Borrowing Trouble?

Subprime Mortgage Lending

in Greater Boston, 1999

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BY

Jim Campen

Department of Economics and Mauricio Gaston Institute for Latino Community Development and Public Policy

University of Massachusetts/Boston

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53 State Street, 8th floor

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INTRODUCTION

In response to numerous reports of the growth of predatory lending, both locally and nationwide, the Massachusetts Community & Banking Council (MCBC) commissioned this study of subprime lending in the city of Boston and surrounding communities. Although two previous studies have provided summary data on subprime lending in the entire Boston Metropolitan Statistical Area (MSA), this report presents the first detailed look at subprime lending in the city of Boston and in twenty-seven surrounding communities. In doing so, it joins a large and growing body of studies of subprime lending in other cities and nationwide.

Although it was motivated by a concern with *predatory* lending, this study – like all of the other quantitative studies of which I am aware – analyzes and reports on lending by *subprime* lenders. [1] This highly imperfect approach to shedding light on the subject of concern is an unavoidable result of the limits on available data (see the next section for more details). It is therefore important to emphasize that *while all predatory loans are subprime, only a fraction of subprime loans are predatory.* While predatory loans are by their nature abusive and harmful to borrowers, responsible subprime lending can provide a useful service by making credit available to borrowers who might not otherwise be able to obtain it. [2] 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.

This study is a companion to *Changing Patterns VII: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Greater Boston, 1990-1999*, the most recent in a series of annual reports on mortgage lending in Boston prepared for MCBC by the present author. The *Changing Patterns* series was motivated primarily by a concern for expanding home ownership and was therefore restricted to analysis of *home-purchase lending*. However, the "prey" for predatory lenders are sought and found among those who not only own their own homes, but who also have accumulated substantial equity in these properties. Thus, the present study examines *refinance lending* – loans that refinance existing mortgages.[3]

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[1] The two studies of the Boston MSA are "Analyzing Trends in Subprime Originations and Foreclosures: A Case Study of the Boston Metro Area," by Debbie Gruenstein and Christopher E. Herbert (Cambridge MA: Abt Associates, prepared for the Neighborhood Reinvestment Corporation, September 2000) and "Stripping the Wealth: Analysis of Predatory Lending in Boston," by ACORN (late 1999). In addition, there is a large and growing body of studies of subprime lending nationwide and in other cities. One important nationwide study is "Unequal Burden: Income and Racial Disparities in Subprime Lending in America" by the U.S. Department of Housing and Urban Development (HUD) (August 2000; available at www.huduser.org/publications/fairhsg/unequal.html; this national report has links to studies of five individual cities: Atlanta, Baltimore, Chicago, Los Angeles, and New York). Another good national study is "Separate and Unequal: Predatory Lending in America," by ACORN (October 2000, 49 pages; copies of this report bound for local distribution also contain supplementary pages with data on subprime lending in local MSAs). *Two Steps Back: The Dual Mortgage Market, Predatory Lending, and the Undoing of Community Development* by Daniel Immergluck and Marti Wiles (Chicago: Woodstock Institute, 1999) contains both an excellent analysis of the reasons underlying the growth of subprime and predatory lending and an important case study of subprime lending in the Chicago area.

[2] The distinction between predatory and other subprime lending is discussed in more detail in the following section.

[3] *Changing Patterns VII* reported that subprime lenders accounted for 3.3% of all home-purchase loans in the city of Boston in 1999 (far below the17.6% share of refinance loans reported below). *Changing Patterns VII* (December 2000) is available from the Massachusetts Community & Banking Council, Exchange Place, 53 State Street, 8th Floor, Boston MA 02109 (617/725-5748).

This report is organized into three major sections. Section I provides a more detailed discussion of the definitions used and describes the nature and limitations of the data on which the study is based. Sections II and III summarize the most significant findings that emerge from an analysis of the tables and charts that constitute the bulk of the report. A brief final section offers some concluding comments and identifies areas for further research.

Section II reports on subprime lending patterns within the city of Boston, drawing on Tables 1-9 and their associated charts. The analysis looks at the growth of subprime lending, at lending to borrowers grouped by race/ethnicity and by income, at lending in census tracts grouped by income level and by percentage of minority residents and in the city's traditional neighborhoods, and at the largest subprime lenders.

Section III reports on subprime lending patterns in 27 cities and towns surrounding Boston, drawing on Tables 10-17 and their associated charts. The twelve cities and towns that share a boundary with Boston are grouped together as the "Inner Ring." Listed clockwise from the southeast, these are: Quincy, Milton, Dedham, Brookline, Newton, Watertown, Cambridge, Somerville, Everett, Chelsea, Revere, and Winthrop. The fifteen additional cities and towns that share a boundary with at least one of the "Inner Ring" municipalities constitute the "Outer Ring." These are Weymouth, Braintree, Randolph, Canton, Westwood, Needham, Wellesley, Weston, Waltham, Belmont, Arlington, Medford, Malden, Saugus, and Lynn. (The cities and towns in the two Rings are shown on the map that precedes Table 10.) The total population of each of the rings is within five percent of that in Boston itself, with the communities in the Inner Ring containing somewhat more people than Boston and the communities in the Outer Ring containing somewhat fewer.[4] Together, the City and the two Rings contain about 54% of the total population in the Boston MSA.

The goal of the 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.

[4] According to the 1990 Census, the city of Boston's population was 574,283, while 602,415 lived in the Inner Ring and 558,764 resided in the Outer Ring communities. The Boston MSA's population was 3,220,340.

I. DEFINITIONS AND DATA

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.[5]

In spite of this very important distinction, this 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 Home Mortgage Disclosure Act (HMDA) data, as collected, processed, and released each year by the Federal Financial Institutions Examination Council, a coordinating body for the federal bank regulatory agencies. Almost all lenders who make substantial numbers of mortgage loans are required to submit HMDA data to their federal regulator each year. These data include numerous pieces of information about each loan application received, including the income, race/ethnicity, and sex of the applicant; the census tract in which the home is located; the amount of the loan; the purpose of the loan (home purchase, refinance, or home improvement); and the outcome of the application (loan, denial, approval not accepted by applicant, withdrawn application, or file closed for incompleteness).

However, none of the information reported makes it possible to identify any particular loan as subprime – and certainly not to identify any loan as predatory. HMDA data do not include any of the information about interest rate, fees, loan terms, or applicant credit record that could indicate whether or not an individual loan was subprime. What is available, in the absence of data about *subprime loans*, is information about *lending by subprime lenders*.

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[5] 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 by Deborah Goldstein, "Understanding Predatory Lending: Moving Toward a Common Definition and Workable Solutions" (Neighborhood Reinvestment Corporation and Joint Center for Housing Studies of Harvard University, October 1999, pages 7-20).

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 for whom subprime loans make up at least a majority of total lending. [6] There are 287 lenders on HUD's subprime lenders list for 1999; 85 of these received at least one application from Boston or one of the two Rings in 1999, and 71 made one or more loans in response to these applications. These are the *subprime lenders* referred to in this report. (Tables 8 and 17 identify the biggest subprime lenders in the city of Boston and the two Rings; the lenders included in these tables collectively accounted for over 90% of all subprime refinance loans in 1999.) To facilitate comparisons, all other lenders are referred to in this report 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. In addition, some important subprime lenders, such as Household International, are exempted from HMDA reporting because mortgage lending constitutes less than one-tenth of their total lending. Furthermore, although many subprime loans take the form of second mortgage loans or home equity loans, HMDA regulations do not require either of these types of loans to be reported. [7]

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); other studies exclude those subprime lenders classified by HUD as manufactured home lenders. Because government-backed loans and loans by manufactured home lenders together accounted for less than three percent of all refinance loans in Boston in 1999 (see Appendix Table A-1), these distinctions are ignored in the present study.

Patterns of lending by subprime lenders are analyzed in this report both in terms of the income level and race/ethnicity of the *borrowers* who received the loans and in terms of the income level and percentage of minority residents in the *neighborhoods* (census tracts) where the loans were made. In the former case, the data on income and race/ethnicity are provided by the borrower at the time the loan application is made, and borrower incomes are compared to an estimate of the median family income of the Boston MSA that is updated each year by HUD. In the case of census tracts, however, the most recent reliable data are those provided by the 1990 Census. These data were almost a decade old by 1999, and therefore may provide a quite imperfect indication of the current percentages of minority residents and current income levels in many census tracts.

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[6] The current list of subprime lenders, together with a description of the criteria used to determine whether or not a lender is included, is available at www.huduser.org/datasets/manu.html. A fuller discussion of the methodology, together with lists for 1993 through 1998, is contained in Randall M. Scheessele, *1998 HMDA Highlights*, Housing Finance Working Paper No. HF-009, Office of Policy Development and Research, HUD, October 1999. 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 are therefore not discussed separately in this report.

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

II. SUBPRIME LENDING IN THE CITY OF BOSTON

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

- **Between 1994 and 1999, the number of loans by subprime lenders in the city of Boston increased ten-fold,** from 140 in 1994 to 1,394 in 1999. Loans by prime lenders were only two and one-half times greater in 1999 than in 1994. As a result, **subprime lenders accounted for more than one in six refinance loans in Boston in 1999 (17.6%), up from one in twenty (4.9%) five years earlier**. (See Table 1 and Chart 1.)

- Subprime loans made up disproportionately large shares of the refinance loans to black and Latino borrowers in Boston. **In 1999, subprime lenders made 32.4% of all refinance loans to blacks and 29.1% of the loans to Latinos. These loan shares were about three and one-half times as great as the 8.8% share of subprime loans among all loans to white borrowers**. Loans from subprime lenders made up 11.8% of refinance loans to Asian borrowers. In interpreting these numbers, it should be noted that subprime lenders did not report information on borrower race/ethnicity for one-third all loans.[8] (Table 2 and Chart 2)

- **Borrowers at lower income levels were considerably more likely to receive subprime loans. For low-income borrowers, one-third (33.1%) of all refinance loans were from subprime lenders, compared to one-quarter (27.7%) of all loans to moderate-income borrowers, one-fifth (19.0%) of all loans to middle-income borrowers, and one-tenth (9.7%) of all 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 $62,700 in 1999. Less than 50% of the MFI of the MSA is "low-income"; between 50% and 80% is "moderate-income"; between 80% and 120% is "middle-income"; and over 120% is "upper-income." (Table 3 and Chart 3)

- The disproportionately high shares of subprime loans among all loans to black and Latino borrowers cannot be explained simply by the fact that these borrowers have, on average, lower incomes than white borrowers. **Within each of the four income categories, loans from subprime lenders made up substantially higher shares of all loans to black and Latino borrowers than of all loans to white borrowers. In fact, the subprime loan shares for upper-income blacks and Latinos (21.6% and 27.2%, respectively) were greater than the subprime loan share for low-income whites (19.9%)**. (Table 4 and Chart 4)

- When attention is turned from the person receiving the loan to the neighborhood in which the home is located, analogous patterns emerge. The share of all refinance loan that were from subprime lenders was 37.8% in census tracts with more than 75% minority residents, compared to just 11.4%

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[8] Home Mortgage Disclosure Act (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 borrowers from subprime lenders for whom information on race/ethnicity was not reported was more than twice as large as the share for prime lenders (33.5% vs. 14.8%).

in census tracts where more than 75% of the residents were white.[9] That is, **the share of all refinance loans that were from subprime lenders was 3.32 times greater in predominantly minority neighborhoods than in predominantly white neighborhoods.** (Table 5 and Chart 5)

- As the income level of census tracts decreases, the share of all refinance loans made by subprime lenders increases. **The share of loans from subprime lenders was five times greater in low-income census tracts than it was in upper-income census tracts (26.8% vs. 5.4%). The share in moderate-income census tracts (22.0%) was four times greater than that in the upper-income tracts.** (Income categories for census tracts are defined similarly to those for borrowers: low-income tracts are those where the median family income (MFI) is less than 50% of that for the Metropolitan Statistical Area (MSA); moderate-income census tracts are those where the MFI is between 50% and 80% of the MFI in the MSA; middle-income tracts are those where the MFI is between 80% and 120% of the MFI in the MSA; and upper-income tracts are those with MFIs greater than 120% of the MSA's MFI.) (Table 6 and Chart 6)

- **The share of all refinance loans that were made by subprime lenders varied dramatically among Boston's major neighborhoods. The highest subprime share – 37.3% in Mattapan – was ten times greater than the lowest share – 3.8% in Back Bay/Beacon Hill. Neighborhoods with higher subprime shares tended to have higher percentages of minority residents and lower income levels**, although these correlations were far from perfect. For example, the two neighborhoods with the highest subprime shares – Roxbury and Mattapan – also had the highest percentages of minority residents, while Roxbury had the lowest median family income. At the other extreme, the four neighborhoods with the lowest subprime shares – Back Bay/Beacon Hill, Central, South End, and West Roxbury – also had three of four highest income levels.[10] (Table 7 and Chart 7)

- Who are the subprime lenders? Table 8 presents information about each of the 32 subprime lenders that made ten or more refinance loans in Boston in 1999; these lenders accounted for 92.8% of all subprime loans in the city. **Three subprime lenders made more than 100 refinance loans in Boston in 1999: Champion (a subsidiary of KeyCorp), Option One (a subsidiary of H&R Block), and Ameriquest Mortgage**. None of the top 32 subprime lenders is affiliated with a Massachusetts-based bank; the only one of these lenders based in Massachusetts is FEC Mortgage (Foxborough), a subsidiary of Itochu Corporation (Japan). For purposes of comparison, Table 8 also provides information about the ten largest prime refinance lenders, each of which made more loans than the biggest subprime lender.

- The outcomes of applications to subprime lenders were dramatically different from those submitted to prime lenders. **Just one-fourth (26.5%) of applications to subprime lenders resulted in loans, compared to two-thirds (67.8%) of applications to prime lenders**. Less than one-quarter of this difference is accounted for by the higher denial rate of subprime lenders (26.2% vs. 16.8%). The most important reason for the difference is that more than one-third (34.7%) of all applications

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[9] HMDA data report the location of the home for which a mortgage loan was obtained by state, MSA, country, and census tract. Urban census tracts are typically several blocks square and contain between 3,000 and 4,000 residents.

[10] It would have been interesting to classify *census tracts* simultaneously by both percentage of minority residents and income level in order to see if the patterns resembled those found when *borrowers* were classified simultaneously by both race/ethnicity and income level (Table 4 and Chart 4). However, Boston has too few census tracts in many of the categories created in this way. In particular, it would be very interesting to compare the subprime share of all refinance loans in upper-income tracts that were predominantly minority to the subprime share in lower-income tracts that were predominantly white. However, it is impossible to make this comparison because all of the 42 census tracts in Boston with more than 75% minority residents are either low-income or moderate-income tracts. Details on the number of tracts and subprime lending shares when census tracts are classified simultaneously by both income level and percentage of minority residents are provided in Appendix Table A-2.

to subprime lenders did not result in any decision – either because the application was withdrawn by the applicant or because the applicant did not provide all of the necessary information; this was true of only one-twelfth (8.5%) of applications to prime lenders. In addition, almost one-third (32.2%) of those whose applications were approved by subprime lenders decided not to accept the loans that they had applied for; this was true for only one-tenth (9.3%) of approved applicants to prime lenders. (Table 8)

- **Studies in other cities have found the markets for refinance loans to be sharply divided, with traditionally under-served borrowers and areas served primarily by subprime lenders while traditionally well-served areas are served primarily by prime lenders.[11] This does not seem to be the case in Boston.** Table 9 shows the top five lenders to six categories of traditionally under-served borrowers or neighborhoods alongside the top five lenders to corresponding categories of traditionally well-served borrowers or neighborhoods. No subprime lender was among the top five lenders in any of the well-served categories, but little should be concluded from this because no subprime lender was among the top ten overall lenders in the city. Typically, however, two of the top five lenders in the well-served categories were also among the top five lenders in the under-served categories, along with one or two other prime lenders. For example, Fleet and Chase Manhattan, who ranked first and fourth in lending to Charlestown, South Boston, and West Roxbury (the three neighborhoods with less than 5% minority residents), also ranked first and fifth in lending to Roxbury and Mattapan (the two neighborhoods with more than 85% minority residents). In one case – loans in low-income census tracts – all five of the top lenders were prime lenders.

III. SUBPRIME LENDING IN THE INNER AND OUTER RINGS

The data presented in Tables 10 - 17 and their associated charts provide an overview of subprime lending in the Inner and Outer Rings of communities that surround the city of Boston. Subprime lending accounted for a smaller share of total refinance lending in the two rings combined than in Boston itself (10.7% vs. 17.6% in 1999),[12] but the *patterns* of subprime lending observed in the rings are very similar to those noted above for the city. Almost all of the data presented in Tables 10 – 17, and the findings summarized in the rest of this section, are for total lending in the two rings combined. However, Table 16 presents some data on lending in each of the 27 cities and towns contained in the rings, and for each ring as a whole.

- **Between 1994 and 1999, the number of loans by subprime lenders in the Inner and Outer Rings increased by 534%,** from 345 loans in 1994 to 2,189 in 1999. Loans by prime lenders increased by only 71% during the same period. **In 1999, subprime lenders accounted for one-tenth (10.6%) of all refinance loans in the Rings, up from one-thirtieth (3.1%) five years earlier.** (See Table 10 and Chart 10.)

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

[12] The subprime share of all refinance loans was 10.2% in the Inner Ring and 11.0% in the Outer Ring. The lower subprime shares in the two rings than the 17.6% subprime share in the city of Boston were accompanied by lower percentages of black and Latino households (6.7% in the Inner Ring and 3.6% in the Outer Ring, compared to 28.7% in Boston) and higher median family incomes ($47,301 in the Inner Ring and $58,714 in the Outer Ring, compared to $36,240 in Boston). These data are from Table 16.

- Subprime loans made up disproportionately large shares of the refinance loans to black and Latino borrowers in the two Rings. **In 1999, subprime lenders made 22.8% of all refinance loans to blacks, a loan share more than three times as great as the 7.4% share of subprime loans among all loans to white borrowers. Subprime lenders accounted for 17.1% of the loans to Latinos**, but for only 5.3% of loans to Asian borrowers. In interpreting these numbers, it should be noted that subprime lenders did not report information on borrower race/ethnicity for one-third (34.5%) of all loans. (This information was not reported for 11.2% of borrowers from prime lenders.) (Table 11 and Chart 11)

- Borrowers at lower income levels were considerably more likely to receive subprime loans. **For low-income borrowers, one-fifth (21.1%) of all refinance loans were from subprime lenders, compared to just one-sixteenth (6.2%) of all loans to upper-income borrowers – that is, the subprime loan share was 3.4 times greater for low-income borrowers than it was for upper-income borrowers.** At the same time, one-sixth (16.5%) of all refinance loans to moderate-income borrowers, and one-eighth (13.2%) of those to middle-income borrowers, were made by subprime lenders. (Table 12 and Chart 12)

- The disproportionately high shares of subprime loans among all loans to black and Latino borrowers in the Rings cannot be explained simply by the fact that these borrowers have, on average, lower incomes than white borrowers. With the single exception of an unusually small share of subprime loans (4 of 33 loans, or 12.1%) to low-income Hispanics, **within each income category, loans from subprime lenders made up substantially higher shares of all refinance loans to black and Latino borrowers than of all loans to white borrowers. In fact, the subprime loan share for upper-income blacks (16.7%) was greater than the subprime loan share for low-income whites (13.6%).** (Table 13 and Chart 13)

- When attention is turned from the person receiving the loan to the neighborhood in which the home is located, analogous patterns emerge, although the range of variation in subprime loan shares is limited by the fact that **there is not a single census tract in either of the two rings with more than 75% minority residents**. The share of all refinance loans that were from subprime lenders was just 10.0% in census tracts where more than 75% of the residents were white, compared to 22.0% in census tracts with 25%-50% minority residents and 20.2% in tracts with 50%-75% minority residents. That is, **the share of all refinance loans that were from subprime lenders was two times greater in census tracts with between 25% and 75% minority neighborhoods than it was in predominantly white neighborhoods.** (Table 14 and Chart 14)

- As the income level of census tracts decreases, the share of all refinance loans made by subprime lenders increases. **The share of loans from subprime lenders was four and one-half times greater in low-income and moderate-income census tracts than it was in upper-income census tracts (19.5% and 18.7% vs. 4.2%).** The share in middle-income census tracts was 11.5%. (Table 15 and Chart 15)

- **The share of all refinance loans that were made by subprime lenders varied dramatically among the individual cities and towns in the two rings. In the Inner Ring, the subprime share ranged from 25.9% in Chelsea to 3.1% in Brookline. In the Outer Ring, the subprime share was highest in Lynn at 23.5%, while subprime lenders made no loans at all in Weston. Communities with higher subprime shares tended to have higher percentages of minority residents and lower income levels.** For example, Chelsea had not only the highest subprime share in the Inner Ring; it also had the lowest income and the highest percentage of black and Latino households. At the other extreme, the two Inner Ring communities with the lowest subprime shares

– Brookline and Newton – also had the two highest incomes. Similarly, Lynn had the highest subprime percentage in the Outer Ring, as well as the lowest income and highest percentage of black and Latino households. And the three Outer Ring communities with the lowest subprime percentages – Weston, Needham, and Wellesley – had the three highest incomes. [13] (Table 16)

- Table 16 also presents information on refinance lending by subprime and prime lending in the 15 cities and towns that are among the 25 largest in the state, but are not included in either of the two Rings. **Almost one-third (32.1%) of all refinance loans in Springfield were from subprime lenders, and four more of these 15 communities also had subprime shares greater than 20%: Lawrence (28.6%), Brockton (25.6%), Fitchburg (23.8%), and New Bedford (21.4%)**. These five cities had four of the six lowest median incomes among the 15 non-Ring communities, and the first two of these cities had the two highest percentages of black and Latino households.

- Who are the subprime lenders in the two Rings? Table 17 presents information on lending by each of the 29 subprime lenders that made 20 or more loans in the two rings in 1999; these lenders accounted for 89.9% of all subprime loans in the two rings. **Three subprime lenders made more than 150 refinance loans in the two rings in 1999: Champion, Option One, and Ameriquest.** For purposes of comparison, Table 16 also provides information about each of the 14 prime refinance lenders that made more than 300 loans, each of which made more loans than the biggest subprime lender. None of the top 29 subprime lenders is affiliated with a Massachusetts-based bank; the only one of these lenders based in Massachusetts is FEC Mortgage (Foxborough), a subsidiary of Itochu Corporation (Japan).

- As in Boston, the outcomes of applications to subprime lenders were dramatically different from those submitted to prime lenders. **Just one-fourth (25.7%) of applications to subprime lenders resulted in loans, compared to three-quarters (74.7%) of applications to prime lenders.** Less than one-quarter of this difference is accounted for by the somewhat higher denial rate of subprime lenders (23.7% vs. 11.7%). Most of the difference results from the fact that more than one-third (37.9%) of all applications to subprime lenders did not result in any decision – either because the application was withdrawn by the applicant or because the applicant did not provide all of the necessary information; this was true of only one out of fourteen applications to prime lenders. In addition, one-third (33.0%) of those whose applications were approved by subprime lenders decided not to accept the loans that they had applied for; this was true for only one-twelfth (8.3%) of applicants approved by prime lenders. (Table 17)

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[13] It would have been interesting to classify *census tracts* in the two rings simultaneously by both percentage of minority residents and income level in order to see if the patterns resembled those found when *borrowers* were classified simultaneously by both race/ethnicity and income level (Table 13 and Chart 13). However, as in Boston itself, the Inner and Outer Rings have too few census tracts in many of the categories created in this way. In fact, of the sixteen categories created when tracts are classified simultaneously by four income levels and four ranges of minority population percentage, six – including all four categories with more than 75% minority residents – contain no census tracts at all, and five more contain between one and four tracts. Details on the number of tracts and subprime lending shares when census tracts are classified simultaneously by both percentage of minority residents and income level are provided in Appendix Table A-3.

CONCLUDING COMMENTS

Although this study was motivated by reports of increased levels of *predatory lending* in Boston and surrounding communities, it presents findings on *lending by subprime lenders.* The opening pages of this report explained why data limitations require this indirect approach to shedding light on the subject of primary concern. Having taken this initial step, it is natural to consider additional steps that could provide further illumination. Accordingly, this report concludes by briefly discussing a number of possible directions for further research.

Making use of updated census data. Population and income data from the 2000 census will become available within the next several months. To the extent that income levels and racial/ethnic compositions of census tracts have changed since 1990, these new data will make it possible to identify more accurately the distribution of subprime lending among neighborhoods at different income levels and with different percentages of minority residents.

Studying patterns of foreclosures. One of the most devastating consequences of predatory lending is the foreclosures that result when the predators' victims have lost not only the equity in their homes, but the homes themselves. Studies that explored the links between patterns of subprime (or predatory) lending and patterns of foreclosures could yield improved understanding of the extent and seriousness of problems created by predatory lenders. A summary of the findings of initial studies in four metropolitan areas, including Boston, reports that foreclosure levels for subprime lenders are very high, and have risen rapidly while foreclosures by other lenders have grown slowly or even (as in Boston) declined. Subprime lenders now account for considerably larger shares of foreclosures than they do of loans originated, and foreclosures by subprime lenders occur, on average, much nearer to the dates on which the loans were originated.[14]

Undertaking case studies of predatory lenders. On the basis of news reports, consultations with public officials, and interviews with credit counselors, consumer attorneys, and community advocates, it should be possible to develop a short list of lenders with a history of predatory lending practices. A small number of these lenders could then be selected for detailed case studies. These case studies would make creative use of a variety of sources and methods to develop detailed descriptions of the lending patterns, business practices, and loan histories of the individual lenders, and of the impact of their lending both on their customers and on the neighborhoods in which they do business.

Analyzing marketing practices. The ability to combat predatory lenders could also be enhanced by a detailed examination of their methods of obtaining customers. This examination could attempt to determine several things: the relative importance of different types of marketing, including newspaper ads, radio and television commercials, direct mail, telemarketing, and door-to-door solicitations; the typical content of these forms of outreach; the groups of potential borrowers who are targeted by this marketing; and the means by which this targeting is achieved. Such in-depth information, like that gained

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[14] The summary of the four studies is "Subprime Foreclosures: The Smoking Gun of Predatory Lending?" by Harold L. Bunce and Randall M. Scheessele of HUD and Debbie Gruenstein and Christopher Herbert of Abt Associates (unpublished, 2000). Among the four studies reviewed were "Analyzing Trends in Subprime Originations and Foreclosures: A Case Study of the Boston Metro Area" (Gruenstein and Herbert, Abt Associates, September 2000) and *Preying on Neighborhoods: Subprime Mortgage Lenders and Chicagoland Foreclosures* (National Training and Information Center, Chicago, 1999). The conclusions that can be drawn from foreclosure studies, including these, are limited by the fact that the company foreclosing on a home is often different than the company that made the loan (this is because lenders often sell loan servicing and/or the loans themselves).

through case studies, could be useful in increasing the effectiveness of consumer education efforts aimed at reducing vulnerability to predatory lending.[15]

Making use of improved HMDA data. In late 2000, the Federal Reserve Board submitted for public comment a proposal for revising its Regulation C, which governs the reporting of Home Mortgage Disclosure Act (HMDA) data. Several of the Fed's proposed changes are useful steps in the right direction. These include: reporting the interest rate for each loan, as measured by the annual percentage rate (APR); reporting if the loan's interest rate and/or fees are high enough to make it subject to the Home Owners Equity Protection Act (HOEPA); reporting if the loan is for a manufactured home; and reporting all home equity lines of credit, as a separate category of loan (although second mortgages or home-equity loans used to pay off credit-card or other non-housing debt would still not be reported). This additional information would make it possible, for the first time, to identify some of the loans included in HMDA data as subprime loans. However, the earliest these new data could become available is 2003. Revisions finalized in 2001 could at best be made effective for loan applications received on or after January 1, 2002, and the expanded HMDA data for that year's lending would not become public until the second half of 2003.[16]

[15] A model for such homeowner awareness campaigns is the *Don't Borrow Trouble* campaign developed by the Massachusetts Community & Banking Council (MCBC), in cooperation with the City of Boston, and subsequently replicated in numerous cities around the U.S. with support from Freddie Mac.

[16] Regulation C and the Fed's proposed revisions are both available at www.federalreserve.gov/regulations. The final regulations adopted by the Fed may differ from those proposed. The lending industry has undertaken a campaign to scale back the new reporting requirements. On the other hand, community advocates have argued that the identification of subprime and even predatory loans would be greatly facilitated by requiring lenders to report several additional pieces of information about each loan. Among the most useful of these would be: total fees (in addition to the APR); the existence of such loan features as prepayment penalties, single-payment credit life insurance; and balloon payments; and the appraised value of the property (or the loan-to-value ratio). One important effect of requiring the reporting of such information would almost certainly be to substantially reduce the number of predatory loans made, as unscrupulous lenders realized that their lending practices could not stand the light of day.

Table 1
Increase in Subprime Lending, 1994-1999
City of Boston, Refinance Loans Only

	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime
1994	2,858	2,718	140	4.9%
1999	7,921	6,527	1,394	17.6%
Ratio: 1999/1994	2.77	2.40	9.96	3.59

Chart 1
Growth of Prime and Subprime Lending
City of Boston, Refinance Loans Only, 1994-1999

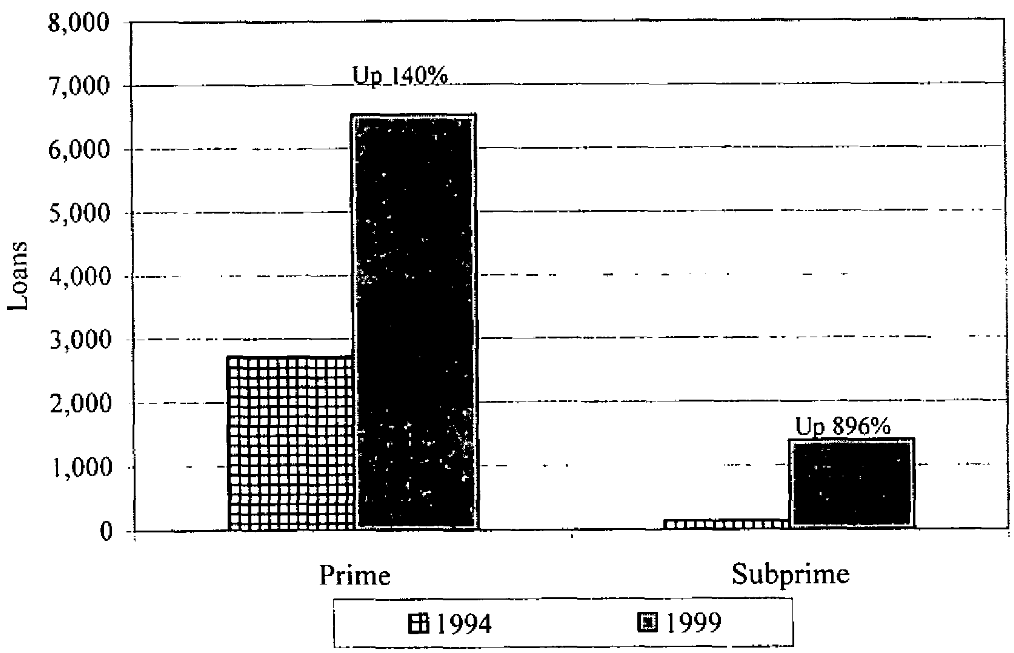


Table 2
Subprime and Prime Lending, By Race/Ethnicity of Borrower
City of Boston, Refinance Loans Only, 1999

Borrower Race/Ethnicity	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to White %
Asian	220	194	26	11.8%	1.35
Black	1,135	767	368	32.4%	3.69
Latino	306	217	89	29.1%	3.31
White	4,704	4,291	413	8.8%	1.00
Not Reported	1,435	968	467	32.5%	
Total	7,921	6,527	1,394	17.6%	

Notes: "Not Reported" is "Information not provided...in mail or telephone application"& "Not applicable"
"Total" includes "American Indian" and "Other" as well as the categories shown.
"Subprime" includes one manufactured home lender (30 of the 1,394 loans)

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

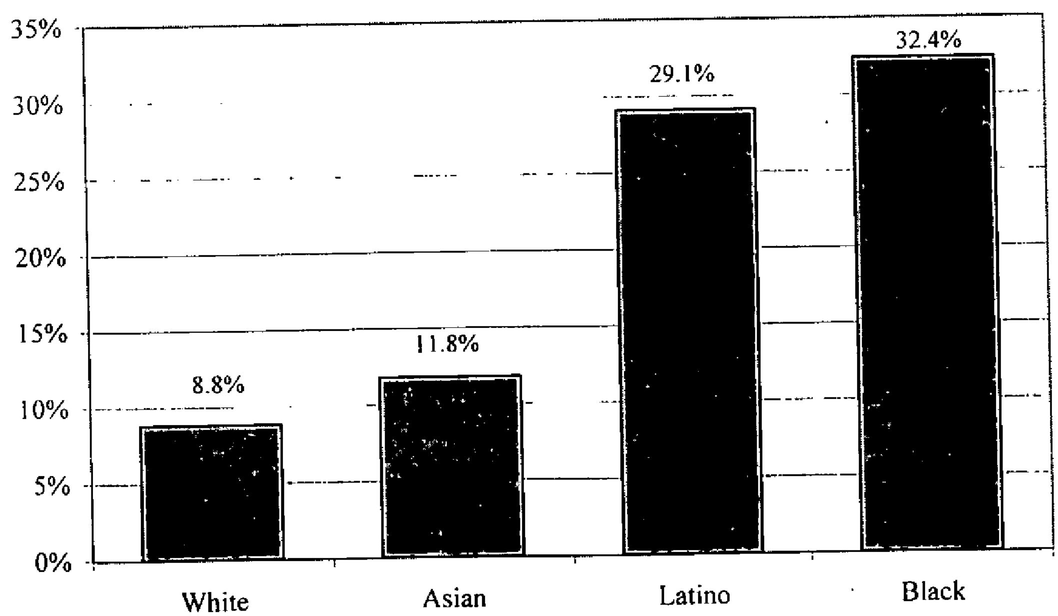


Table 3
Subprime and Prime Lending, By Income of Borrower
City of Boston, Refinance Loans Only, 1999

Income Category	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low	596	399	197	33.1%	3.42
Moderate	1,720	1,244	476	27.7%	2.86
Middle	2,075	1,681	394	19.0%	1.96
Upper	2,949	2,664	285	9.7%	1.00
Not Reported	581	539	42	7.2%	
Total	7,921	6,527	1,394	17.6%	

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($62,700 in 1999). "Low" is less than 50% of this amount ($1-$31K in 1999); "Moderate" is 50%-80% of this amount ($32-$50K); "Middle" is 80%-120% of this amount ($51K-$75K); and "Upper is over 120% of this amount (>$75K in 1999).

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

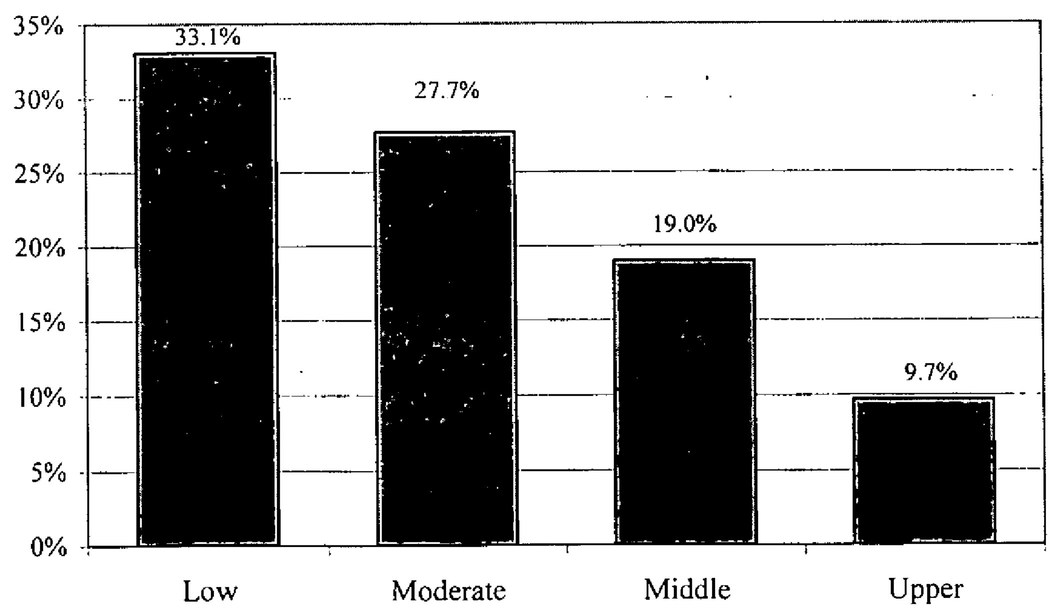


Table 4
Subprime Loans as Percent of Total Loans
By Race & Income of Borrower
City of Boston, Refinance Loans Only, 1999

	Low Income	Moderate Income	Middle Income	Upper Income
Black	38.8%	40.6%	32.6%	21.6%
Latino	24.2%	34.3%	28.4%	27.1%
White	19.9%	13.7%	9.7%	5.6%

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($62,700 in 1999). "Low" is less than 50% of this amount ($1-$31K in 1999); "Moderate" is 50%-80% of this amount ($32-$50K); "Middle" is 80%-120% of this amount ($51K-$75K); and "Upper" is over 120% of this amount (>$75K in 1999).

Chart 4
Subprime Loans as Percent of All Refinance Loans
By Borrower Race/Ethnicity and Income
City of Boston, 1999

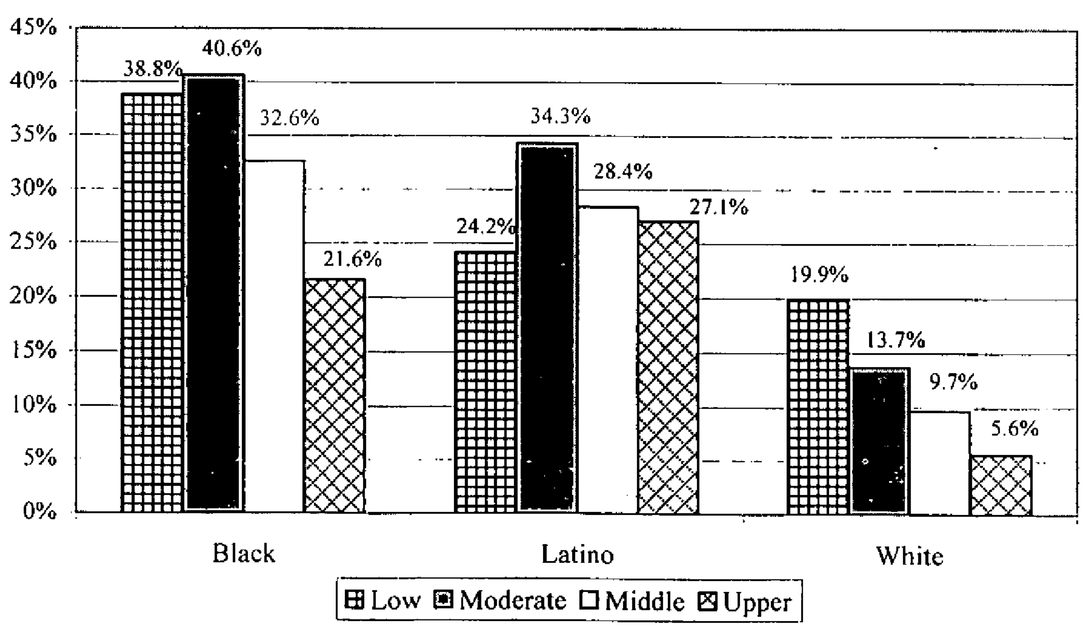


Table 5
Subprime and Prime Lending, By Percent Minority in Census Tract
City of Boston, Refinance Loans Only, 1999

	Number of Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to >75% White
> 75% Minority	42	1,292	804	488	37.8%	3.32
50%-75% Minority	18	896	700	196	21.9%	1.92
25%-50% Minority	27	1,088	906	182	16.7%	1.47
> 75% White	76	4,645	4,117	528	11.4%	1.00
Total	163	7,921	6,527	1,394	17.6%	

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

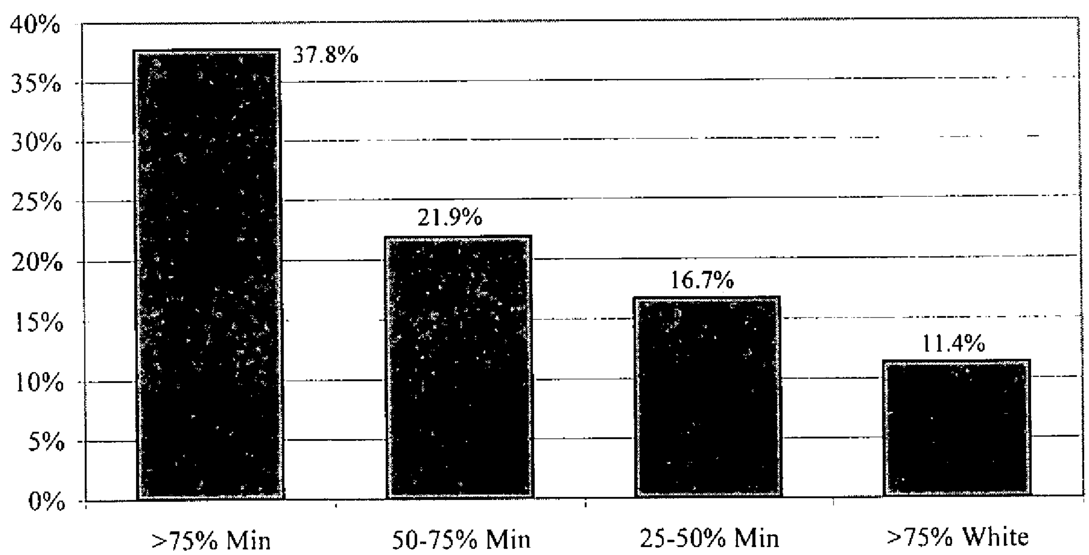


Table 6
Subprime and Prime Lending, By Income Level of Census Tract
City of Boston, Refinance Loans Only, 1999

	Number of Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low-Income	37	646	473	173	26.8%	4.99
Moderate-Income	74	3,552	2,770	782	22.0%	4.11
Middle-Income	37	2,656	2,274	382	14.4%	2.68
Upper-Income	13	1,063	1,006	57	5.4%	1.00
Total	161	7,917	6,523	1,394	17.6%	3.28

The number of census tracts in this table is two smaller than in Table 5 because there are two tracts for which no income was reported. These two tracts (1101.01 and 1501.00) received a total of 4 loans, all from prime lenders

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

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

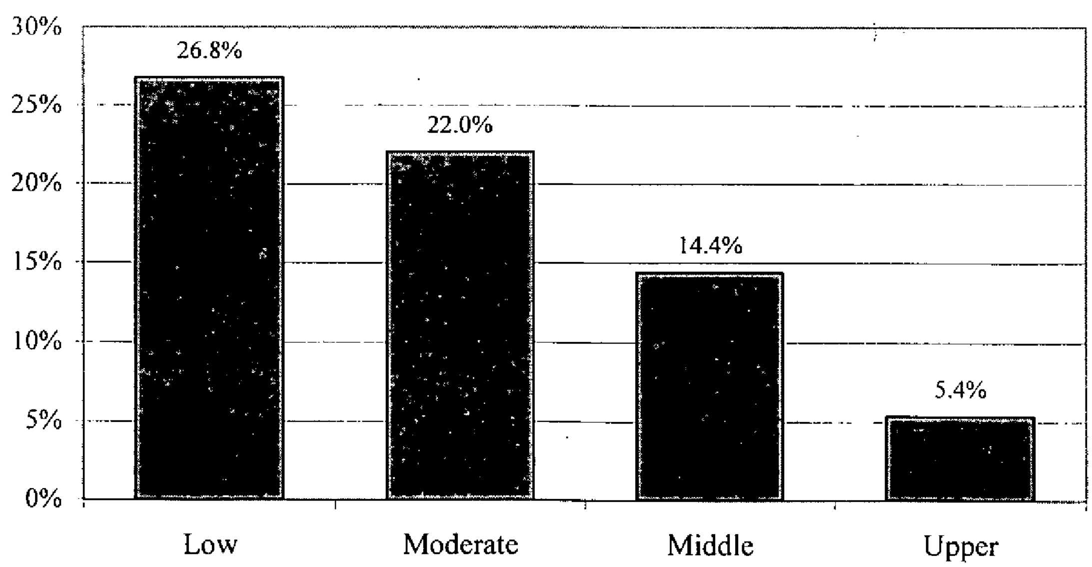


Table 7
Subprime and Prime Lending, By Neighborhood
City of Boston, Refinance Loans Only, 1999

Neighborhood#	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Percent Minority	MFI as % of MSA MFI*
Mattapan	467	293	174	37.3%	89.9%	65.7%
Roxbury	524	330	194	37.0%	93.7%	49.4%
South Dorchester	890	613	277	31.1%	52.6%	72.1%
Hyde Park	587	426	161	27.4%	28.8%	84.4%
North Dorchester	290	226	64	22.1%	49.8%	63.4%
East Boston	379	309	70	18.5%	23.6%	57.4%
Roslindale	550	461	89	16.2%	21.0%	82.2%
South Boston	640	538	102	15.9%	4.1%	69.7%
Fenway/Kenmore	142	124	18	12.7%	28.2%	63.5%
Jamaica Plain	515	460	55	10.7%	49.0%	70.5%
Charlestown	369	333	36	9.8%	4.9%	86.5%
Allston/Brighton	670	618	52	7.8%	26.9%	74.5%
West Roxbury	558	520	38	6.8%	4.9%	103.4%
South End	510	482	28	5.5%	62.1%	62.3%
Central	350	332	18	5.1%	25.0%	86.8%
BackBay/BeaconHill	479	461	18	3.8%	11.4%	192.3%
City of Boston	7,920	6,526	1,394	17.6%	40.9%	74.4%

The neighborhoods used in this study are based on the Planning Districts (PDs) defined by the Boston Redevelopment Authority (BRA) but do not correspond exactly because lending data are available on a census tract basis and many tracts are divided among two or more PDs. The table excludes the Harbor Islands, which had one [prime] refinance loan in 1999.

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

Chart 7
Subprime Loans as Percent of All Refi Loans, Boston Neighborhoods, 1999

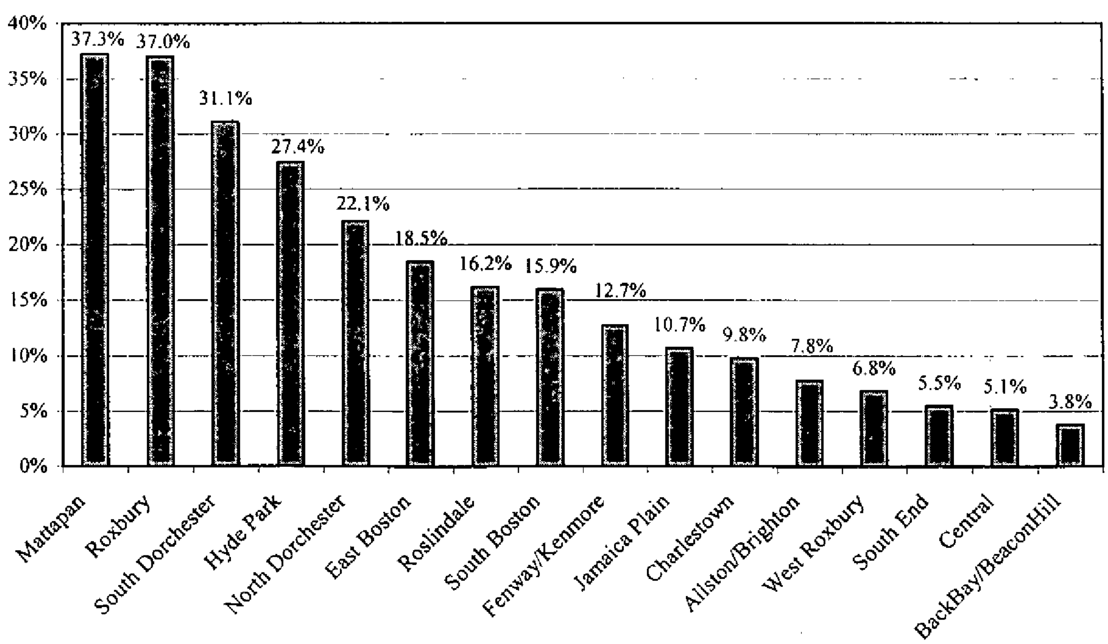


Table 8
Biggest Subprime and Prime Lenders in City of Boston, Refinance Loans Only, 1999
(The 32 Subprime Lenders That Made 10 or More Loans & The 10 Prime Lenders with 135 or More Loans)

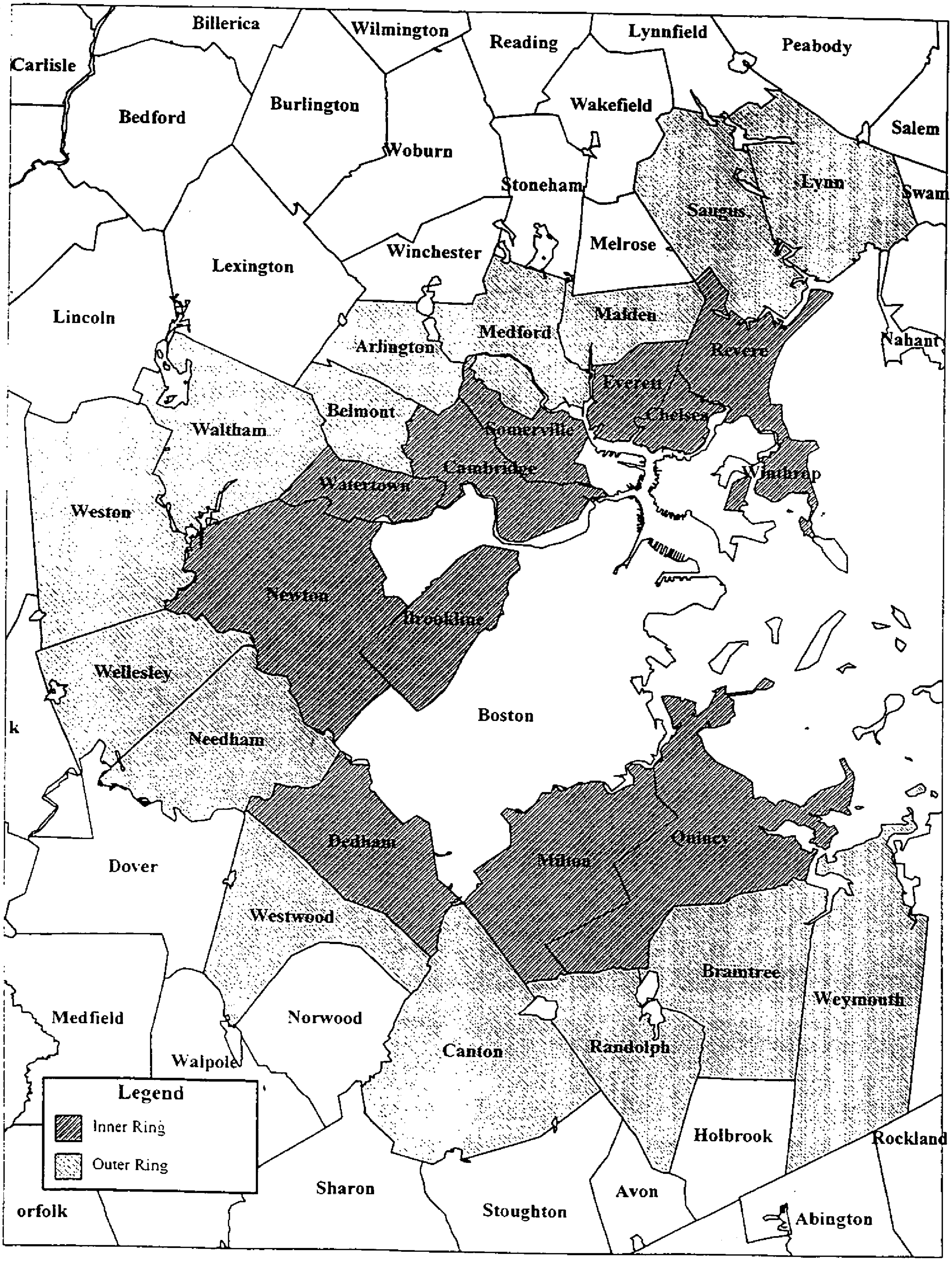
Lender Name	Applica-tions	Loans	Lending Rate	Denials	Denial Rate	Approved Not Accepted	Not Accepted Rate	No Decision	No Decision Rate
A. Subprime Lenders									
Champion (KeyCorp)	271	138	50.9%	61	22.5%	42	23.3%	30	11.1%
Option One MC (H&R Block)	269	128	47.6%	87	32.3%	53	29.3%	1	0.4%
Ameriquest Mort Co	864	120	13.9%	52	6.0%	22	15.5%	670	77.5%
EHomeCredit Corp	267	96	36.0%	114	42.7%	0	0.0%	57	21.3%
NationsCredit Fin Servs (BofA)	256	93	36.3%	53	20.7%	84	47.5%	26	10.2%
New Century MC (USBancorp 23%)	176	71	40.3%	66	37.5%	7	9.0%	32	18.2%
Advanced Fin Services (RI)	149	47	31.5%	85	57.0%	0	0.0%	17	11.4%
Parkway Mortgage	114	41	36.0%	14	12.3%	0	0.0%	59	51.8%
Delta Funding Corp	196	40	20.4%	9	4.6%	93	69.9%	54	27.6%
Aames	94	39	41.5%	32	34.0%	17	30.4%	6	6.4%
Long Beach Mort Co (WAMU)	59	38	64.4%	9	15.3%	1	2.6%	11	18.6%
FEC Mort Co (Foxborough MA)	181	37	20.4%	19	10.5%	0	0.0%	125	69.1%
Travelers Bank & Trust (Citi #2)	42	32	76.2%	1	2.4%	8	20.0%	1	2.4%
Conseco	101	30	29.7%	42	41.6%	3	9.1%	26	25.7%
The Money Store (First Union #1)	224	28	12.5%	114	50.9%	78	73.6%	4	1.8%
Superior Bank (IL)	130	27	20.8%	39	30.0%	52	65.8%	12	9.2%
Fremont Invest & Loan (CA)	76	26	34.2%	30	39.5%	15	36.6%	5	6.6%
Mortgage Lenders Network USA	48	26	54.2%	10	20.8%	6	18.8%	6	12.5%
Full Spectrum (Countrywide)	102	25	24.5%	40	39.2%	6	19.4%	31	30.4%
First Franklin Fin (Ntl City)	42	24	57.1%	7	16.7%	0	0.0%	11	26.2%
Contimortgage Corp	76	23	30.3%	13	17.1%	20	46.5%	20	26.3%
Associates Hm Eq Serv (Assoc #1)	35	19	54.3%	6	17.1%	6	24.0%	4	11.4%
BNC Mortgage	54	19	35.2%	18	33.3%	17	47.2%	0	0.0%
First Union Home Eq Bank (FU #2)	59	19	32.2%	15	25.4%	15	44.1%	10	16.9%
WMC Mort Co (CA)	42	18	42.9%	10	23.8%	0	0.0%	14	33.3%
CitiFinancial MA (Citi #2)	25	17	68.0%	3	12.0%	5	22.7%	0	0.0%
Mortgage.com	22	17	77.3%	1	4.5%	3	15.0%	1	4.5%
Advanta	528	14	2.7%	136	25.8%	1	6.7%	377	71.4%
Amresco Residential MortCo(CA)	34	11	32.4%	7	20.6%	0	0.0%	16	47.1%
Accredited Home Lenders	28	10	35.7%	7	25.0%	8	44.4%	3	10.7%
Associates Fin Services (Assoc #2)	25	10	40.0%	12	48.0%	1	9.1%	2	8.0%
Life Bank	31	10	32.3%	13	41.9%	7	41.2%	1	3.2%
Subtotal, These 32 Lenders	4,620	1,293	28.0%	1,125	24.4%	570	30.6%	1,632	35.3%
Subtotal, All 79 SubPrime Lenders	5,262	1,394	26.5%	1,378	26.2%	663	32.2%	1,827	34.7%
B. Prime Lenders									
Fleet	934	537	57.5%	282	30.2%	52	8.8%	63	6.7%
Washington Mutual	413	312	75.5%	38	9.2%	37	10.6%	26	6.3%
North American Mort Co	425	310	72.9%	53	12.5%	35	10.1%	27	6.4%
Chase Manhattan	409	287	70.2%	72	17.6%	29	9.2%	21	5.1%
Citizens	539	238	44.2%	246	45.6%	48	16.8%	7	1.3%
Countrywide	392	227	57.9%	55	14.0%	48	17.5%	62	15.8%
Bank of America	273	201	73.6%	37	13.6%	14	6.5%	21	7.7%
Norwest	260	196	75.4%	36	13.8%	19	8.8%	9	3.5%
Assurance Mort Co	264	183	69.3%	34	12.9%	20	9.9%	27	10.2%
Ohio SB FSB	198	183	92.4%	7	3.5%	7	3.7%	1	0.5%
Subtotal, These 10 Lenders	4,107	2,674	65.1%	860	20.9%	309	10.4%	264	6.4%
Subtotal, All 238 Prime Lenders	9,633	6,527	67.8%	1,614	16.8%	672	9.3%	820	8.5%
Total, All Lenders	23,109	13,269	57.4%	4,712	20.4%	1,953	12.8%	3,175	13.7%

Notes: Lending rate is the number of loans divided by the total number of applications.
Denial rate is the number of denials divided by the total number of applications.
"Approved Not Accepted" means that lender approved the application but the applicant decided not to accept the loan.
Not Accepted rate is the number of approved not accepted divided by the total number of approved applications.
"No Decision" means either that the application was withdrawn by the applicant or closed by lender because the applicant did not provide all necessary information. No Decision rate is number of no decisions divided by total applications.

Table 9
Top Five Lenders for Various Categories of Loans: Traditionally Under-Served vs. Well-Served Borrowers and Neighborhoods City of Boston, Refinance Loans Only, 1999

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

Lender Name	Loans		Lender Name	Loans
A. Black Borrowers			**White Borrowers**	
Fleet	90		Washington Mutual	250
Citizens	61		*North American Mortgage*	199
Champion	60		*Fleet*	178
Ameriquest	56		Chase Manhattan	166
North American Mortgage	44		Bank of America	158
B. Latino Borrowers			**White Borrowers**	
Fleet	30		Washington Mutual	250
North American Mortgage	22		*North American Mortgage*	199
Champion	22		*Fleet*	178
Citizens	18		Chase Manhattan	166
Norwest	13		Bank of America	158
C. Low-Income Borrowers			**Upper-Income Borrowers**	
Washington Mutual	38		*Washington Mutual*	177
eHome Credit	33		Ohio SB FSB	109
Ameriquest	32		North American Mortgage	107
Citizens	26		Bank of America	86
Fleet	20		Assurance Mort. Co.	75
D. Census Tracts >75% Minority			**Census Tracts >75% White**	
Fleet	109		*Fleet*	299
North American Mortgage	55		Washington Mutual	186
Citizens	51		Chase Manhattan	180
Option One	48		*North American Mortgage*	166
Ameriquest	47		Ohio SB FSB	135
E. Low-Income Census Tracts			**Upper-Income Census Tracts**	
Fleet	45		*Fleet*	72
North American Mortgage	30		*Chase Manhattan*	57
Washington Mutual	30		*Washington Mutual*	52
Citizens	27		Bank of America	47
Chase Manhattan	26		Boston FSB	40
F. Roxbury and Mattapan			**Charlestown, S. Boston, & W. Roxbury**	
Fleet	86		*Fleet*	86
Citizens	44		Mt. Washington Co-op	76
Option One	42		North American Mortgage	63
Ameriquest	37		*Chase Manhattan*	56
Chase Manhattan	35		Washington Mutual	51



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

Table 10
Increase in Subprime Lending, 1994-1999
Inner and Outer Rings, Refinance Loans Only

	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime
1994	11,115	10,770	345	3.1%
1999	20,569	18,380	2,189	10.6%
Ratio: 1999/1994	1.85	1.71	6.34	3.43

Chart 10
Growth of Subprime Lending in Inner & Outer Rings
Refinance Loans Only, 1994-1999

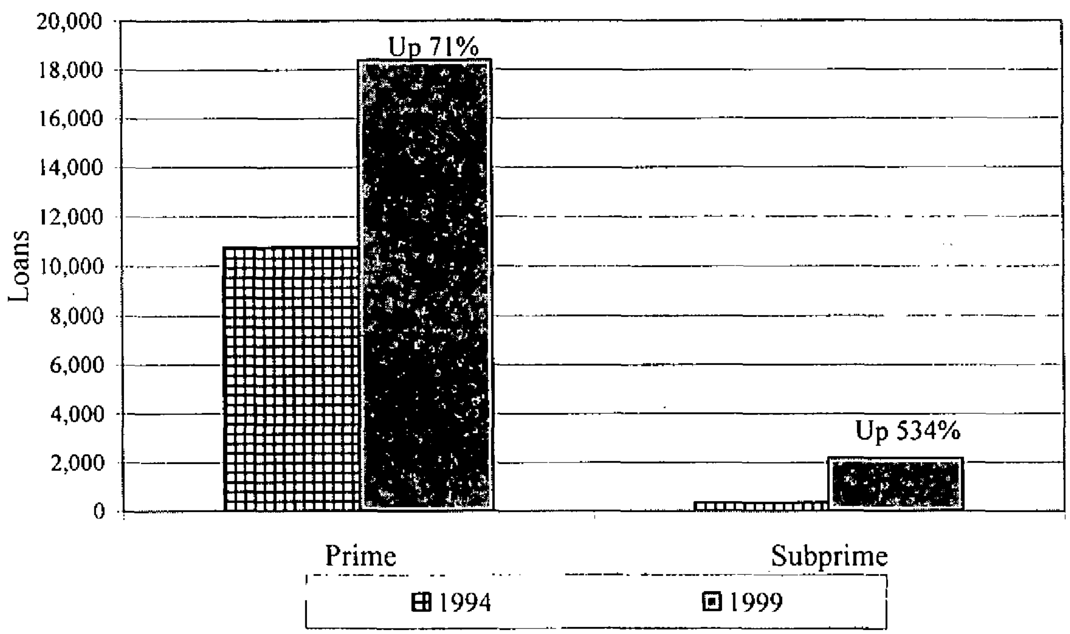


Table 11
Subprime and Prime Lending, By Race/Ethnicity of Borrower
Inner and Outer Rings, Refinance Loans Only, 1999

Borrower Race/Ethnicity	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to White %
Asian	659	624	35	5.3%	0.71
Black	509	393	116	22.8%	3.06
Latino	380	315	65	17.1%	2.30
White	15,973	14,785	1,188	7.4%	1.00
Not Reported	2,817	2,061	756	26.8%	
Total	20,569	18,380	2,189	10.6%	

Notes: "Not Reported" is "Information not provided...in mail or telephone application" & "Not applicable"
"Total" includes "American Indian" and "Other" as well as the categories shown.
"Subprime" includes one manufactured home lender (46 of the 18,380 loans)

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

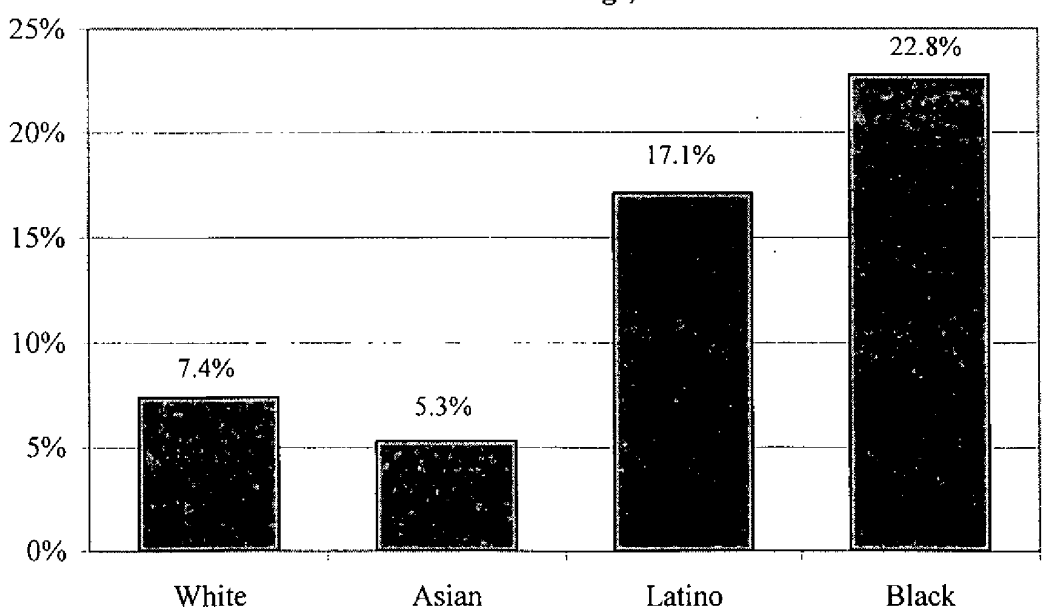


Table 12
Subprime and Prime Lending, By Income of Borrower
Inner and Outer Rings, Refinance Loans Only, 1999

Income Category	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low	1,219	962	257	21.1%	3.39
Moderate	3,662	3,059	603	16.5%	2.65
Middle	5,427	4,711	716	13.2%	2.12
Upper	8,899	8,346	553	6.2%	1.00
Not Reported	1,362	1,302	60	4.4%	
Total	20,569	18,380	2,189	10.6%	

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($62,700 in 1999). "Low" is less than 50% of this amount ($1-$31K in 1999); "Moderate" is 50%-80% of this amount ($32-$50K in 1999); "Middle" is 80%-120% of this amount ($51K-$75K in 1999); and "Upper" is over 120% of this amount (>$75K in 1999).

Chart 12
Subprime Loans as Percent of All Refinance Loans
By Borrower Income, Inner & Outer Rings, 1999

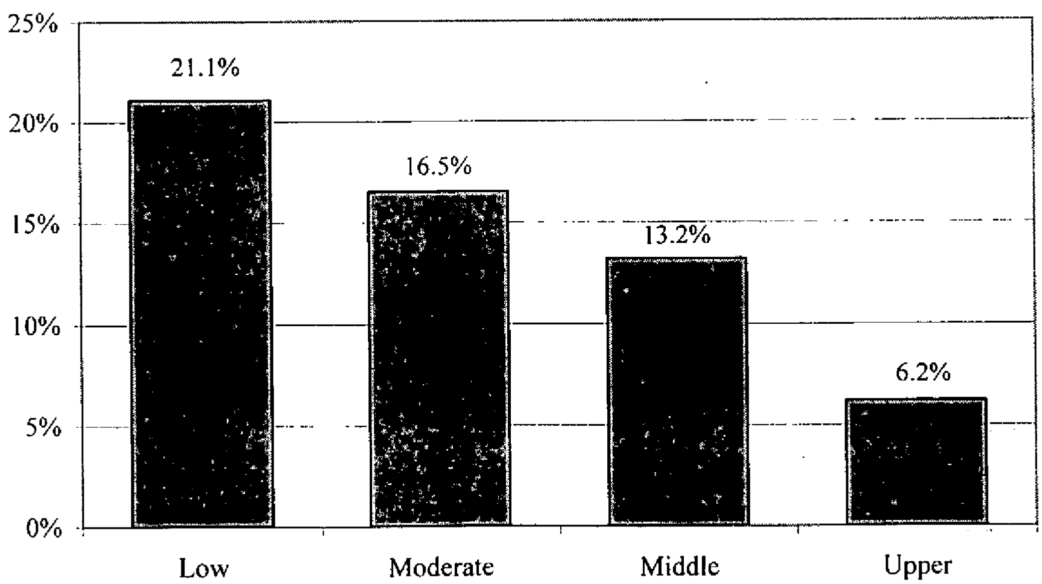


Table 13
Subprime Loans as Percent of Total Loans
By Race & Income of Borrower
Inner and Outer Rings, Refinance Loans Only, 1999

	Low Income	Moderate Income	Middle Income	Upper Income
Black	36.7%	23.2%	28.7%	16.7%
Latino	12.1%	22.1%	22.3%	10.1%
White	13.6%	11.4%	9.6%	4.3%

Income categories are defined in relationship to the Median Family Income of the Boston MSA ($62,700 in 1999). "Low" is less than 50% of this amount ($1-$31K in 1999); "Moderate" is 50%-80% of this amount ($32-$50K in 1999); "Middle" is 80%-120% of this amount ($51K-$75K in 1999); and "Upper" is over 120% of this amount (>$75K in 1999).

Chart 13
Subprime Loans as Percent of All Refinance Loans
By Borrower Race/Ethnicity and Income
Inner & Outer Rings, 1999

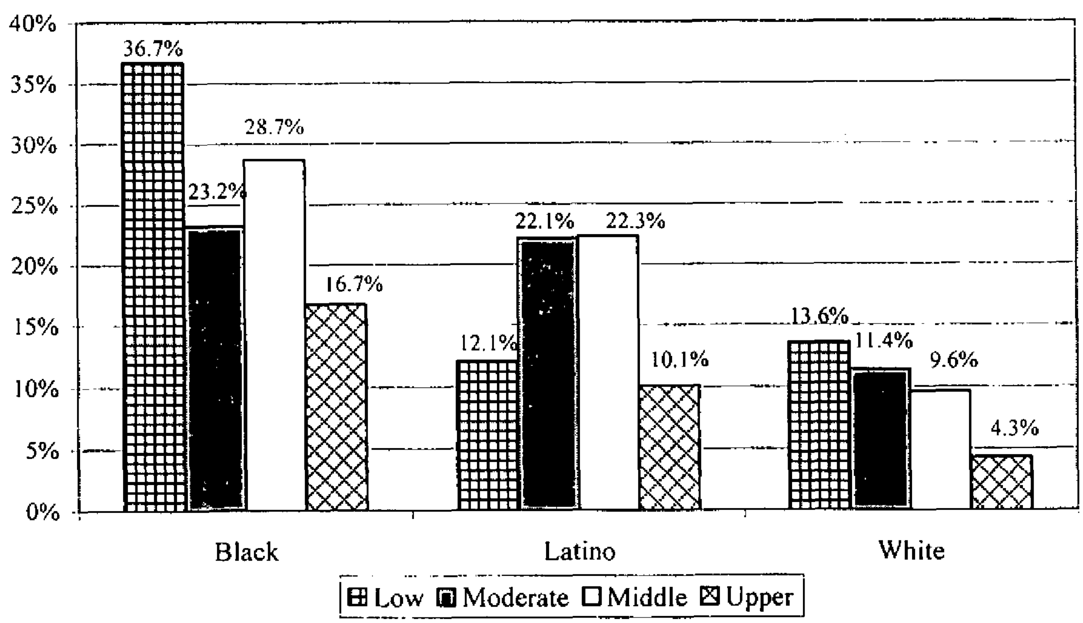


Table 14
Subprime and Prime Lending, By Percent Minority in Census Tract
Inner and Outer Rings, Refinance Loans Only, 1999

	Number of Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to >75% White
> 75% Minority	0	0	0	0	NA	NA
50%-75% Minority	8	258	206	52	20.2%	2.01
25%-50% Minority	20	845	659	186	22.0%	2.20
> 75% White	219	19,466	17,515	1,951	10.0%	1.00
Total	247	20,569	18,380	2,189	10.6%	

"NA" is "Not Applicable" -- since no census tracts have >75% minority residents, there are no loans in such tracts.

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

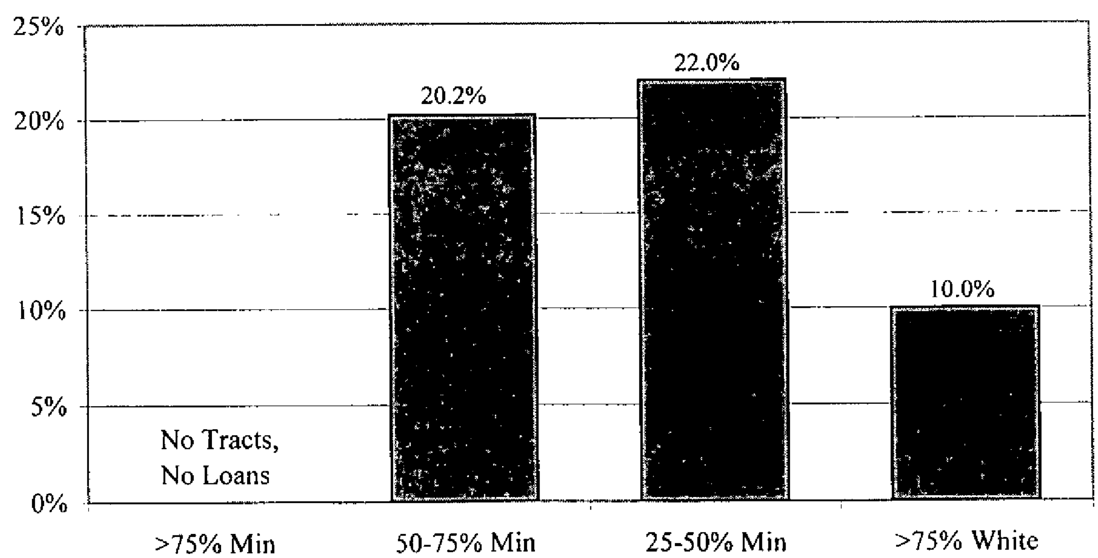


Table 15
Subprime and Prime Lending, By Income Level of Census Tract
Inner and Outer Rings, Refinance Loans Only, 1999

	Number Tracts	All Lenders	Prime Lenders	Subprime Lenders	Percent Subprime	Ratio to Upper %
Low-Income	8	169	136	33	19.5%	4.66
Moderate-Income	55	3,111	2,530	581	18.7%	4.45
Middle-Income	127	11,614	10,277	1,337	11.5%	2.74
Upper-Income	57	5,675	5,437	238	4.2%	1.00
Total	247	20,569	18,380	2,189	10.6%	

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

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

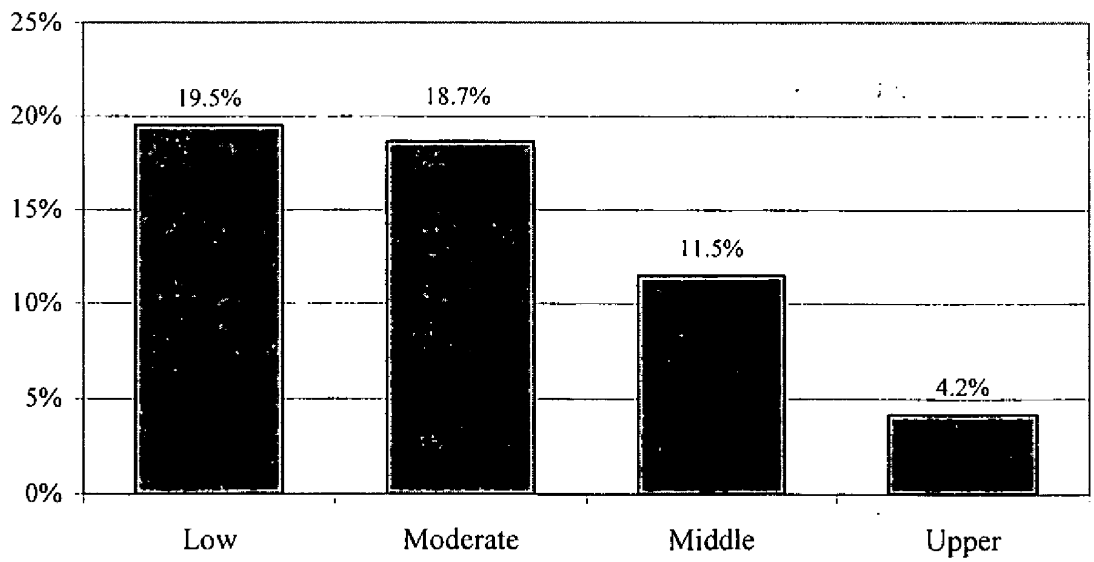


Table 16
Subprime and Prime Lending in Individual Cities and Towns in the Inner and Outer Rings Plus All Others Among the State's 25 Biggest Municipalities
Refinance Loans Only, 1999

Ring	City or Town	All Lenders	Prime Lenders	SubPrime Lenders	Percent SubPrime	Med Fam Income	% Black + Latino HHs
Inner	Chelsea	305	226	79	25.9%	29,039	26.5%
Inner	Revere	777	638	139	17.9%	37,213	4.2%
Inner	Everett	600	512	88	14.7%	37,397	5.8%
Inner	Winthrop	372	322	50	13.4%	45,677	1.6%
Inner	Somerville	923	800	123	13.3%	38,532	8.6%
Inner	Dedham	571	504	67	11.7%	52,554	1.3%
Inner	Quincy	1,410	1,249	161	11.4%	44,184	2.2%
Inner	Milton	659	591	68	10.3%	61,694	4.6%
Inner	Cambridge	1,027	944	83	8.1%	39,990	15.7%
Inner	Watertown	483	448	35	7.2%	49,467	2.6%
Inner	Newton	1,699	1,629	70	4.1%	70,071	2.9%
Inner	Brookline	849	823	26	3.1%	61,799	4.4%
Outer	Lynn	1,396	1,068	328	23.5%	35,830	12.6%
Outer	Randolph	568	457	111	19.5%	50,718	8.3%
Outer	Medford	1,018	889	129	12.7%	45,532	4.9%
Outer	Malden	896	783	113	12.6%	42,099	6.0%
Outer	Weymouth	1,189	1,042	147	12.4%	48,331	1.8%
Outer	Saugus	622	547	75	12.1%	48,669	1.3%
Outer	Braintree	710	637	73	10.3%	51,920	1.3%
Outer	Waltham	864	788	76	8.8%	45,730	6.4%
Outer	Canton	460	421	39	8.5%	62,471	1.9%
Outer	Arlington	761	715	46	6.0%	52,749	2.4%
Outer	Westwood	366	349	17	4.6%	67,317	0.7%
Outer	Belmont	480	461	19	4.0%	61,046	1.8%
Outer	Wellesley	611	598	13	2.1%	90,030	2.0%
Outer	Needham	675	661	14	2.1%	69,515	1.2%
Outer	Weston	278	278	0	0.0%	108,751	1.2%
	Springfield	1,369	930	439	32.1%	30,824	29.9%
	Lawrence	626	447	179	28.6%	26,398	33.8%
	Brockton	1,439	1,070	369	25.6%	38,544	15.2%
	Fitchburg	466	355	111	23.8%	33,357	9.2%
	New Bedford	858	674	184	21.4%	28,373	8.5%
	Plymouth	1,324	1,092	232	17.5%	37,636	2.0%
	Lowell	1,203	1,006	197	16.4%	35,138	10.3%
	Holyoke	287	241	46	16.0%	29,366	25.9%
	Worcester	1,896	1,600	296	15.6%	36,261	10.6%
	Fall River	623	527	96	15.4%	28,972	2.3%
	Taunton	915	775	140	15.3%	38,534	5.6%
	Haverhill	1,177	1,036	141	12.0%	43,209	5.1%
	Peabody	942	831	111	11.8%	44,952	3.2%
	Framingham	1,174	1,041	133	11.3%	53,270	9.4%
	Chicopee	624	554	70	11.2%	35,560	3.8%
	Pittsfield	704	646	58	8.2%	38,005	3.5%
	Boston	7,921	6,527	1,394	17.6%	36,240	28.7%
	Total Inner Ring*	9,675	8,686	989	10.2%	47,301	6.7%
	Total Outer Ring*	10,894	9,694	1,200	11.0%	58,714	3.6%
	Total, Massachusetts	119,850	105,362	14,488	12.1%	44,367	7.7%

* For Inner and Outer Ring Totals, Median Family Income and % Black+Latino Households are unweighted averages.

Table 17
Biggest Subprime Lenders in Inner and Outer Rings, Refinance Loans Only, 1999
(The 29 SubPrime Lenders with 20 or More Loans & The 14 Prime Lenders with 300 or More Loans)

Lender Name	Applica-tions	Loans	Lending Rate	Denials	Denial Rate	Approved Not Accepted	Not Accepted Rate	No Decision	No Decision Rate
A. Subprime Lenders									
Champion (KeyCorp)	449	257	57.2%	75	16.7%	69	21.2%	48	10.7%
Option One MC (H&R Block)	387	194	50.1%	120	31.0%	68	26.0%	5	1.3%
Ameriquest Mort Co	1456	189	13.0%	75	5.2%	23	10.8%	1,169	80.3%
NationsCredit Fin Servs (BofA)	386	143	37.0%	64	16.6%	135	48.6%	44	11.4%
New Century MC (USBancorp 23%)	303	142	46.9%	103	34.0%	13	8.4%	45	14.9%
EHomeCredit Corp	370	109	29.5%	209	56.5%	0	0.0%	52	14.1%
Advanced Fin Services (RI)	271	96	35.4%	145	53.5%	0	0.0%	30	11.1%
Delta Funding Corp	310	77	24.8%	13	4.2%	136	63.8%	84	27.1%
FEC Mort Co (Foxborough MA)	397	63	15.9%	19	4.8%	0	0.0%	315	79.3%
Long Beach Mort Co (WAMU)	100	60	60.0%	11	11.0%	0	0.0%	29	29.0%
First Union2: FU Home Eq Bank	177	56	31.6%	27	15.3%	59	51.3%	35	19.8%
Full Spectrum (Countrywide)	151	51	33.8%	51	33.8%	13	20.3%	36	23.8%
Mortgage Lenders Network USA	99	50	50.5%	17	17.2%	9	15.3%	23	23.2%
First Union1: The Money Store	377	47	12.5%	172	45.6%	147	75.8%	11	2.9%
Parkway Mortgage	110	46	41.8%	9	8.2%	0	0.0%	55	50.0%
Conseco	137	45	32.8%	44	32.1%	1	2.2%	47	34.3%
Contimortgage Corp	114	40	35.1%	24	21.1%	18	31.0%	32	28.1%
Superior Bank (IL)	194	35	18.0%	63	32.5%	81	69.8%	15	7.7%
First Franklin Fin (Ntl City)	50	33	66.0%	2	4.0%	0	0.0%	15	30.0%
Citi2: Travelers Bank & Trust	33	29	87.9%	0	0.0%	3	9.4%	1	3.0%
Aames	66	27	40.9%	16	24.2%	11	28.9%	12	18.2%
Residential Money Centers	94	26	27.7%	9	9.6%	0	0.0%	59	62.8%
Advanta	955	24	2.5%	262	27.4%	0	0.0%	669	70.1%
Fremont Investment & Loan (CA)	85	24	28.2%	28	32.9%	25	51.0%	8	9.4%
BNC Mortgage	57	23	40.4%	10	17.5%	24	51.1%	0	0.0%
Mortgage.com	34	22	64.7%	5	14.7%	3	12.0%	4	11.8%
Associates1: Assoc Hme Eq Serv	46	20	43.5%	9	19.6%	6	23.1%	11	23.9%
Citi1: CitiFinancial MA	26	20	76.9%	4	15.4%	2	9.1%	0	0.0%
DMR Financial Services	41	20	48.8%	12	29.3%	3	13.0%	6	14.6%
Subtotal, These 29 Lenders	7,275	1,968	27.1%	1,598	22.0%	849	30.1%	2,860	39.3%
Subtotal, All 79 SubPrime Lenders	8,521	2,189	25.7%	2,022	23.7%	1,079	33.0%	3,231	37.9%
B. Prime Lenders									
Fleet	1902	1145	60.2%	481	25.3%	168	12.8%	108	5.7%
North American Mort Co (FL)	921	688	74.7%	101	11.0%	82	10.6%	50	5.4%
Chase Manhattan	886	664	74.9%	106	12.0%	64	8.8%	52	5.9%
Washington Mutual	828	640	77.3%	77	9.3%	66	9.3%	45	5.4%
Bank of America	791	597	75.5%	96	12.1%	64	9.7%	34	4.3%
Countrywide	870	529	60.8%	95	10.9%	107	16.8%	139	16.0%
Assurance Mort Co	663	511	77.1%	62	9.4%	48	8.6%	42	6.3%
Ohio SB FSB	522	476	91.2%	16	3.1%	28	5.6%	2	0.4%
Norwest	584	433	74.1%	70	12.0%	47	9.8%	34	5.8%
Eastern Bank	484	416	86.0%	38	7.9%	21	4.8%	9	1.9%
Suntrust	482	414	85.9%	23	4.8%	35	7.8%	10	2.1%
Boston FSB	404	348	86.1%	22	5.4%	16	4.4%	18	4.5%
Citizens	629	344	54.7%	223	35.5%	47	12.0%	15	2.4%
PNC	431	325	75.4%	26	6.0%	56	14.7%	8	1.9%
Subtotal, These 14 Lenders	10,397	7,530	72.4%	1,436	13.8%	849	10.1%	566	5.4%
Subtotal, All 342 Prime Lenders	24,615	18,380	74.7%	2,879	11.7%	1,660	8.3%	1,696	6.9%
Total, All Lenders	53,930	35,629	66.1%	7,773	14.4%	4,437	11.1%	6,059	11.2%

Notes: Lending rate is the number of loans divided by the total number of applications.
Denial rate is the number of denials divided by the total number of applications.
"Approved Not Accepted" means that lender approved the application but the applicant decided not to accept the loan.
Not Accepted rate is the number of approved not accepted divided by the total number of approved applications.
"No Decision" means either that the application was withdrawn by the applicant or closed by lender because the applicant did not provide all necessary information. No Decision rate is number of no decisions divided by total applications.

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

	Prime Lenders	Subprime Lenders	Manf. Home Lenders*	Total
A. Number of Refinance Loans, 1994				
Conventional	2,668	101	39	2,808
Government-Backed	50	0	0	50
Total	2,718	101	39	2,858
B. Percent of Total Refinance Loans, 1994				
Conventional	93.4%	3.5%	1.4%	98.3%
Government-Backed	1.7%	0.0%	0.0%	1.7%
Total	95.1%	3.5%	1.4%	100.0%
C. Number of Refinance Loans, 1999				
Conventional	6,335	1,363	30	7,728
Government-Backed	192	1	0	193
Total	6,527	1,364	30	7,921
D. Percent of Total Refinance Loans, 1999				
Conventional	80.0%	17.2%	0.4%	97.6%
Government-Backed	2.4%	0.0%	0.0%	2.4%
Total	82.4%	17.2%	0.4%	100.0%

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

Appendix Table A-2
Subprime Loans as Percent of Total Loans, By Race and Income of Census Tract
City of Boston, Refinance Loans Only, 1999

	Low Income	Moderate Income	Middle Income	Upper Income
> 75% Minority	35.7%	38.7%	NA	NA
(no. of tracts)	(22)	(20)	(0)	(0)
50%-75% Minority	1.3%	16.0%	36.7%	NA
(no. of tracts)	(4)	(9)	(3)	(0)
25%-50% Minority	12.3%	18.5%	18.8%	1.0%
(no. of tracts)	(6)	(18)	(2)	(1)
> 75% White	19.4%	15.5%	11.0%	5.8%
(no. of tracts)	(5)	(27)	(32)	(12)

Note: When the number of census tracts in a cell is small, the calculated percentage may have little meaning.

Appendix Table A-3
Subprime Loans as Percent of Total Loans, By Race and Income of Census Tract
Inner and Outer Rings, Refinance Loans Only, 1999

	Low Income	Moderate Income	Middle Income	Upper Income
> 75% White	11.1%	16.7%	11.5%	4.2%
(no. of tracts)	(1)	(37)	(124)	(57)
25%-50% Minority	17.5%	25.8%	8.8%	NA
(no. of tracts)	(3)	(14)	(3)	(0)
50%-75% Minority	22.7%	18.8%	NA	NA
(no. of tracts)	(4)	(4)	(0)	(0)
> 75% Minority	NA	NA	NA	NA
(no. of tracts)	(0)	(0)	(0)	(0)

Note: When the number of census tracts in a cell is small, the calculated percentage may have little meaning.