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MASSACHUSETTS COMMUNITY & BANKING COUNCIL



**CHANGING PATTERNS XXIII
MORTGAGE LENDING IN 2015:
KEY FINDINGS**

**MEL KING INSTITUTE INNOVATION FORUM
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- The *Changing Patterns* reports are intended primarily as a resource for users with a wide range of interests in terms of both topic and geography.
- The heart of the report is its 41 tables with data on:
 - Type of loan (e.g., purchase v. re-fi; conventional v. government-backed)
 - Race/ethnicity and income of borrowers and neighborhoods
 - Denial rates
 - Major types of lenders (Mass Banks & CUs, mortgage companies, out-of-state banks)
 - Biggest individual lenders
 - For Boston, Greater Boston, Mass, and 36 large cities
- Several levels of guidance on what the numbers in the tables show:
 - Infographic highlights several key findings
 - Executive Summary summarizes 19 key points
 - Main text of eighteen pages has 11 small tables/charts and 35 bullet points

People of color are underserved by mortgage lenders

Home-purchase loans, 2015 (Table 4)

Boston, 2015			
Borrower Race/Ethnicity	% of households	% of all loans	% of non-FHA loans
Black	21.0%	5.9%	3.6%
Latino	13.7%	4.8%	3.8%

Greater Boston, 2015			
Borrower Race/Ethnicity	% of households	% of all loans	% of non-FHA loans
Black	7.3%	3.0%	2.1%
Latino	6.8%	5.4%	3.6%

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

	City of Boston		Greater Boston	
	Blacks	Latinos	Blacks	Latinos
2004	11.4%	8.2%	4.5%	6.7%
2005	14.3%	9.7%	5.8%	8.5%
2006	14.6%	8.4%	5.8%	7.1%
2007	11.8%	6.7%	4.5%	4.8%
2008	10.2%	5.7%	3.6%	4.3%
2009	8.9%	5.6%	3.2%	4.3%
2010	8.4%	5.4%	3.3%	4.1%
2011	7.2%	5.0%	3.0%	3.9%
2012	5.6%	4.6%	2.7%	3.7%
2013	5.2%	3.9%	2.5%	3.6%
2014	5.6%	4.8%	2.8%	4.5%
2015	5.9%	4.8%	3.0%	5.4%

People of color who do get home-purchase loans are much more likely to receive costlier FHA-insured loans (Table 4)

Boston: % of All Loans that were FHA-insured, 2015

Borrower Race/Ethnicity	% GBLS	Disparity Ratio
Black	42.3%	13.2
Latino	26.6%	8.3
White	3.2%	

Greater Boston: % of All Loans that were FHA-insured, 2015

Borrower Race/Ethnicity	% GBLS	Disparity Ratio
Black	38.0%	4.5
Latino	40.0%	4.7
White	8.5%	

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

- Five cities account for 46% of total 2015 Massachusetts home-purchase loans to blacks, but for only 12% of all loans.
 - Brockton (17.2%; 1.3%), Boston, Worcester, Randolph, and Springfield
- Seven cities account for 42% of total home-purchase loans to Latinos, but for only 14% to all loans.
 - Lawrence (9.0%; 0.7%), Springfield, Lynn, Boston, Worcester, Revere and Methuen
- In 86 of the 351 cities and towns in MA, not a single loan was made to a black or a Latino homebuyer.

Home-purchase lending to blacks and Latinos in Boston in 2015 was highly concentrated in some neighborhoods, absent in others (Table 8)

- 5 neighborhoods accounted for 93% of total home-purchase loans to blacks , but for only 30% of all loans.
 - Dorchester, Hyde Park, Mattapan, Roxbury, Roslindale
- 3 neighborhoods accounted for 56% of total home-purchase loans to Latinos, but for only 24% of all loans.
 - Hyde Park, Dorchester, East Boston
- In 8 of the 20 neighborhoods in Boston, not a single loan was made to a black homebuyer.
- In 4 of the 20 neighborhoods in Boston, not a single loan was made to a Latino homebuyer.

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

Denial Rates by Race/Ethnicity for non-FHA home-purchase loans, 2015

	Denial Rate			Denial Rate Disparity Ratio	
	Blacks	Latinos	Whites	Black/White	Latino/White
Boston	17.7%	8.2%	5.5%	3.2	1.5
Greater Boston	13.6%	10.8%	5.1%	2.6	2.1

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

**Denial Rates by Race & Income of Applicants
Non-FHA home-purchase loans in Greater Boston, 2015**

Income (\$000)	Denial Rate			Denial Rate Ratio	
	Black	Latino	White	Black/White	Latino/White
1-50	28.9%	24.6%	14.3%	2.02	1.72
51-75	14.6%	10.7%	6.8%	2.15	1.57
76-100	9.6%	8.9%	5.0%	1.93	1.78
101-125	13.0%	8.8%	4.8%	2.72	1.85
126-150	9.6%	6.9%	4.3%	2.26	1.61
Over 150	8.0%	5.0%	3.7%	2.15	1.34
Total	13.6%	10.8%	5.1%	2.64	2.10

- Denial Rate Disparity Ratios have shown no trend during the 2004-2015 period (Table 22)

Denial Rate Disparity Ratio in Greater Boston		
	Black/White	Latino/White
2004	2.84	2.33
2005	2.50	2.18
2006	2.92	2.54
2007	3.28	3.06
2008	2.69	2.43
2009	2.37	2.25
2010	2.16	2.01
2011	2.70	2.55
2012	2.61	2.33
2013	2.84	2.18
2014	2.98	2.08
2015	2.73	2.06

Independent Mortgage Companies (Licensed Mortgage Lenders), the lenders covered by the state's unique-in-the-nation CRA for Mortgage Lenders regulation and oversight, account for a substantial share of lending (Tables 23 & 29)

- They made 42% of home-purchase loans both in Boston and in Greater Boston
- They included 6 of the top 8 lenders, and 12 of the top 30 lenders in Greater Boston

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

Shares of Non-FHA Loans by Major Type of Lender, Greater Boston, 2015

	Black Borrowers	Latino Borrowers	Low- & Mod Income (LMI) Borrowers	LMI Census Tracts	LMI Census Tracts >75% Minority
MA Banks & Credit Unions	2.1%	3.6%	18.8%	13.8%	1.5%
Licensed Mortgage Lenders	1.7%	3.3%	19.7%	14.4%	1.3%
Out-of-State Banks	1.7%	1.9%	9.8%	9.3%	1.1%

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

Number of Census Tracts in Greater Boston, 2010 Census					
	Low Income	Moderate Income	Middle Income	Upper Income	Total
> 75% Minority	32	17	4	0	53
50%-75% Minority	25	29	12	0	66
25%–50% Minority	14	64	66	26	170
> 75% White	1	24	164	209	398
Total	72	134	246	235	687

VA loans may deserve attention and promotion

- In Greater Boston, 732 home-purchase loans in 2015 (2.3% of total)
In Massachusetts, 2,728 loans (4.2% of total)
- Similar to conventional loans in terms of distribution by race/ethnicity of borrowers and neighborhoods, denial rates, and foreclosure/delinquency rates – different from FHA loans in all these ways (Appendix Tables 9-11; pages N3 – N4)
- For those who qualify, VA loans are often better than conventional loans – similar APRs, no down-payments or mortgage insurance
- VA rules and practices (e.g., re appraisals and condos) may significantly limit availability of these loans to qualified home-buyers.
- Consider an initiative to investigate and, potentially, improve this situation?



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QUESTIONS

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