

Proposed Report: Small Business Lending in Minority Neighborhoods

The proposed report would focus on small business lending in communities where minorities represent the majority (referred to as minority neighborhoods in this proposal) with comparisons to areas with lower minority populations.

Lending in minority neighborhoods has always been an important fair lending topic since such communities have been associated with redlining in the past and have historically received a smaller percentage of loans than one might expect based on the demographics and have experienced higher denial rates than majority white areas.

Minority neighborhoods account for 223 out of 1,474 census tracts in Massachusetts and represent nearly 900,000 residents or 14% of the total population of the state (up substantially compared to 9.0% in 2000 and 5.7% in 1990). Minority neighborhoods are located in nearly all of the state's large urban centers and span 20 cities and towns and 8 counties across the state. Boston alone accounts for roughly 300,000 such residents – approaching half the population.

	# Tracts	%	Population	%
Asian Majority	4	0.3%	13,721	0.2%
Black Majority	31	2.1%	117,656	1.8%
Black or Hispanic Majority	59	4.0%	209,922	3.2%
Hispanic Majority	56	3.8%	215,214	3.3%
Non-White Combination Majority	73	5.0%	331,108	5.1%
White Majority	1,244	84.4%	5,660,008	86.4%
Not Available	5	0.5%	0	0.0%
Totals	1,472	100.0%	6,547,629	100.0%
Memo: Minority Subtotals	223	15.1%	887,621	13.6%

The topic of lending in minority neighborhoods has gained heightened attention in Massachusetts over the past couple of years as a result of substantially enhanced regulatory scrutiny and a series of recent regulatory and industry conferences. The topic is often associated with the term REMA, or reasonably expected market area, which refers to the geographic area used by examiners in their fair lending analyses. A bank's REMA is usually defined in terms of counties or MSAs and often extends beyond the bank's CRA assessment area.

While most attention in this subject area has traditionally been focused on HMDA data trends, similar analyses can also be conducted with the annual CRA/small business loan data.

The proposed report would:

- identify the communities in Massachusetts where the minority population represent the majority and provide breakdowns of the current racial makeup and income demographics, as well as population shifts based on the decennial census data for 1990, 2000, and 2010 as well as the upcoming 2015 ACS data which will be released this summer
- provide comparisons and a discussion of small business lending growth rates and lending rates (i.e. loans per 100 firms) in minority neighborhoods at the statewide level
- utilize a 10 year time period (2007 to 2016) to evaluate how communities with high minority populations have fared since the recent financial crisis
- provide comparisons between the towns and counties that have minority neighborhoods as well as a discussion of how the largest cities and towns in the state have performed
- provide comparisons of the lending patterns in minority neighborhoods in Massachusetts vs other states and the US as a whole

The proposed report would not provide individual bank data or data, ranking data, or data for different types of lenders since the CRA database does not allow this level of analysis.