MASSACHUSETTS MORTGAGE LENDING MATTERS

2021 DATA EDITION

A REPORT BY

WOODSTOCK INSTITUTE

FOR

PARTNERSHIP for FINANCIAL EQUITY

Massachusetts Mortgage Lending Matters

2021 Data Edition

Research & Analysis

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June 2023

WOODSTOCK INSTITUTE

PARTNERSHIP for FINANCIAL EQUITY

Preface

Woodstock Institute and the Partnership for Financial Equity are pleased to present *Massachusetts Mortgage Lending Matters*, a companion to the *Massachusetts Mortgage Lending Fact Book 2021 Data Edition*. This continues a series of annual reports on mortgage lending begun in 1995 as part of the Partnership for Financial Equity's mission to analyze and disseminate data on access to loans and financial opportunity in Massachusetts.

We have adopted a different format this year working with our partners at Woodstock, separating the data analysis into two products – a 167 page *Fact Book* featuring two page data profiles on all counties and larger municipalities in the Commonwealth and a separate 24 page narrative that seeks to highlight key findings and introduces original charts answering some basic questions about who is getting mortgages, who is making mortgages, and where low- and moderate-income buyers and buyers of color are purchasing homes in our state. We also include a section on solutions to the persistent racial homeownership gap these reports have chronicled for nearly 30 years.

If you have questions, comments or suggestions related to the *Fact Book* and/or *Mortgage Lending Matters*, please contact Woodstock's Senior Research Fellow Spencer Cowan, by email at scowan@woodstockinst.org or Thomas Callahan, Executive Director of Partnership for Financial Equity, at tcallahan@financialequity.org.

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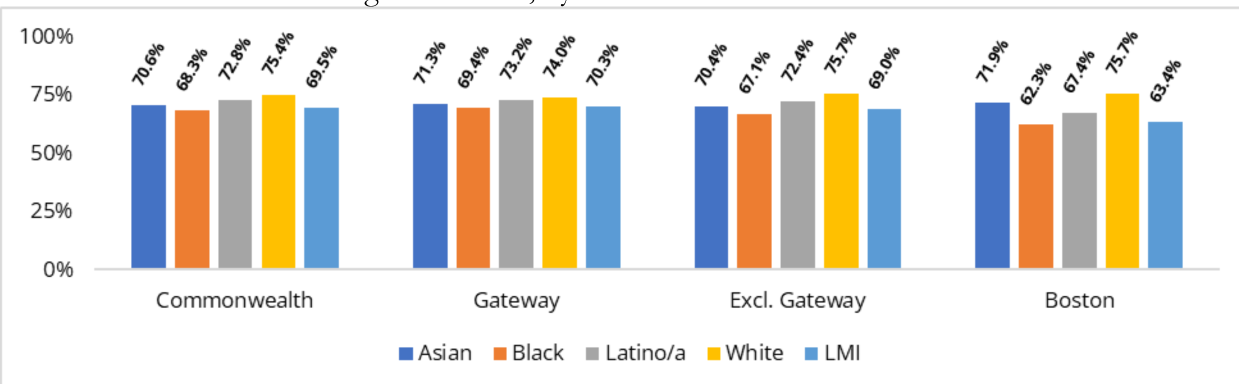
What Disparities Exist in Origination and Denial Rates, by Race and Income?

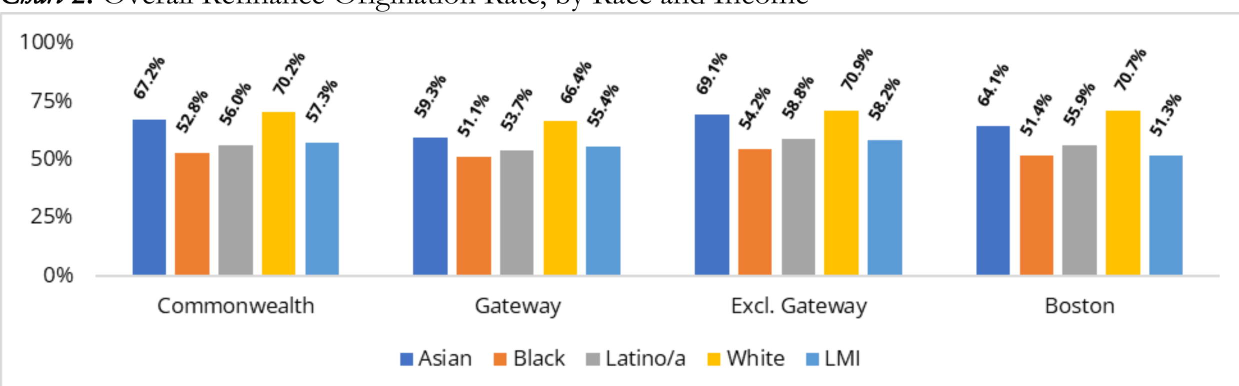
In general, the data show some disparities among applicants of different races in approval rates for purchase and refinance applications, as well as in denial rates. Lenders originated a higher percentage of purchase mortgages for Latino/a and White applicants in the Commonwealth, Gateway Cities, and areas outside of Gateway Cities than for Asian or Black applicants (Chart 1). In Boston, Asian and White applicants had a higher origination rate for purchase mortgages than either Black or Latino/a applicants.

Chart 1: Overall Purchase Origination Rate, by Race and Income



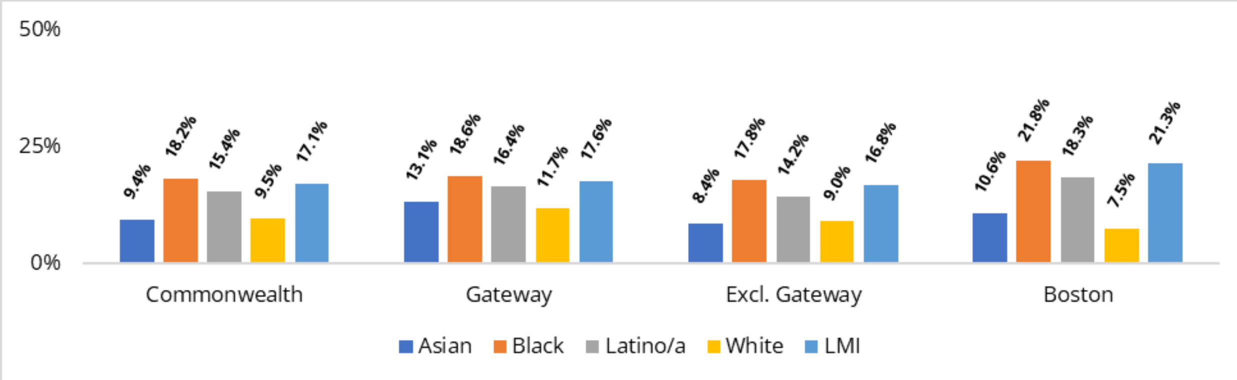
For refinance applications, Asian and White applicants had a higher origination rate in all four geographic categories than did Black or Latino/a applicants, and the disparities between the groups were generally greater than for purchase applications (Chart 2).

Chart 2: Overall Refinance Origination Rate, by Race and Income



Denial rates reflected the disparities in origination rates, with Black and Latino/a applicants more likely to have lenders deny their appliciations than either Asian or White applicants, and disparities greatest in Boston (Chart 3).

Chart 3: Overall Denial Rate, by Race and Income



Who is Purchasing Homes?

Both Black and Latino/a purchasers are receiving roughly the same percentage of 1st lien, one- to four-family purchase mortgages for owner-occupancy (traditional purchase mortgages) in the Commonwealth as their respective shares of the Commonwealth's population.[1] Asian buyers receive almost twice the percentage of traditional purchase mortgages as their share of the population, and White buyers slightly less (Chart 4). In Gateway Cities, which already have higher percentages of Black and Latino/a residents (35 percent) than the Commonwealth as a whole (19 percent), Black and Latino/a purchasers received a combined 43 percent of traditional purchase mortgages (Chart 5). Outside of Gateway cities, Asian purchasers received more than twice the percentage of traditional purchase mortgages as their percentage of the population (Chart 6). Only in Boston did White purchasers receive a higher percentage of traditional purchase mortgages than their share of the population (Chart 7).

Chart 4: Population and Mortgages, by Race, Commonwealth

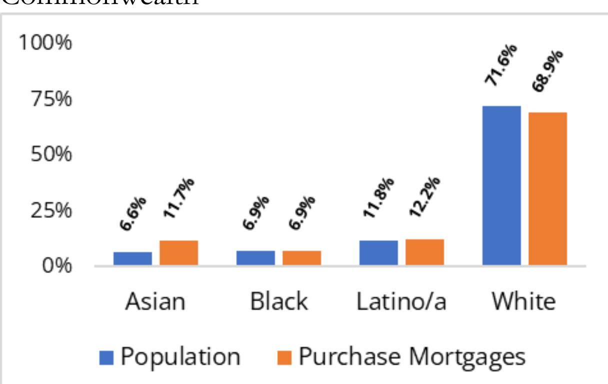


Chart 5: Population and Mortgages, by Race Gateway Cities

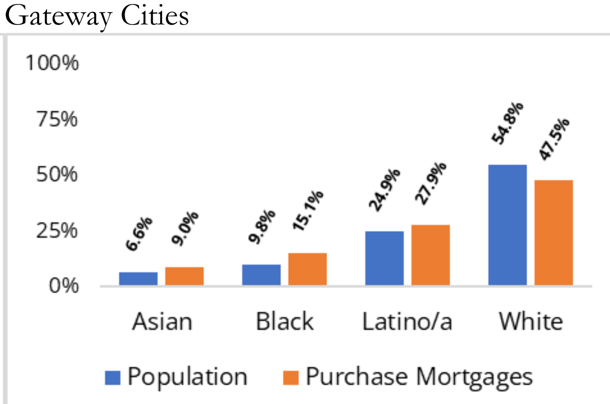


Chart 6: Population and Mortgages, by Race, Excluding Gateway Cities

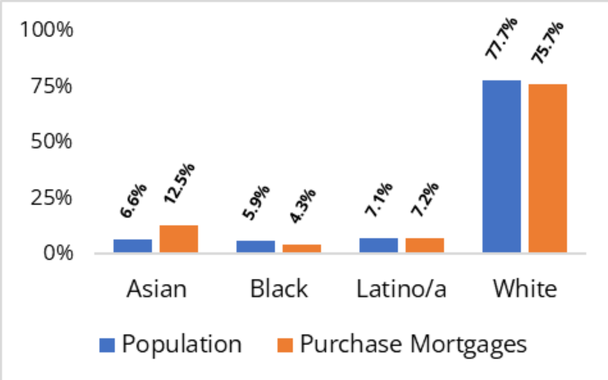
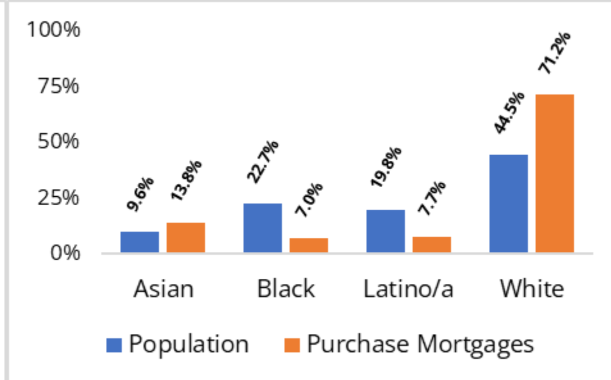


Chart 7: Population and Mortgages, by Race Boston



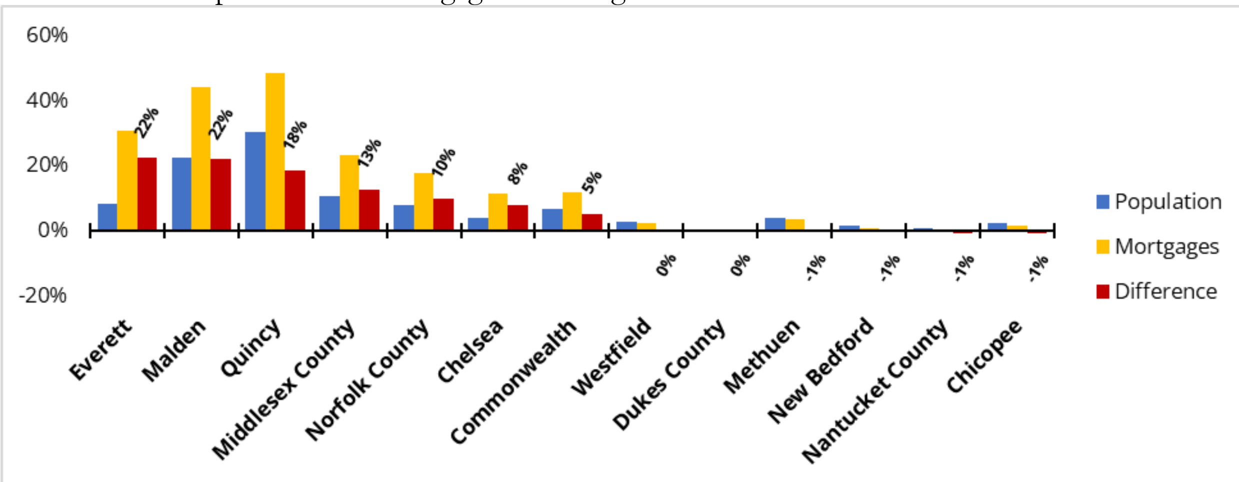
Taken together, the data on traditional purchase mortgages suggest that Black and Latino/a homeowners are becoming increasingly concentrated in Gateway Cities, White homeowners are growing in Boston, and Asian homeowners are becoming an increasing presence throughout the Commonwealth.

Where are Purchasers Buying, by Race?

The overall data, however, mask significant differences among different areas. Comparing the difference between the percentage a group represents of the population in an area to the percentage of traditional purchase mortgages they receive in that area is one indicator of where different groups are moving to or from. The charts for each group show the six geographic areas with the highest difference and the six with the lowest.

Asian borrowers are moving to Everett, Malden, and Quincy, for example, with the difference between their share of the population and their share of traditional purchase mortgage originations being roughly 20 percent (Chart 8). That is, Asians represent eight percent of Everett's population and received 31 percent of the traditional purchase mortgages in that city. The data suggest that Asian buyers are gravitating toward communities in which the Asian population was already well above the average for the Commonwealth. At the other end, the six geographic areas with the lowest difference, such as Chicopee, Nantucket County, and New Bedford, all had very small Asian populations, and so the difference was also small. None of the six communities with the largest negative difference had an Asian population above the average for the Commonwealth, and only Methuen had an Asian population of over 2.5 percent.

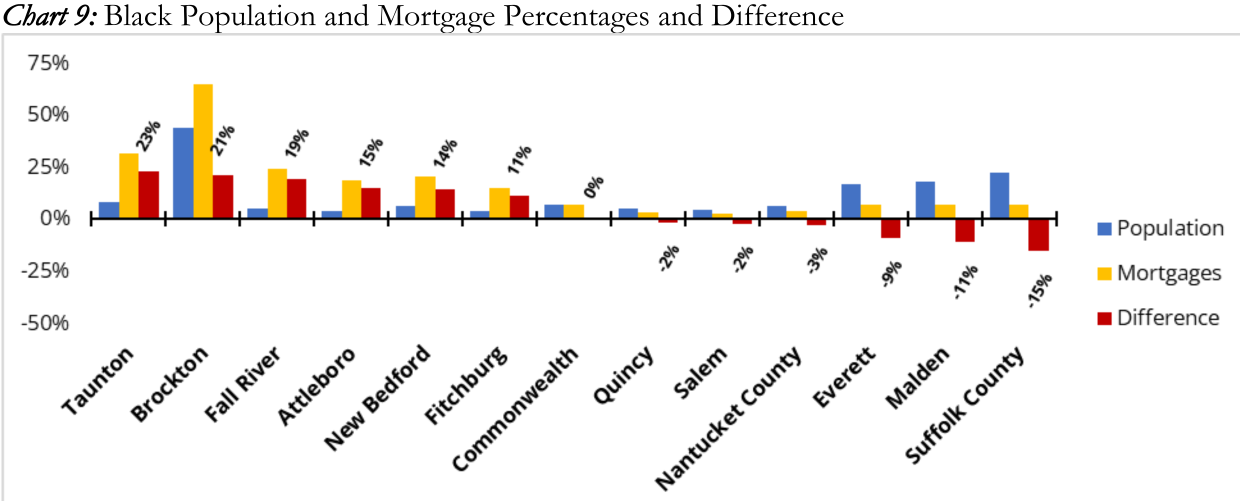
Chart 8: Asian Population and Mortgage Percentages and Difference



A. Counties are excluding Gateway City(ies). Counties are labeled to prevent confusion with a city or town with the same name.
B. The data label shows the difference between the percent of the population and the percent of traditional purchase mortgages originated.

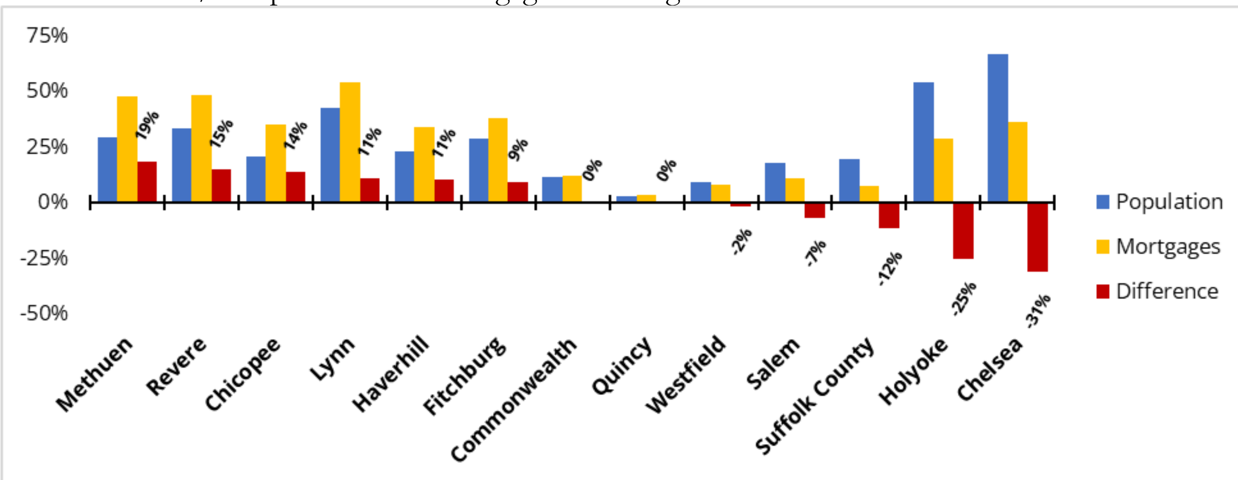
Black borrowers are moving to moderately more affordable southeastern cities and towns, including Taunton (average value of purchases in 2021 is $406,000), Brockton ($433,000), and Fall River ($367,500), and also to Fitchburg ($319,000) (Chart 9). Brockton's population is 44 percent Black, and over 65 percent of traditional purchase mortgages in Brockton went to Black applicants. The other five communities with the highest differences have Black populations of eight percent or less, which suggests that the Black homeownership rate in those communities will increase. For communities with the largest negative differences, Black purchasers are getting traditional purchase mortgages at or below the average rate within the Commonwealth, even in some communities where Blacks constitute a relatively high percentage of the existing population, over 16 percent., such as Suffolk County,[2] Malden, and Everett.

Chart 9: Black Population and Mortgage Percentages and Difference



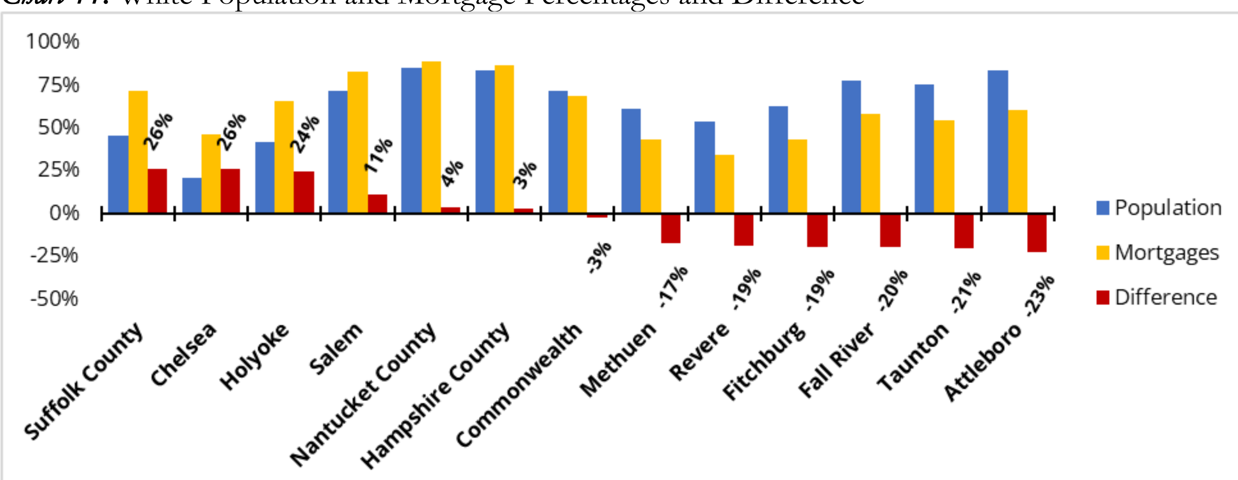
Latino/a purchasers are moving to communities, including Methuen ($482,900), Revere ($581,200), and Chicopee ($255,200), where they already have a significant presence, over 20 percent (Chart 10). In two communities where the population is roughly 30 percent of the population, Holyoke ($242,200) and Chelsea ($568,100), Latino/a buyers were more likely to receive a traditional home purchase mortgage than in the Commonwealth as a whole, but less than their share of the population.

Chart 10: Latino/a Population and Mortgage Percentages and Difference



Note that Black and Latino/a borrowers are receiving less than their proportionate share of traditional mortgages in Suffolk County, Whites more (Chart 11). Latino/a borrowers are receiving fewer in Chelsea, Holyoke, and Salem, where Whites are receiving more.

Chart 11: White Population and Mortgage Percentages and Difference



Characteristics of Traditional Home Purchase Mortgages, by Race and Income

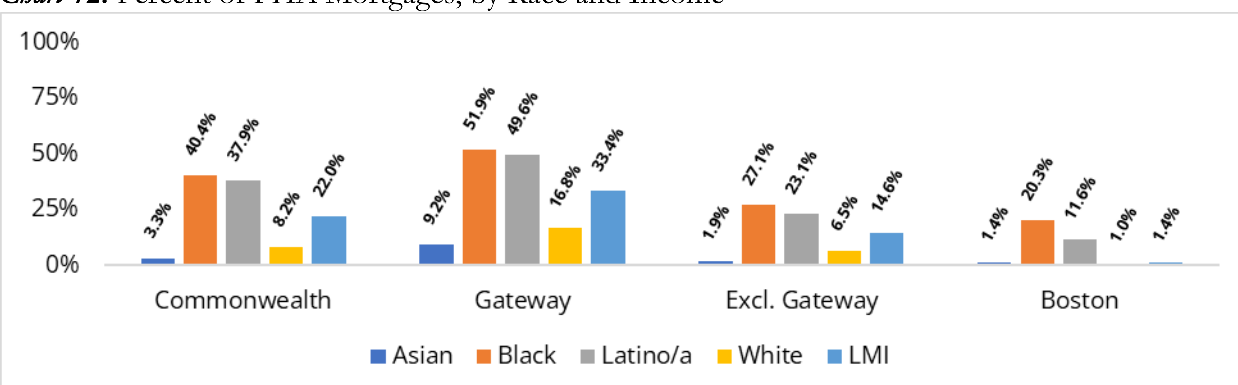
Conventional traditional home purchase mortgages usually meet defined underwriting criteria, including a 20 percent down payment, loan-to-value ratio (LTV) of 80 percent or less, and a borrower debt-to-income ratio (DTI) of 43 percent or less. For borrowers who do not meet those underwriting criteria, lenders can offer alternative loans that may allow for smaller down payments, allow higher LTVs or DTIs, although in many instances, those loans come with higher payments or closing costs. One of the most common alternative home purchase mortgages is made by private lenders and guaranteed by the Federal Housing Administration (FHA), which allows for a down payment of as little as 3.5 percent. FHA loans, however, require the borrower to pay for mortgage insurance for the life of the loan, which increases the monthly payment, and may have higher closing costs than conventional mortgages.

As noted in *Changing Patterns XXIV*, "**The high level of FHA lending in recent years, especially to traditionally underserved borrowers and neighborhoods, is not itself a problem, but is rather a symptom of – and a constructive response to – an underlying problem: the lack of availability of prime conventional loans to those borrowers and neighborhoods.**"[3] (Emphasis in original.)

In Massachusetts, low-down payment loans offered by Massachusetts Housing Partnership and MassHousing provide an alternative to the higher-cost FHA option. It is not clear in the data why more borrowers obtain FHA loans than the more affordable state programs. Is it because FHA loan guidelines accept a lower credit score? Or is it because some lenders (notably mortgage companies) only offer FHA loans to first-time buyers?

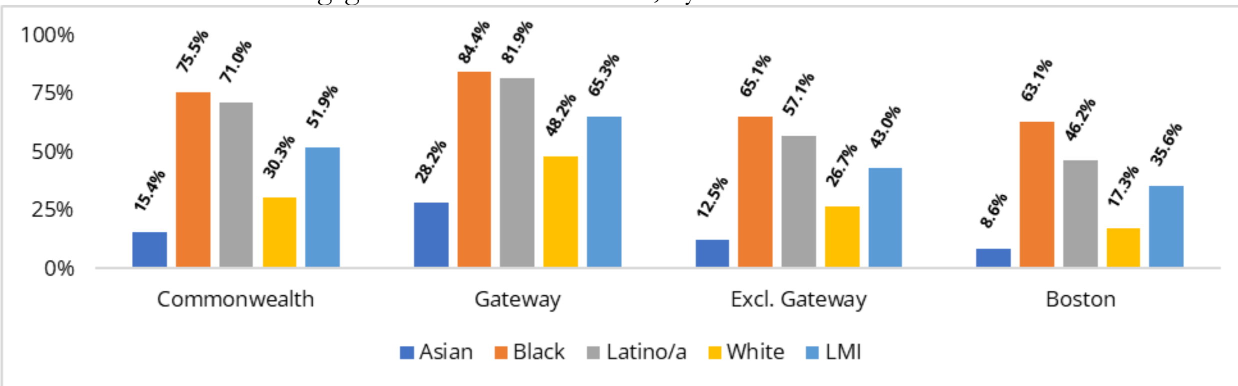
The data show that, for traditional home purchase mortgages outside of Boston, Black and Latino/a borrowers are between three and five times as likely as White borrowers, and one and a half to two times as likely as LMI borrowers, to have an FHA mortgage (Chart 12). In Boston, Black and Latino/a borrowers are 11 to 20 times as likely as White borrowers, and eight to 15 times as likely as LMI borrowers, to have an FHA mortgage. LMI borrowers are two to three times as likely outside of Boston, and 1.4 times as likely in Boston, to have an FHA mortgage as White borrowers. Asian borrowers, on the other hand, have the lowest percentage of FHA loans overall, except in Boston, and, even there, less than two percent of Asian borrowers received an FHA mortgage.

Chart 12: Percent of FHA Mortgages, by Race and Income



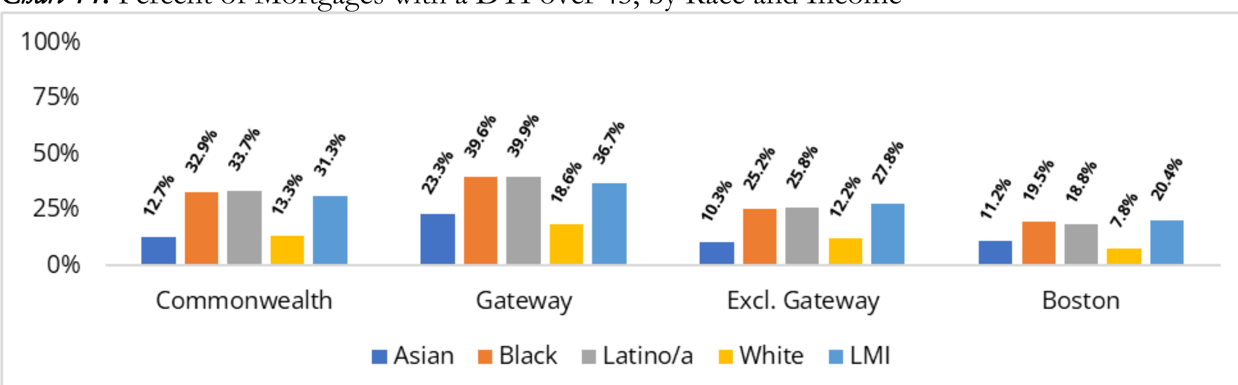
The disparity between Black and Latino/a borrowers and White or LMI borrowers in the percentage of FHA mortgages is also apparent in the percentage of loans with LTVs over 90 (Chart 13). Black and Latino/a borrowers had a higher percentage of loans with an LTV over 90 than White or LMI borrowers, and Asian borrowers had the lowest percentage, in all four geographies. Over 80 percent of all Black and Latino/a borrowers receiving traditional mortgages in Gateway Cities had LTVs over 90, meaning that they made down payments of less than 10 percent of the purchase price. LMI borrowers had a higher percentage of loans with an LTV over 90 than White or Asian borrowers, but less than either Black or Latino/a borrowers in all four geographic groups. The data for all groups also show that a substantial percentage of borrowers receiving traditional mortgages with LTVs over 90 do not get FHA mortgages.

Chart 13: Percent of Mortgages with an LTV over 90, by Race and Income



While disparties between Black and Latino/a borrowers on one hand and Asian and White borrowers on the other are still apparent in the data on traditional purchase mortgage originations with DTI ratios above 43, they are generally smaller than for either FHA mortgages or high LTV ratios (Chart 14). LMI borrowers had roughly the same percentage of high DTI loans as Black and Latino/a borrowers. For all groups, the percentage of high DTI loans was higher in Gateway Cities than in either the rest of the Commonwealth or Boston.

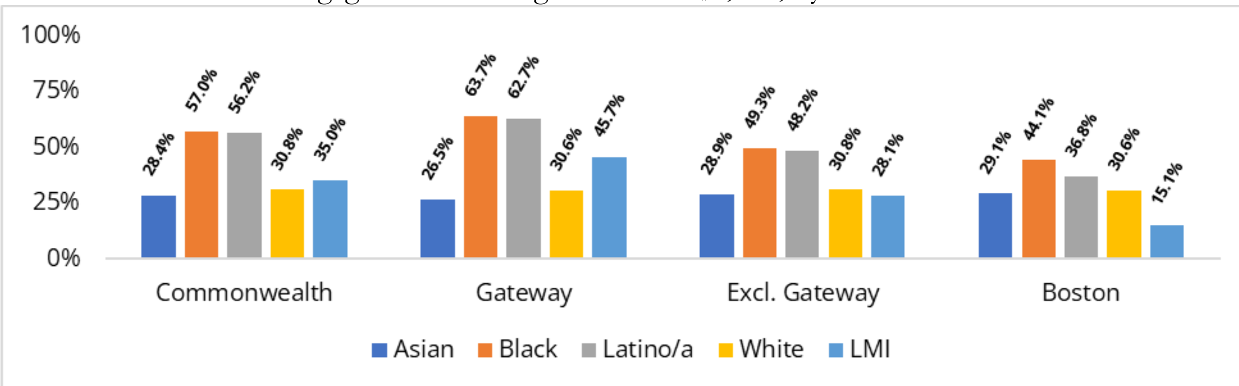
Chart 14: Percent of Mortgages with a DTI over 45, by Race and Income



Closing costs include fixed cost items that are the same for all loans and variable costs that increase with the amount of the mortgage. Like the down payment, closing costs are funds that buyers have to have before they can purchase their homes, regardless of their income or ability to make the monthly mortgage payments. For many potential home buyers, coming up with cash for a down payment and to cover closing costs represents one of the major obstacles to homeownership.

More than half of all Black and Latino/a borrowers in the Commonwealth, and over 60 percent in Gateway Cities, paid closing costs of over $5,000 (Chart 15). Only about 30 percent of Asian and White borrowers paid that much in closing costs. In general, a lower percentage of loans for all groups had closing costs of over $5,000 in Boston than in other parts of the Commonwealth. For LMI borrowers, nearly three times as many paid over $5,000 in closing costs for properties in Gateway Cities as in Boston.

Chart 15: Percent of Mortgages with Closing Costs over $5,000, by Race and Income



The median loan amount and property value[4] show both the disparity in high LTV loans for Black and Latino/a borrowers and the variation in values in different geographic areas. The data show that the difference between the median loan amount and median property value for Black and Latino/a borrowers is smaller than for Asian and White borrowers (Chart 16 and Chart 17). For example, the median loan amount for Black borrowers in the Commonwealth was $405,000 for properties with a median value of $435,000, or an LTV ratio of 93, compared with a median loan amount of $505,000 for properties with a median value of $645,000, for an LTV ratio of 78, for Asian borrowers. For LMI borrowers, the ratio between the loan amount and property value is an LTV ratio of 83.

The data also show that loan amounts and property values are lower in Gateway Cities than outside, and they are highest in Boston. For LMI borrowers, the data reflect the same differences in both loan amounts and property values, with Gateway Cities being the lowest, then the rest of the Commonwealth, excluding Gateway Cities, and then Boston with the highest amounts and values.

Chart 16: Median Loan Amount, by Race and Income

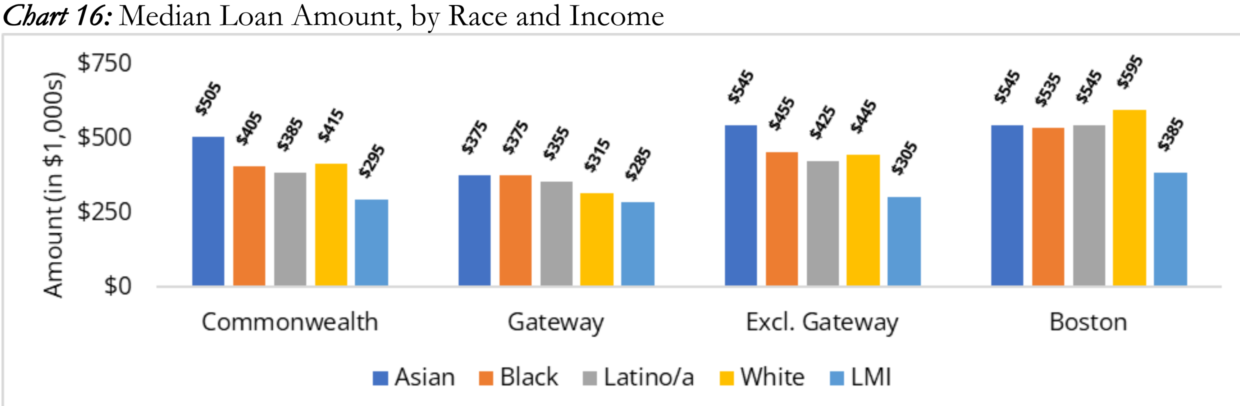
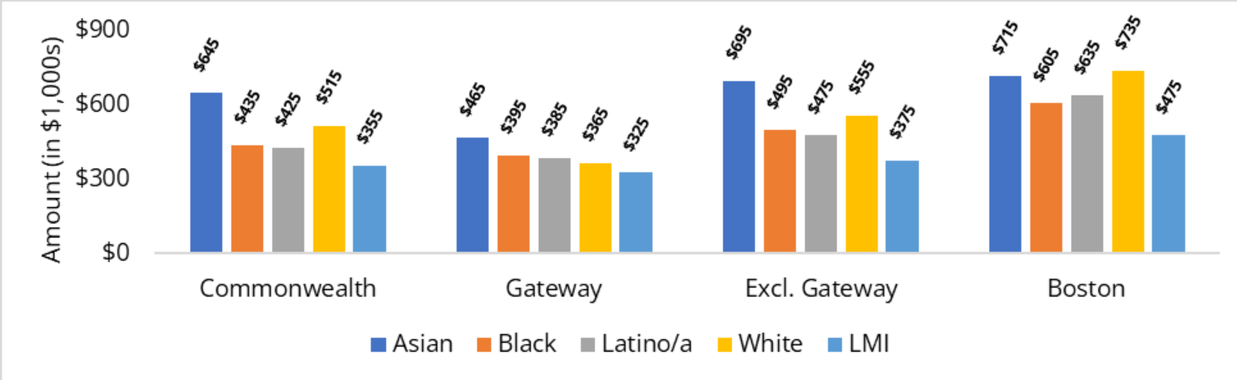
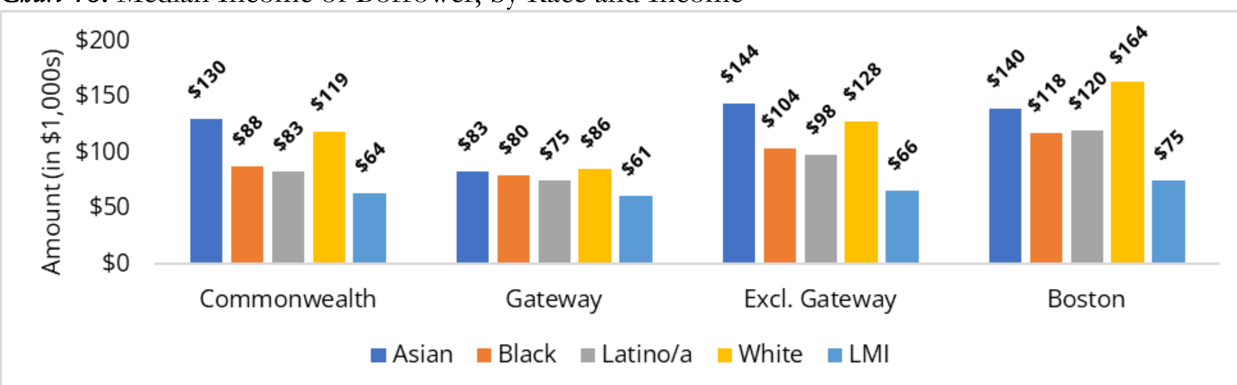


Chart 17: Median Property Value, by Race and Income



Borrower incomes track the other two indicators, with lower income buyers in Gateway Cities, higher incomes in areas outside of Gateway Cities, and the highest incomes in Boston (Chart 18). Comparing differences in the ratio between the size of the mortgage and borrower income shows a clear difference btween Black, Latino/a, and LMI borrowers and Asian and White borrowers. For Latino/a, Black, and LMI borrowers, the median loan amount is 4.6 times their median income; for Asian borrowers the loan amount is 3.9 times income; and for White borrowers the loan amount is 3.5 times income.

Chart 18: Median Income of Borrower, by Race and Income



The median property value and income data also show a clear divide between different regions within the Commonwealth. Of the four westernmost counties – Berkshire, Franklin, Hampden, and Hampshire – only one, Hampshire, has a median property value over $265,000 or median borrower income over $79,000 (Chart 19 and Chart 20). By comparison, of the four easternmost counties including and surrounding Boston – Essex, Middlesex, Norfolk, and Suffolk – only one, Essex, has a median property value under $625,000 or median borrower income under $137,000.

Chart 19: Median Property Value for Traditional Purchase Mortgages, by County

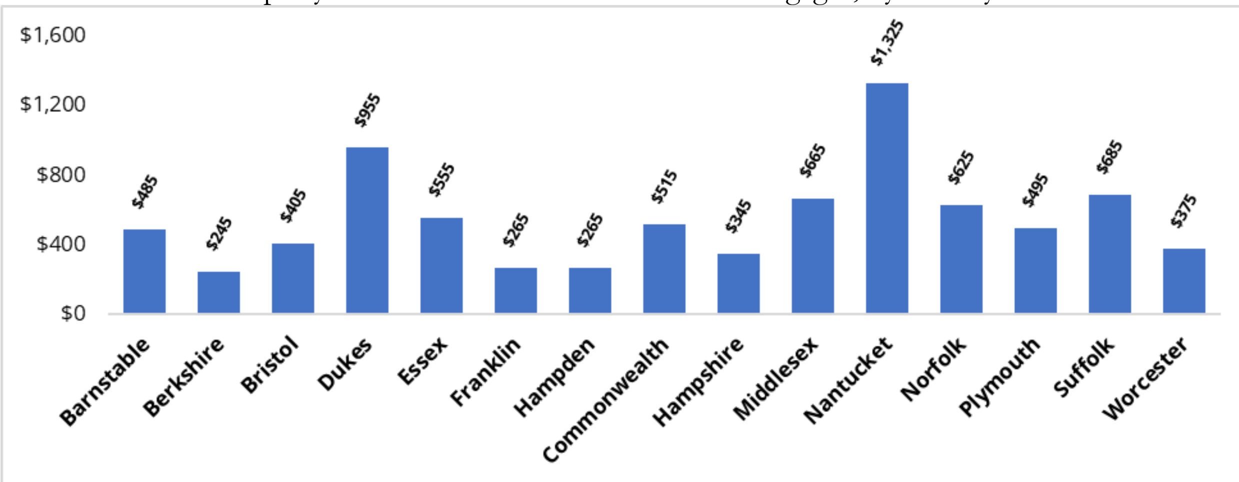
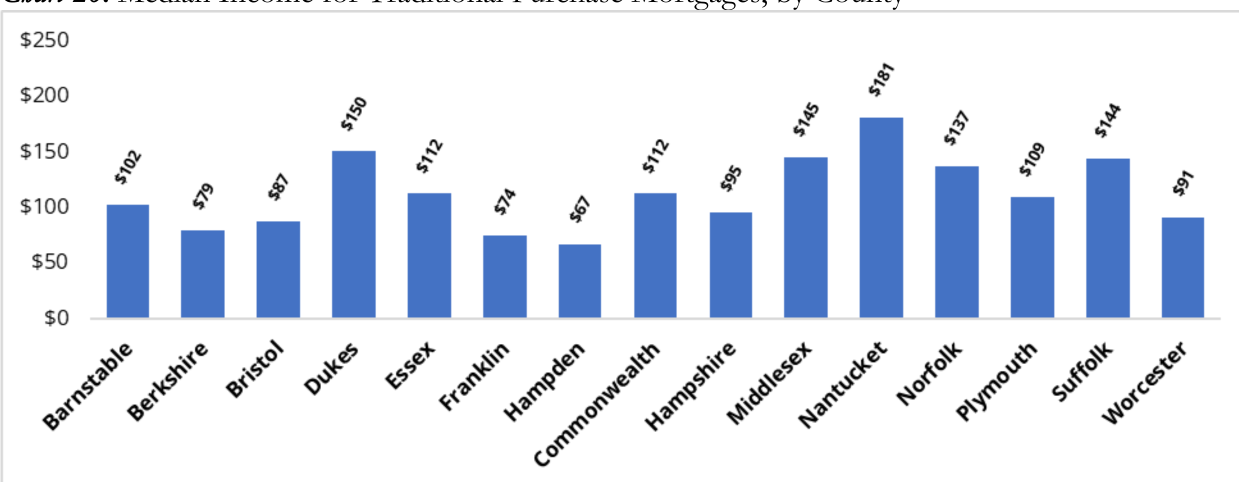


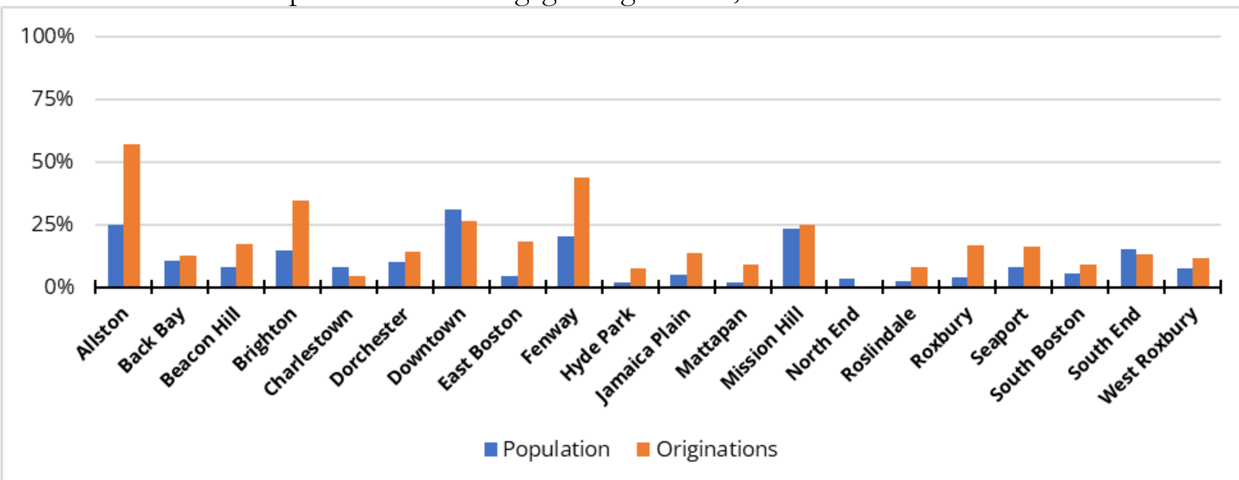
Chart 20: Median Income for Traditional Purchase Mortgages, by County



Boston Neighborhood Data Analysis

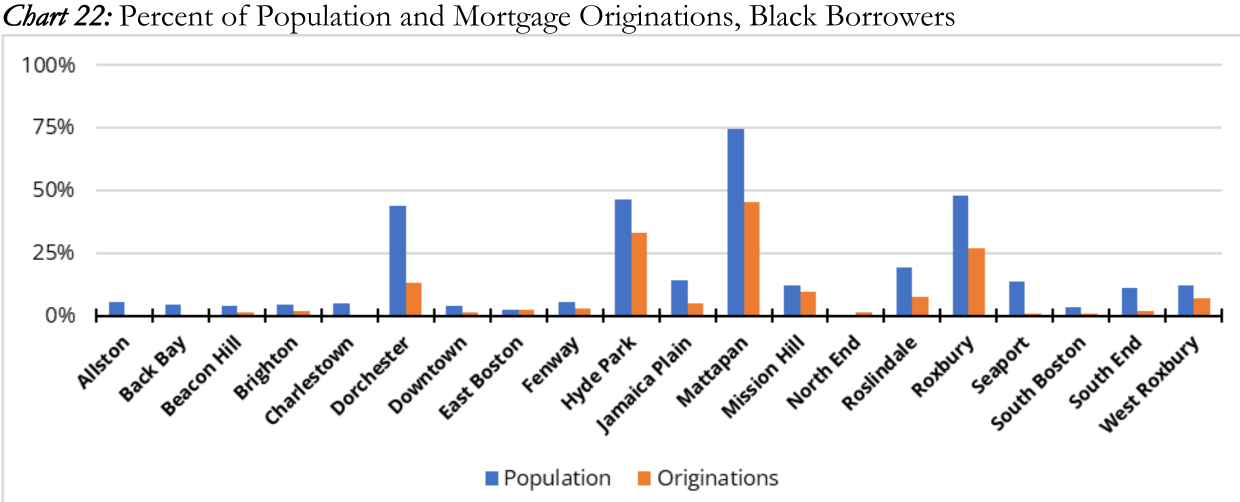
Asian purchasers (760 total purchase originations in Boston in 2021) represented a higher percentage of buyers than their existing percentage of the neighborhood population in most Boston neighborhoods, especially in Allston, Brighton, and Fenway (Chart 21). In those neighborhoods, Asian buyers represented between 34 and 57 percent of all purchasers with traditional mortgages. The North End saw no Asian buyers, and they were only four percent of buyers in Charlestown.

Chart 21: Percent of Population and Mortgage Originations, Asian Borrowers



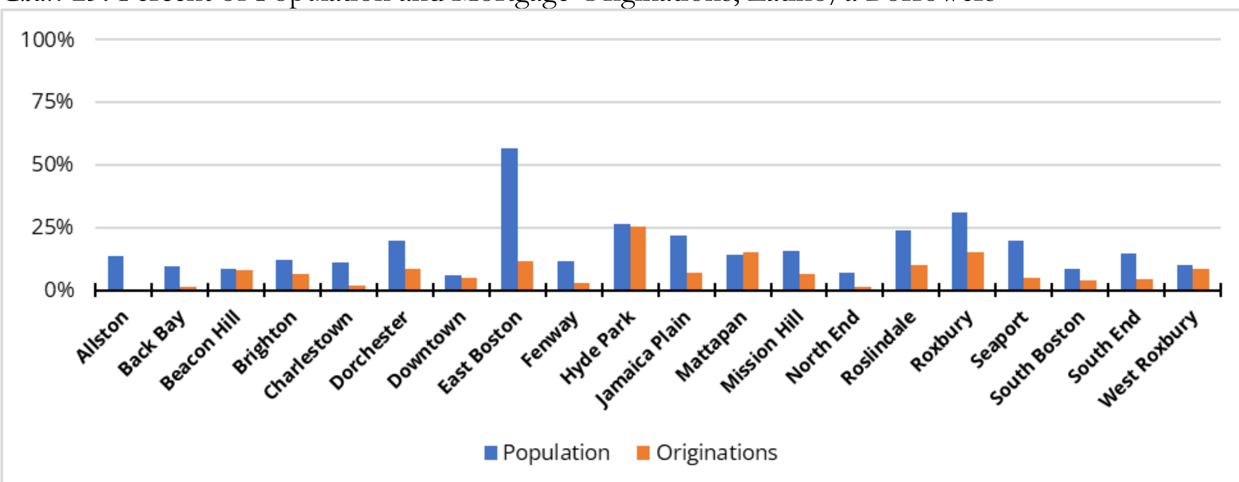
Black purchasers (385 total purchase originations in Boston in 2021), by comparison, were a smaller percentage of buyers than their existing percentage of the neighborhood population in almost all Boston neighborhoods, especially in Dorchester, Mattapan, and Roxbury (Chart 22). Only in Mattapan, where Black residents are nearly 75 percent of the population, did Black borrowers receive more than a third of traditional purchase mortgages. In two neighborhoods, Allston and Back Bay, no Black borrowers received traditional purchase mortgages, and in three others – Charlestown, Seaport, and South Boston – they received less than one percent of mortgages.

Chart 22: Percent of Population and Mortgage Originations, Black Borrowers



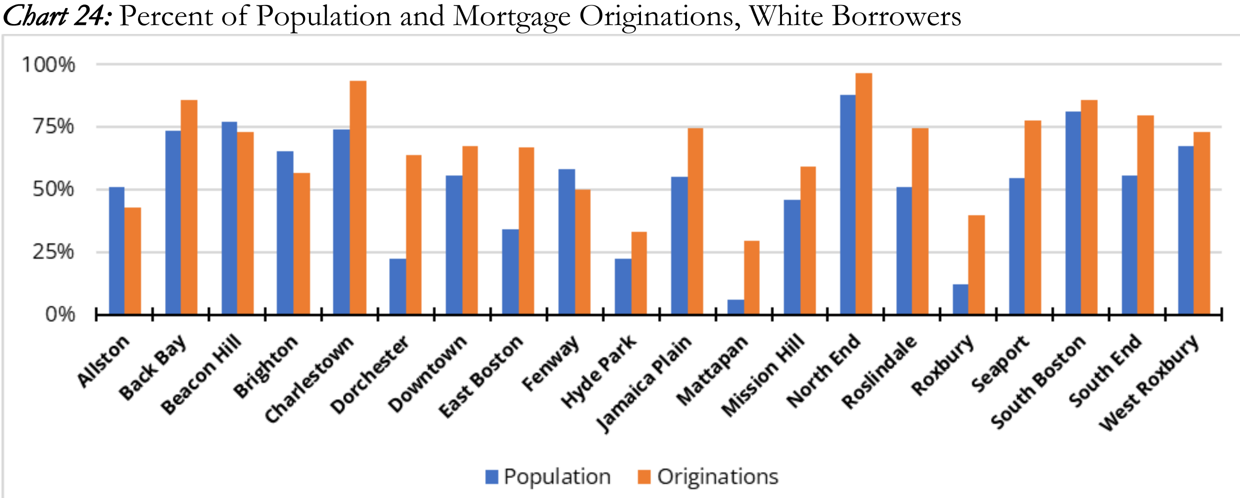
Latino/a borrowers (424 total purchase originations in Boston in 2021) were also a smaller percentage of buyers than their share of the population in most Boston neighborhoods (Chart 23). Only in Hyde Park did Latino/a borrowers receive more than 25 percent of traditional purchase mortgages. In two other neighborhoods, Mattapan and Roxbury, they received 15 percent of traditional mortgages. The biggest difference between the percentage of the population and mortgages was in East Boston, where the population was 57 percent Latino/a, while they received less than 12 percent of traditional mortgages. In Allston, no Latino/a borrowers received traditional mortgages, and they were less than two percent of traditional mortgages in Back Bay, Charlestown, and the North End.

Chart 23: Percent of Population and Mortgage Originations, Latino/a Borrowers



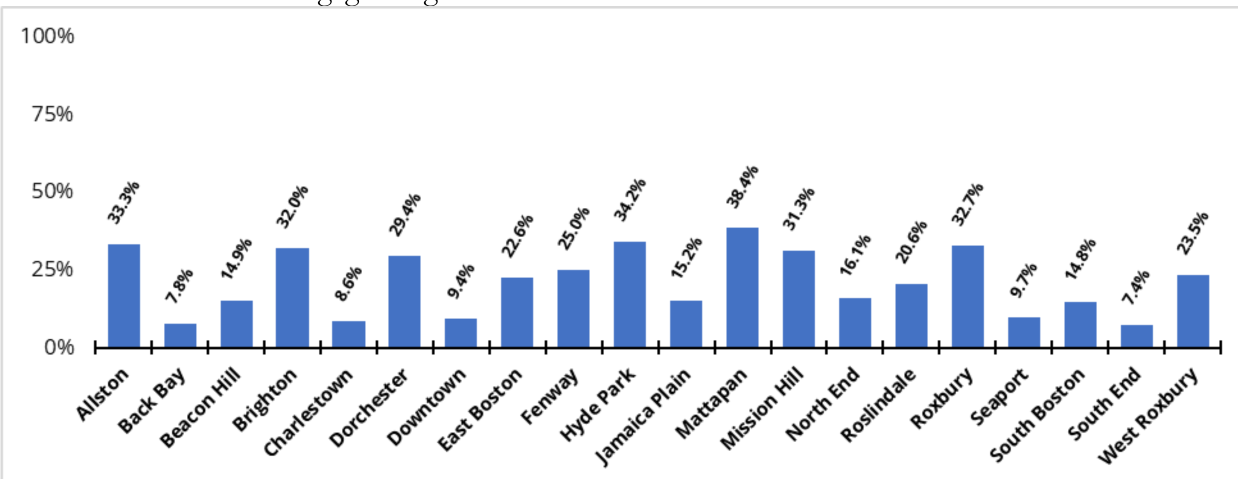
White borrowers (3,912 total purchase originations in Boston in 2021) received 71.2 percent of mortgages in Boston and were 44.5 percent of the population. In four of the five neighborhoods where the White population was 73 percent of the population or more – Back Bay, Charlestown, North End, and South Boston – White borrowers received 85 percent or more of traditional mortgages. Even in three of the four neighborhoods – Dorchester, Mattapan, and Roxbury – where White residents are less than 25 percent of the population, White borrowers received well over twice the percentage of mortgages as their share of the population.

Chart 24: Percent of Population and Mortgage Originations, White Borrowers



LMI borrowers (1,091 total purchase originations in Boston in 2021 or 17.2 percent of total) received more than 30 percent of traditional mortgages in six neighborhoods – Allston, Brighton, Hyde Park, Mattapn, Mission Hill, and Roxbury. In five neighborhoods – Back Bay, Charlestown, Downtown, Seaport, and the South End – LMI borrowers received less than 10 percent of traditional mortgages.

Chart 25: Percent of Mortgage Originations to Low- and Moderate-Income Borrowers



The median loan amount and property value data show that three neighborhoods – Back Bay, Seaport, and the South End – are clearly the most expensive in the city (Chart 26 and Chart 27). All three are the only ones with median loan amounts of $735,000 or more, and all have median values in excess of $1,000,000. Not surprisingly, those three neighborhoods also had relatively low percentages of LMI purchasers. Four of the most affordable neighborhoods – Allston, Brighton, Mission Hill, and Roxbury – had median property values of under $600,000 and median loan amounts under $500,000. All four were among the neighborhoods with the highest percentages of LMI purchasers.

Chart 26: Median Loan Amount for Traditional Mortgages

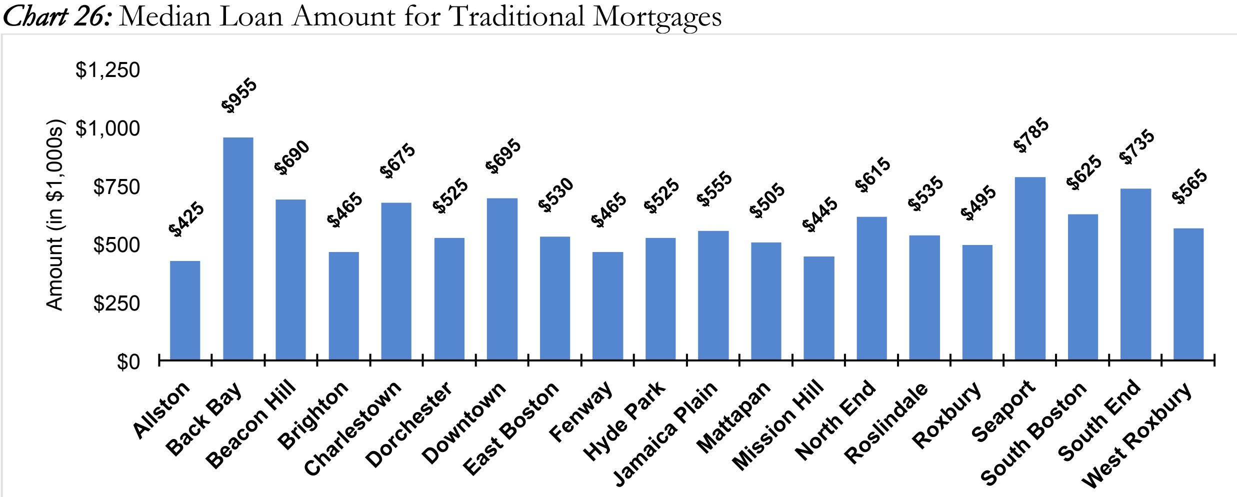
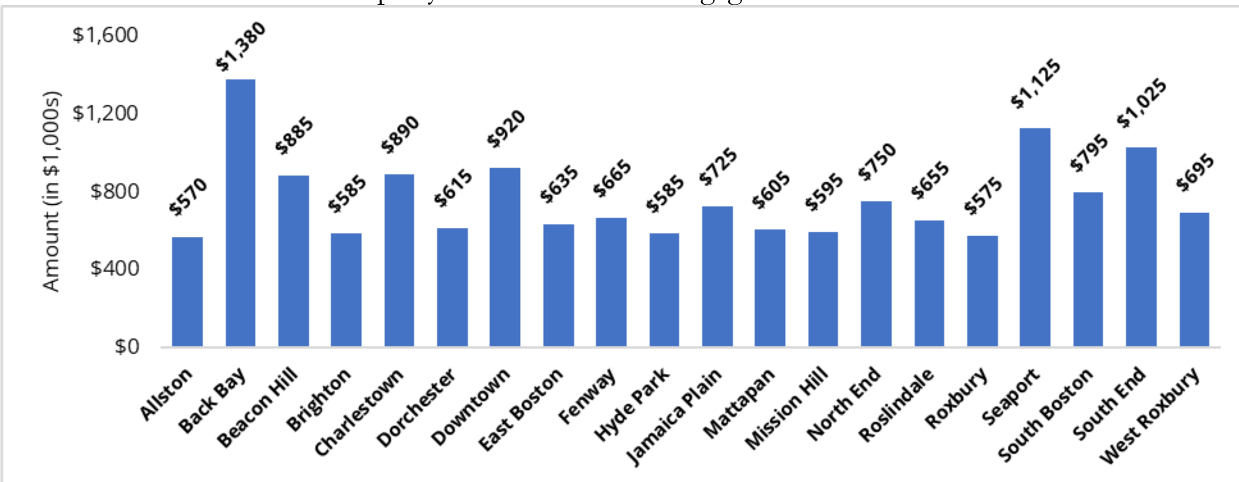
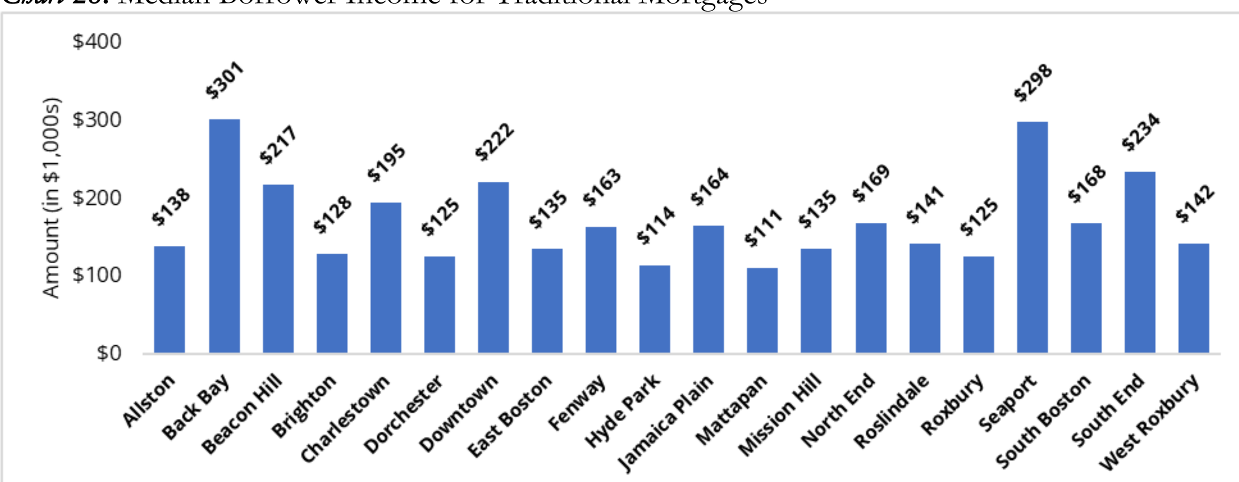


Chart 27: Median Value of Property for Traditional Mortgages



The purchaser median income data show that the three most expensive neighborhoods are also those with the highest median incomes (Chart 28). The data suggest that neighborhoods are differentiated by income and property value, with the six highest median values and incomes aligning in the same neighborhoods.

Chart 28: Median Borrower Income for Traditional Mortgages



Who is Making Loans to Whom?

Overall, Licensed Mortgage Lenders (LMLs) originated 51 percent of all purchase and refinance mortgages combined in the Commonwealth, 58 percent in Gateway Cities, 49 percent outside of Gateway Cities, and 47 percent in Boston. Massachusetts Banks and Credit Unions (MBCUs) originated 34 percent of all mortgaes in the Commonwealth, 27 percent in Gateway Cities, 36 percent outside of Gateway Cities, and 40 percent in Boston. Of the top ten mortgage originators, eight were LMLs in the Commonwealth and outside of Gateway Cities. Nine out of the top ten were LMLs in Gateway Cities, but just six out of the top ten were LMLs in Boston.

Purchase Mortgages
LMLs originated 51 percent of purchase mortgages in the Commonwealth, with higher percentages of originations for some groups. They originated 54 percent of all purchase mortgages to Black borrowers, 56 percent for Latino/a borrowers, and 48 percent of purchase mortgages to LMI borrowers statewide (Chart 29). They originated even higher percentages of purchase mortgages for each of those groups in Gateway Cities, 58 percent for Black borrowers, 60 percent for Latino/a borrowers, and 52 percent for LMI borrowers (Chart 30). Outside of Gateway Cities, MBCUs had a larger share of purchase originations than in either the Commonwealth as a whole or Gateway Cities, although they still originated a smaller percentage of purchase mortgages for Black, Latino/a, and LMI borrowers than LMLs did (Chart 31). In Boston, MBCUs originated nearly as many mortgages for Black, Latino/a, and LMI borrowers as LMLs (Chart 32).

Chart 29: Purchase Originations by Lender Type, Commonwealth

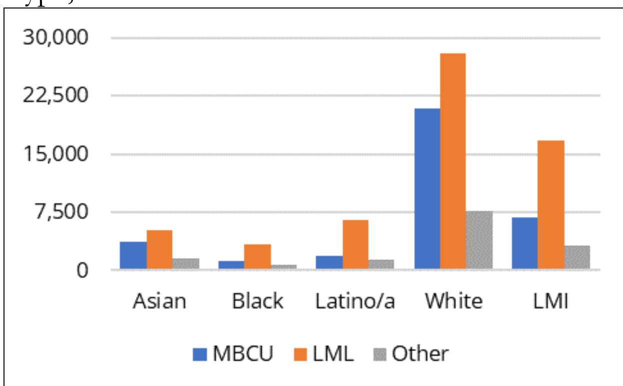


Chart 30: Purchase Originations by Lender Type, Gateway Cities

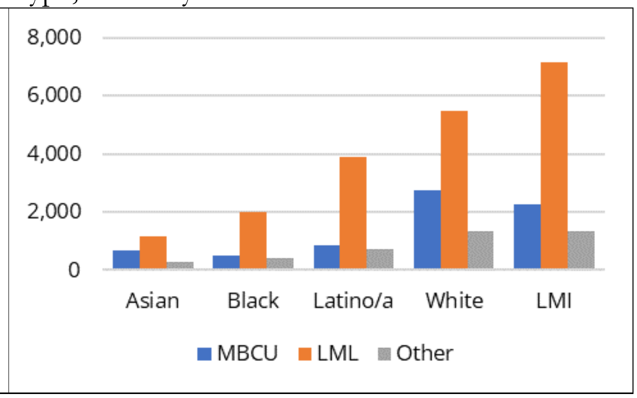


Chart 31: Purchase Originations by Lender Type, Excluding Gateway Cities

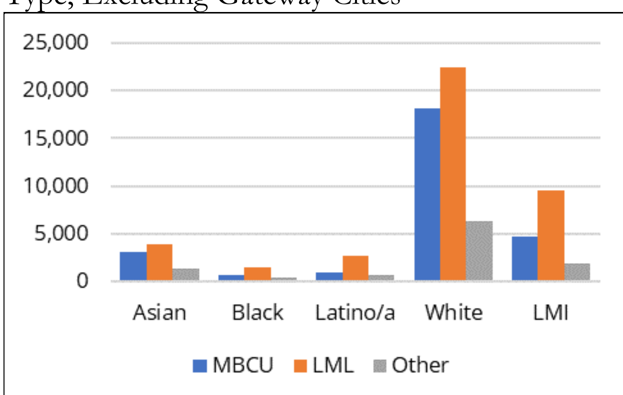
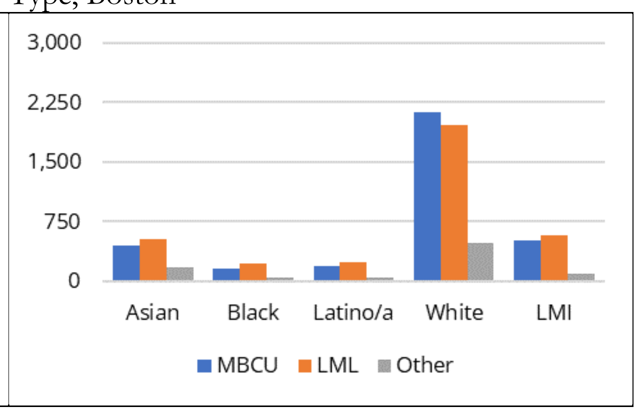


Chart 32: Purchase Originations by Lender Type, Boston



Refinance Mortgages
LMLs also originated 51 percent of refinance mortgages in the Commonwealth, 56 percent in Gateway Cities, and 49 percent outside of Gateway Cities and in Boston. They originated 64 percent of all refinance mortgages for Black borrowers, 67 percent for Latino/a borrowers, and 62 percent for LMI borrowers in the Commonwealth (Chart 33). LMLs' share was even higher in Gateway Cities: 69 percent for Black borrowers, 71 percent for Latino/a borrowers, and 67 percent for LMI borrowers (Chart 34). Even outside of Gateway Cities, LMLs made roughly 60 percent of refinance loans to Black, Latino/a, and LMI borrowers (Chart 35). Only in Boston did LMLs not originate the

majority of refinance loans for Latino/a and LMI borrowers, 49 percent, although they still originated the majority of refinance loans for Black borrowers, 52 percent (Chart 36).

Chart 33: Refinance Originations by Lender Type, Commonwealth

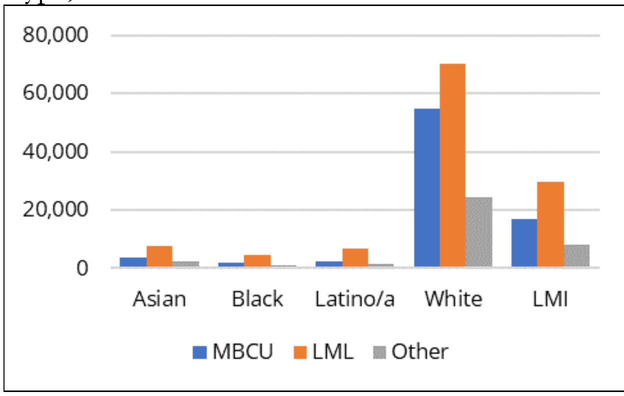


Chart 34: Refinance Originations by Lender Type, Gateway Cities

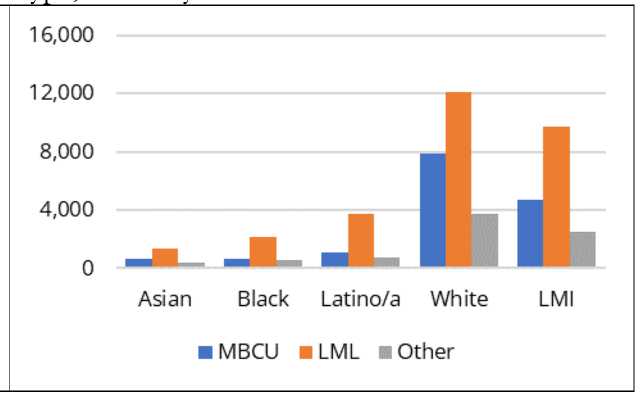


Chart 35: Refinance Originations by Lender Type, Excluding Gateway Cities

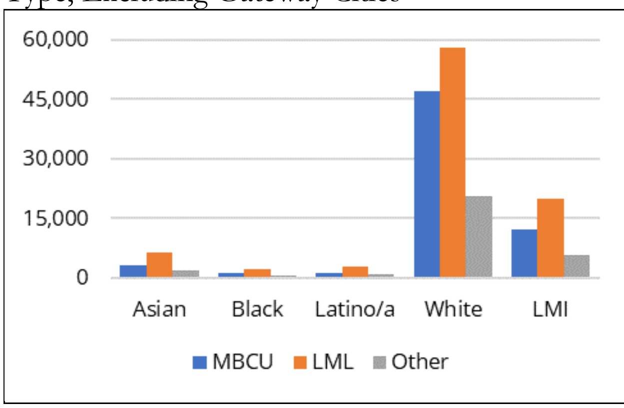
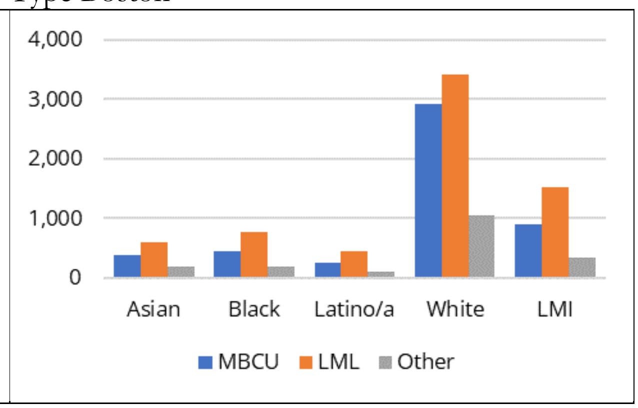


Chart 36: Refinance Originations by Lender Type Boston



FHA Mortgages

As noted earlier in this report, FHA mortgages are one option to fill a need for a mortgage product for potential buyers who are not able to meet conventional mortgage underwriting criteria, but they do so at an additional cost for the borrowers, both in the monthly payment and in closing costs. Some lenders offer alternatives which may be less expensive options, as is evident by the data showing that the percentage of traditional purchase mortgage borrowers receiving FHA loans is smaller than the percentage with an LTV ratio over 90, meaning that the buyer did not make the conventional loan standard 20 percent down payment.

The prevalence of FHA mortgages varies by the type of lender. Fewer than three percent of traditional purchase mortgages that MBCUs originated in the Commonwealth were FHA loans, compared with nearly 20 percent for loans that LMLs originated (Chart 37). In Gateway Cities, nine percent of the traditional mortgages MBCUs originated were FHA loans, compared with 38 percent of loans that LMLs originated (Chart 38). Outside of the Gateway Cities, fewer than two percent of MBCU traditional mortgages were FHA, while 12 percent of LML mortgages were (Chart 39). In Boston, less then one percent of traditional loans that MBCUs originated were FHA loans, and only five percent of LML traditional mortgages were FHA loans (Chart 40).

To some extent, the disparities may reflect the characteristics that each type of lender had in the different geographic areas. For example, 22 percent of MBCU traditional mortgage loans were to borrowers with LTV ratios over 90 in the Commonwealth and 45 percent in Gateway Cities, compared with 45 percent in the Commonwealth and 66 percent in Gateway Cities for LMLs. That LMLs generally had a higher percentage of borrowers seeking traditional mortgages with high LTV ratios than MBCUs might contribute to the different rates of FHA lending. The fact that so many borrowers with LTV ratios over 90 did not receive FHA loans, however, suggests that there were other factors, perhaps the low down payment option from MHP and MassHousing, that also contributed to the differences.

Not only do the percentages of FHA loans vary by lender type and geographic area, there are also differences among groups of borrowers. For all types of lenders in all geographic areas, Asian borrowers were the least likely to receive FHA mortgages, while Black and Latino/a borrowers were the most likely. Among lender types, MBCUs originated a much lower percentage of FHA loans for all groups than either LMLs or other lenders. Two findings are somewhat unexpected. One, except in Boston, LMI borrowers were less likely to have received an FHA mortgage from any type of lender than White borrowers. Two, no lender originated an FHA mortgage for a White borrower in Boston.

Chart 37: FHA Originations by Lender Type, Commonwealth

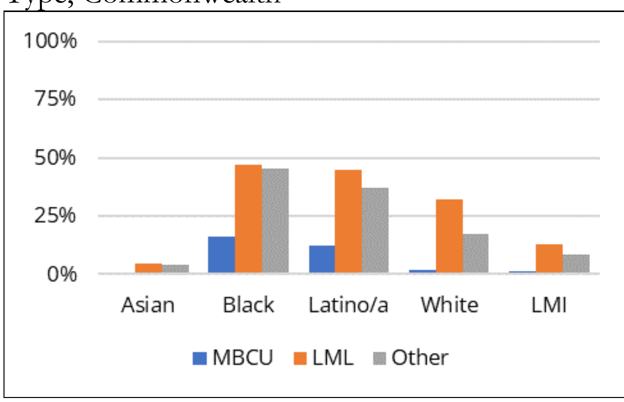


Chart 38: FHA Originations by Lender Type, Gateway Cities

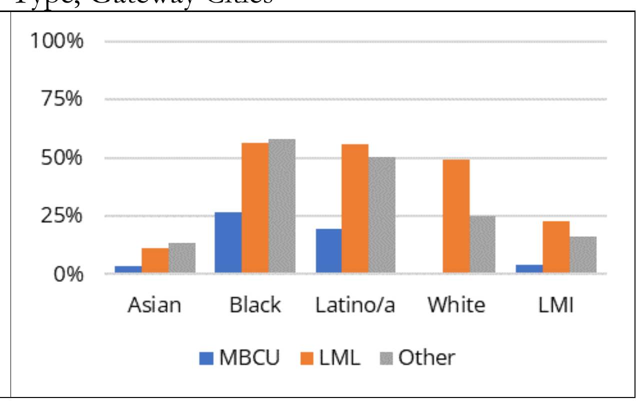


Chart 39: FHA Originations by Lender Type, Excluding Gateway Cities

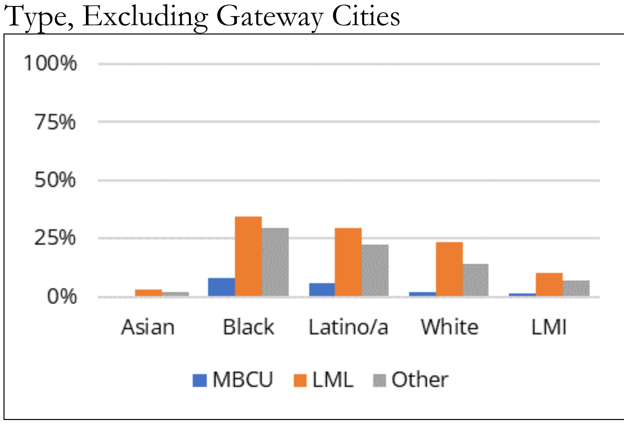
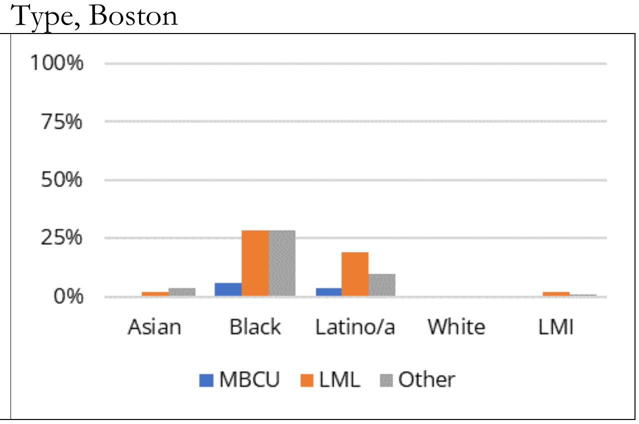


Chart 40: FHA Originations by Lender Type, Boston



Data for median loan amount show some variation among lender types and borrower groups. Statewide, all three lender types made larger traditional mortgages to Asian borrowers, and slightly smaller loans to Latino/a borrowers, than to Black or White borrowers (Chart 41). In Gateway Cities, Asian and Black borrowers received the largest loans, with Latino/a borrowers next, and the smallest loans to White borrowers (Chart 42). Outside of Gateway Cities, Asian borrowers received the largest traditional mortgages from all types of lenders, while MBCUs made larger loans to White borrowers, and LMLs originated larger loans to Black borrowers (Chart 43). Median loan amounts were highest for all types of lenders and all borrower groups (Chart 44). In all geographic areas, LMLs made larger loans to LMI borrowers than either MBCUs or other lenders.

Chart 41: Median Loan Amount by Lender Type, Commonwealth

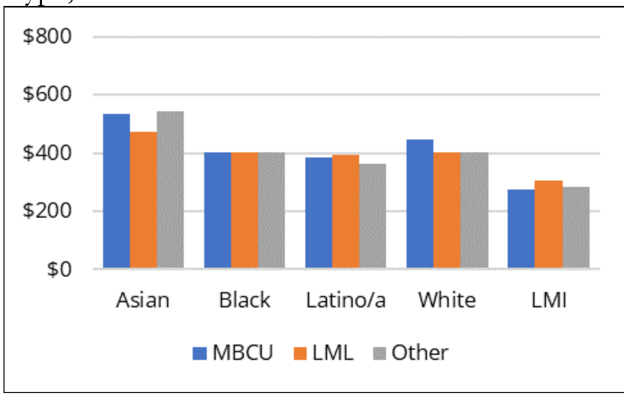


Chart 42: Median Loan Amount by Lender Type, Gateway Cities

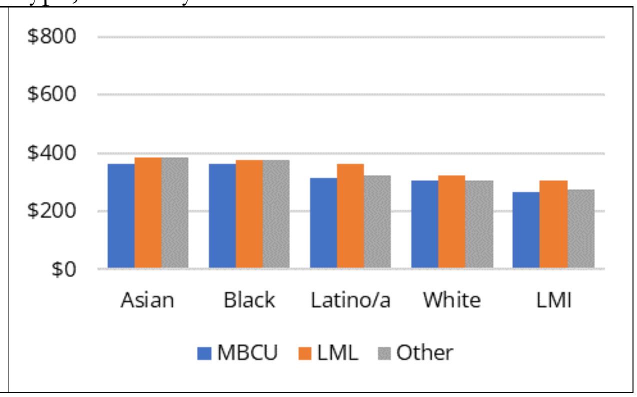


Chart 43: Median Loan Amount by Lender Type, Excluding Gateway Cities

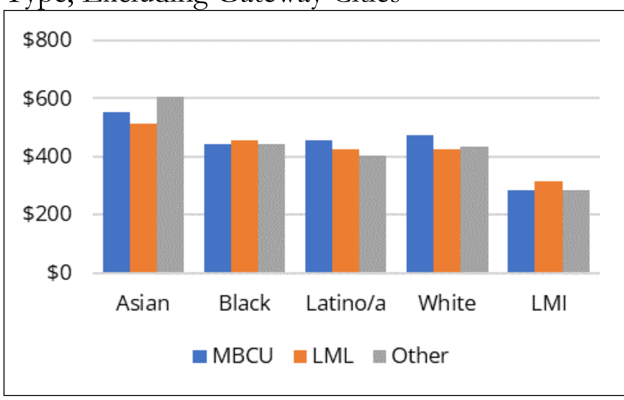
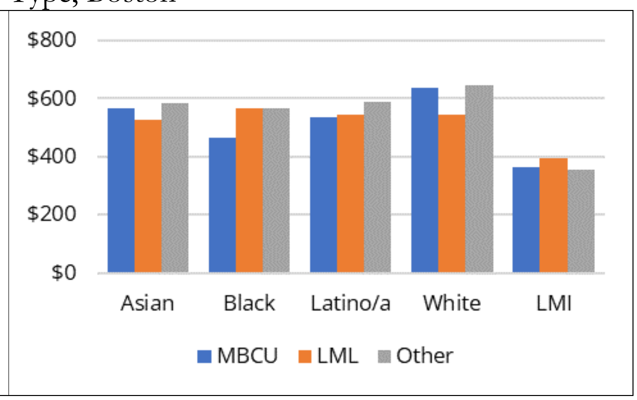


Chart 44: Median Loan Amount by Lender Type, Boston



LMLs generally originated traditional mortgages for borrowers with lower median incomes than did MBCUs or other lenders among all four different racial groups, but slightly higher median income among LMI borrowers (Chart 45). The differences in median incomes were less for all types of lenders and all groups in Gateway Cities than elsewhere, but the medians were still lower for Black and Latino/a borrowers than for Asian or White borrowers (Chart 46). Outside of Gateway Cities, LMLs originated more mortgages for borrowers with lower median incomes than MBCUs or other lenders (Chart 47). In Boston, MBCUs originated more traditional mortgages for Black and Latino/a borrowers with lower median incomes than LMLs or other lenders (Chart 48).

Chart 45: Median Borrower Income by Lender Type, Commonwealth

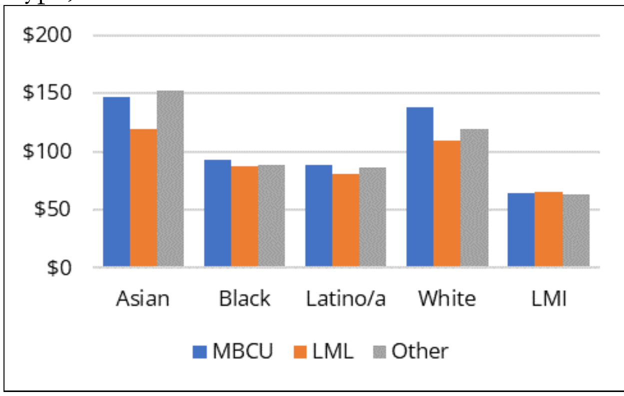


Chart 46: Median Borrower Income by Lender Type, Gateway Cities

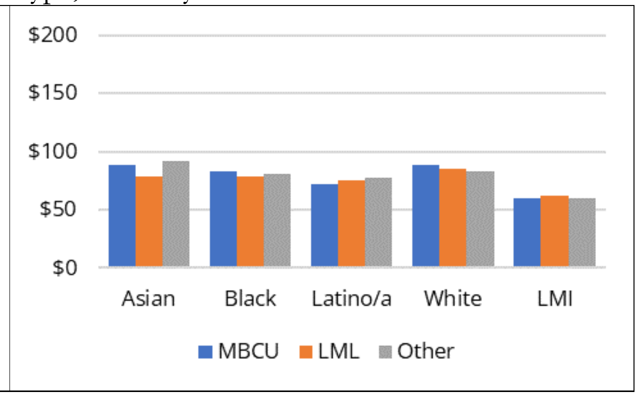


Chart 47: Median Borrower Income by Lender Type, Excluding Gateway Cities

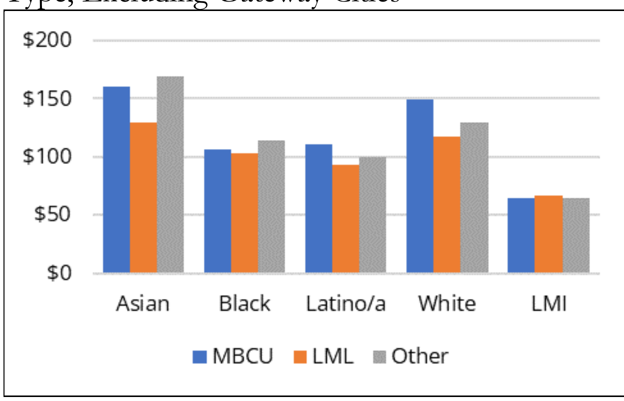
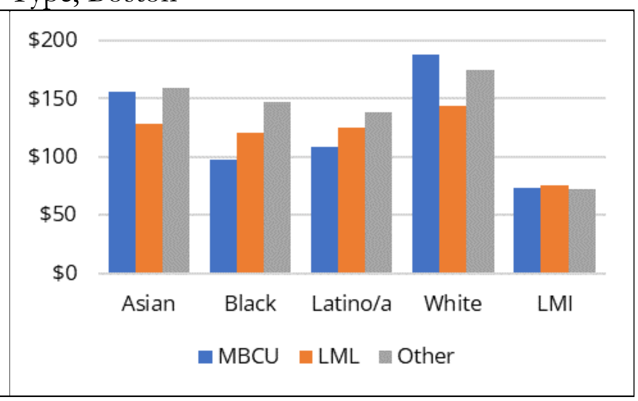


Chart 48: Median Borrower Income by Lender Type, Boston



What are the Solutions? What Can We Do?

We have deep, systemic problems in access to homeownership for low- to moderate-income households in general, and for households of color more specifically. For too long, Massachusetts has been near the top of the list for our racial homeownership gap. Without intentional and bold action, we will continue to struggle to close that gap. And we will continue to keep another generation of renters on the homeownership sidelines as they either give up on owning a home or move to a state where that is achievable.

Investing in what works

On the other hand, since 1990 Massachusetts has seen a wave of innovation around homeownership that rivals any other state. It was that year when the Massachusetts Housing Partnership (MHP) launched the SoftSecond Loan Program (now ONE Mortgage) in direct response to the 1989 draft Federal Reserve Bank of Boston study on racial disparities in mortgage lending. Three decades later, that program continues, now reaching almost 2/3 of households of color statewide and reaching income levels lower than any other product. In 2019, MHP and the City of Boston collaborated on the ONE+Boston program that buys down the interest rate further to provide additional affordability to buyers. This public-private partnership owes its success to these two public agencies but also to the community organizing and advocacy leadership from the Massachusetts Affordable Housing Alliance (MAHA) and the local banks that have embraced the program as the best way to reach low- and moderate-income homebuyers.

We have an organized and well-trained network of housing counseling organizations across the state thanks to the efforts of the Massachusetts Homeownership Collaborative and the support of Citizens' Housing & Planning Association. This peer network encompasses some 40+ groups in each corner of the state and graduates over 10,000 potential first-time homebuyers each year. Arguably, we have the best or one of the best statewide networks of nonprofit homeownership advisors.

We have an engaged nonprofit movement growing low-income renters into potential homebuyers through the efforts of groups like Compass Working Capital, local community development corporations, and local public housing authorities. Using Family Self-Sufficiency and Housing Choice Voucher (formerly known as Section 8) homeownership programs, we are giving hope to long-time renters that homeownership may be path in their future. Boston Housing Authority's First Home program is a model that holds much promise.

In 2019, MAHA launched the first-in-the-nation first-generation matched savings program, creating a new race-conscious subcategory of first time homebuyers disadvantaged by the absence of a family history of homeownership. And in 2022, MassHousing and MHP made MassDREAMS down payment assistance program available to first-time homebuyers from one of the 29 communities that were disproportionately impacted by the COVID-19 pandemic.

This month, the Federal Home Loan Bank of Boston launched its Lift Up Homeownership program. Lift Up is a Special Purpose Credit Program (SPCP) that will offer up to $50,000 in down payment assistance to people of color in New England. SPCPs are allowed under the Equal Credit Opportunity Act and this new pilot program is an important contribution to closing the racial homeownership gap and deserves to be replicated.

We can and should invest in all of the above programs at greater levels. That means more funding from public sources. It also means participating lenders need to push to reach more homebuyers and other lenders need to start participating. We have a good foundation, now we need to raise the roof.

Doing things differently

For all the good policy ideas over the past thirty years, we have failed a generation of homebuyers by not building enough housing. Our public investment in housing is lacking given our status as the third-highest cost state in the nation for homeownership (behind just HI and CA). And given this limited pie of housing resources, only a sliver (normally less than 10%) is devoted to affordable homeownership opportunities.

We need to build housing and we need homeownership opportunities to command a higher priority among policymakers. The Massachusetts Bay Transportation Authority Communities law holds promise to create more transit-oriented development that is sorely needed. Leadership and enforcement from state officials like the Governor and Attorney General must be sustained over the next decade for this to work.

Commonwealth Builder, MassHousing's moderate-income homeownership production program, has been a welcome break from our recent past (since 2008), when Massachusetts stopped funding new homeownership construction at the state level. Governor Baker's funding of Commonwealth Builder, initially with one-time money from the GE headquarters sale and then with ARPA dollars, is a great start, but we need to make this a regular and reliable part of the annual funding rounds.

We also should expand the scope of Commonwealth Builder from just Boston and Gateway Cities to what might be called "Gateway-adjacent" communities. Andover, not just Lawrence. Milton, not just Mattapan. West Springfield, not just Springfield. Each year, our mortgage lending studies show that most homebuyers of color purchase homes in just a handful of communities in Massachusetts. If we are to change the pattern of racial segregation so prevalent in our suburban neighborhoods, we need to create more opportunities in a broader array of communities. "Gateway-adjacent" communities offer a potential logical expansion of the number of communities that can attract and compete for buyers of color because of proximity to stores, restaurants, houses of worship, and other venues frequented by persons of color in neighboring Gateway Cities.

Last fall, a member of Partnership for Financial Equity's mortgage lending committee stated that she, a veteran Black loan officer, had never handed off a completed mortgage application to a single underwriter of color in her 30+ year history in the industry. Another member of that committee described a never-ending search for the "underground railroad" for persons of color seeking to buy a home.

For many people of color, buying a home in Massachusetts can be a complex and, at times, intimidating process. Massachusetts banks, community organizations and public agencies have made significant progress since 1990 with intentional actions to emphasize diversity, increase access and maximize affordability. But it hasn't been enough to root out discrimination and erase the harm from decades of redlining and narrow our racial homeownership gap.

Never before in history have more Black and Latino/a homebuyers been reached in Massachusetts than we have in the last two years. That's the good news. Now we need to continue to build on that and make further progress. Fair housing and fair lending laws need to be enforced. Community reinvestment laws need to be emphasized. Every tool in the toolbox needs to be deployed to narrow the racial homeownership gap. We need to build a lot more housing – of all kinds, and especially homeownership opportunities affordable to LMI and middle-income households. All of this will take more investment of public dollars, more fair lending testing, greater diversity in hiring, and more intentionality up and down the homeownership process from real estate agents, lenders, insurers, appraisers, public officials and everyone involved to turn a renter into a homeowner.

1 Percentage of the population are based on the entire population. Percentages of mortgages are based on the total number of traditional purchase mortgages originated for applicants reporting race. Approximately 12 to 14 percent of applicants for traditional purchase mortgages did not report race.

2 The data are for Suffolk County excluding the Gateway Cities of Chelsea and Revere. The data, therefore, are for Boston and Winthrop only.

3 Campen, Jim. 2018. *Changing Patterns XXIV: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Boston, Greater Boston and Massachusetts, 2016*. A report prepared for the Massachusetts Community & Banking Council. Somerville, MA.

4 The loan amount and property value are rounded to the midpoint of the $10,000 range within which the actual value falls. That is, loans or values between $100,000 and $110,000 are all reported as $105,000.

METHODOLOGY:

Data Sources:
Data for this analysis comes from six sources: 1) mortgage lending data from the Home Mortgage Disclosure Act (HMDA) dataset; 2) census tract level demographic data from the American Community Survey (ACS) five-year data; 3) Boston neighborhood census tracts from the Boston Planning and Development Agency (BPDA); 4) census tract to municipality data from Massachusetts Geographic Information Systems (GIS) data; 5) names of HMDA reporting lenders from the Consumer Financial Protection Bureau (CFPB) Reporter Panel from the Snapshot National Loan Level Dataset; and 6) the classification of lenders based on whether they are banks or credit unions subject to the Massachusetts Community Reinvestment Act (MBCUs) requirements, are Licensed Mortgage Lenders (LMLs) or not (Other).

Geographies:
This report presents data for the following geographies: 1) the Commonwealth of Massachusetts; 2) 14 counties; 3) 26 Gateway Cities; 4) 10 large cities; 5) the portion of counties excluding any Gateway Cities within their boundaries; and 6) Boston neighborhoods. The data are grouped by county, that is, the data for each county is presented, followed by the Gateway City(ies) within the county, any large city(ies) within the county, and then the portion of the county excluding the Gateway City(ies). Following the county level data comes the data for Boston neighborhoods.

The Bureau of the Census identifies all census tracts with an eleven-digit Federal Information Processing System (FIPS) code. For purposes of analysis, all census tracts in the data were assigned to a city or town within the Commonwealth based on the FIPS code and the tract-to-municipality GIS data. Where a census tract crossed municipal boundaries, the tract was assigned to the municipality with the largest share of population.

The 26 Gateway Cities are defined by the General Court as midsize urban centers with average household income and education attainment below the state average. Those cities are: Attleboro, Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester.

The 10 large cities are those with populations over 50,000 that are not Gateway Cities. Those cities are: Boston, Brookline, Cambridge, Framingham, Medford, Newton, Plymouth, Somerville, Waltham, and Weymouth.

For the 20 Boston neighborhoods, the tracts were assigned based on the BPDA allocation of tracts to neighborhoods. Those neighborhoods are: Allston, Back Bay, Beacon Hill, Brighton, Charlestown, Dorchester, Downtown, East Boston, Fenway, Hyde Park, Jamaica Plain, Mattapan, Mission Hill, North End, Roslindale, Roxbury, Seaport, South Boston, South End, and West Roxbury.

Demographics:
Racial or ethnic designations are based on the categories used for purposes of fair lending laws and are consistent with those in earlier *Changing Patterns* reports. The categories are: non-Hispanic Asian (Asian), non-Hispanic Black (Black), Hispanic or Latino/a (Latino/a), non-Hispanic of some other race (Other Race), and non-Hispanic White (White). In addition, in the HMDA data, some records do not contain any race or ethnicity data, in which case the applicant is categorized as race not reported (Race Not Reported).

Applicants are also categorized as Low- or Moderate-income (LMI Borrower) if their income as reported in the HMDA data is below 80 percent of the Median Family Income (MFI) for the Metropolitan Statistical Area/Metropolitan Division (MSA/MD) as specified by the Federal Financial Institutions Examination Council (FFIEC).

Data Notes:
The chart for Homeownership Rate is based on ACS data for the race or ethnicity of the householder. The ACS presents data for householders by race, but those data, for most categories, do not specify non-Hispanic categories. The data, therefore, include householders who may identify as both Hispanic and Asian, for example. The Units in Structure data exclude units in Recreational Vehicles and Boats. The Income chart is Household Income.

In the Top Lenders table, the data are based on the highest number of originations. If two lenders had the same number of originations, they were then ranked by the total dollar amount of originations, followed by the total amount of loans originated. The percentage (in parentheses) for originations is for all applications. The remaining percentages are for originations.

In the Mortgage Lending table, the top four rows for each category of lender are based on all applications. The remaining 10 rows in each section are based on first lien, one- to four-family structure, purchase applications for owner-occupancy only.

The data for loans which the Federal Housing Administration (FHA) insures are reported because they are a key source of mortgage credit for traditionally underserved borrowers who do not have sufficient capital to make the down payment necessary for a conventional mortgage. FHA loans are also generally more expensive for the borrower to obtain than a conventional loan. Those correlations may appear in the data for loans with a loan-to-value ratio (LTV) of over 90 percent and those with closing costs above $5,000.

The data for Single Unit originations includes single-family detached, single-family attached, and condominium units in larger, multi-unit structures.

The median values for Loan Amount and Value are based on the HMDA data, which report values in $5,000 increments for reasons of confidentiality, and so the values in the table are the median of the HMDA-reported values. The Median Income is the median of borrowers whose income lenders reported to the HMDA database. Not all lenders reported the borrower income, and some reported negative income, which was treated as not reported in the analysis.

The data for loans with an LTV over 90 and debt-to-income ratio (DTI) over 45 percent are based on thresholds that are approximations of underwriting criteria lenders use in loan approval and pricing decisions. Under HMDA reporting rules, not all lenders are required to report those data, and so the data in the table show the number meeting the criteria and the number of loan records that include the data.

The data for Loan Costs over $5,000 are also not reported by all lenders. The threshold is an indicator of a loan for which the borrower paid higher than average costs.