



MASSACHUSETTS COMMUNITY & BANKING COUNCIL



**CHANGING PATTERNS XXIV
MORTGAGE LENDING IN 2016:
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 39 tables with data on:
 - Type of loan (e.g., purchase v. re-fi; FHA or non-FHA)
 - Race/ethnicity and income of borrowers and neighborhoods
 - Denial rates
 - 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 fifteen pages has 11 small tables/charts and 35 bullet points

People of color are underserved by mortgage lenders

Home-purchase loans, 2016 (Table 4)

Boston			
Borrower Race/Ethnicity	% of households	% of all loans	% of non-FHA loans
Black	21.0%	6.5%	4.5%
Latino	13.7%	5.1%	3.8%

Greater Boston			
Borrower Race/Ethnicity	% of households	% of all loans	% of non-FHA loans
Black	7.3%	3.4%	2.4%
Latino	6.8%	6.1%	4.2%

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

	City of Boston		Greater Boston	
	Blacks	Latinos	Blacks	Latinos
2012	3.6%	3.5%	1.8%	2.6%
2013	3.8%	3.1%	1.8%	2.7%
2014	3.7%	4.0%	2.0%	3.2%
2015	3.6%	3.8%	2.1%	3.6%
2016	4.5%	3.8%	2.4%	4.2%

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, 2016

Borrower Race/Ethnicity	% FHA	Disparity Ratio
Black	35.5%	14.2
Latino	29.5%	11.8
White	2.5%	

Greater Boston: % of All Loans that were FHA-insured, 2016

Borrower Race/Ethnicity	% FHA	Disparity Ratio
Black	35.0%	4.8
Latino	38.8%	5.3
White	7.4%	

Home-purchase lending to blacks and Latinos in Boston in 2016 was highly concentrated in some neighborhoods, absent in others (Table 18)

- 3 neighborhoods accounted for 77% of total home-purchase loans to blacks , but for only 22% of all loans.
 - Dorchester, Hyde Park, Mattapan
- 3 neighborhoods accounted for 52% of total home-purchase loans to Latinos, but for only 25% of all loans.
 - Hyde Park, Dorchester, East Boston
- In 3 of the 20 neighborhoods in Boston, not a single loan was made to a black homebuyer, and in 8 more only one loan.
- In 2 of the 20 neighborhoods in Boston, not a single loan was made to a Latino homebuyer, and in 2 more only one loan.

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 44% of total 2016 Massachusetts home-purchase loans to blacks, but for only 12% of all loans.
 - Brockton (18.1%; 1.5%), Boston, Worcester, Springfield, and Randolph
- Seven cities account for 40% of total home-purchase loans to Latinos, but for only 14% to all loans.
 - Lawrence (9.0%; 0.8%), Springfield, Lynn, Worcester, Revere, Boston, and Methuen
- In 65 of the 351 cities and towns in MA, not a single loan was made to a black or a Latino homebuyer.

Blacks and Latinos have much higher denial rates for home-purchase loans than whites do

Denial Rates by Race/Ethnicity for non-FHA home-purchase loans, 2016

	Denial Rate			Denial Rate Disparity Ratio	
	Blacks	Latinos	Whites	Black/White	Latino/White
Boston	16.6%	9.5%	4.7%	3.6	2.0
Greater Boston	12.1%	10.5%	5.1%	2.4	2.1

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

Denial Rates by Race & Income of Applicants
Non-FHA home-purchase loans in Greater Boston, 2016

	Denial Rate			Denial Rate Ratio	
Income (\$000)	Black	Latino	White	Black/White	Latino/White
1-50	21.6%	17.4%	15.9%	1.4	1.1
51-75	13.0%	12.1%	7.2%	1.8	1.7
76-100	12.6%	10.6%	5.2%	2.5	2.1
101-125	9.3%	9.1%	4.0%	2.3	2.3
126-150	6.4%	6.0%	4.0%	1.6	1.5
Over 150	11.1%	4.8%	3.8%	3.0	1.3
Total	12.1%	10.5%	5.1%	2.4	2.1

- Home-purchase loan Denial Rate Disparity Ratios have shown no trend during 2004-2016 period (Table 22)

Denial Rate Disparity Ratio in Greater Boston		
	Black/White	Latino/White
2004	2.8	2.3
2005	2.5	2.2
2006	2.9	2.5
2007	3.3	3.1
2008	2.7	2.4
2009	2.4	2.3
2010	2.2	2.0
2011	2.7	2.6
2012	2.6	2.3
2013	2.8	2.2
2014	3.0	2.1
2015	2.7	2.1
2016	2.5	2.2

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 very substantial share of all lending (Table 23)

- They made 41% of home-purchase loans in Boston, 44% of loans in Greater Boston, and 46% of loans in Mass.
- They included 4 of the top 6 lenders in Greater Boston, and 13 of the top 30.

Implementation of the state's CRA for Mortgage Lenders regulation has resulted in steady improvement in the relative performance of LMLs. For the first time they out-performed CRA-covered lenders. (Table 26)

Shares of Non-FHA Loans by Major Type of Lender, Greater Boston, 2016

	Black Borrowers	Latino Borrowers	Low- & Mod Income (LMI) Borrowers	LMI Census Tracts	LMI Census Tracts >75% Minority
MA Banks & Credit Unions	2.1%	3.5%	16.6%	14.1%	1.5%
Licensed Mortgage Lenders	2.2%	4.1%	18.6%	14.9%	1.6%
Out-of-State Banks	2.3%	3.6%	10.5%	9.5%	0.9%

Background: Three major reasons behind campaign to extend CRA-type obligations beyond Massachusetts banks and credit unions.

- From the very first Changing Patterns report, CRA-covered lenders consistently directed MUCH larger shares of their loans to traditionally underserved borrowers and neighborhoods.
- CRA-covered lenders were accounting for a rapidly falling share of total loans losing market share - only 30% in Boston in 2000.
- Lenders not covered by CRA were responsible for almost all of the growing number of high-cost subprime loans.
- After multi-year campaign, CRA for Mortgage Lenders enacted into law in 2007; regulations adopted in 2008; and first public CRA rating and Performance Evaluation of an LML was in late 2009.

Background: The three major types of lenders used in Changing Patterns reports were defined because of potential reach of state-imposed CRA-type obligations.

- Massachusetts Banks and Credit Unions - Federal CRA (1977) already covered Mass banks and Mass CRA (1982) already covered Mass- chartered banks and CUs.
- Independent Mortgage Companies - Require a license to make mortgage loans in MA; the state's licensing power implies the right to impose regulations on lenders who obtained licenses. This group is called Licensed Mortgage Lenders (LMLs).
- Other Lenders (Mainly Out-of-State Banks) – Beyond reach of state because their out-of-state bank charter gives them the right to make mortgage loans in MA without state approval or license.

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

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



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QUESTIONS

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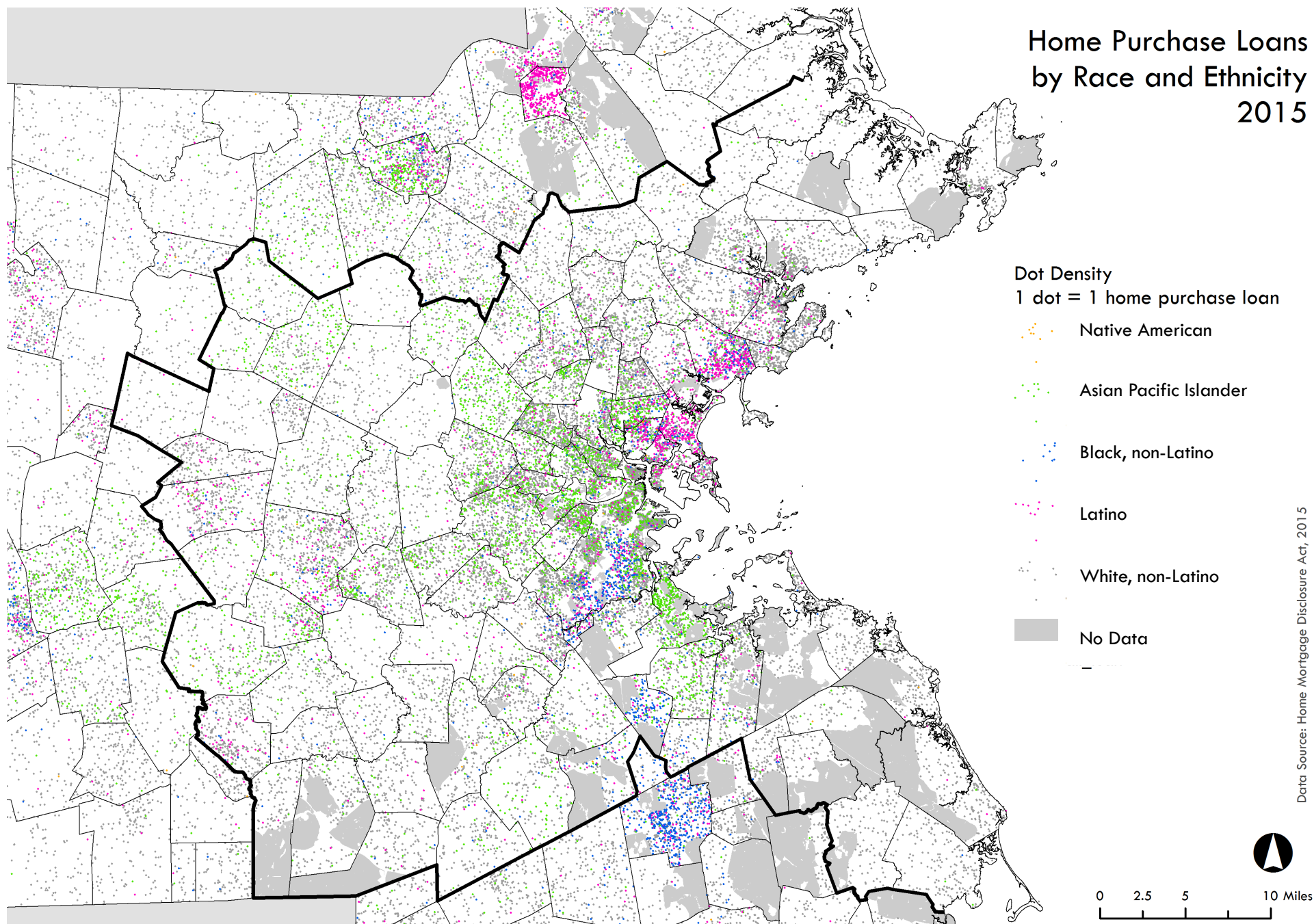
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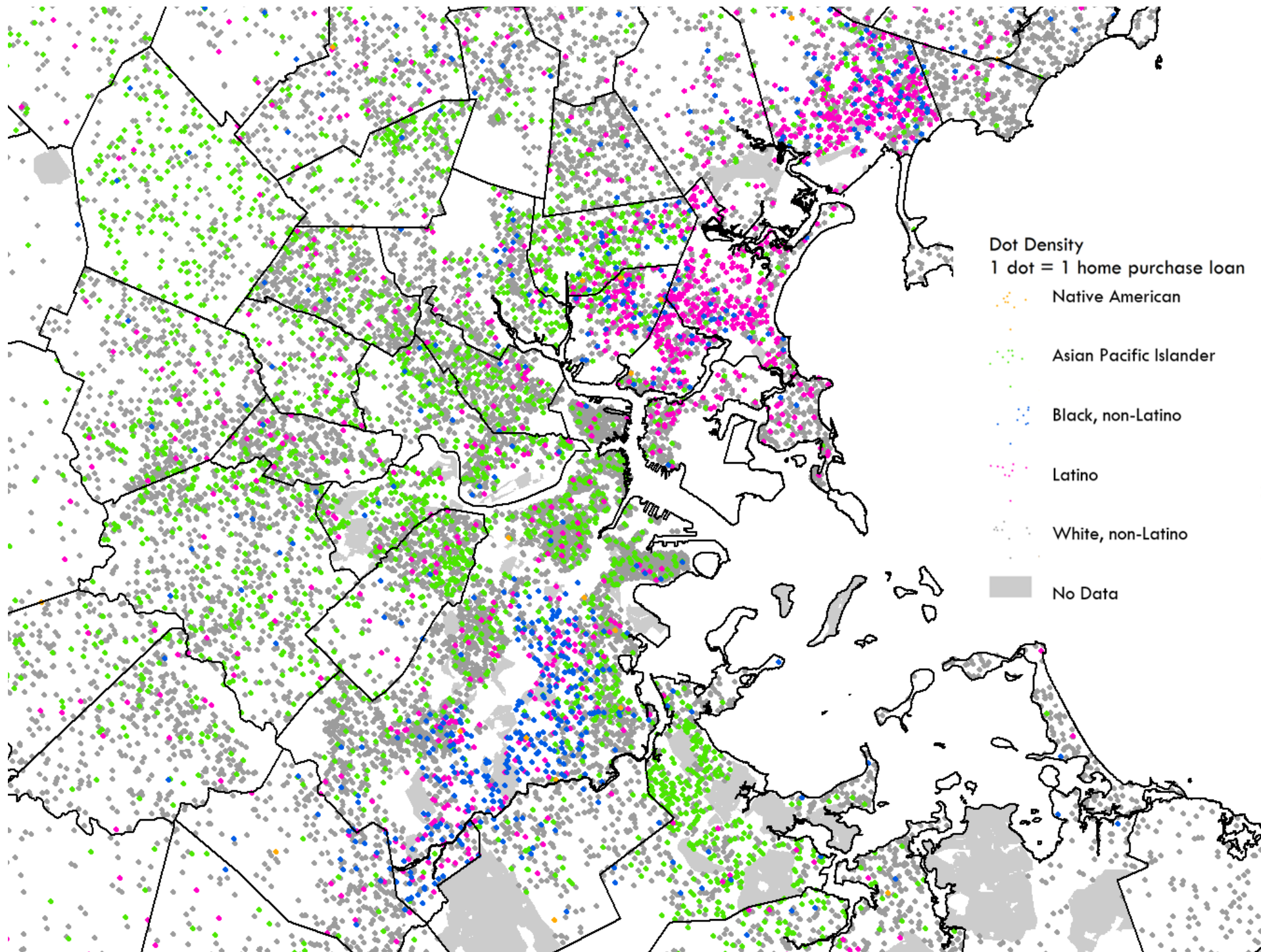
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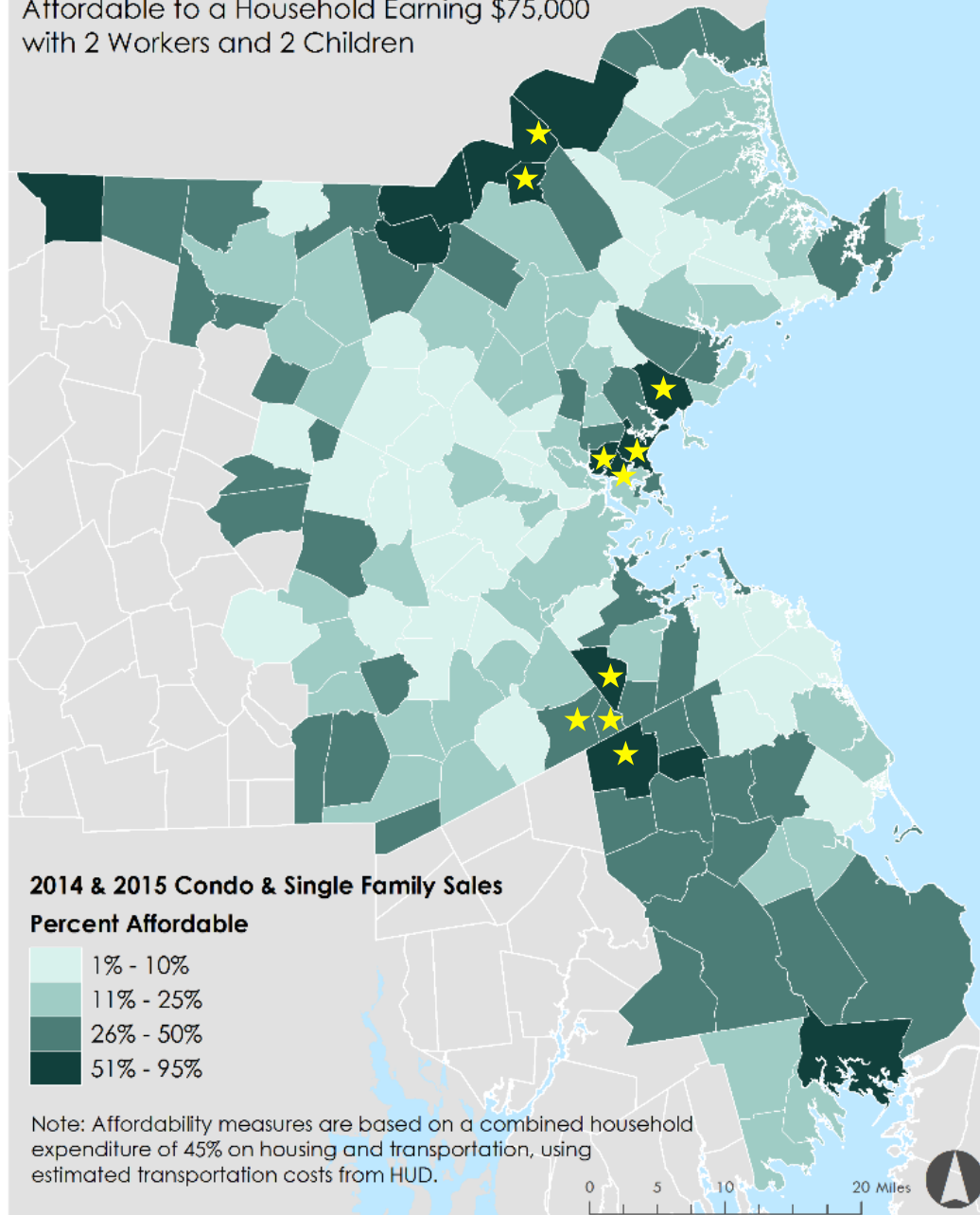
Home Purchase Loans by Race and Ethnicity 2015





Middle Income Homeownership Opportunities

Affordable to a Household Earning \$75,000
with 2 Workers and 2 Children



Middle income homeownership opportunities are scarce, and concentrated in Gateway Cities and nearby suburbs.

The most affordable communities also see the highest percentage of Black or Latino borrowers

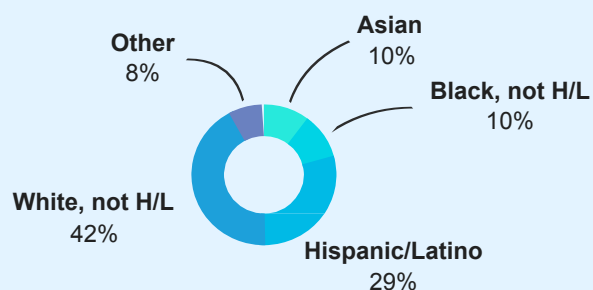
★ = Above 30% Black or Latino borrowers

ONE Mortgage is reaching historically underserved borrowers.

Racial and Ethnic Breakdown (2015-2017)

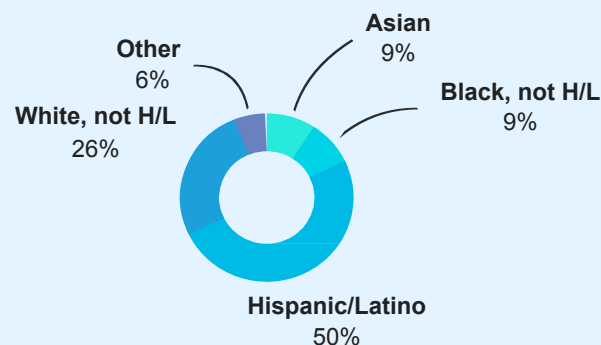
Statewide

50% households of color



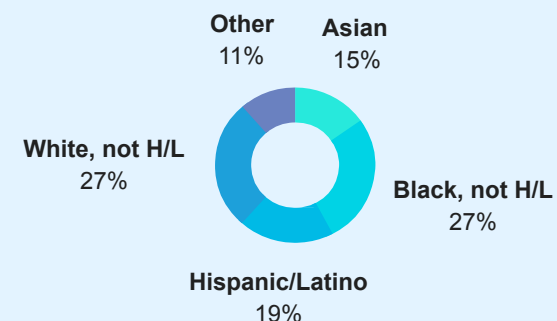
Gateway Cities

68% households of color

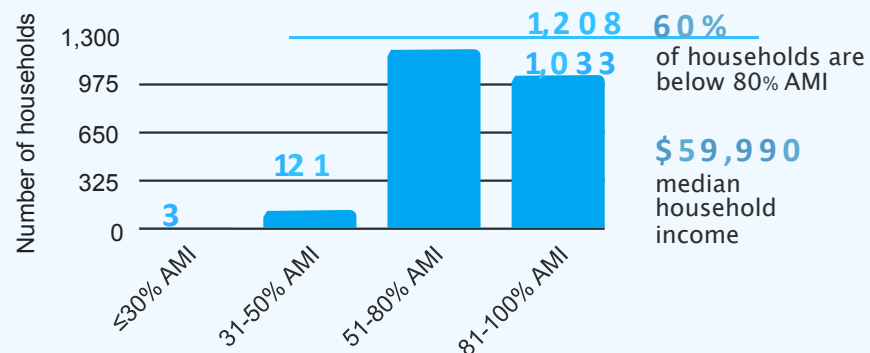


Boston

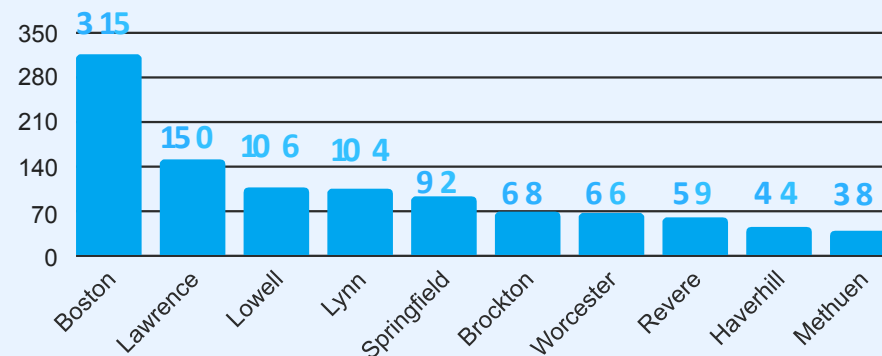
62% households of color



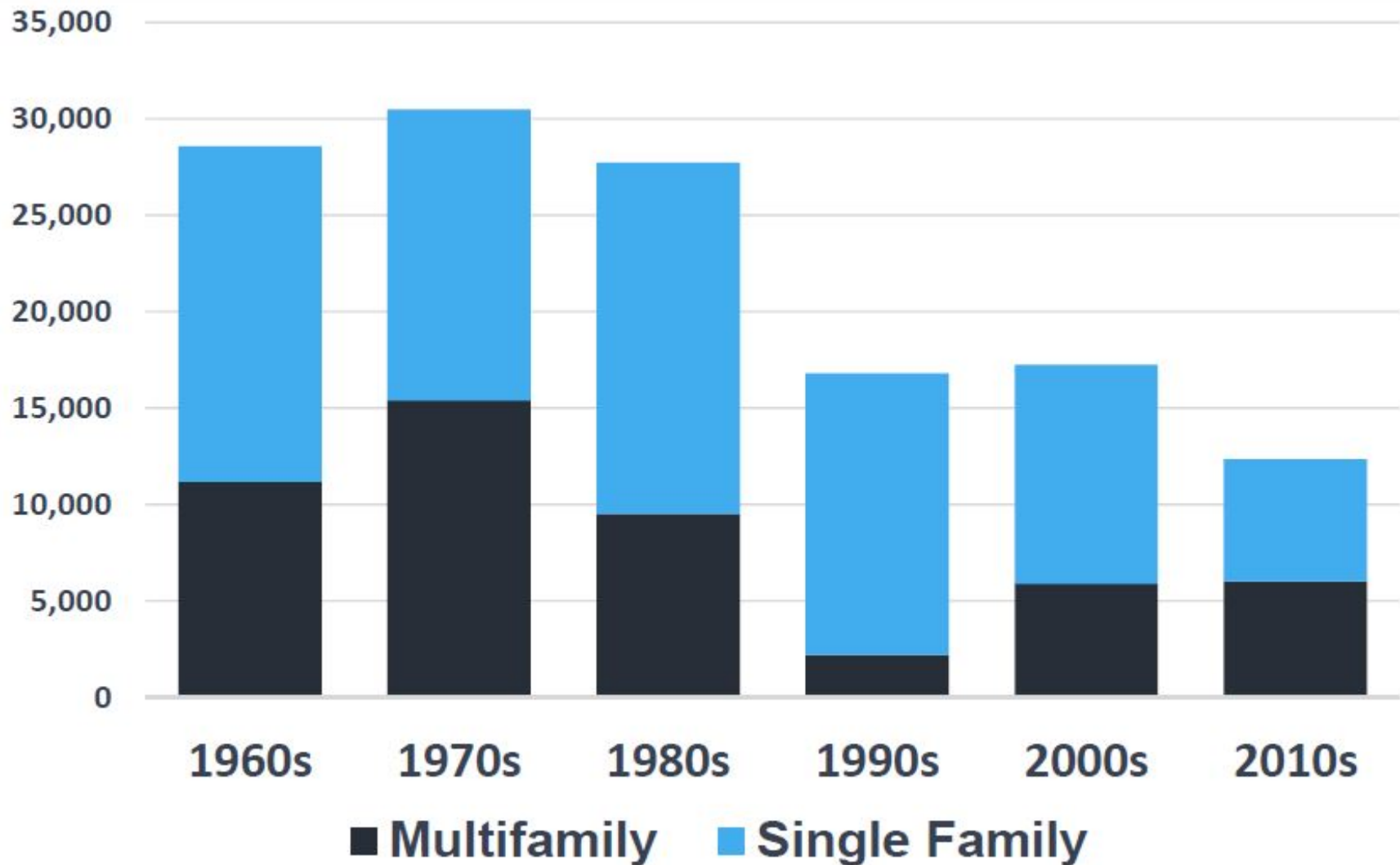
Household Income (2015-2017)



Top 10 Communities (2015-2017)

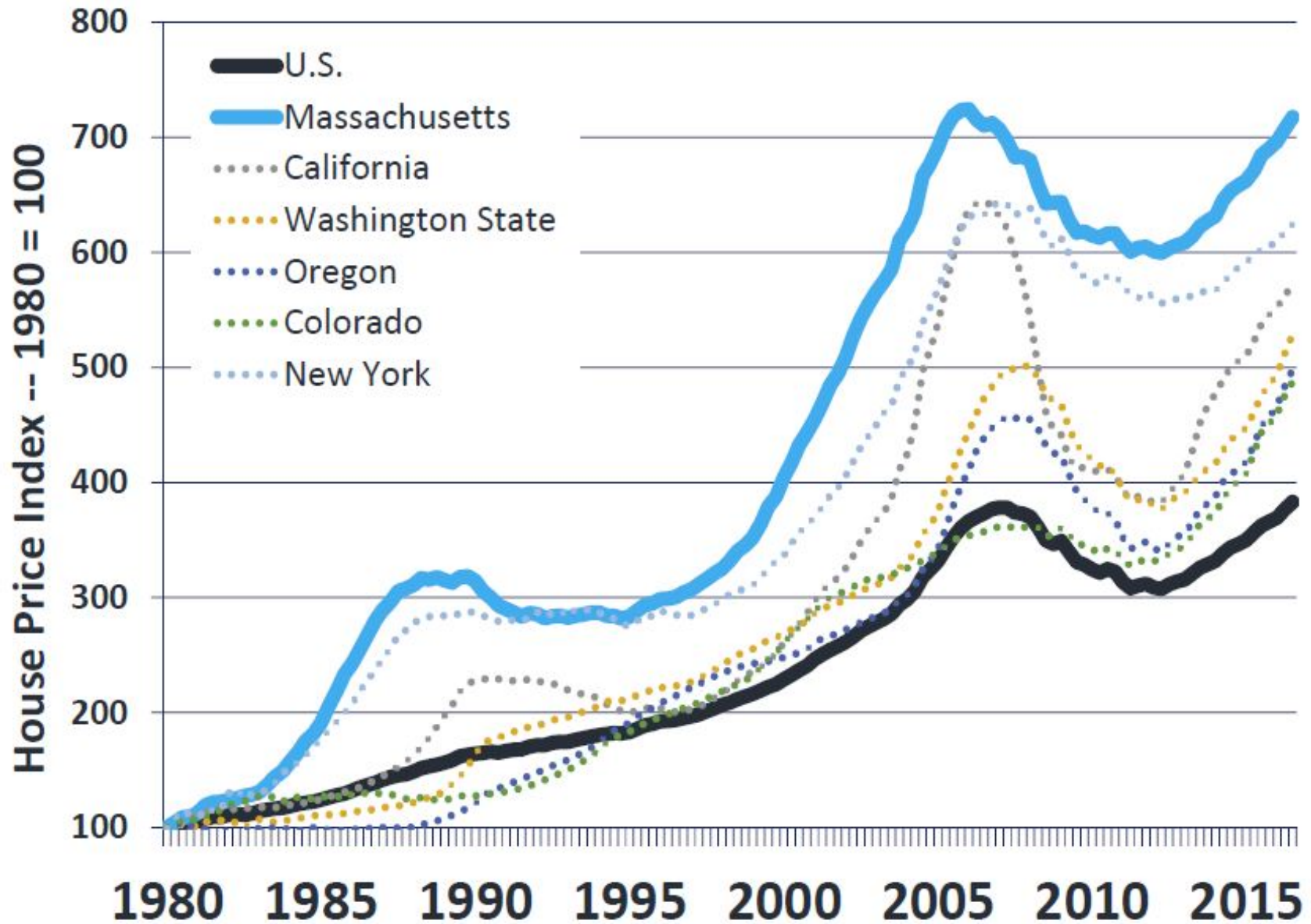


Annual Housing Production in Massachusetts by Decade



Data source: Massachusetts Housing Partnership; U.S. Census Bureau, Building Permit Survey

Rise in Home Prices



Data source: Massachusetts Housing Partnership; Federal Housing Finance Agency, House Price Index – All Transactions

Restrictive & Exclusionary Zoning Practices



Data source: Massachusetts Housing Partnership

Solutions to Encourage Inclusive Communities

Create more homes, both ownership & rental, across all income levels and in all communities

- Pass Zoning Reform
- Incentivize Housing Production
- Protect & Enforce Fair Housing
- Advocate for Housing Resources – for both rental and homeownership opportunities
- Become a YIMBY

MA Division of Banks Statistics*

as of 1/1/2018

Depository Institution Supervision

The Division of Banks is responsible for the oversight of all state-chartered banks and credit unions in Massachusetts

Banks	# of Institutions	Assets (12/31/2017)	# of Branches
<i>Co-operative Banks</i>	44	\$19,043,119,000	171
<i>Savings Banks</i>	52	\$61,094,527,000	538
<i>Trust Companies</i>	14	\$283,664,669,972	407
<i>Limited Purpose Trust Companies</i>	2	\$57,264,000	0
Credit Unions	67	\$14,754,883,161	165
Total Depository Institutions	179	\$378,614,463,133	1281

Non-Depository Institution Supervision

The Division of Banks regulates a range of non-bank financial service providers including mortgage companies, mortgage loan originators, money services businesses, consumer finance companies, and debt collectors.

Mortgage Lenders, Brokers, and Loan Originators	# of Licensees	# of Branches/Agents
<i>Mortgage Lenders</i>	204	937
<i>Mortgage Brokers</i>	299	789
<i>Mortgage Loan Originators</i>	8068	



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