (See map preceding Table 11; the introduction to Section II provides more information on this region.) This section draws on Tables 11-18 and their associated charts. Section III reports on subprime lending in thirty-seven individual cities and towns – the twenty-seven immediately surrounding Boston plus all ten others that are among the state's twenty biggest communities. Section IV offers concluding comments.

<sup>&</sup>lt;sup>2</sup> Changing Patterns IX reports that subprime lenders made 573 home-purchase loans in the city of Boston in 2000, or 7.9% of all home-purchase loans in the city. This number is only about one-third of the 1,654 subprime refinance loans made in the city last year, as reported below in Table 1. Changing Patterns IX was distributed in November 2002. Both that report and this one are available in the "Reports" section of the website of the Massachusetts Affordable Housing Alliance (www.mahahome.org).

<sup>&</sup>lt;sup>3</sup> 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 - 10 and their associated charts provide an overview of subprime lending in the city of Boston. They indicate that the number of loans by subprime lenders, both overall and to every category of borrower and neighborhood, rose substantially in 2001. They also indicate that loans by subprime lenders continue to make up a disproportionately large share of total refinance loans to black, Latino, and lower-income borrowers and to neighborhoods with low incomes and high percentages of minority residents. Although Tables 2-7 provide data for 2001 only, Charts 2-7 show trends over the 1999-2001 period and Table 8 provides annual data for this three-year period for all of the major variables in the earlier tables.<sup>4</sup> More specific findings on subprime lending in Boston include the following:

- Subprime refinance lending in Boston increased 29% in 2001, growing to 1,654 loans from 1,279 loans in the previous year. The number of loans by subprime lenders was 1,081% greater in 2001 than it was seven years earlier. However, subprime lenders' share of total refinance lending in the city fell sharply, from 28.2% in 2000 to 10.4% in 2001. This happened because the number of prime refinance loans more than quadrupled in response to record-low interest rates from 3,253 loans in 2000 to 14,777 loans in 2001. (See Table 1 and Chart 1.)
- Subprime lenders made disproportionately large shares of the refinance loans to black and Latino borrowers in Boston. In 2001, subprime lenders made over one-quarter (25.9%) of all refinance loans to blacks and almost one-sixth (15.7%) of the loans to Latinos, compared to just 4.6% of the loans to whites. Expressed differently, the subprime loan share for blacks was 5.6 times greater than the subprime loan share for whites, while the corresponding Latino/white disparity ratio was 3.4. (Subprime lenders accounted for 5.1% of refinance loans to Asian borrowers, for a disparity ratio of 1.1.)<sup>5</sup> (Table 2 and Chart 2)
- Borrowers at lower income levels were more likely to receive subprime loans. For low-income borrowers, 18.4% of all refinance loans were from subprime lenders, compared to 16.1% of loans to moderate-income borrowers, 12.4% of loans to middle-income borrowers, and 6.4% of loans to upper-income borrowers. 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 \$70,000 in 2001. 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 they have, on average, lower incomes than white borrowers. When borrowers are grouped by both race/ethnicity and income level, subprime loan shares for blacks ranged from 29.6% (low-income) to 25.7% (upper-income), while subprime loan shares for Latinos ranged from 24.1% (low-income) to 11.9% (upper-income), and subprime loan shares for whites ranged from 8.5% (low-income) to 3.4% (upper-income). The subprime loan share for upper-income blacks was seven and one-half times greater than the subprime loan share for upper-income whites and, even more striking, it was three times greater than the subprime loan share of *low*-income whites (25.7% vs. 8.5%). (Table 4 and Chart 4)

<sup>&</sup>lt;sup>4</sup> One exception: Chart 4 covers only 2001 and Table 8 does not provide historical information on the variables in Table 4.

<sup>&</sup>lt;sup>5</sup> In interpreting these numbers, it should be noted that subprime lenders reported no information on borrower race/ethnicity for over one-third (35.5%) of all their loans, a substantially higher percentage than that for prime lenders (19.7%).

- 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 30.1% in census tracts with more than 75% minority households, compared to just 4.2% in census tracts where more than 75% of the households were white. That is, subprime lenders' share of total refinance lending was 7.1 times higher 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 6.8 times greater in low-income census tracts than it was in upper-income census tracts (18.0% vs. 2.7%). The share in moderate-income census tracts (14.5%) was 5.5 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 2000 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 subprime loan shares in Mattapan (29.2%) and Roxbury (28.7%) were ten times greater than the subprime shares in Back Bay/Beacon Hill and Charlestown (2.7% in each of these neighborhoods). Neighborhoods with higher subprime shares tended to have higher percentages of minority residents and lower income levels. This correlation is clearest in the case of race/ethnicity: the four neighborhoods with the highest percentages of minority residents- Roxbury, Mattapan, Dorchester, and Hyde Park also had the four highest subprime shares, ranging from 15.5% to 29.2%; meanwhile, the four neighborhoods with fewer than 25% minority residents Back Bay/Beacon Hill, South Boston, West Roxbury, and Charlestown all had subprime shares between 2.7% and 5.3%. The South End offers an exception to the pattern noted here: although over half of its residents are minorities and it has the lowest income of any neighborhood. <sup>6</sup> (Table 7 and Chart 7)
- Who are the subprime lenders? Table 9 presents information on each of the 18 subprime lenders that made 25 or more refinance loans in Boston in 2001, including the four who made more than 100 loans: Option One (a subsidiary of H&R Block), Greenpoint Mortgage Funding (a subsidiary of Greenpoint Bank [New York]); New Century Mortgage Corp., and Ameriquest Mortgage Co. None of the top 18 subprime lenders were affiliated with a Massachusetts-based bank or based in Massachusetts, and none were subject to regulatory oversight of their Boston-area lending under the federal or state Community Reinvestment Act. For purposes of comparison, Table 9 also provides information about each of the 15 prime lenders that made 200 or more refinance loans in Boston in 2001.

<sup>&</sup>lt;sup>6</sup> It would have been interesting to classify *census tracts* simultaneously by both income level and percentage of minority households 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 predominantly minority upper-income tracts to the subprime share in predominantly white lower-income tracts. However, it is impossible to make this comparison because *all* of the 65 census tracts are either middle-income or upper-income. (On the other hand, 43 of the 56 census tracts with more than 75% white households are either middle-income or upper-income tracts.)

- The outcomes of applications to subprime lenders were dramatically different from those submitted to prime lenders. Just 29.0% of applications to subprime lenders resulted in loans, compared to 72.9% of applications to prime lenders. The majority of this difference is accounted for by the fact that 40.0% all applicants to subprime lenders (compared to just 14.8% of applicants to prime 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. The rest of the difference resulted from the higher denial rate of subprime lenders (31.0% vs. 12.3% for prime lenders). (Table 9)
- Studies in other cities have found the markets for refinance loans to be sharply divided, with traditionally under-served areas served mainly by subprime lenders and traditionally well-served areas served primarily by prime lenders.<sup>7</sup> However, prime lenders were the dominant lenders to all categories of borrowers and neighborhoods in Boston in 2001. Table 10 shows the top five lenders to six categories of traditionally under-served borrowers and neighborhoods alongside the top five lenders to corresponding categories of traditionally well-served borrowers and neighborhoods. The only subprime lenders appearing in this table are Option One (the fourth largest lender to blacks and the fifth largest lender in predominantly minority census tracts) and Ameriquest (the fifth largest lender to blacks and to low-income borrowers). In other words, prime lenders held all five of the top rankings in three of the six categories of traditionally underserved borrowers and neighborhoods, the top four in two others, and the top three in the final category.

#### **II. SUBPRIME LENDING IN THE GREATER BOSTON AREA**

This section provides information on subprime lending in the Greater Boston area as defined by the Metropolitan Area Planning Council (MAPC). The MAPC region consists of the city of Boston plus 100 surrounding cities and town. (See map preceding Table 11.)<sup>8</sup> The MAPC region is located entirely within the Boston Metropolitan Statistical Area (MSA), which includes twenty-six additional cities and towns. Lending in the city of Boston accounts for about one-seventh of total refinance loans in the region. This is the first year that analysis has been done for the MAPC region; in previous versions of this report, corresponding data were reported for the group of twenty-seven cities and towns that immediately surround Boston – in an "Inner Ring" consisting of the twelve cities and towns that share a boundary with Boston, plus an "Outer Ring" municipalities. (Part III, below, includes selected data on subprime lending in these twenty-seven communities, individually and as a group.)

The data presented in Tables 11 - 18 and their associated charts show that subprime lending accounted for a smaller share of total refinance lending in the year 2001 in the MAPC region than in Boston itself (5.8% vs. 10.4%), but that the *patterns* of subprime lending observed in the MAPC region were very similar to those noted above for the city. Although Tables 12-16 provide data for 2001 only, Charts 12-16 show trends over the 1999-2001 period and Table 17 provides annual data for this three-year period for all of the major variables in the earlier tables.<sup>9</sup> More specific findings on subprime lending in the Greater Boston area include the following:

<sup>&</sup>lt;sup>7</sup> 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, Nov. 1999)

<sup>&</sup>lt;sup>8</sup> More information on the MAPC region and the MAPC itself – a regional planning agency established by the Massachusetts legislature in 1963 – is available at www.mapc.org.

<sup>&</sup>lt;sup>9</sup> One exception: Chart 14 covers only 2001 and Table 17 does not provide historical information on the variables in Table 14.

- Subprime refinance lending in the MAPC region increased 30% in 2001, growing to 7,135 loans from 5,502 loans in the previous year. The number of loans by subprime lenders was 642% greater in 2001 than it was seven years earlier. However, subprime lenders' share of total refinance lending in the region fell from 19.7% in 2000 to 5.8% in 2001. This happened because the number of prime refinance loans more than quintupled in response to record-low interest rates from 22,372 loans in 2000 to 115,488 loans in 2001. (See Table 11 and Chart 11.)
- Subprime lenders made disproportionately large shares of the refinance loans to black and Latino borrowers in the MAPC region. In 2001, subprime lenders made 19.9% of all refinance loans to blacks and 12.7% of all loans to Latinos, compared to just 4.0% of all loans to whites. Expressed differently, the subprime loan share for blacks was 5.0 times greater than the subprime loan share for whites, while the corresponding Latino/white disparity ratio was 3.2. (Subprime lenders accounted for only 2.7% of refinance loans to Asian borrowers.)<sup>10</sup> (Table 12 and Chart 12)
- Borrowers at lower income levels were more likely to receive subprime loans. For low-income borrowers in the MAPC region, 10.5% of all refinance loans were from subprime lenders, compared to 8.7% of loans to moderate-income borrowers, 7.0% of loans to middle-income borrowers, and 4.0% of loans to upper-income borrowers. 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 \$70,000 in 2001. 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 13 and Chart 13).
- The disproportionately high subprime lender shares of all loans to black and Latino borrowers cannot be explained simply by the fact that they have, on average, lower incomes than white borrowers. When borrowers are grouped by both race/ethnicity and income level, subprime loan shares for blacks ranged from 25.2% (low-income) to 18.6% (upper-income), while subprime loan shares were for Latinos ranged from 19.2% (low-income) to 9.4% (upper-income), and subprime loan shares for whites ranged from 6.7% (low-income) to 3.0% (upper-income). The subprime loan share for upper-income blacks was 6.2 times greater than the subprime loan share for upper-income whites and, even more striking, it was 2.8 times greater than the subprime loan share for *low-income* whites (18.6% vs. 6.7%). (Table 14 and Chart 14)
- 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 households receive higher percentages of their loans from subprime lenders. The share of all refinance loans from subprime lenders was 30.1% in census tracts with more than 75% minority households, <sup>11</sup> compared to just 4.8% in census tracts where more than 75% of the households are white. That is, subprime lenders' share of total refinance lending was 6.3 times greater in predominantly minority neighborhoods than in predominantly white neighborhoods. (Table 15 and Chart 15)

<sup>&</sup>lt;sup>10</sup> In interpreting these numbers, it should be noted that subprime lenders reported no information on borrower race/ethnicity for over one-third (34.6%) of all their loans, a substantially higher percentage than that for prime lenders (18.0%).

<sup>&</sup>lt;sup>11</sup> The 30.1% subprime share for census tracts with more than 75% minority households is the same in the MAPC region as in the city of Boston (see Table 5) because the region has no such census tracts except for the 45 located within Boston's city limits.

- 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 5.4 times greater in low-income census tracts than it was in upper-income census tracts (18.0% vs. 3.4%). The share in moderate-income census tracts (11.6%) was 3.5 times greater than it was in upper-income tracts. The share in middle-income census tracts was 5.5%. (Table 16 and Chart 16)
- Who are the leading subprime lenders in the MAPC region? Table 18 presents information on each of the 20 subprime lenders that made 100 or more refinance loans in the MAPC region in 2001, including the four who made more than 500 loans: Option One (a subsidiary of H&R Block), Greenpoint Mortgage Funding (a subsidiary of Greenpoint Bank [New York]), Ameriquest Mortgage Co., and New Century Mortgage Corp. None of the top 20 subprime lenders were affiliated with a Massachusetts-based bank or based in Massachusetts, and none were subject to regulatory oversight of their Boston-area lending under the federal or state Community Reinvestment Act. For purposes of comparison, Table 18 also provides information on each of the 15 prime lenders that made 1,500 or more refinance loans in the MAPC region in 2001.
- The outcomes of applications to subprime lenders in the MAPC region were dramatically different from those submitted to prime lenders. Only about one-quarter (26.6%) of applications to subprime lenders resulted in loans, compared to over three-quarters (78.5%) of applications to prime lenders. The majority of this difference is accounted for by the fact that 45.3% all applicants to subprime lenders (compared to just 13.4% of applicants to prime 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. The rest of the difference resulted from the higher denial rate of subprime lenders (28.1% vs. 8.1% for prime lenders). (Table 18)

#### III. SUBPRIME LENDING IN THIRTY-SEVEN INDIVIDUAL CITIES AND TOWNS

In previous versions of this annual report, the twelve cities and towns that share a boundary with Boston were grouped together as the "Inner Ring" and the fifteen additional cities and towns that share a boundary with at least one of the "Inner Ring" municipalities were grouped together as the "Outer Ring." In Tables 19-21 of the present report, all twenty-seven of these communities are listed alphabetically in a single group referred to as cities and towns surrounding Boston. In addition, these tables include a second group of communities consisting of the ten cities and towns that are among the state's twenty largest but are not among those immediately surrounding Boston. The information on these thirty-seven communities is accompanied in the bottom panel of the tables by the corresponding information for the city of Boston, for all twenty-seven surrounding communities combined, for the Metropolitan Area Planning Council (MAPC) region, for the Boston Metropolitan Statistical Area (MSA), and for the state as a whole. (All of the twenty-seven surrounding communities are among the 101 cities and towns in the MAPC region, which are themselves a subset of the 127 cities and towns in the Boston MSA.)

The three right-most columns in Table 19 indicate that these thirty-seven cities and towns vary greatly in terms of income level and racial/ethnic composition. For example, median family income ranges from a low of \$31,809 in Lawrence to a high of \$181,041 in Weston. The combined percentage of black and Latino households ranges from a low of 1.0% in Saugus to a high of 52.6% in Lawrence. Given the highly disparate nature of this collection of communities, the data in Tables 19 - 21 should be regarded primarily as a resource for readers interested in learning about lending within their own community or in making comparisons among a particular set of communities of special interest. Nevertheless, it may be of interest to present the following brief summary of the information presented in these three tables.

- Table 19 presents data on the number and percentage share of subprime refinance loans in 2001 in • each of the thirty-seven communities. The share of all refinance loans made by subprime lenders in 2001 was greater than fifteen percent in four communities: Lawrence (whose subprime share was highest at 19.6%), Springfield, Brockton, and Chelsea. Meanwhile, the subprime share was less than three percent in six other communities: Wellesley (whose share was lowest at 1.8%), Needham, Brookline, Westwood, Newton, and Belmont. Communities with higher subprime shares tended to have higher percentages of minority residents and lower income levels. For example, among the 37 cities and towns included in the table, the four communities with the highest subprime shares had the four highest percentages of black plus Latino households (ranging from 23.3% in Brockton to 52.6% in Lawrence), and three of the four lowest median family incomes (ranging from \$31,809 in Lawrence to \$46,235 in Brockton). At the other extreme, the six communities with the lowest subprime shares all had low percentages of black plus Latino residents (ranging from 1.1% in Westwood to 5.2% in Brookline) and they had six of the eight highest median family incomes (ranging from \$92,993 in Brookline to \$134,769 in Wellesley).
- Table 20 presents information on the total number of refinance loans, the number of these loans that were from subprime lenders, and the subprime loan share for black, for Latino, and for white borrowers in each of the thirty-seven cities and towns in 2001. In communities where there were at least 35 total refinance loans to black or Latino borrowers, the table shows the subprime share disparity ratios that is, the ratio of the subprime share for blacks (or Latinos) to the subprime share for whites. With only two minor exceptions,<sup>12</sup> all of the calculated black/white and Latino/white disparity ratios were greater than 1.0, indicating that subprime loans accounted for larger percentages of the refinance loans received by black and Latino borrowers than of those received by white borrowers in every community where there was a significant amount of refinance lending to blacks and/or Latinos. In almost every case, however, these disparity ratios were lower than the corresponding disparity ratios for the city of Boston and for the entire state, as shown in the bottom rows of the table.
- Table 21 presents information on the total number of refinance loans, the number of these loans that were from subprime lenders, and the subprime loan share in each of the thirty-seven communities for each of the three most recent years for which data are available. After declining between 1999 and 2000 in thirty of the thirty-seven cities and towns, the number of subprime loans rose between 2000 and 2001 in all but one of the thirty-seven communities (the number of subprime loans fell from 43 to 41 in Winthrop). For the three-year period as a whole, the number of subprime loans increased in thirty-one of the thirty-seven cities and towns.

<sup>&</sup>lt;sup>12</sup> The exceptions are the black/white disparity ratio in Medford and the Latino/white disparity ratio in Waltham; in each case, a single additional loan to a minority borrower would have resulted in a disparity ratio greater than 1.0.

#### **IV. CONCLUDING COMMENTS**

Although motivated by reports of increased levels of *predatory lending* in Boston and surrounding communities, this study 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 comments on four other issues.

#### Subprime lenders' share of all refinance loans

Subprime lenders' share of all refinance loans in the city of Boston grew from 4.9% in 1994 to 17.6% in 1999, and then jumped to 28.2% in 2000, thereby making it convenient to cite this rising share as an indicator of the growth of subprime lending. Given the particular nature of the market for mortgage refinance loans, however, changes in the subprime loan share are not necessarily a good measure of the extent of subprime lending. Indeed, in 2000 the number of subprime *loans* in Boston fell by 8% while the subprime loan *share* rose sharply, and in 2001 the number of subprime *loans* in Boston increased by 29% while the subprime loan *share* plunged even more sharply than it had risen the previous year. It is therefore incorrect to conclude that even a major decrease in the subprime loan share indicates that the growth of subprime lending has ended.

The explanation of this apparent paradox lies in the relationship between the level of mortgage interest rates and the volume of prime mortgage refinance lending. When current interest rates fall below the level on existing mortgages, many homeowners refinance simply to reduce their monthly payments. In 2000, mortgage interest rates were the highest they had been since 1995, so there was relatively little of this standard mortgage refinance lending. In 2001, however, mortgage interest rates fell to the lowest levels since the late 1960s, and this type of mortgage refinancing surged to record levels. Prime lenders do almost all of this lending, and big changes in interest rates can lead to very big changes in the number of prime refinance loans (for example, they more than quadrupled in Boston in 2001).

In contrast, borrowers from subprime lenders are more likely to be motivated by factors other than simply reducing monthly payments on 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, to undertake home improvements or repairs, or to deal with pressing financial needs; accordingly, their borrowing is influenced less by interest rate fluctuations. The 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 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.

These considerations explain this report's reduced emphasis on year-to-year changes in subprime loan shares. Instead, changes in the actual numbers of subprime loans are given increased attention. Subprime loan shares are used primarily to indicate differences in the *proportion* of subprime loans to different categories of borrowers – and to different types of neighborhoods – during the same period.

#### Two other recent studies of subprime lending that included Greater Boston

Some context for the present report is provided by two national studies released in 2002. Risk or Race? Racial Disparities and the Subprime Refinance Market, prepared for the Center for Community Change by Calvin Bradford and released in May 2002, uses 2000 HMDA data to analyze patterns of subprime lending in all 331 of the nation's metropolitan statistical areas (MSAs). Separate and Unequal: Predatory Lending in America, released by ACORN in November 2002, uses 2001 HMDA data to

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analyze patterns of subprime refinance and home-purchase lending in 67 MSAs, including Boston, Brockton, and Springfield.<sup>13</sup> In spite of minor differences in method, and the fact that the analysis for the Boston area in both of these reports is for the entire MSA, the quantitative results for the Boston area in both of these studies are very similar to those in the present report for 2001 (in the case of *Separate and Unequal*) and to the findings of *Borrowing Trouble? II* for 2000 (in the case of *Risk or Race?*).

Race or Risk? indicates that the levels of subprime lending in Boston were somewhat below average when compared to other MSAs or to the nation as a whole. Boston ranked  $239^{th}$  out of 331MSAs in terms of its overall subprime refinance loan share (20.3%, compared to the national urban total of 25.3%). Boston ranked  $124^{th}$  out of 154 MSAs in the subprime share for black borrowers (43.0%, compared to a national urban total of 49.3%) and 46<sup>th</sup> of 99 MSAs in the subprime share for Latino borrowers (29.7% compared to the national urban total of 30.3%). (Only MSAs with at least 100 refinance loans to the minority group in question are included in each ranking.) Boston's disparity ratio between the subprime shares for blacks and whites was almost exactly equal to the national ratio (2.81 vs. 2.83) while Boston's disparity ratio between the subprime shares for Latinos and whites was somewhat higher than the national ratio (1.94 vs. 1.74).

Separate and Unequal reports that Boston had relatively low subprime loan shares in 2001, ranking 61<sup>st</sup> of 67 MSAs with a subprime share for whites of 4.1%, 56<sup>th</sup> of 65 MSAs with a subprime share for blacks of 19.9%, and 29<sup>th</sup> of 65 MSAs with a subprime share of Latinos of 13.8%. On the other hand, Boston had relatively high subprime share disparity ratios, ranking seventeenth of 65 with a black/white disparity ratio of 4.8 and fourth of 65 with a Latino/white disparity ratio of 3.4.

#### Scheduled enhancements to Home Mortgage Disclosure Act (HMDA) data

On February 2 and June 21, 2002, the Federal Reserve Board published revisions to its Regulation C, which governs the reporting of HMDA data. Although relatively modest, these changes will make it possible for the first time to identify some loans as *subprime loans* rather than simply as loans made by *subprime lenders*. The changes include reporting the amount by which a loan's interest rate exceeds the interest rate on a comparable Treasury security (only for loans with rates at least three percentage points higher than the Treasury interest rate for first mortgages, and at least five percentage points higher for second mortgages) and identifying loans whose interest rates and/or fees are high enough to make them subject to the Home Ownership and Equity Protection Act (HOEPA loans). Unfortunately, this reporting requirement will not go into effect until January 1, 2004, and HMDA data for 2004 will not become available until mid-2005.

Another change to Regulation C requires lenders to ask the ethnicity, race, and sex of applicants who apply by telephone, thereby subjecting these applications to the same rules that already apply to mail and internet applications. This reporting requirement went into effect on January 1, 2003, and so the percentage of borrowers (and other applicants) whose race/ethnicity is not reported should decrease in the HMDA data for 2003 that will become available in mid-2004. (Regulation C and the Fed's revisions are available at www.federalreserve.gov/regulations.)

#### Legislation extending Community Reinvestment Act (CRA) coverage to subprime lenders

The Massachusetts CRA applies only to Massachusetts-chartered banks and credit unions. Under federal 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 at least one branch office (or deposit-taking

<sup>&</sup>lt;sup>13</sup> These studies are available on-line at <u>www.communitychange.org</u> and <u>www.acorn.org</u>, respectively.

ATM) in that community.<sup>14</sup> As a result, none of the biggest subprime lenders listed in either Table 9 or Table 18 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 subject to regulatory review, evaluation, and ratings.

This state of affairs would be changed if legislation pending at the Massachusetts State House is enacted. Senate 1939/House 3338 ("An Act Establishing Community Reinvestment Act Obligations for Certain Mortgage Lenders") – whose primary sponsors are Senators Jarrett Barrios, Andrea Nuciforo, and Diane Wilkerson and Representative Marie St. Fleur – would apply CRA-type responsibilities and regulation to licensed mortgage lenders that make at least 500 total loans per year in Massachusetts. Only eight subprime licensed mortgage lenders made that many Massachusetts loans in 2001, but all eight are among the twelve biggest subprime lenders in Boston, and six of them are among the top eight subprime lenders in the city. These eight licensed mortgage lenders accounted for almost exactly one-half of all subprime refinance loans in Boston in 2001 (801 of 1,654 loans, or 49.3%). The pending legislation, supported by the Massachusetts Bankers Association as well as by numerous community groups and municipal officials, is identical to the bill that was passed unanimously by the state Senate last year, but was not brought to a vote in the House.<sup>15</sup>

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<sup>&</sup>lt;sup>14</sup> This required evaluation extends to lending by subsidiaries of these banks. Lending by affiliated lenders owned by the same bank holding company may be included at the option of the bank.

<sup>&</sup>lt;sup>15</sup> Licensed mortgage lenders are indicated by "LML" in the second column of Tables 9 and 18. 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 indicated by "OSB" in Tables 9 and 18. 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 legislation. An alternative possible 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. Although proposed changes in federal law and in the regulations implementing the Community Reinvestment Act were described in last year's report, the current prospects for adoption of such changes are too miniscule to warrant further discussion here.

	All	Prime	Subprime	Percent
	Lenders	Lenders	Lenders	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%
2001	15,831	14,177	1,654	10.4%
% change: 1994-2001	454%	422%	1081%	
% change: 2000-2001	249%	336%	29%	

## Table 1Increase in Subprime Lending, 1994-2001City of Boston, Refinance Loans Only





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## Table 2Subprime and Prime Lending, By Race/Ethnicity of BorrowerCity of Boston, Refinance Loans Only, 2001

Borrower Race/Ethnicity	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to White %
Asian	547	519	28	5.1%	1.11
Black	1,832	1,358	474	25.9%	5.59
Latino	727	613	114	15.7%	3.39
White	9,048	8,629	419	4.6%	1.00
Not Reported*	3,378	2,791	587	17.4%	
Total*	15,831	14,177	1,654	10.4%	

"Not Reported" is "Information not provided...in mail or telephone application" & "Not applicable,"
 "Total" includes "American Indian" (52 loans, 6 subprine) and "Other" (247 loans, 26 subprime) as well as the categories shown in the table.





Table 3						
Subprime and Prime Lending, By Income of Borrower						
City of Boston, Refinance Loans Only, 2001						

Income	All	Prime	Subprime	Percent	Ratio to
Category*	Lenders	Lenders	Lenders	Subprime	Upper %
Low	899	734	165	18.4%	2.88
Moderate	2,995	2,514	481	16.1%	· 2.52
Middle	4,351	3,813	538	12.4%	1.94
Upper	6,475	6,062	413	6.4%	1.00
Not Reported	1,111	1,054	57	5.1%	
Total	15,831	14,177	1,654	10.4%	

\* Income categories are defined in relationship to the Median Family Income of the Boston MSA (\$70,000 in 2001). "Low" is less than 50% of this amount (\$1K-\$35K in 2001); "Moderate" is 50%-80% of this amount (\$36K-\$56K); "Middle" is 80%-120% of this amount (\$57K-\$84K); and "Upper" is over 120% of this amount (>\$84K in 2001).



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Chart 3 Subprime Loans as Percent of All Refinance Loans By Borrower Income, City of Boston, 1999 - 2001

## Table 4Subprime Loans as Percent of Total LoansBy Race/Ethnicity and Income of BorrowerCity of Boston, Refinance Loans Only, 2001

	Low Income*	Moderate Income*	Middle Income*	Upper Income*
Black	29.6%	28.2%	27.4%	25.7%
Latino	24.1%	22.7%	13.9%	11.9%
White	8.5%	6.1%	5.2%	3.4%

Income categories are defined in relationship to the Median Family Income of the Boston MSA (\$70,000 in 2000). "Low" is less than 50% of this amount (\$1K-\$35K in 2001); "Moderate" is 50%-80% of this amount (\$36K-\$56K); "Middle" is 80%-120% of this amount (\$57K-\$84K); and "Upper" is over 120% of this amount (>\$84K in 2001).





Subprime and Prime Lending, By Percent Minority Households in Census Tract\* City of Boston, Refinance Loans Only, 2001

	Number	umber All Prime		Subprime	Percent	Ratio to
	of Tracts	Lenders	Lenders	Lenders	Subprime	>75% White
> 75% Minority	45	2,739	1,914	825	30.1%	7.11
50%-75% Minority	20	1,602	1,377	225	14.0%	3.32
25%-50% Minority	43	4,169	3,875	294	7.1%	1.67
> 75% White	56	7,321	7,011	310	4.2%	1.00
Total	164	15,831	14,177	1,654	10.4%	

 This table classifies 1990 census tracts (used in HMDA data) into minority percentage categories on the basis of 2000 Census data.





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#### Subprime and Prime Lending, By Income Level of Census Tract\* City of Boston, Refinance Loans Only, 2001

	Number of	All	Prime	Subprime	Percent Subprime	Ratio to
	Tracts	Lenuers	Lenders	Lenders	Subbrune	Opper 70
Low-Income	48	2,390	1,960	430	18.0%	6.79
Moderate-Income	66	6,085	5,203	882	14.5%	5.47
Middle-Income	38	5,281	4,994	287	5.4%	2.05
Upper-Income	12	2,075	2,020	55	2.7%	1.00
Total^	164	15,831	14,177	1,654	10.4%	

^ The number of census tracts in this table is one less than in Table 5 because no income level was reported for census tract 1501.00 (Harbor Islands) -- a tract that received no loans.

\* A census tract is placed into an income category on the basis of the relationship, according to the 2000 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.





	All	Prime	Subprime	Percent	Percent	Inc	ome
Neighborhood#	Lenders	Lenders	Lenders	Subprime	Minority	Le	evel*
Mattapan	808	572	236	29.2%	96.2%	\$	38,485
Roxbury	917	654	263	28.7%	95.2%	\$	29,729
Dorchester	2,318	1,865	453	19.5%	68.2%	\$	37,054
Hyde Park	1,253	1,059	194	15.5%	57.0%	\$	48,567
East Boston	742	670	72	9.7%	50.3%	\$	36,078
Roslindale	1,107	1,001	106	9.6%	44.2%	\$	55,845
Fenway/Kenmore	404	381	23	5.7%	30.5%	\$	40,179
Jamaica Plain	1,116	1,054	62	5.6%	50.2%	\$	40,000
South Boston	1,155	1,094	61	5.3%	15.5%	\$	56,667
Allston/Brighton	1,153	1,103	50	4.3%	31.3%	\$	47,582
West Roxbury	1,197	1,159	38	3.2%	16.4%	\$	71,506
BackBay/BeaconHill	949	923	26	2.7%	15.2%	\$	119,527
Charlestown	736	716	20	2.7%	21.4%	\$	70,938
South End	1,256	1,222	34	2.7%	54.7%	\$	28,333
Central	720	704	· 16	2.2%	30.4%	\$	72,431
City of Boston	15,831	14,177	1,654	10.4%	50.5%	\$	44,151

Table 7 Subprime and Prime Lending, By Neighborhood City of Boston, Refinance Loans Only, 2001

# The neighborhoods used in this study are based on the Planning Districts (PDs) defined by the Boston Redevelopment Authority (BRA), except: North and South Dorchester are combined and the Harbor Islands PD (no loans in 2001) is omitted. *Percent minority* was calculated by the BRA for these exact neighborhoods from 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 PD were calculated using a list of census tracts obtained from the BRA that correspond to the PDs as closely as possible.

\* The income level for each PD is estimated as the median of the MFIs (Median Family Incomes) of the census tracts in the PD.





## Table 8Number and Percentage of Loans by Subprime Lenders in the City of BostonBy Type of Borrower and Neighborhood, Refinance Loans Only, 1999-2001

_	Numbe	r Subprime	e Loans	Subprime as % of Total Dis			sparity Ratio			
City/Town	1999	2000	2001	1999	2000	2001	1999	2000	2001	
A. By Race/Ethnici	ty of Borr	ower (see	Table 2 fo	or notes and	d for detail	s on 2001	lending)			
Asian	26	27	28	11.8%	21.4%	5.1%	1.35	1.22	1.11	
Black	368	366	474	32.4%	45.6%	25.9%	3.69	2.60	5.59	
Latino	89	83	114	29.1%	35.2%	15.7%	3.31	2.01	3.39	
White	413	396	419	8.8%	17.5%	4.6%	1.00	1.00	1.00	
Not Reported	467	380	587	32.5%	37.1%	17.4%				
Total	1,394	1,279	1,654	17.6%	28.2%	10.4%				
B. By Income of Borrower (see Table 3)										
Low	197	131	165	33.1%	37.8%	18.4%	3.42	1.86	2.88	
Moderate	476	360	481	27.7%	35.7%	16.1%	2.86	1.76	2.52	
Middle	394	439	538	19.0%	32.6%	12.4%	1.96	1.60	1.94	
Upper	285	311	413	9.7%	20.3%	6.4%	1.00	1.00	1.00	
Not Reported	42	38	57	7.2%	12.8%	5.1%				
Total	1,394	1,279	1,654	17.6%	28.2%	10.4%				
C. By Percent Mine	ority Hous	eholds in	Census T	ract (see ]	Table 5)					
> 75% Minority	596	594	825	37.8%	48.0%	30.1%	4.07	3.15	7.11	
50%-75% Minority	184	173	225	22.6%	32.3%	14.0%	2.43	2.12	3.32	
25%-50% Minority	268	258	294	14.8%	23.6%	7.1%	1.59	1.55	1.67	
> 75% White	346	254	310	9.3%	15.2%	4.2%	1.00	1.00	1.00	
Total	1,394	1,279	1,654	17.6%	28.2%	10.4%				
D. By Income Leve	l of Censu	s Tract (s	iee Table 6	5)						
Low	304	337	430	24.9%	39.3%	18.0%	6.03	4.13	6.79	
Moderate	711	667	882	24.2%	33.6%	14.5%	5.86	1.92	5.47	
Middle	342	238	287	12.5%	18.3%	5.4%	3.02	3.53	2.05	
Upper	37	37	55	4.1%	9.5%	2.7%	1.00	1.00	1.00	
Total	1,394	1,279	1,654	17.6%	28.2%	10.4%				
E. By Neighborhoo	d (see Tal	ole 7)								
Allston/Brighton	52	48	50	7.8%	15.7%	4.3%				
BackBay/BeaconHill	18	20	26	3.8%	10.3%	2.7%				
Central	18	11	16	3.8%	7.2%	2.2%				
Charlestown	36	19	20	9.8%	13.7%	2.7%				
Dorchester	341	322	453	28.9%	39.4%	19.5%				
East Boston	70	71	72	18.5%	37.7%	9.7%				
Fenway/Kenmore	18	25	23	12.7%	23.4%	5.7%				
Hyde Park	161	148	194	27.4%	38.4%	15.5%				
Jamaica Plain	55	47	62	10.7%	17.3%	5.6%				
Mattapan	174	189	236	37.3%	49.1%	29.2%				
Roslindale	89	76	106	16.2%	25.7%	9.6%				
Roxbury	194	183	263	37.0%	44.0%	28.7%				
South Boston	102	60	61	15.9%	18.3%	5.3%				
South End	28	26	34	5.5%	11.8%	2.7%				
West Roxbury	38	34	38	6.8%	13.0%	3.2%				
Total	1,394	1,279	1,654	17.6%	28.2%	10.4%				

#### Biggest Subprime and Prime Lenders in City of Boston, Refinance Loans Only, 2001 (The 18 Subprime Lenders with 25 or More Loans & the 15 Prime Lenders with 200 or More Loans)

						Other
	Lender		Applica-	Lending	Deniał	Outcome
Lender Name	Type*	Loans	tions	Rate#	Rate#	Rate#
A. Subprime Lenders						
Option One Mort. Corp. (H&R Block)	LML	241	447	53.9%	38.7%	7.4%
Greenpoint Mortgage Funding	OSB	151	318	47.5%	19.2%	33.3%
New Century Mort. Corp.	LML	149	264	56.4%	25.0%	18.6%
Ameriquest Mortgage Co.	LML	125	846	14.8%	26.4%	58.9%
Travelers Bank & Trust (Citigroup 1)	OSB	98	110	89.1%	4.5%	6.4%
American Business Financial	LML	87	404	21.5%	17.1%	61.4%
Long Beach Mortgage Co. (WAMU)	LML	67	122	54.9%	38.5%	6.6%
Full Spectrum Lending (Countrywide)	LML	60	127	47.2%	7.1%	45.7%
Fremont Investment & Loan	OSB	53	119	44.5%	44.5%	10.9%
Aegis Mortgage Corp.	LML	46	325	14.2%	66.8%	19.1%
Household Bank FSB (Household 1)	OSB	44	86	- 51.2%	10.5%	38.4%
Household Finance Corp. (Household 2)	LML	41	183	22.4%	29.5%	48.1%
Nationscredit Financial Servs. (BofA)	OSB	37	150	24.7%	64.7%	10.7%
Accredited Home Lenders	LML	36	70	51.4%	18.6%	30.0%
Chase Manhattan Bank USA	OSB	30	534	5.6%	50.9%	43.4%
BNC Mortgage	LML	29	52	55.8%	23.1%	21.2%
Mortgage Lenders Network USA	LML	29	63	46.0%	28.6%	25.4%
Citifinancial <sup>^</sup> (Citigroup 2)	LML	27	111	24.3%	30.6%	45.0%
Subtotal, These 18 Lenders		1,350	4,331	31.2%	33.1%	46.5%
Sub-subtotal, 12 LML Lenders		937	3,014	31.1%	31.0%	37.9%
Subtotal, All 52 SubPrime Lenders		1,654	5,713	29.0%	31.0%	40.0%
B. Prime Lenders						
North American Mort Co.	OSB'	1,099	1,421	77.3%	7.4%	15.3%
GMAC Mortgage	LML	1,021	1,111	91.9%	1.5%	6.6%
Fleet NB	CRA	1,020	1,668	61.2%	28.1%	10.7%
Washington Mutual Bank	OSB	982	1,371	71.6%	6.6%	21.7%
Wells Fargo Home Mortgage	OSB	720	871	82.7%	7.8%	9.5%
Countrywide Home Loans	LML	518	782	66.2%	3.8%	29.9%
Chase Manhattan Mortgage	OSB	368	476	77.3%	9.7%	13.0%
RBMG, Inc.	LML	339	359	94.4%	1.1%	4.5%
National City Mortgage Co.	OSB	335	392	85.5%	8.4%	6.1%
ABN AMRO Mortgage Group	OSB	296	349	84.8%	12.0%	3.2%
Citizen Mortgage Corp. (Citizens 1)	CRA	285	402	70.9%	13.7%	15.4%
Citizens Bank of Mass. (Citizens 2)	CRA	259	730	35.5%	54.0%	10.5%
Ohio Savings Bank	OSB	220	230	95.7%	1.3%	3.0%
Bank of America	OSB	214	259	82.6%	9.7%	7.7%
Boston Federal SB	CRA	207	232	89.2%	2.6%	8.2%
Subtotal, These 15 Lenders	1	7,883	10,653	74.0%	13.0%	4.3%
Sub-subtotal, 4 CRA Lenders		1,771	3,032	58.4%	30.5%	11.1%
Sub-subtotal, 3 LML Lenders	í –	1,878	2,252	83.4%	2.3%	14.3%
Subtotal, All 262 Prime Lenders		14,177	19,449	72.9%	12.3%	14.8%
Total, All 314 Lenders		15,831	25,162	62.9%	16.6%	20.5%

\* "Lender Type" indicates if Boston area performance in meeting community credit needs is subject to evaluation by bank regulators: CRA: currently covered by federal and/or state <u>Community Reinvestment Act</u> – banks and state-chartered credit unions with branches in Mass. LML: <u>Licensed Morgage Lender</u>, licensed by Mass. Div. of Banks, potentially subject to CRA-type evaluation under proposed state legislation.

OSB: <u>Out-of-State Bank</u> (or subsidiary of federally-chartered out-of-state bank), which the state of Massachusetts is powerless to regulate. # "Lending rate" is percent of applications that result in loans; "denial rate" is percent of applications that are denied; "other outcome rate" is

percent of applications that are (1) approved by lender by not accepted by applicant, (2) withdrawn by applicant, or (3) never completed.

^ The data for two related lenders - Citifinancial Services, Inc. and Citifinancial Mortgage Co. - are combined in this row.

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#### Top Five Lenders for Various Categories of Loans: Traditionally Under-Served vs. Well-Served Borrowers and Neighborhoods City of Boston, Refinance Loans Only, 2001

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

Lender Name	Loans	Lender Name	Loans
A. Black Borrowers		White Borrowers	
Fleet	164	GMAC	704
Wells Fargo	110	Washington Mutual	677
Countrywide	102	North American Mort Co	534
Option One	93	Fleet	385
Ameriquest	80	Wells Fargo	377
B. Latino Borrowers		White Borrowers	
Fleet	67	GMAC	704
Citizens*	67	Washington Mutual	677
North American Mort Co	51	North American Mort Co	534
Wells Fargo	48	Fleet	385
Countrywide	41	Wells Fargo	377
C. Low-Income Borrowers	;	Upper-Income Borrowers	
Fleet	72	Washington Mutual	514
Citizens*	51	GMAC	508
North American Mort Co	48	North American Mort Co	466
GMAC	44	Fleet	316
Ameriquest	31	Wells Fargo	280
D. Census Tracts >75% Mi	nority	Census Tracts >75% White	
Fleet	204	GMAC	524
North American Mort Co	153	Washington Mutual	453
Wells Fargo	147	Norht American Mort Co	406
Countrywide	143	Fleet	391
Option One	139	Wells Fargo	270
E. Low-Income Census Tra	acts	Upper-Income Census Tracts	
North American Mort Co	201	Washington Mutual	178
Washington Mutual	161	GMAC	170
Fleet	134	North Americian Mort Co.	142
GMAC	121	Fleet	137
Wells Fargo	121	Wells Fargo	101
F. Roxbury and Mattapan		BackBay/BeaconHill and West	Roxbury
Fleet	121	Washington Mutual	163
Countrywide	91	GMAC	152
Citizens*	88	Fleet	136
Wells Fargo	88	Wells Fargo	108
North American Mort Co	87	North American Mort Co.	104

\* "Citizens" includes the loans by both Citizens Mortgage Co. and Citizens Bank of Mass.

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# Table 11Increase in Subprime Lending, 1994-2001Metropolitan Area Planning Council RegionRefinance Loans Only

	All	Prime	Subprime	Percent
	Lenders	Lenders	Lenders	Subprime
1994	31,206	30,244	962	3.1%
1999	59,073	52,733	6,340	10.7%
2000	27,874	22,372	5,502	19.7%
2001	122,623	115,488	7,135	5.8%
% change: 1994-2001	293%	282%	642%	
% change: 2000-2001	340%	416%	30%	





Table 12
Subprime and Prime Lending, By Race/Ethnicity of Borrower
MAPC Region Refinance Loans Only, 2001

Borrower Race/Ethnicity	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to White %
Asian	3,593	3,495	98	2.7%	0.69
Black	3,210	2,570	640	19.9%	5.03
Latino	2,257	1,970	287	12.7%	3.21
White	89,028	85,500	3,528	4.0%	1.00
Not Reported*	22,775	20,303	2,472	10.9%	
Total*	122,623	115,488	7,135	5.8%	

"Not Reported" is "Information not provided...in mail or telephone application" & "Not applicable."
 "Total" includes "American Indian" (52 loans, 6 subprine) and "Other" (247 loans, 26 subprime) as well as the categories shown in the table.





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Income Category*	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low	4,936	4,420	516	10.5%	2.59
Moderate	19,406	17,711	1,695	8.7%	2.17
Middle	32,403	30,123	2,280	7.0%	1.74
Upper	58,230	55,881	2,349	4.0%	1.00
Not Reported	7,648	7,353	295	3.9%	
Total	122,623	115,488	7,135	5.8%	

### Table 13 Subprime and Prime Lending, By Income of Borrower MAPC Region, Refinance Loans Only, 2001

\* Income categories are defined in relationship to the Median Family Income of the Boston MSA (\$70,000 in 2001). "Low" is less than 50% of this amount (\$1K-\$35K in 2000); "Moderate" is 50%-80% of this amount (\$36K-\$56K); "Middle" is 80%-120% of this amount (\$57K-\$84K); and "Upper is over 120% of this amount (>\$84K in 2001).



Chart 13 Subprime Loans as Percent of All Refinance Loans By Borrower Income, MAPC Region, 1999 - 2001

## Table 14Subprime Loans as Percent of Total LoansBy Race/Ethnicity and Income of BorrowerMAPC Region, Refinance Loans Only, 2001

	Low Income*	Moderate Income*	Middle Income*	Upper Income*
Black	25.2%	23.6%	20.7%	18.6%
Latino	19.2%	14.4%	14.7%	9.4%
White	6.7%	5.4%	4.5%	3.0%

\* Income categories are defined in relationship to the Median Family Income of the Boston MSA (\$70,000 in 2001). "Low" is less than 50% of this amount (\$1K-\$35K in 2001); "Moderate" is 50%-80% amount (\$36K-\$56K); "Middle" is 80%-120% of this amount (\$57K-\$84K); and "Upper" is over 120% of this amount (>\$84K in 2001).





Subprime and Prime Lending, By Percent Minority Households in Census Tract\* MAPC Region, Refinance Loans Only, 2001

	Number All		Prime	Subprime	Percent	Ratio to	
	of Tracts	Lenders	Lenders	Lenders	Subprime	>75% White	
> 75% Minority	45	2,739	1,914	825	30.1%	6.34	
50%-75% Minority	32	2,429	2,057	372	15.3%	3.22	
25%-50% Minority	82	9,142	8,350	792	8.7%	1.82	
> 75% White	476	108,313	103,167	5,146	4.8%	1.00	
Total	635	122,623	115,488	7,135	5.8%		

\* This table classifies 1990 census tracts (used in HMDA data) into minority percentage categories on the basis of 2000 Census data.



Table 16
Subprime and Prime Lending, By Income Level of Census Tract*
MAPC Region, Refinance Loans Only, 2001

	Number	All	Prime	Subprime	Percent	Ratio to
	of Tracts	Lenders	Lenders	Lenders	Subprime	Upper %
Low-Income	63	3,436	2,816	620	18.0%	5.37
Moderate-Income	140	15,596	13,780	1,816	11.6%	3.47
Middle-Income	253	57,419	54,271	3,148	5.5%	1.63
Upper-Income	179	46,172	44,621	1,551	3.4%	1.00
Total	635	122,623	115,488	7,135	5.8%	

\* A census tract is placed into an income category on the basis of the relationship, according to the 2000 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 greater than 120% of the MFI of the MSA.





#### Number and Percentage of Loans by Subprime Lenders in the MAPC Region By Type of Borrower and Neighborhood, Refinance Loans Only, 1999-2001

	Number Subprime Loans			Subprime as % of Total			Disparity Ratio		
City/Town	1999	2000	2001	1999	2000	2001	1999	2000	2001
A. By Race/Ethnici	ty of Borr	ower (see	Table 12	for notes a	nd for deta	uils on 200	1 lending)		
Asian	82	81	98	6.4%	14.1%	2.7%	0.91	0.97	0.69
Black	525	492	640	28.5%	41.8%	1 <b>9.9%</b>	4.07	2.88	5.03
Latino	183	169	287	21.1%	28.6%	12.7%	3.01	1.97	3.21
White	3,253	2,827	3,528	7.0%	14.5%	4.0%	1.00	1.00	1.00
Not Reported	2,201	1,772	2,472	26.6%	31.7%	10.9%			
Total	6,340	5,502	7,135	10.7%	19.7%	5.8%			
B. By Income of Bo	orrower (s	see Table 1	3)						
Low	685	396	516	20.9%	23. <b>8%</b>	10.5%	3.12	1.63	2.59
Moderate	1,727	1,406	1,695	17.4%	26.9%	8.7%	2.60	1.84	2.17
Middle	1, <b>97</b> 2	1,850	2,280	12.8%	23.9%	7.0%	1.91	1.64	1.74
Upper	1,783	1,672	2,349	6.7%	14.6%	4.0%	1.00	1.00	1.00
Not Reported	173	178	295	4.5%	9.8%	3.9%			
Total	6,340	5,502	7,135	10.7%	19.7%	5.8%			
C. By Percent Min	ority Hou	seholds in	Census T	ract (see	Table 15)				
> 75% Minority	597	594	825	37.9%	48.0%	30.1%	4.16	2. <b>8</b> 1	6.34
50%-75% Minority	300	278	372	24.2%	33.4%	15.3%	2.66	1.95	3.22
25%-50% Minority	690	644	792	16.5%	25.9%	8.7%	1.81	1.51	1.82
> 75% White	4,753	3,986	5,146	9.1%	17.1%	4.8%	1.00	1.00	1.00
Total	6,340	5,502	7,135	10.7%	19.7%	5.8%			
D. By Income Leve	l of Censu	is Tract (	see Table	16)					
Low	433	467	620	25.2%	38.5%	18.0%	4.13	3.10	5.37
Moderate	1,498	1,352	1,816	19.5%	29.1%	11.6%	3.20	2.35	3.47
Middle	3,022	2,565	3,148	11.3%	19.7%	5.5%	1.85	1.59	1.63
Upper	1,387	1,118	1,551	6.1%	12.4%	3.4%	1.00	1.00	1.00
Total	6,340	5,502	7,135	10.7%	19.7%	5.8%			

						Other
	Lender		Applica-	Lending	Denial	Outcome
Lender Name	Type*	Loans	tions	Rate#	Rate#	Rate#
A. Subprime Lenders	<u> </u>					
Option One Mort, Corp. (H&R Block)	LML	990	1700	58.2%	31.4%	10.4%
Greenpoint Mortgage Funding	OSB	786	1478	53.2%	13.9%	32.9%
Ameriquest Mortgage Co.	LML	742	5262	14.1%	18.8%	67.1%
New Century Mortgage Corp.	LML	518	909	57.0%	25.2%	17.8%
American Business Financial	LML	335	1596	21.0%	19.0%	60.0%
Full Spectrum Lending (Countrywide)	LML	287	635	45.2%	6.8%	48.0%
Travelers Bank & Trust (Citigroup 1)	OSB	264	307	86.0%	3.6%	10.4%
Long Beach Mortgage Co. (WAMU)	LML	259	451	57.4%	32.6%	10.0%
First Union Bank of Del. (Wachovia)	OSB	229	862	26.6%	25.3%	48.1%
Freemont Investment & Loan	OSB	205	397	51.6%	38.8%	9.6%
Nationscredit Financial Servs. (BofA)	OSB	204	610	33.4%	57.5%	9.0%
Aegis Mortgage Corp.	LML	187	1314	14.2%	66.4%	19.4%
Chase Manhattan Bank USA	OSB	158	2573	6.1%	49.0%	44.9%
Wilmington National Finance	OSB	146	371	39.4%	45.0%	15.6%
Household Bank FSB (Household 1)	OSB	138	263	52.5%	14.1%	33.5%
Mortgage Lenders Network USA	LML	130	319	40.8%	27.6%	31.7%
Citifinancial (Citigroup 2)^	LML	108	572	18.9%	34.8%	46.3%
Aames Funding Corp.	LML	107	725	14.8%	13.1%	72.1%
Household Finance Corp. (Household 2)	LML	106	892	11.9%	24.1%	64.0%
Accredited Home Lenders	LML	104	219	47.5%	16.4%	36.1%
Subtotal, These 20 Lenders		6,003	21,455	28.0%	28.7%	43.3%
Sub-subtotal, 12 LML Lenders		3,873	14,594	26.5%	25.7%	47.8%
Subtotal, All 62 SubPrime Lenders		7,135	26,806	26.6%	28.1%	45.3%
B. Prime Lenders						
GMAC Mortgage	LML	7,396	7,786	95.0%	0.9%	4.1%
Fleet NB	CRA	7,334	10,889	67.4%	20.6%	12.1%
Washington Mutual Bank	OSB	6,909	8,881	77.8%	4.9%	17.3%
North American Mortgage Co.	OSB	5,987	7,430	80.6%	4.6%	14.8%
Wells Fargo Home Mortgage	OSB	4,843	5,663	85.5%	5.5%	9.0%
RBMG Inc.	LML	3,153	3,294	95.7%	0.7%	3.6%
Countrywide Home Loans	LML	3,127	4,400	71.1%	2.5%	26.4%
Chase Manhattan Mortgage	OSB	2,813	3,400	82.7%	5.6%	11.6%
National City Mortgage Co.	OSB	2,721	3,0 <u>77</u>	88.4%	5.6%	6.0%
ABN AMRO Mortgage Group	OSB	2,621	2,902	90.3%	7.5%	2.1%
GN Mortgage	OSB	1,773	2,010	88.2%	6.5%	5.3%
Bank of America	OSB	1,683	2,084	80.8%	9.4%	9.8%
People's Mortgage Corp.	CRA	1,620	1,722	94.1%	1.5%	4.5%
H&R Block Mortgage	LML	1,529	1,928	79.3%	4.0%	16.6%
1-800-East-West Mortgage	CRA	1,504	2,097	71.7%	12.7%	15.6%
Subtotal, These 15 Lenders		55,013	67,563	81.4%	7.1%	11.4%
Sub-subtotal, 3 CRA Lenders		10,458	14,708	71.1%	17.2%	11.7%
Sub-subtotal, 4 LML Lenders		15,205	17,408	87.3%	1.6%	11.0%
Subtotal, All 445 Prime Lenders		115,488	147,026	78.5%	8.1%	13.4%
Total, All 507 Lenders		122,623	173,832	70.5%	11.2%	18.3%

#### Biggest Subprime and Prime Lenders in MAPC Region, Refinance Loans Only, 2001 (The 20 Subprime Lenders with over 100 Loans & the 15 Prime Lenders with over 1,500 Loans)

\* "Lender Type" indicates if Boston area performance in meeting community credit needs is subject to evaluation by bank regulators:

CRA: currently covered by federal and/or state <u>Community Reinvestment Act</u> - banks and state-chartered credit unions with branches in Mass. LML: <u>Licensed Mortgage Lender</u>, 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-chartered out-of-state bank), which the state of Massachusetts is powerless to regulate.

# "Lending rate" is percent of applications that result in loans; "denial rate" is percent of applications that are denied; "other outcome rate" is percent of applications that are (1) approved by lender by not accepted by applicant, (2) withdrawn by applicant, or (3) never completed.

^ The data for two related lenders - Citifinancial Services, Inc. and Citifinancial Mortgage Co. - are combined in this row.

	Number	of Loans		% Black	%		Median
All	Prime	Subprime	Percent	(Non-Latino)	Latino		Family
Lenders	Lenders	Lenders	Subprime	Households	Households		Income
owns Surrour	ding Boston	(formerty: In	ner and Oute	er Rings)			
1,562	1,506	56	3.6%	1.6%	1.3%	S	78,741
852	827	25	2.9%	0.9%	1.3%	\$	95,057
1,619	1,547	72	4.4%	1.0%	0.9%	\$	73,417
1,956	1,912	44	2.2%	2.4%	2.8%	\$	92,993
1,753	1,682	71	4.1%	10.5%	5.2%	5	59,423
1,048	1,013	35	3.3%	2.5%	1.0%	\$	82,904
637	532	105	16.5%	6.0%	37. <b>7%</b>	\$	32,130
1,191	1,116	75	6.3%	1.0%	1.4%	\$	72,330
1,124	998	126	11.2%	5.4%	6.4%	5	49,876
3,105	2,731	374	12.0%	9.0%	13.2%	\$	45,295
1,731	1,592	139	8.0%	7.4%	3.6%	\$	55,557
2,074	1,939	135	6.5%	5.4%	1.7%	\$	62,409
1,171	1,113	58	5.0%	9.3%	1.0%	\$	94,359
1,383	1,354	29	2.1%	0.6%	0.8%	\$	107,570
3,197	3,108	89	2.8%	1.4%	1.6%	\$	105,289
2,930	2,777	153	5.2%	2.2%	1.6%	S	59,735
1,420	1,277	143	10.1%	18.7%	2.4%	S	61,942
1,587	1,421	166	10.5%	2.6%	6.3%	\$	45,865
1,398	1,312	86	6.2%	0.4%	0.6%	\$	65,782
1,671	1,537	134	8.0%	5.4%	5.7%	S	51,243
1,675	1,568	107	6.4%	3.6%	5.9%	\$	64,595
902	865	37	4.1%	1.3%	2.0%	S	67,441
1,168	1,147	21	1.8%	1.1%	1.3%	\$	134,769
475	456	19	4.0%	0.8%	1.3%	\$	181,041
732	712	20	2.7%	0.5%	0.6%	\$	103,242
2,574	2,415	159	6.2%	t.5%	1.1%	\$	64,083
763	722	41	5.4%	1.5%	2.0%	\$	65,696
ng 20 Bigges	t Cities/Tow	as in Massach	usetts				
3.282	2,734	548	16.7%	16.9%	6.4%	\$	46,235
1,305	1,204	101	7.7%	2.1%	2.3%	\$	37,671
2,627	2,428	199	7.6%	4.2%	7.8%	\$	67,420
2,951	2,776	175	5.9%	1.8%	6.1%	\$	59,772
1,503	1.208	295	19.6%	2.0%	50.6%	\$	31,809
2.833	2.539	294	10.4%	3.4%	11.4%	S	45,901
1.887	1.700	187	9.9%	4.5%	7.4%	s	35,708
2.217	1.810	407	18.4%	19.4%	21.8%	s	36.285
2,169	1.952	217	10.0%	2.4%	3.0%	S	52,433
4.249	3.779	470	11.1%	5.9%	11.8%	S	42,988
<u></u>						<u> </u>	
15 921	14 177	1 654	10 4%	21.4%	10.8%	s	44 151
11,600	30 170	2 510	6.0%	<u> </u>	A 50/	٣	¥#
122 622	115 129	7 124	5 20/	6.6%	4.5%		**
140 407	132 001	9 404	6 09/	6 1%	4 30/	c	68 341
745 820	270 432	16 307	6 7%	4 7%	5.0%	¢	61 664
	All Lenders >wns Surrour 1,562 852 1,619 1,956 1,753 1,048 637 1,191 1,124 3,105 1,731 2,074 1,171 1,383 3,197 2,930 1,420 1,587 1,398 1,671 1,675 902 1,675 2,627 2,951 1,503 2,833 1,887 2,217 2,169 4,249 1 1,5,831 1,40,497 245,830	Number           All         Prime           Lenders         Lenders           jwns Surrouuling Boston           1.562         1,506           852         827           1,619         1,547           1,956         1,912           1,753         1,682           1,048         1,013           637         532           1,191         1,116           1,124         998           3,105         2,731           1,731         1,592           2,074         1,939           1,171         1,113           1,383         1,354           3,197         3,108           2,930         2,777           1,420         1,277           1,587         1,421           1,398         1,312           1,671         1,537           1,675         1,568           902         865           1,168         1,147           475         456           732         712           2,574         2,415           763         722           992         Biggest         Cities/Tow <td>Number of Leans           All         Prime Lenders         Subprime Lenders           1.562         1,506         56           852         827         25           1.619         1,547         72           1.956         1,912         44           1.753         1.682         71           1.048         1,013         35           637         532         105           1.191         1,116         75           1.124         998         126           3.105         2,731         374           1,731         1,592         139           2,074         1,939         135           1,171         1,113         58           1,383         1,354         29           3,197         3,108         89           2,930         2,777         153           1,420         1,277         143           1,587         1,421         166           1,398         1,312         86           1,671         1,537         134           1,675         1,568         107           902         865         37</td> <td>Number of Leans         Percent           All         Prime         Subprime         Percent           Lenders         Lenders         Subprime         Subprime           was Surrouuding Boston (formerty: Inner and Oute           1.562         1,506         56         3.6%           852         827         25         2.9%           1.619         1.547         72         4.4%           1.956         1.912         44         2.2%           1.753         1.682         71         4.1%           1.048         1,013         35         3.3%           637         532         105         16.5%           1.124         998         126         11.2%           3.105         2.731         374         12.0%           1.731         1.592         139         8.0%           2.074         1.939         135         6.5%           1.171         1.113         58         5.0%           1.383         1.354         29         2.1%           3.197         3.108         89         2.8%           2.930         2.777         153         5.2%           1.420         <td< td=""><td>Number of Leans         % Black Subprime         % Black Non-Latino)           All Lenders         Prime Lenders         Subprime         Percent Non-Latino)           3xas Surrounding Boston (formerly: Inner and Outer Rings)         1.656         3.6%         1.6%           852         827         25         2.9%         0.9%           1.619         1.547         72         4.4%         1.0%           1.956         1.912         44         2.2%         2.4%           1.753         1.682         71         4.1%         10.5%           1.048         1.013         35         3.3%         2.5%           637         532         105         16.5%         6.0%           1.124         998         126         11.2%         5.4%           3.105         2.731         374         12.0%         9.0%           1.731         1.592         139         8.0%         7.4%           2.074         1.939         135         6.5%         5.4%           1.171         1.113         58         5.0%         9.3%           1.383         1.354         29         2.1%         0.6%           3.197         3.108         89<!--</td--><td>Number of Loans         % Black (Non-Lation)         %           All         Prime         Subprime         Percent         (Non-Lation)         Latino           Juss Surrounding Boston (formerty: Inner and Outer Rings)         1.562         1.506         56         3.6%         1.6%         1.3%           852         827         25         2.9%         0.9%         1.3%           1.619         1.547         72         4.4%         1.0%         0.9%           1.956         1.912         44         2.2%         2.4%         2.8%           1.753         1.682         71         4.1%         10.0%         5.2%           1.048         1.013         35         3.3%         2.5%         1.0%           1.124         998         126         11.2%         5.4%         6.4%           2.074         1.939         135         6.5%         5.4%         1.0%           1.131         58         5.0%         9.3%         1.0%           1.133         1.354         29         2.1%         0.6%         0.8%           3.105         2.777         153         5.2%         2.2%         1.6%           1.138         1.042</td><td>Number of Leans         % Black (Non-Latioo)         % Lation Lation           All         Prime         Subprime         Percent Subprime         Households         Households           xenders         Lenders         Subprime         Households         Households         Households           xenders         Landers         Subprime         Adv         Households         Households           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Landers           1.619         1.547         72         4.4%         1.0%         0.9%         1.3%         S           1.048         1.013         35         3.3%         2.5%         1.0%         5         1.1%         S         1.0%         1.4%         S           1.124         998         126         11.2%         5.4%         6.4%         S         1.171         1.113         58         5.0%         9.3%         1.0%         S           1.171         1.113         58         5.0%</td></td></td<></td>	Number of Leans           All         Prime Lenders         Subprime Lenders           1.562         1,506         56           852         827         25           1.619         1,547         72           1.956         1,912         44           1.753         1.682         71           1.048         1,013         35           637         532         105           1.191         1,116         75           1.124         998         126           3.105         2,731         374           1,731         1,592         139           2,074         1,939         135           1,171         1,113         58           1,383         1,354         29           3,197         3,108         89           2,930         2,777         153           1,420         1,277         143           1,587         1,421         166           1,398         1,312         86           1,671         1,537         134           1,675         1,568         107           902         865         37	Number of Leans         Percent           All         Prime         Subprime         Percent           Lenders         Lenders         Subprime         Subprime           was Surrouuding Boston (formerty: Inner and Oute           1.562         1,506         56         3.6%           852         827         25         2.9%           1.619         1.547         72         4.4%           1.956         1.912         44         2.2%           1.753         1.682         71         4.1%           1.048         1,013         35         3.3%           637         532         105         16.5%           1.124         998         126         11.2%           3.105         2.731         374         12.0%           1.731         1.592         139         8.0%           2.074         1.939         135         6.5%           1.171         1.113         58         5.0%           1.383         1.354         29         2.1%           3.197         3.108         89         2.8%           2.930         2.777         153         5.2%           1.420 <td< td=""><td>Number of Leans         % Black Subprime         % Black Non-Latino)           All Lenders         Prime Lenders         Subprime         Percent Non-Latino)           3xas Surrounding Boston (formerly: Inner and Outer Rings)         1.656         3.6%         1.6%           852         827         25         2.9%         0.9%           1.619         1.547         72         4.4%         1.0%           1.956         1.912         44         2.2%         2.4%           1.753         1.682         71         4.1%         10.5%           1.048         1.013         35         3.3%         2.5%           637         532         105         16.5%         6.0%           1.124         998         126         11.2%         5.4%           3.105         2.731         374         12.0%         9.0%           1.731         1.592         139         8.0%         7.4%           2.074         1.939         135         6.5%         5.4%           1.171         1.113         58         5.0%         9.3%           1.383         1.354         29         2.1%         0.6%           3.197         3.108         89<!--</td--><td>Number of Loans         % Black (Non-Lation)         %           All         Prime         Subprime         Percent         (Non-Lation)         Latino           Juss Surrounding Boston (formerty: Inner and Outer Rings)         1.562         1.506         56         3.6%         1.6%         1.3%           852         827         25         2.9%         0.9%         1.3%           1.619         1.547         72         4.4%         1.0%         0.9%           1.956         1.912         44         2.2%         2.4%         2.8%           1.753         1.682         71         4.1%         10.0%         5.2%           1.048         1.013         35         3.3%         2.5%         1.0%           1.124         998         126         11.2%         5.4%         6.4%           2.074         1.939         135         6.5%         5.4%         1.0%           1.131         58         5.0%         9.3%         1.0%           1.133         1.354         29         2.1%         0.6%         0.8%           3.105         2.777         153         5.2%         2.2%         1.6%           1.138         1.042</td><td>Number of Leans         % Black (Non-Latioo)         % Lation Lation           All         Prime         Subprime         Percent Subprime         Households         Households           xenders         Lenders         Subprime         Households         Households         Households           xenders         Landers         Subprime         Adv         Households         Households           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Landers           1.619         1.547         72         4.4%         1.0%         0.9%         1.3%         S           1.048         1.013         35         3.3%         2.5%         1.0%         5         1.1%         S         1.0%         1.4%         S           1.124         998         126         11.2%         5.4%         6.4%         S         1.171         1.113         58         5.0%         9.3%         1.0%         S           1.171         1.113         58         5.0%</td></td></td<>	Number of Leans         % Black Subprime         % Black Non-Latino)           All Lenders         Prime Lenders         Subprime         Percent Non-Latino)           3xas Surrounding Boston (formerly: Inner and Outer Rings)         1.656         3.6%         1.6%           852         827         25         2.9%         0.9%           1.619         1.547         72         4.4%         1.0%           1.956         1.912         44         2.2%         2.4%           1.753         1.682         71         4.1%         10.5%           1.048         1.013         35         3.3%         2.5%           637         532         105         16.5%         6.0%           1.124         998         126         11.2%         5.4%           3.105         2.731         374         12.0%         9.0%           1.731         1.592         139         8.0%         7.4%           2.074         1.939         135         6.5%         5.4%           1.171         1.113         58         5.0%         9.3%           1.383         1.354         29         2.1%         0.6%           3.197         3.108         89 </td <td>Number of Loans         % Black (Non-Lation)         %           All         Prime         Subprime         Percent         (Non-Lation)         Latino           Juss Surrounding Boston (formerty: Inner and Outer Rings)         1.562         1.506         56         3.6%         1.6%         1.3%           852         827         25         2.9%         0.9%         1.3%           1.619         1.547         72         4.4%         1.0%         0.9%           1.956         1.912         44         2.2%         2.4%         2.8%           1.753         1.682         71         4.1%         10.0%         5.2%           1.048         1.013         35         3.3%         2.5%         1.0%           1.124         998         126         11.2%         5.4%         6.4%           2.074         1.939         135         6.5%         5.4%         1.0%           1.131         58         5.0%         9.3%         1.0%           1.133         1.354         29         2.1%         0.6%         0.8%           3.105         2.777         153         5.2%         2.2%         1.6%           1.138         1.042</td> <td>Number of Leans         % Black (Non-Latioo)         % Lation Lation           All         Prime         Subprime         Percent Subprime         Households         Households           xenders         Lenders         Subprime         Households         Households         Households           xenders         Landers         Subprime         Adv         Households         Households           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Landers           1.619         1.547         72         4.4%         1.0%         0.9%         1.3%         S           1.048         1.013         35         3.3%         2.5%         1.0%         5         1.1%         S         1.0%         1.4%         S           1.124         998         126         11.2%         5.4%         6.4%         S         1.171         1.113         58         5.0%         9.3%         1.0%         S           1.171         1.113         58         5.0%</td>	Number of Loans         % Black (Non-Lation)         %           All         Prime         Subprime         Percent         (Non-Lation)         Latino           Juss Surrounding Boston (formerty: Inner and Outer Rings)         1.562         1.506         56         3.6%         1.6%         1.3%           852         827         25         2.9%         0.9%         1.3%           1.619         1.547         72         4.4%         1.0%         0.9%           1.956         1.912         44         2.2%         2.4%         2.8%           1.753         1.682         71         4.1%         10.0%         5.2%           1.048         1.013         35         3.3%         2.5%         1.0%           1.124         998         126         11.2%         5.4%         6.4%           2.074         1.939         135         6.5%         5.4%         1.0%           1.131         58         5.0%         9.3%         1.0%           1.133         1.354         29         2.1%         0.6%         0.8%           3.105         2.777         153         5.2%         2.2%         1.6%           1.138         1.042	Number of Leans         % Black (Non-Latioo)         % Lation Lation           All         Prime         Subprime         Percent Subprime         Households         Households           xenders         Lenders         Subprime         Households         Households         Households           xenders         Landers         Subprime         Adv         Households         Households           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Lation           xenders         Landers         Landers         Landers         Landers         Landers           1.619         1.547         72         4.4%         1.0%         0.9%         1.3%         S           1.048         1.013         35         3.3%         2.5%         1.0%         5         1.1%         S         1.0%         1.4%         S           1.124         998         126         11.2%         5.4%         6.4%         S         1.171         1.113         58         5.0%         9.3%         1.0%         S           1.171         1.113         58         5.0%

Table 19Subprime & Prime Lending in 37 Individual Cities and TownsRefinance Loans Only, 2001

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\*\* Median Family Income (MFI) is not available for the area consisting of the "Surrounding 27" communities or for the MAPC region.

Table 20						
Subprime & Prime Lending to Black, Latino, and White Borrowers						
In 37 Individual Cities & Towns, Refinance Loans Only, 2001						

	Black Borrowers			Latino Borrowers			White Borrowers			Subprime Share	
		Sub-	%		Sub-	%		Sub-	%	Disparity	Ratios*
	All	prime	Sub-	All	prime	Sub-	All	prime	Sub-	Black/	Latino/
City/Town	Lenders	Lenders	prime	Lenders	Lenders	prime	Lenders	Lenders	prime	White	White
A. 27 Cities and Towns Surrounding Boston (formerly: Inner and Outer Rings)											
Arlington	15	0	0.0%	16	2	12.5%	1,205	36	3.0%	-	-
Belmont	4	0	0.0%	6	0	0.0%	660	16	2.4%	-	-
Braintree	5	0	0.0%	7	2	28.6%	1,229	39	3.2%	-	-
Brookline	15	0	0.0%	11	0	0.0%	1,382	27	2.0%	-	-
Cambridge	59	14	23.7%	25	1	4.0%	1,200	34	2.8%	8.37	-
Canton	15	0	0.0%	2	0	0.0%	783	21	2.7%	-	
Chelsea	19	4	21.1%	153	31	20.3%	317	31	9.8%		2.07
Dedham	6	1	16.7%	15	0	0.0%	939	42	4.5%	-	
Everett	56	13	23.2%	66	10	15.2%	759	62	8.2%	2.84	1.85
Lynn	142	25	17.6%	209	30	14.4%	2,055	189	9.2%	1.91	1.56
Malden	64	9	14.1%	52	6	11.5%	1,103	80	7.3%	1.94	1.59
Medford	62	3	4.8%	27	0	0.0%	1,505	80	5.3%	0.91	
Milton	92	9	9.8%	16	0	0.0%	805	28	3.5%	2.81	·
Needham	4	0	0.0%	4	0	<u>0.0%</u>	1,051	18	1.7%	-	
Newton	20	3	15.0%	29	2	6.9%	2,369	49	2.1%		
Quincy	16	2	12.5%	26	1	3.8%	2,065	88	4.3%	<u> </u>	-
Randolph	215	27	12.6%	31	2	6.5%	673	49	7.3%	1.72	
Revere	26	7	26.9%	94	10	10.6%	1,112	91	8.2%	<u> </u>	1.30
Saugus	5	0	0.0%	15	<u> </u>	6.7%	1,153	57	4.9%	•	-
Somerville	56	7	12.5%	57	8	14.0%	1,113	59	5.3%	2.36	2.65
Waltham	46	3	6.5%	46	2	4.3%	1,138	67	5.9%	1.11	0.74
Watertown	4	0	0.0%	11	<u> </u>	9.1%	648	22	3.4%	<u> </u>	
Wellesley	10	0	0.0%	5	0	0.0%	864	11	1.3%	<u> </u>	
Weston	2	· 0	0.0%	1	0	0.0%	345	12	3.5%		
Westwood	2	0	0.0%	6	1	<u>16.7%</u>	564	9	1.6%		
Weymouth	18	2	11.1%	24	3	12.5%	1,987	93	4.7%		
Winthrop	8	1	12.5%	10	1	10.0%	601	23	3.8%	-	L
B. All Others	Among 20	Biggest C	ities/Tow	ns in Mas	sachusetts						
Brockton	375	78	20.8%	138	25	18.1%	1,833	197	10.7%	1.94	1.69
Fall River	10	0	0.0%	12	2	16.7%	1,078	53	4.9%		
Framingham	40	5	12.5%	114	25	21.9%	1,787	108	6.0%	2.07	3.63
Haverhill	35	5	14.3%	80	8	10.0%	2,328	89	3.8%	3.74	2.62
Lawrence	32	11	34.4%	573	122	<u>21.3%</u>	622	65	10.5%	-	2.04
Lowell	67	6	9.0%	124	24	19.4%	1,912	132	6.9%	1.30	2.80
New Bedford	72	9	12.5%	45	7	15.6%	1,427	73	5.1%	2.44	3.04
Springfield	224	60	26.8%	222	33	14.9%	1,252	104	8.3%	3.22	1.79
Taunton	47	6	12.8%	19	4	21.1%	1,664	115	6.9%	1.85	
Worcester	112	13	11.6%	181	25	13.8%	2,839	215	7.6%	1.53	1.82
C. For Comparison:											
City of Boston	1,832	474	25.9%	727	114	15.7%	9,048	419	4.6%	5.59	3.39
Surrounding 27	986	130	13.2%	964	114	11.8%	29,625	1,333	4.5%	2.93	2.63
MAPC Region	3,210	640	19.9%	2,257	287	12.7%	89,028	3,528	4.0%	5.03	3.21
Boston MSA	3,364	657	19.5%	2,356	299	12.7%	103,109	4,253	4.1%	4.73	3.08
Massachusetts	4,812	891	18.5%	4,472	623	13.9%	186,369	8,221	4.4%	4.20	3.16

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 "Subprime Share Disparity Ratios" are the calculated by dividing the percentage of refinance loans to blacks [or Latinos] that were made by subprime lenders by the share of refinance loans to whites that were made by subprime lenders. These ratios are only calculated for communities where blacks [or Latinos] received at least 35 total refinance loans.

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		All Lenders	5	Sub	prime Len	iers	Percent Subprime			
City/Town	1999	2000	2001	1999	2000	2001	1999	2000	2001	
A. 27 Cities and Towns Surrounding Boston (formerly: Inner and Outer Rings)										
Arlington	761	277	1,562	46	24	56	6.0%	8.7%	3.6%	
Belmont	480	145	852	19	8	25	4.0%	5.5%	2.9%	
Braintree	710	326	1,619	73	57	72	10.3%	17.5%	4.4%	
Brookline	849	324	1,956	26	19	44	3.1%	5.9%	2.2%	
Cambridge	1,027	429	1,753	83	64	71	8.1%	14.9%	4.1%	
Canton	460	206	1,048	39	29	35	8.5%	14.1%	3.3%	
Chelsea	305	224	637	79	72	105	25.9%	32.1%	16.5%	
Dedham	571	310	1,191	67	55	75	11.7%	17.7%	6.3%	
Everett	600	340	1,124	88	102	126	14.7%	30.0%	11.2%	
Lynn	1,396	847	3,105	328	264	374	23.5%	31.2%	12.0%	
Malden	896	460	1,731	113	120	139	12.6%	26.1%	8.0%	
Medford	1,018	505	2,074	129	115	<u>135</u>	12.7%	22.8%	6.5%	
Milton	659	294	1,171	68	56	58	10.3%	19.0%	5.0%	
Needham	675	246	1,383	14	6	29	2.1%	2.4%	2.1%	
Newton	1,699	573	3,197	70	39	89	4.1%	6.8%	2.8%	
Quincy	1,410	661	2,930	161	117	153	11.4%	17.7%	5.2%	
Randolph	568	399	1,420		129	143	19.5%	32.3%	10.1%	
Revere	777	514	1,587	139	137	166	17.9%	26.7%	10.5%	
Saugus	622	307	1,398	75	69	86	12.1%	22.5%	6.2%	
Somerville	923	459	1.671	123	96	134	15.5%	20.9%	8.0%	
Waltham	864	339	1,675	/6	48	107	8.8%	14.2%	0.4%	
Watertown	483	1/8	902	33	23	21	2 104	2 494	1 994	
wellesley	011	102	1,100	13		21	0.0%	7 8%	1.070	
Weston	2/0	103	732	17	15	20	4.6%	9.7%	7.070	
Westwood	1 1 1 9 0	634	2 574	147	153	159	12.4%	24.1%	6.7%	
Winthrop	372	203	763	50	43	41	13.4%	21.2%	5.4%	
B All Others A	mong 20 B	iggest Cit	ties/Town	s in Massa	chusetts					
D. An Oners A	1 420	1.000	3 282	360	206	548	25.6%	29.6%	16.7%	
Eoll Diver	623	295	1 305	96	84	101	15.4%	28.5%	7 7%	
Framingham	1 174	560	2,627	133	178	199	11.3%	22.9%	7.6%	
Haverbill	1 1 1 77	710	2,021	141	140	175	12.0%	19.7%	5.9%	
Lawrence	626	448	1.503	179	168	295	28.6%	37.5%	19.6%	
Lowell	1,203	664	2,833	197	171	294	16.4%	25.8%	10.4%	
New Bedford	858	554	1.887	184	170	187	21.4%	30.7%	9.9%	
Springfield	1.369	860	2.217	439	376	407	32.1%	43.7%	18.4%	
Taunton	915	520	2,169	140	147	217	15.3%	28.3%	10.0%	
Worcester	1,896	1,044	4,249	296	310	470	15.6%	29.7%	11.1%	
C. For Compar	ison:									
City of Boston	7.921	4.532	15,831	1,394	1.279	1,654	17.6%	28.2%	10.4%	
Surrounding 27	20,569	9,667	41,698	2,189	1,873	2,519	10.6%	19.4%	6.0%	
MAPC Region	59,073	27,874	122,623	6,340	5,502	7,135	10.7%	19.7%	5.8%	
Boston MSA	67,335	32,103	140,497	7,481	6.469	8,406	11.1%	20.2%	6.0%	
Massachusetts	119,850	58,181	245,830	14,488	12,678	16,397	12.1%	21.8%	6.7%	

Table 21Number and Percentage of Loans by Subprime LendersIn 37 Cities and Towns, Refinance Loans Only, 1999-2001

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#### 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" (Joint Center for Housing Studies of Harvard University, Working Paper W99-11, Sept. 1999, pages 7-20 – available at <u>www.jchs.harvard.edu/</u> <u>publications/finance/goldstein\_w99-11.pdf</u>.)).

#### 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: <u>www.huduser.org/datasets/manu.html</u>.

There are 199 lenders on HUD's subprime lenders list for 2001 (down from 209 lenders on last year's list for 2000); 68 of these made at least one loan in the MAPC Region in 2001. 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. In the city of Boston, for example, Conseco Financial Services Corp. was the only manufactured home lender that made refinance loans during the 1999 – 2001 period; its 21 loans in 2001 were just 1.3% of total subprime 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 are exempted from HMDA reporting because mortgage lending constitutes less than one-tenth of their total lending; Household Finance and Beneficial (both subsidiaries of Household International) were for this reason exempt from HMDA reporting until 2001, even though Household has consistently been the largest or second largest originator of subprime mortgage loans in the nation. 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

#### 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 (<u>www.ffiec.gov</u>). 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. In fact, there are very few government-backed refinance loans in Boston. In 2001, there were 430 government-backed refinance loans in the city of Boston, accounting for 2.7% of all refinance loans in the city. Only one of these 430 loans was from a subprime lender.

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: \$62,700 in 1999, \$65,500 in 2000, and \$70,000 in 2001. The MFI for the Boston MSA for 2002 is \$74,200. 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. 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 annually updated data from HUD on the MFI in each MSA.

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 (35.5% vs. 19.7% in the city of Boston in 2001).

#### Data on Population and Income from the 2000 Census

All population and income data presented in this report for geographical areas (census tracts, neighborhoods, cities and towns, the MAPC Region, the Boston MSA, and the state of Massachusetts) are from the 2000 Census. The population data were used in last year's report; this report is the first in this series in which 2000 income data are used. 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 population 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 census data for all Massachusetts cities and towns and for all census tracts in the state. Additional data from the 2000 Census were obtained using the "American FactFinder" feature on the website of the U.S. Census Bureau (www.census.gov).

Racial/Ethnic composition of geographic areas may be defined in a number of ways 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"). The percentage for Latinos consists of all those who classified themselves as Latino, regardless of the race or races that they selected. The terms "Asian," "black," and "white" are used in this report as shorthand for "non-Latino Asian," "non-Latino black," and "non-Latino white," respectively. The percentage for a single race is calculated as the average of (1) the percentage that chose that race alone and (2) the percentage that chose that race alone or together with one or more other races. One advantage of this method is that the sum of the percentages for all of the races equals very close to 100% (the sum of all percentages based on each race alone is less than 100%, while the sum of all percentages based on each race alone or together with one or more other races is greater than 100%). The percentage "minority" is followed in spite of the fact that "minorities" constitute the majority of the population in many geographical areas (including the world as a whole – but not, by the definition used here, the city of Boston.)

Racial/Ethnic composition may be reported either as percentage of the entire population or as percentage of households, where a household is defined as one or more persons living in a single housing unit. (In many cases, a household consists of a family, but there are also many non-family households consisting of a single individual or a set of unrelated individuals.) In most cases, this report uses household percentages rather than population percentages because households provide a better indicator of the number of potential home owners. The race/ethnicity of a household is determined by the race of the individual identified as the householder.

HMDA data are reported for 1990 census tracts and HMDA data for 2002 will continue to be reported that way. The record for each mortgage application in the HMDA LAR data provides information on the census tract in which the home is located,

including the percentage of minority residents in the census tract, the ratio of the MFI in the census tract to the MFI of the MSA in which the tract is located, and the number of owner-occupied housing units in the tract. The census tracts used in 2001 HMDA data are from the 1990 census and the population, income, and housing data are from that year's census. For this report, however, census tracts have been classified on the basis of data from the 2000 Census. As a result, results reported for analyses of lending in different categories of census tracts will be different in this report than in most other analyses of HMDA data – and they should more accurately reflect current demographic reality. In most cases, census tracts are the same in the 2000 Census as they were in the 1990 Census, and the process of using 2000 Census data for these tracts is straightforward. However, in some cases census tract definitions (boundaries) were changed between the 1990 Census and the 2000 Census. In Boston, for example, 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 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 <u>www.ci.boston.ma.us/bra/publications.asp.</u>). For Tables 5, 6, 15, and 16, considerable effort was expended in using 2000 Census data to classify those 1990 census tracts that no longer existed for the 2000 Census into the categories for income level and racial/ethnic composition that are used in this report.

Major categories of lenders: the biggest individual subprime and prime lenders listed in Tables 9 and 18 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.) Licensed mortgage lenders that make 500 loans per year 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 1939/House 3338 ("An Act Establishing Community Reinvestment Obligations for Certain Mortgage Lenders"). "OSB" (for "out-of-state bank") indicates lenders (other than CRA 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 1939/House 3338.

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