



MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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MCBC RELEASES NEW REPORT ON MORTGAGE LENDING PATTERNS

Black and Latino Lending in MA Highly Concentrated But Gains Being Made

Boston, MA (January 17, 2018). Total home-purchase lending to blacks in 2016 was highly concentrated in a small number of the state's cities and towns, and entirely absent in many others. Just five cities (Brockton, Boston, Worcester, Springfield, and Randolph) accounted for 43.9% of all loans to blacks in Massachusetts. Brockton alone accounted for over one-sixth (18.1%) of all loans to blacks in Massachusetts.

At the same time, blacks received no home-purchase loans in 2016 in 134 of the state's 351 cities and towns, and only a single loan in 49 more. In Boston, just three neighborhoods (Dorchester, Hyde Park, and Mattapan) accounted for over three-quarters of all Boston loans to blacks (76.5%), while in three other neighborhoods (Back Bay, Beacon Hill, and the North End) blacks received no loans and in eight neighborhoods there was just one loan to a black homebuyer.

However, gains are being made, as black and Latino shares of total non-FHA loans have increased steadily over the past four years. In Greater Boston, the black share of total non-FHA loans increased from 1.8% in 2012 to 2.4% in 2016, while the Latino share increased from 2.6% to 4.0%. Despite this, black and Latino borrowers received shares of total non-FHA loans in 2016 that were far below their shares of total households. In Greater Boston, blacks made up 7.3% of households but received only 2.4% of non-FHA home-purchase loans, while Latinos, who made up 6.8% of households, received only 4.2% of non-FHA loans.

Denial rates for blacks and Latinos were also well above corresponding denial rates for whites. In Boston, blacks are 3.6 times more likely and Latinos are 2.0 times more likely to be denied a loan than white applicants. Blacks and Latinos experienced similar disparities in denial rates in Greater Boston and statewide.

More positively, the implementation of the Massachusetts's unique CRA for Mortgage Lenders law appears to have had a favorable impact on the relative performance of independent mortgage companies in serving traditionally underserved borrowers and neighborhoods in Boston, Greater Boston, and Massachusetts.

These are among the most dramatic findings presented in the Massachusetts Community and Banking Council's twenty-fourth annual report on local mortgage lending. *Changing Patterns XXIV: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Boston, Greater Boston and Massachusetts, 2016* was prepared for MCBC by Jim Campen, professor emeritus of economics at UMass Boston.

“Real estate trends across Massachusetts, and particularly within Greater Boston, are exacerbating the already significant racial homeownership and wealth gaps,” said Elliot Schmiedl, Director of Homeownership for the Massachusetts Housing Partnership, which administers the ONE Mortgage Program, and co-chair of MCBC’s Mortgage Lending Committee. “Changing Patterns XXIV helps us to better understand how racial bias and residential segregation are impacting home buying throughout the Commonwealth. It also underscores the importance of innovative homeownership programs that help to address the most common barriers facing underserved first-time homebuyers; affordability, down payment, and credit availability.”

Among the report’s key findings:

- Black and Latino borrowers in Boston, Greater Boston, and statewide received shares of total non-FHA loans in 2016 that were far below their shares of total households. In Greater Boston, blacks made up 7.3% of households but received only 2.4% of non-FHA home-purchase loans, while Latinos, who made up 6.8% of households, received only 4.2% of non-FHA loans. In Boston, the black household share was 21.0% and the Latino household share was 13.7%, but the black and Latino shares of non-FHA loans were just 4.5% and 3.8%.
- Black and Latino borrowers in Boston, in Greater Boston, and statewide were much more likely to receive FHA loans in 2016 than were their white or Asian counterparts. For home-purchase loans in Greater Boston, FHA loans accounted for 35% of loans to blacks and 39% of loans to Latinos, but only 7% of loans to whites. In the City of Boston, FHA loans accounted for 36% of loans to blacks, 30% of loans to Latinos, and 3% of loans to whites. FHA loan shares were consistently much lower for Asian borrowers than for whites.
- The black and Latino shares of total non-FHA loans have increased steadily over the past four years. In Greater Boston, the black share of total non-FHA loans increased from 1.8% in 2012 to 2.4% in 2016, while the Latino share increased from 2.6% to 4.0%. Blacks and Latinos experienced similar increases in their loan shares in the city of Boston and statewide. While the loan shares remain small, they have increased consistently during each of the last four years.
- Total home-purchase lending to blacks and Latinos in 2016 was highly concentrated in a small number of the state’s cities and towns, and entirely absent in many others. Brockton alone accounted for 18% of all loans to blacks in Massachusetts, while accounting for only 1.5% of total loans in the state. Just five cities (adding Boston, Worcester, Springfield, and Randolph) accounted for almost one-half (44%) of all loans to blacks in Massachusetts, while accounting for only 12% of the state’s total loans. Seven cities (Lawrence, Springfield, Lynn, Worcester, Revere, Boston, and Methuen) accounted for 40% of all loans to Latinos in the state, while accounting for just 14% of the state’s total loans. Meanwhile, in 65 of the state’s 351 cities and towns – down from 86 in the previous two years – there was not a single home-purchase loan to either a black or Latino homebuyer.
- In Boston, Greater Boston, and Massachusetts in 2016, the denial rates on non-FHA home-purchase loan applications by blacks and Latinos were much higher than the corresponding denial rates for whites. The black/white denial rate disparity ratio was 3.6 in Boston (16.6% vs. 4.7%), 2.4 in Greater Boston (12.1% vs. 5.1%), and 2.1 statewide (13.7% vs. 6.6%). Latino denial rates for non-FHA home-purchase loans were approximately twice the denial rates for white applicants.
- The implementation of the state’s unique CRA for Mortgage Lenders law seems to have had a positive impact on the relative performance of independent mortgage companies for the fourth straight year since its implementation in 2008. For the first time in the twenty-four year history of

the Changing Patterns series of reports, Massachusetts banks and credit unions did not clearly outperform the other types of lenders as measured by the percentage of their total loans that went to five categories of traditionally underserved borrowers and neighborhoods. In Greater Boston in 2016, Licensed Mortgage Lenders (LMLs) had the highest percentages for non-FHA loans in four of the five categories and the highest percentage for all loans in all five categories. The improved relative performance by LMLs likely reflects the continuing impact of the state's CRA for Mortgage Lenders regulation that mandates performance evaluations and public ratings of individual LMLs.

“Changing Patterns XXIV highlights the importance of CRA in encouraging all lenders – banks, credit unions and mortgage companies - to reach underserved borrowers and neighborhoods. We hope lenders and community organizations will use the report to join the conversation with MCBC on how to better reach this population,” said Tim Burrill, Vice President, Community Development Manager at Citizens Bank and Chair of the MCBC Board of Directors.

About the Massachusetts Community & Banking Council

The Massachusetts Community & Banking Council (MCBC) was established in 1990 to bring together community organizations and financial institutions to affect positive change in the availability of credit and financial services across the Commonwealth by encouraging community investment in low- and moderate-income communities and communities of color. MCBC is funded through the financial support of member financial institutions and the Board of Directors consists of an equal number of representatives from community organizations and representatives from financial institutions.

In addition to the data in the report, MCBC is also providing data on all Massachusetts cities and towns in a set of supplemental tables. The report, supplemental tables, and infographic, as well as further information about MCBC, are available at <http://mcbc.info/publications/changing-patterns-xxiv/>