MASSACHUSETTS MORTGAGE LENDING MATTERS

2022 DATA EDITION

A REPORT BY

WOODSTOCK INSTITUTE

FOR

PARTNERSHIP for FINANCIAL EQUITY

Massachusetts
Mortgage Lending Matters
2022 Data Edition

Research & Analysis
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July 2024

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 2022 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 similar format this year working with our partners at Woodstock to what we produced last year. We have separated the data analysis into two products—a 176-page *Fact Book* featuring two-page data sets on all counties and larger municipalities in the Commonwealth and a separate 27-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 Director of Research Amber Hendley, by email at ahendley@woodstockinst.org or Thomas Callahan, Executive Director of Partnership for Financial Equity at tcallahan@financialequity.org.

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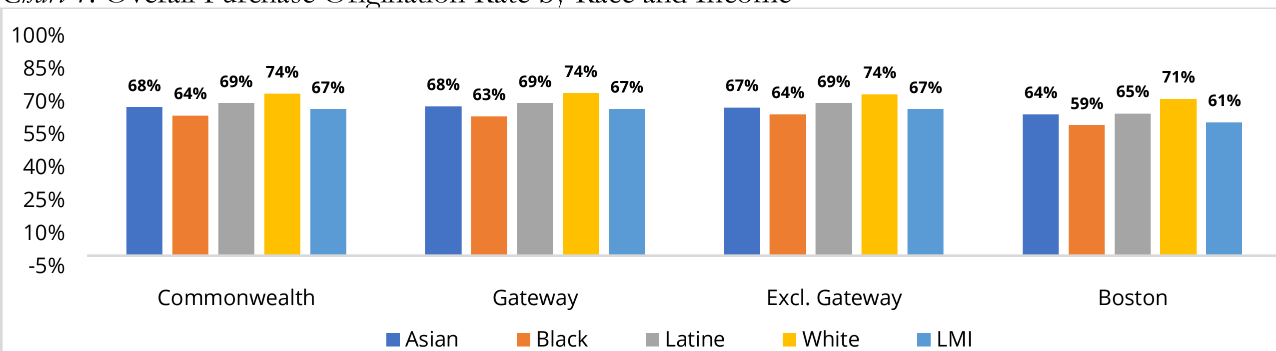
What Disparities Exist in Origination and Denial Rates by Race and Income?

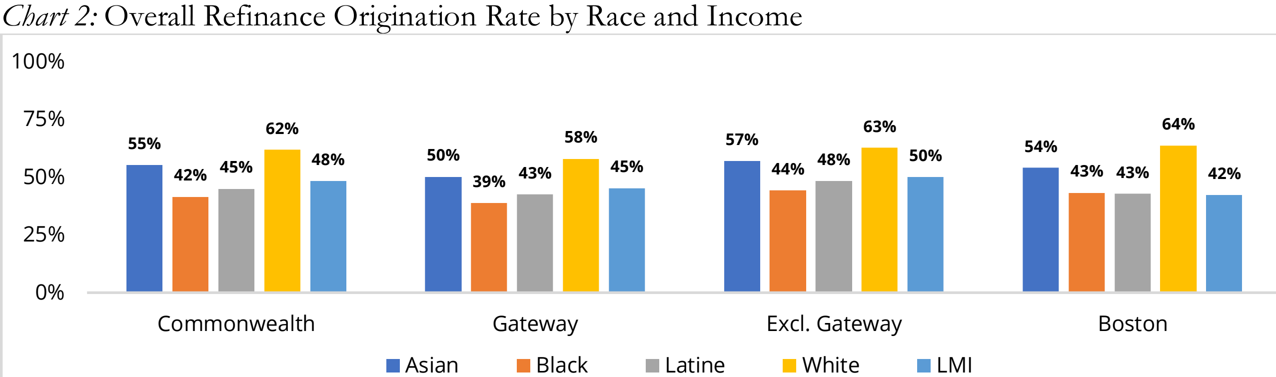
Generally, the same disparities found in 2021 remained among applicants of different races in approval rates for purchase and refinance applications, as well as denial rates. Lenders originated a higher percentage of purchase mortgages for White applicants in the Commonwealth, Gateway Cities, the areas outside of Gateway Cities, and Boston than for Asian, Black, and Latine applicants (Chart 1). However, the data shows that in 2022 applicant approval rates decreased for applicants of all races for both purchase and refinance applications. For Asian applicants, the largest drop was in Boston where previously they had a higher origination rate than Latine applicants. Generally, Boston and Gateway Cities saw the largest drops in purchase origination rates.

Chart 1: Overall Purchase Origination Rate by Race and Income



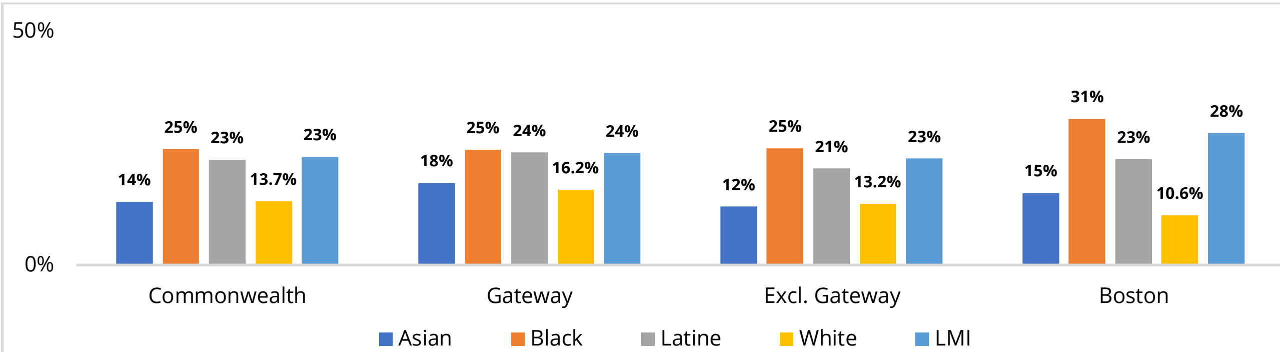
For refinance applications, Asian and White applicants continued to have higher origination rates in all four geographic categories than did Black or Latine applicants, and the disparities between the groups were generally greater than for purchase applications (Chart 2). The refinance origination rate dropped 23 percent for Latine applicants in Boston between 2021 and 2022. Black and Latine applicants in Gateway Cities had large reductions in their refinance origination rates with 24 percent and 21 percent decreases between 2021 and 2022, respectively.

Chart 2: Overall Refinance Origination Rate by Race and Income



Black and Latine applicants continued to be more likely to have lenders deny their applications than either Asian or White applicants, with the disparities greater in Boston than in the other three categories of geography (Chart 3). However, as might be expected with the lower origination rates, 2022 denial rates increased across all races and all geographies. Asian and White applicants had the highest increases in the areas outside of the Gateway Cities where their denial rates increased 49 percent and 47 percent, respectively.

Chart 3: Overall Denial Rate by Race and Income



Who is Purchasing Homes?

Black, Latine, and White purchasers received 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.[i] Asian buyers received almost twice the percentage of traditional purchase mortgages as their share of the population (Chart 4). In Gateway Cities, which already have higher percentages of Black and Latine residents (close to 36 percent combined) than the Commonwealth as a whole (19 percent), Black and Latine purchasers received a combined 41 percent of traditional purchase mortgages (Chart 5). Outside of Gateway cities, Asian purchasers received just under twice the percentage of traditional purchase mortgages as their percentage of the population (Chart 6). As in 2021, White purchasers in Boston continued to receive a significantly higher percentage of traditional purchase mortgages than their share of the population in 2022 (Chart 7), particularly as compared to the Commonwealth as a whole.

Chart 4: Population and Mortgages by Race, Commonwealth

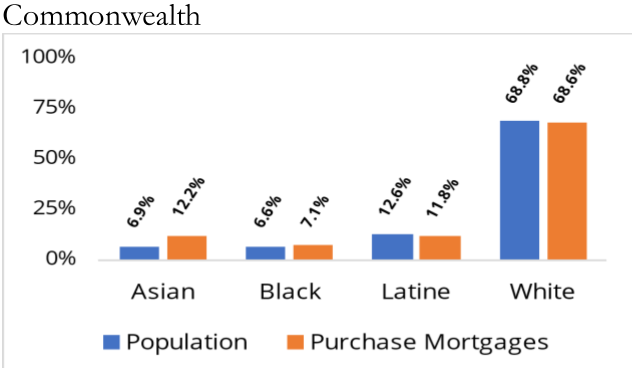


Chart 5: Population and Mortgages by Race, Gateway Cities

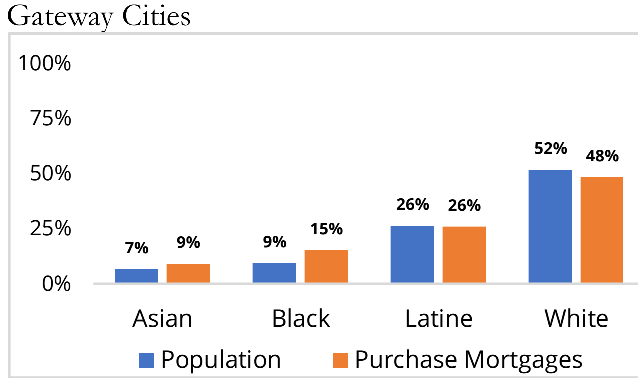


Chart 6: Population and Mortgages by Race, Excluding Gateway Cities

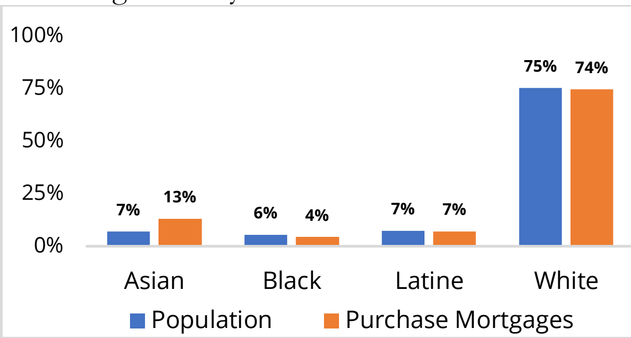
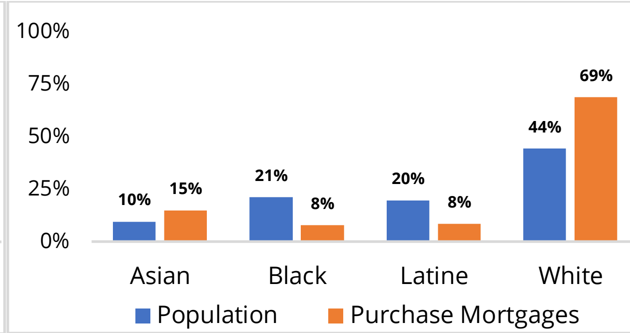


Chart 7: Population and Mortgages by Race, Boston



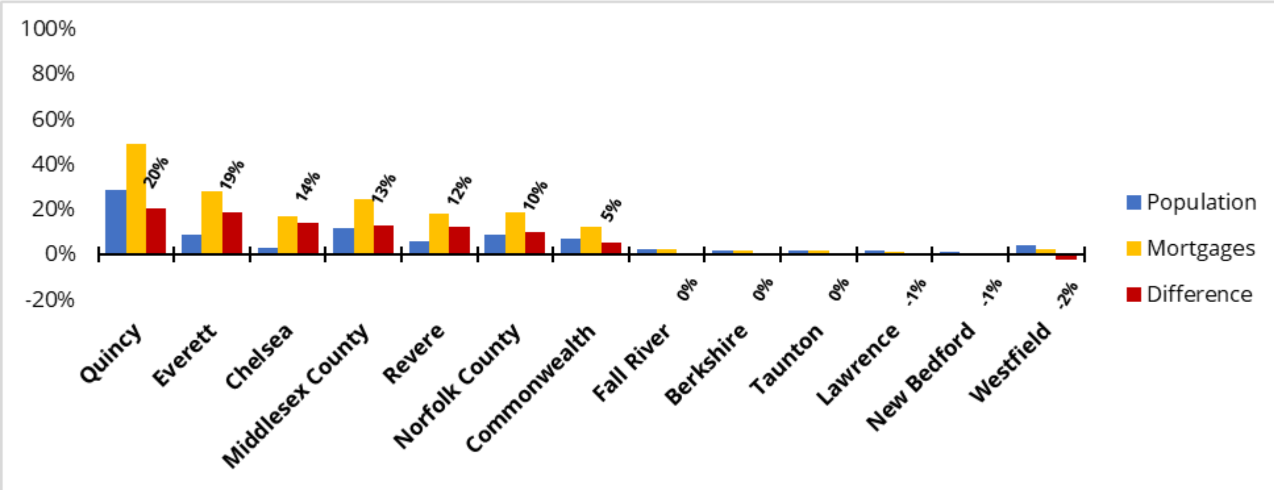
Taken together, the data on traditional purchase mortgages for 2021 and 2022 suggest that Black and Latine homeowners are becoming increasingly concentrated in Gateway Cities, White homeowners are seeing an outsized share of the market within Boston, and Asian homeowners are continuing to be an increasing presence throughout the Commonwealth.

Where are Purchasers Buying, by Race?

The overall data, however, mask significant differences among different areas. Comparing 1) the difference between the percentage a group represents of the population in an area to 2) 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 between the group's percentage of the population and its percentage of traditional mortgages and the six with the lowest.

Asian borrowers are moving to Quincy, Everett, and Chelsea, for example, with the difference between their share of the population and their share of traditional purchase mortgage originations between 14 and 20 percent (Chart 8). That is, Asians represent nine percent of Everett's population and receive 49 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 Westfield, New Bedford, and Lawrence, 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 Fall River had an Asian population of over 3 percent.

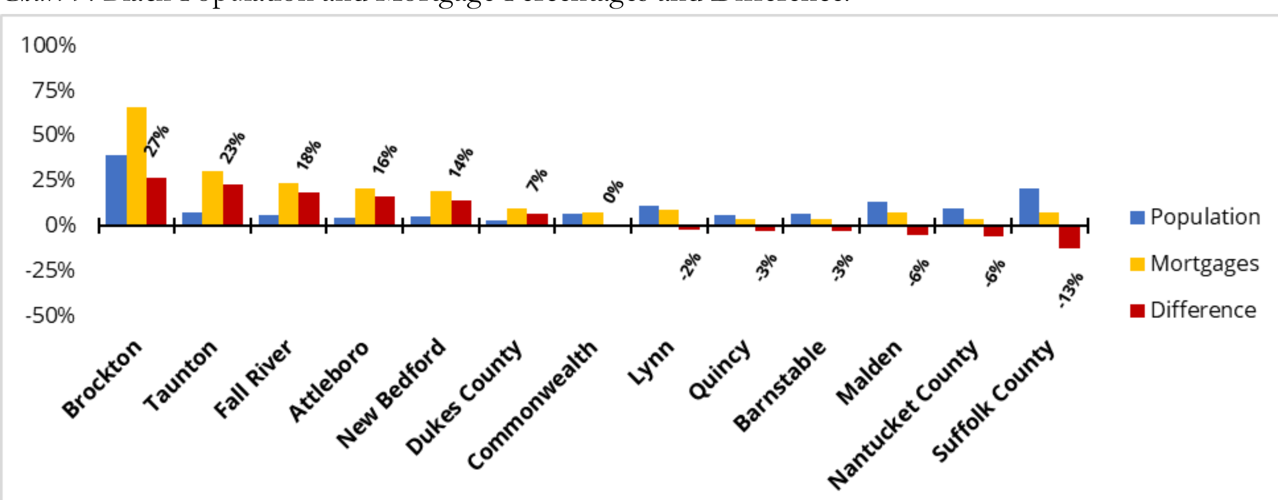
Chart 8: Asian Population and Mortgage Percentages and Differences



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.

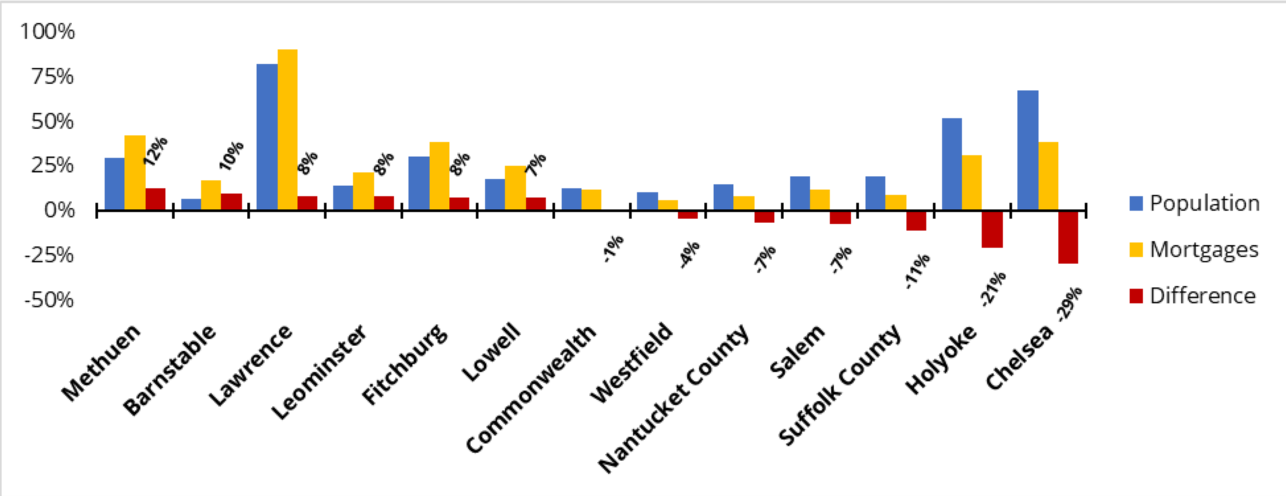
Black borrowers are moving to moderately more affordable southeastern cities and towns, including Brockton (median value of purchases in 2022 is $455,000), Taunton ($455,000), and Fall River ($405,000), and also to Attleboro ($445,000) (Chart 9). Brockton's population is 39 percent Black, and 66 percent of traditional purchase mortgages in Brockton went to Black applicants. The other five communities with the highest differences have Black populations of seven percent or less, which suggests that the Black homeownership rate in those communities will increase if these patterns continue over time. For communities with the largest negative differences, Black purchasers are getting traditional purchase mortgages just above or below the average rate within the Commonwealth, even in some communities where Black residents constitute a relatively high percentage of the existing population, over 16 percent, such as Suffolk County,[ii] Malden, and Lynn.

Chart 9: Black Population and Mortgage Percentages and Difference:



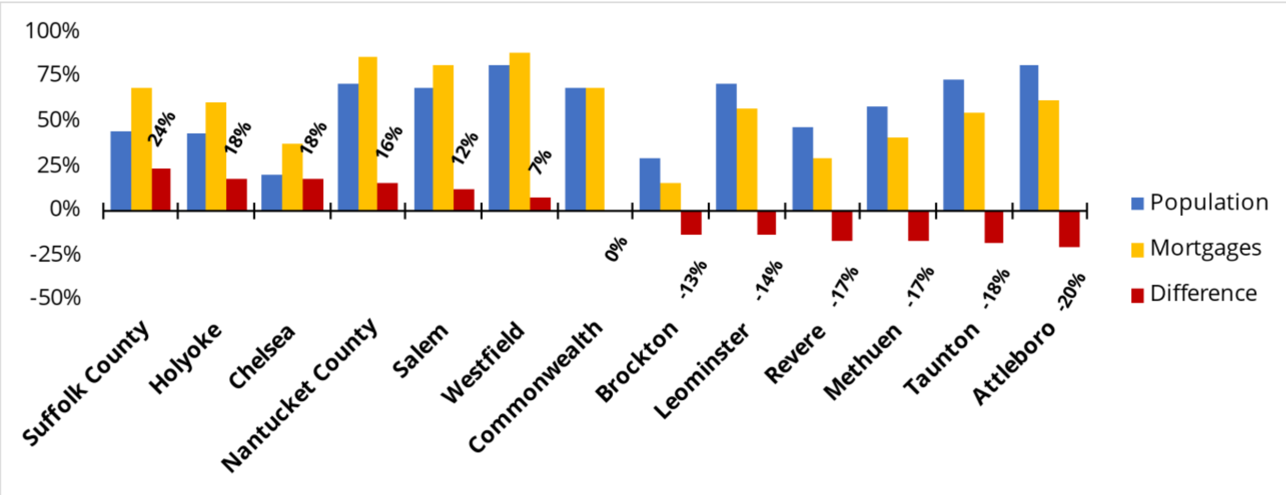
Latine purchasers are moving to communities, including Methuen ($515,000), Barnstable ($565,000), and Lawrence ($495,000), where they already have a significant presence, over 20 percent (Chart 10). In two communities where the Latine population makes up over 50 percent, Holyoke ($265,000) and Chelsea ($485,00), Latine buyers were more likely to receive a traditional home purchase mortgage than in the Commonwealth as a whole, but still less than their share of the population.

Chart 10: Latine Population and Mortgage Percentages and Differences



Note that Black and Latine borrowers are receiving less than their proportionate share of traditional mortgages in Suffolk County while White borrowers receive more (Chart 11). Latine borrowers are receiving fewer in Chelsea, Holyoke, and Salem, whereas White borrowers are receiving more.

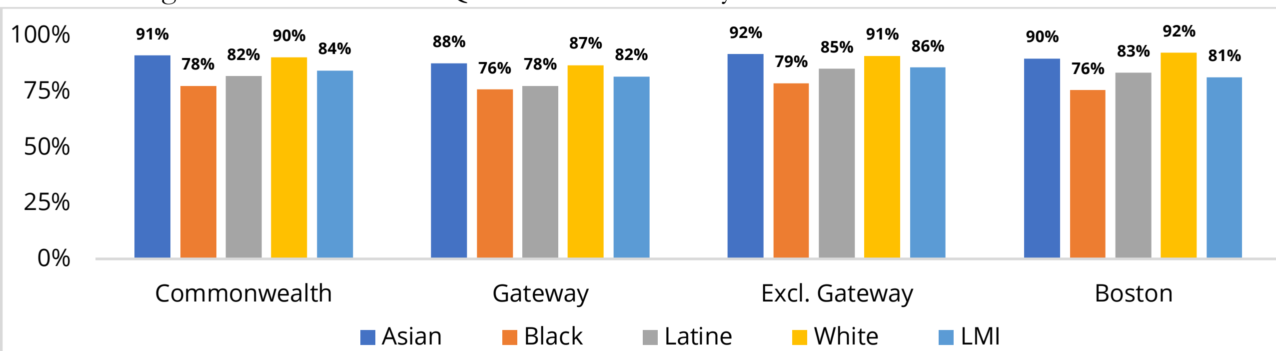
Chart 11: White Population and Mortgage Percentages and Differences



Characteristics of Traditional Home Purchase Mortgages by Race and Income

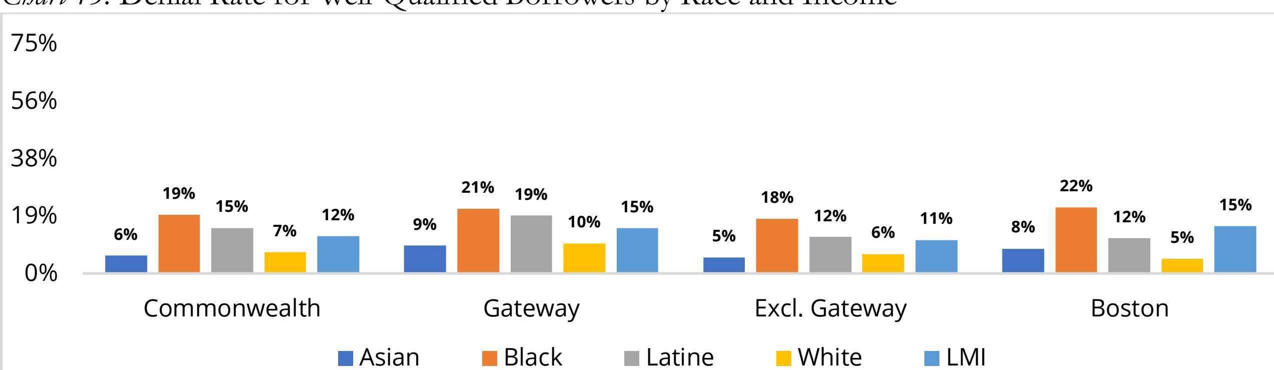
Conventional traditional home purchase mortgages usually meet defined underwriting criteria, including a 20 percent down payment, loan-to-value ratio (LTV) of 80 percent or less, and a borrower debt-to-income ratio (DTI) of 43 percent or less. Applicants who meet both criteria are considered "well-qualified." Lenders, however, do not necessarily originate mortgages for all well-qualified applicants for a variety of reasons, such as incomplete applications or if the loan was approved but not accepted. Looking at origination rates for different groups of well-qualified applicants, there are distinct differences among the groups (Chart 12). In general, well-qualified Black and Latine applicants have lower origination rates than comparable Asian or White applicants. Black applicants have lower origination rates than LMI applicants in all geographies, and Latine applicants have lower origination rates than LMI applicants everywhere except Boston.

Chart 12: Origination Rate for Well-Qualified Borrowers by Race and Income



The denial rates for different groups of well-qualified applicants show similar absolute differences between the denial rates for well-qualified Black or Latine applicants and comparable Asian or White applicants. For example, the difference in the origination rate between Asian and Latine applicants for the Commonwealth is nine percentage points (Asian 91 percent versus Latine 82 percent). The denial rate difference between those groups is also nine percentage points (Asian 6 percent versus Latine 15 percent). Lenders were more likely to deny a well-qualified Black applicant in all geographies, and a well-qualified Latine applicant in all except Boston, than a well-qualified LMI applicant (Chart 13).

Chart 13: Denial Rate for Well-Qualified Borrowers by Race and Income



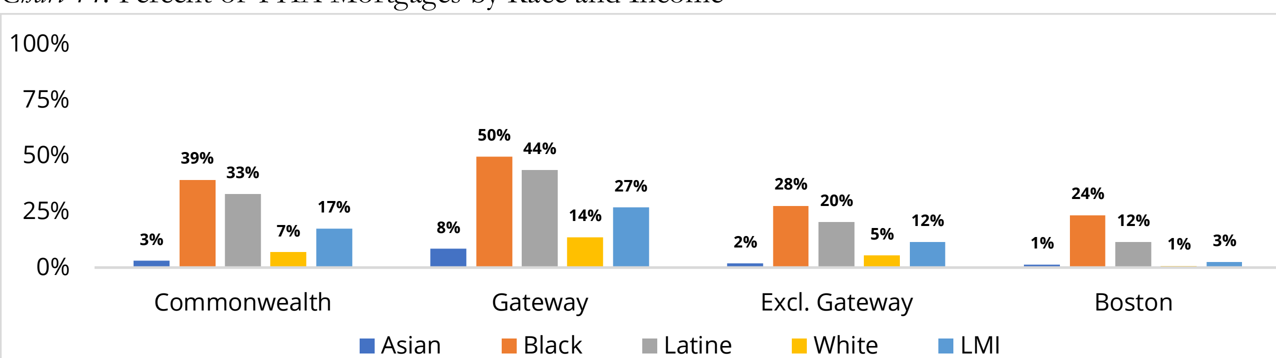
For those borrowers who do not meet the well-qualified underwriting criteria, lenders can offer alternative loans that may allow for smaller down payments and higher LTVs or DTIs, although in many instances, those loans come with higher payments or closing costs. One of the most common alternative home purchase mortgage 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."**[iii] (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 borrowers obtain FHA loans rather than the more affordable state programs. Is it because FHA loan guidelines accept a lower credit score, or could it be because some lenders (notably mortgage companies) default to FHA loans for first-time buyers because they are not approved lenders for MassHousing or MHP products?

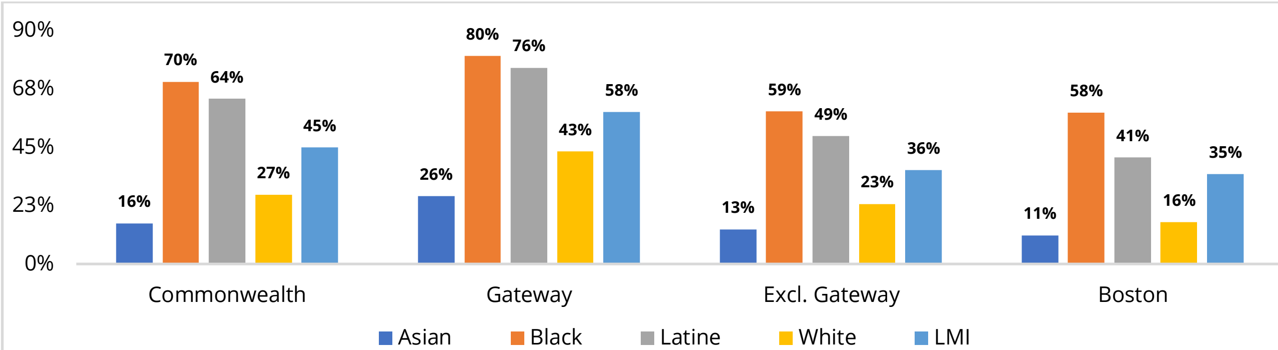
The data show that, for traditional home purchase mortgages in Gateway Cities, Black and Latine borrowers are roughly three times as likely as White borrowers and around one and a half times as LMI borrowers, to have an FHA mortgage (Chart 14). In Boston, Black and Latine borrowers are 29 and 14 times as likely as White borrowers, and nine times and five times as likely as LMI borrowers, to have an FHA mortgage. LMI borrowers are three times as likely in Gateway Cities, and two 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 one and a half percent of Asian borrowers received an FHA mortgage. Generally, the percentages of FHA loans decreased in the 2022 data compared to 2021. However, there were three exceptions: a small increase for Black borrowers outside Gateway Cities (from 27.1 percent in 2021 to 27.7 percent in 2022), a moderate increase for Black Borrowers in Boston (from 20.3 percent in 2021 to 23.5 percent in 2022), and an increase for LMI borrowers in Boston (from 1.4 percent in 2021 to 2.5 percent in 2022).

Chart 14: Percent of FHA Mortgages by Race and Income



The disparity between Black and Latine 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 15). Black and Latine borrowers continued in 2022 to have a higher percentage of loans with an LTV over 90 than White or LMI borrowers, and Asian borrowers continued to have the lowest percentage in all four geographies. However, Asian borrowers in the Commonwealth, the areas outside of Gateway Cities, and Boston were the only borrowers to see an increase for 2022 in loans with LTVs over 90. Over 80 percent of Black and 75 percent of Latine 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 Latine borrowers in all four geographic groups.

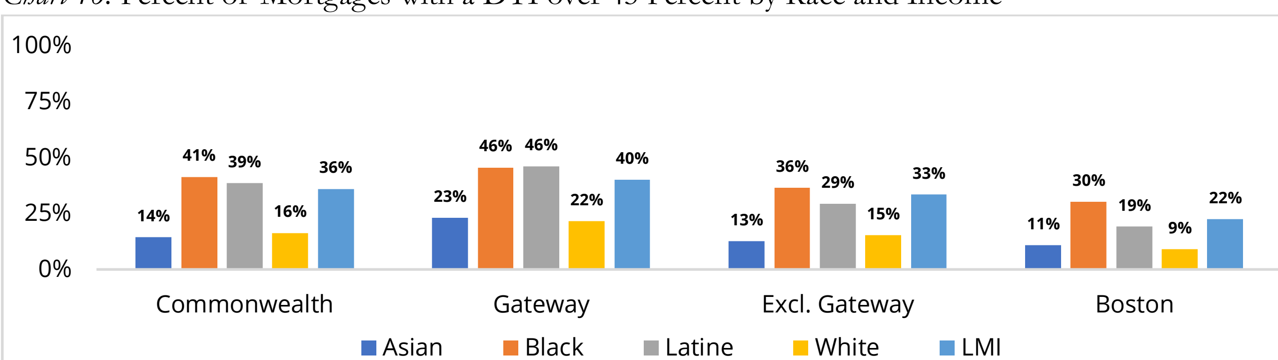
Chart 15: Percent of Mortgages with an LTV over 90 Percent by Race and Income



While the percentage of high-LTV mortgages in Gateway Cities fell between 2021 and 2022 by 4.4 percentage points for Black borrowers and 5.9 percentage points for Latine borrowers, the fact that there are still high percentages of Black and Latine borrowers in Gateway Cities with LTVs over 90 is concerning. As happened during the foreclosure crisis, a downturn in property values can leave homeowners with high-LTV loans underwater. That, in turn, means that they may be in a situation with unsustainable mortgage payments but unable to sell because they owe more than they would realize in a sale.

While disparities between Black and Latine borrowers on the 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 16). LMI borrowers had roughly the same percentage of high DTI loans as Black and Latine borrowers. For all groups, the percentage of high DTI loans in 2022 was again higher in Gateway Cities than in either the rest of the Commonwealth or Boston. With the exception of Asian borrowers in Boston who saw a three percent decrease, 2022 saw increases in the percentage of loans with high DTI for all borrower groups. The two largest increases by far were seen with Black borrowers in areas outside of Gateway Cities, with an increase of 45 percent, from 25.2 percent in 2021 to 36.5 percent in 2022, and Black borrowers in Boston with a 55 percent increase, from 19.5 percent in 2021 to 30.3 percent in 2022.

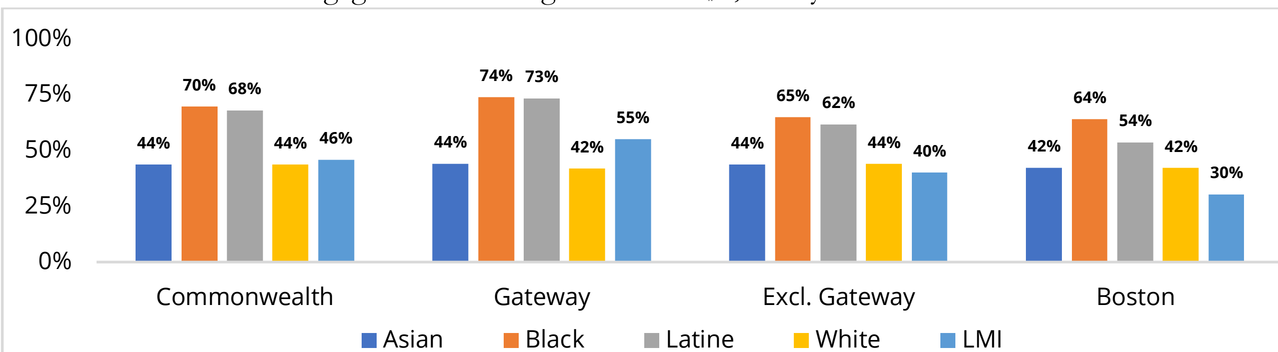
Chart 16: Percent of Mortgages with a DTI over 45 Percent by Race and Income



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 homebuyers, coming up with cash for a down payment and to cover closing costs represents one of the major obstacles to homeownership. It is notable that in May 2024 the Consumer Financial Protection Bureau announced a public inquiry into "junk fees that are increasing mortgage closing costs. The CFPB wants to understand why closing costs are increasing, who is benefiting, and how costs for borrowers and lenders could be lowered."[iv]

Mortgages with closing costs over $5,000 increased across the board (Chart 17). All groups in all geographies saw substantial increases in traditional purchase mortgages with high closing costs, with increases of between 12 and 15 percentage points, or 21 to 54 percent, in the Commonwealth as a whole. More than two-thirds of all Black and Latine borrowers in the Commonwealth, and over 70 percent in Gateway Cities, paid closing costs of over $5,000, compared with roughly 44 to 45 percent for Asian, White, and LMI borrowers.

Chart 17: Percent of Mortgages with Closing Costs over $5,000 by Race and Income



The median loan amount and property value[v] in 2022 continue to show both the disparity in high LTV loans for Black and Latine 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 Latine borrowers is smaller than for Asian and White borrowers (Chart 18 and Chart 19). For example, the median loan amount for Black borrowers in the Commonwealth was $425,000 for properties with a median value of $465,000, or an LTV ratio of 91, compared with a median loan amount of $525,000 for properties with a median value of $685,000, for an LTV ratio of 77, for Asian borrowers. For LMI borrowers, the ratio between the loan amount and property value is an LTV ratio of 81. Except for LMI borrowers in Boston who saw a five percent decline in the median loan amount and no change in the median property value, all other groups in the four geographies saw modest increases in both. The change ranged from a one percent change to an eight percent change.

These indicators that borrowers of color have less cash to bring to the closing table are of special concern given potential changes in how real estate broker commissions are paid due to the 2024 National Association of Realtors settlement agreement and the decline in availability of funds for downpayment assistance programs like MassDREAMS.

Loan amounts and property values continue to be lower in Gateway Cities than outside and remain highest in Boston (although for Asian Borrowers, the property value for areas outside of Gateway Cities is the same as within 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 18: Median Loan Amount by Race and Income

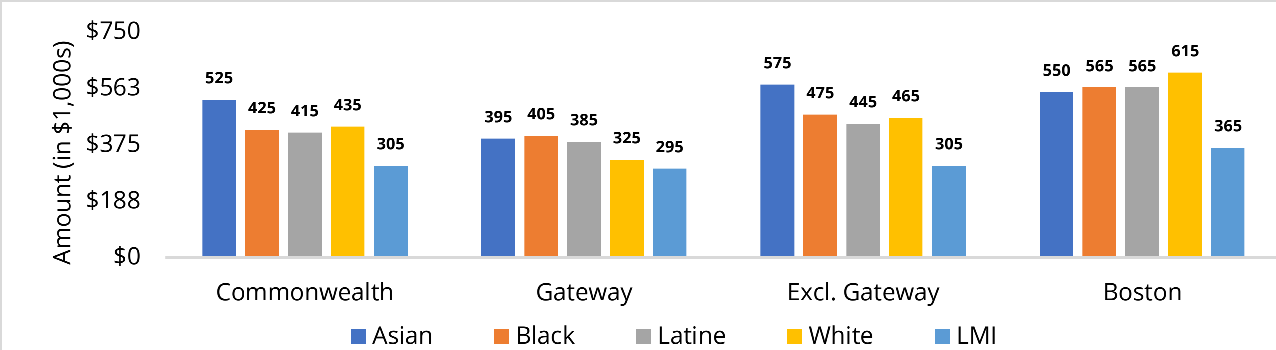
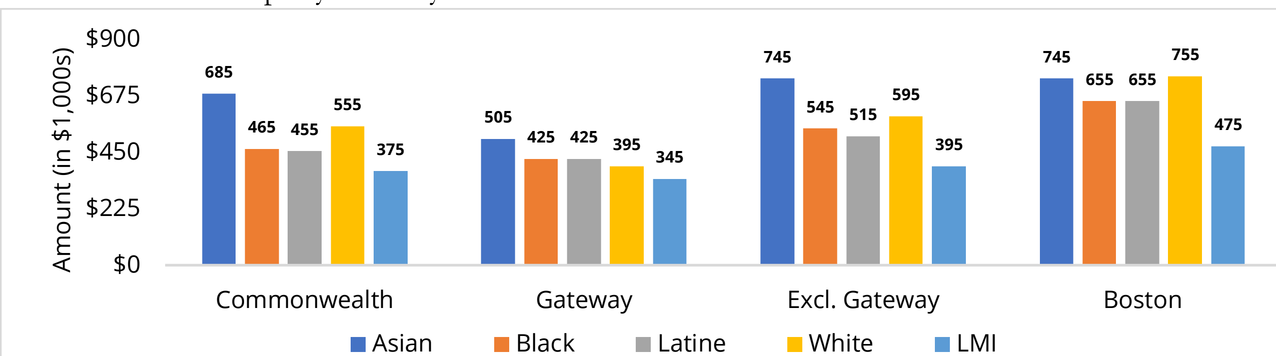
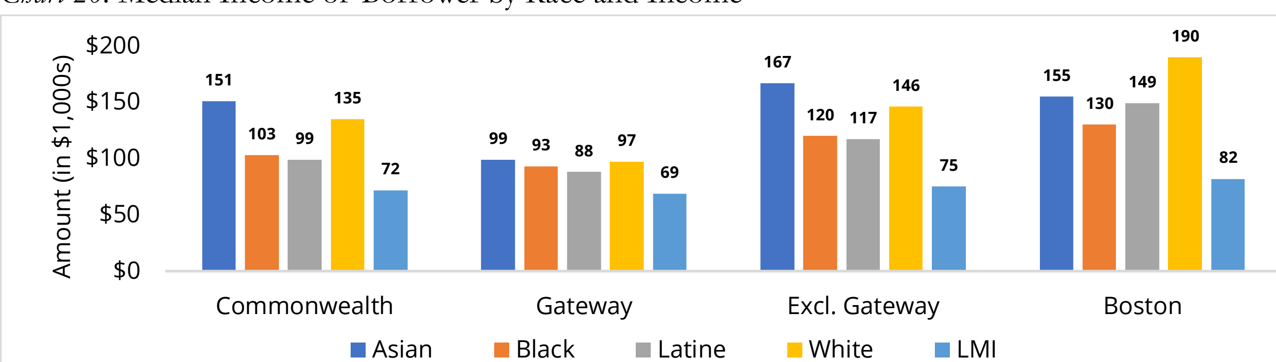


Chart 19: Median Property Value by Race and Income



Generally, borrower incomes track the other two indicators, with lower income buyers in Gateway Cities, higher income buyers in areas outside of Gateway Cities, and the highest income buyers in Boston, except for Asian buyers who have higher incomes in the areas outside of the Gateway Cities (Chart 20). Comparing the differences in the ratio between the size of the mortgage and borrower income shows a clear difference between Black, Latine, and LMI borrowers and Asian and White borrowers. For Latine, Black, and LMI borrowers in the Commonwealth, the median loan amount is 4.2 times their median income; for Asian borrowers the loan amount is 3.5 times income, and for White borrowers the loan amount is 3.2 times income.

Chart 20: Median Income of Borrower by Race and Income



The median property value and income data show a clear divide between different regions within the Commonwealth. In 2022, the four westernmost counties—Berkshire, Franklin, Hampden, and Hampshire—continue to have the lowest median property values and remain at the bottom of the median borrower income (Chart 21 and Chart 22). In comparison, of the four greater Boston counties—Essex, Middlesex, Norfolk, and Suffolk—only Essex has a median property value under $600,000 and a median borrower income under $150,000 (Figure 1).

Chart 21: Median Property Value for Traditional Purchase Mortgages by County

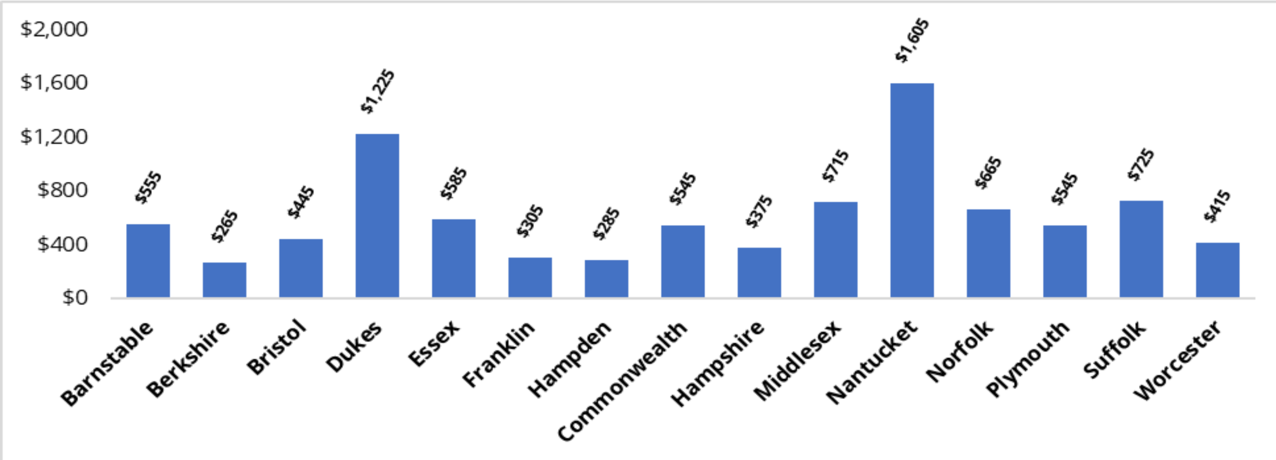


Chart 22: Median Income for Traditional Purchase Mortgages by County

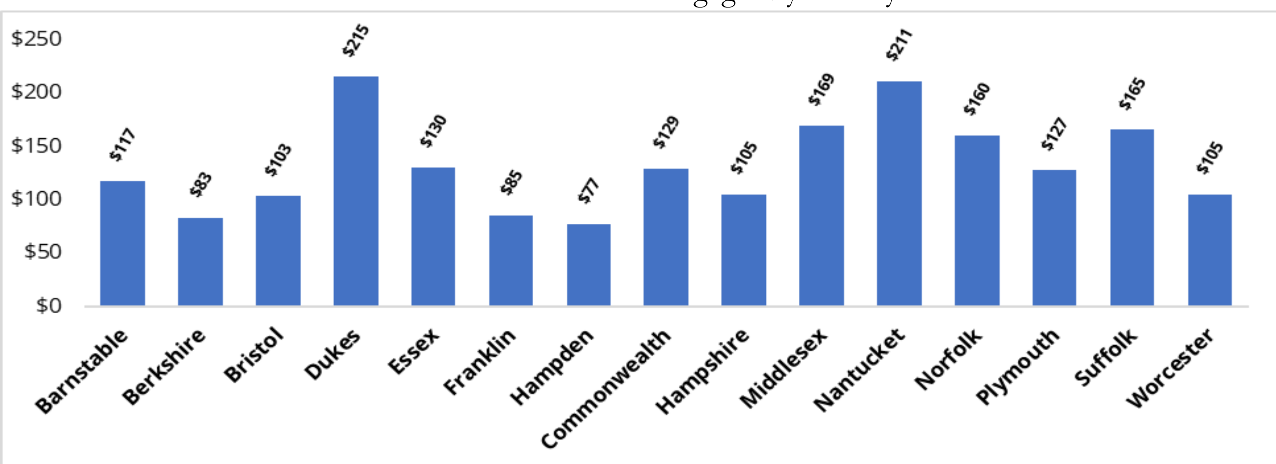
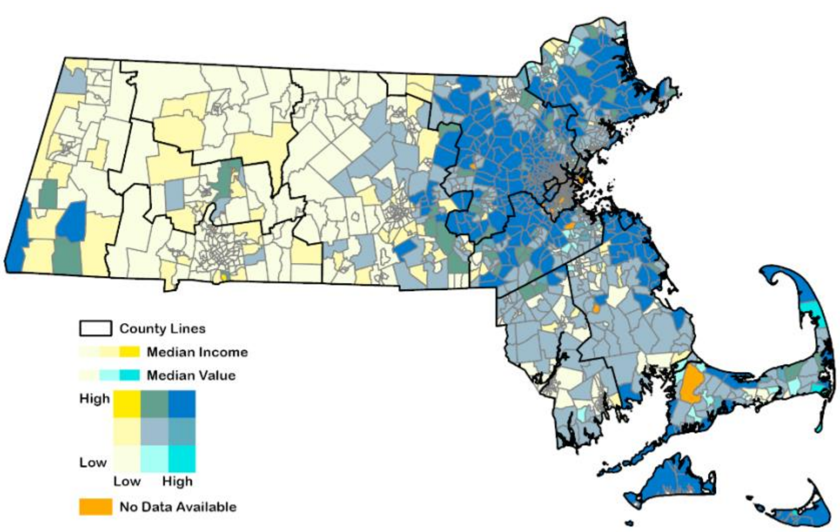


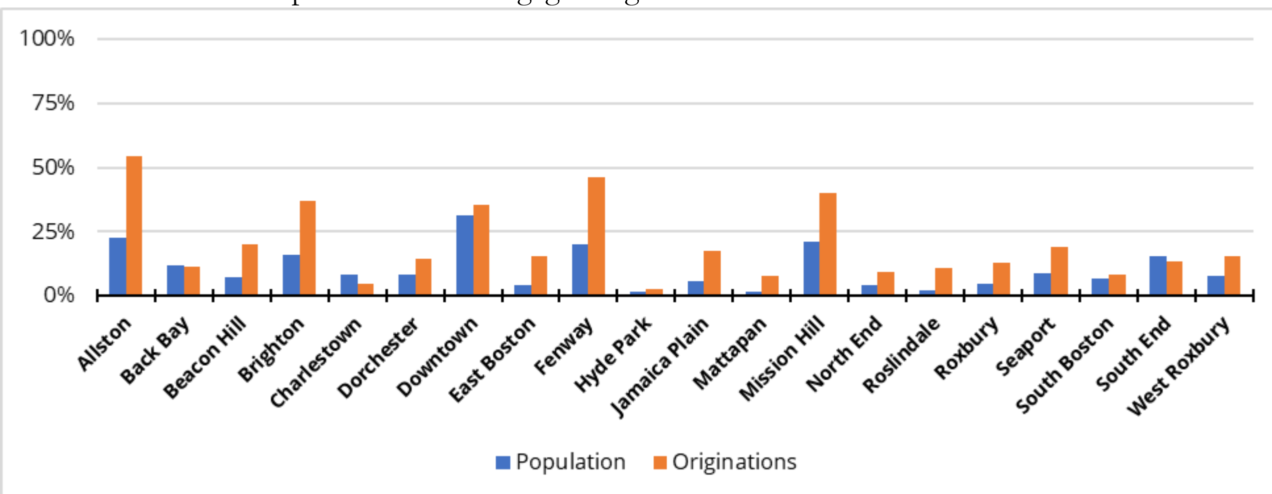
Figure 1: Bivariate Map of Massachusetts for Areas Comparing Borrower Median Income and Median Property Values for Traditional Purchase Mortgages by Census Tract



Boston Neighborhood Data Analysis

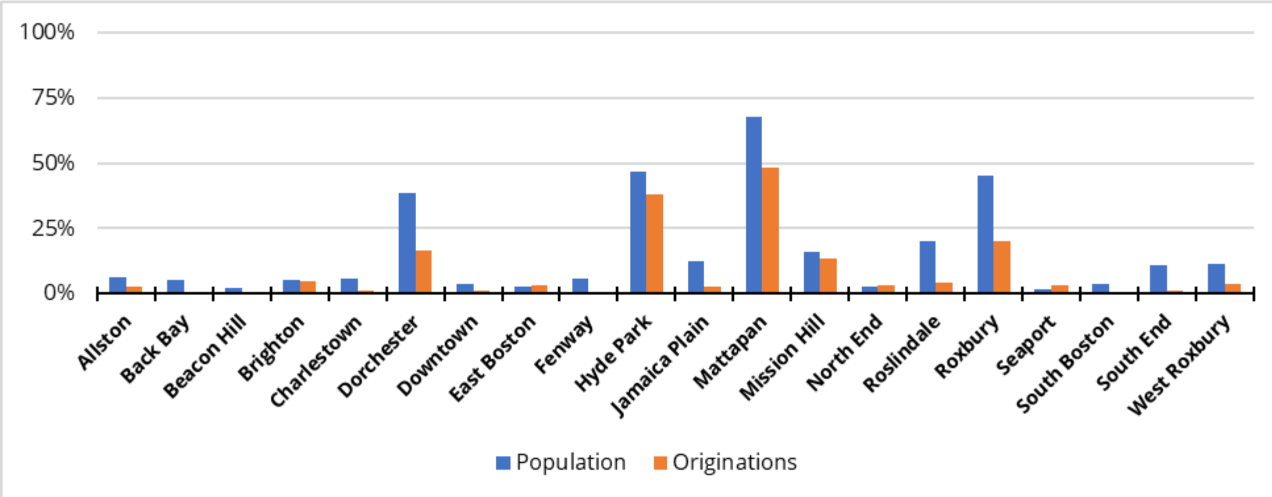
Asian purchasers continued to represent a higher percentage of buyers than their existing percentage of the neighborhood population in 17 of 20 Boston neighborhoods. The difference was most pronounced in Allston, Brighton, and Fenway, as in 2021 (Chart 23). In those neighborhoods, Asian buyers represented just over 54 percent, 37 percent, and 43 percent of all purchasers with traditional mortgages, respectively. While no Boston neighborhood was without Asian borrowers, unlike in 2021, in Hyde Park they still constituted only 2.5 percent of the total number of borrowers.

Chart 23: Percent of Population and Mortgage Originations to Asian Borrowers



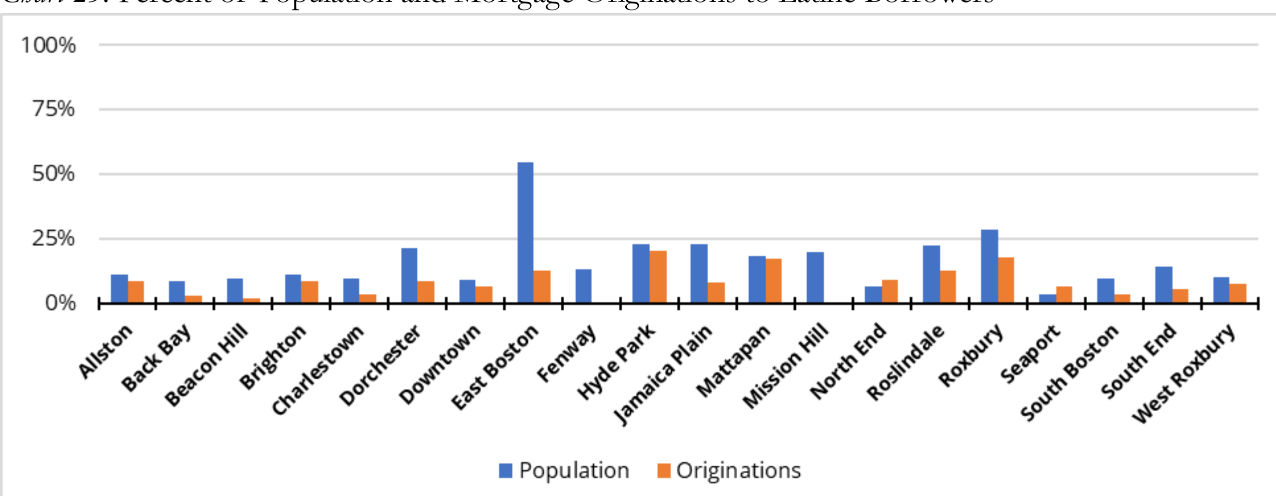
Black purchasers, by comparison, continued to be generally underrepresented as buyers when compared to the percentage of the population in almost all Boston neighborhoods, 17 of 20 in 2022, compared with 18 of 20 in 2021, especially in Dorchester, Mattapan, and Roxbury (Chart 24). In 2021, only in Mattapan did Black buyers receive more than a third of traditional purchase mortgages. In 2022, both Hyde Park, with a Black population of 46 percent, and Mattapan, where over two-thirds of the residents are Black, both had over one-third of traditional purchase mortgages go to Black buyers, 48 percent in Mattapan and 38 percent in Hyde Park. In Back Bay, Beacon Hill, and Fenway, no Black Borrowers received traditional mortgages and in Downtown and South Boston they made up less than one percent of the mortgages.

Chart 24: Percent of Population and Mortgage Originations to Black Borrowers



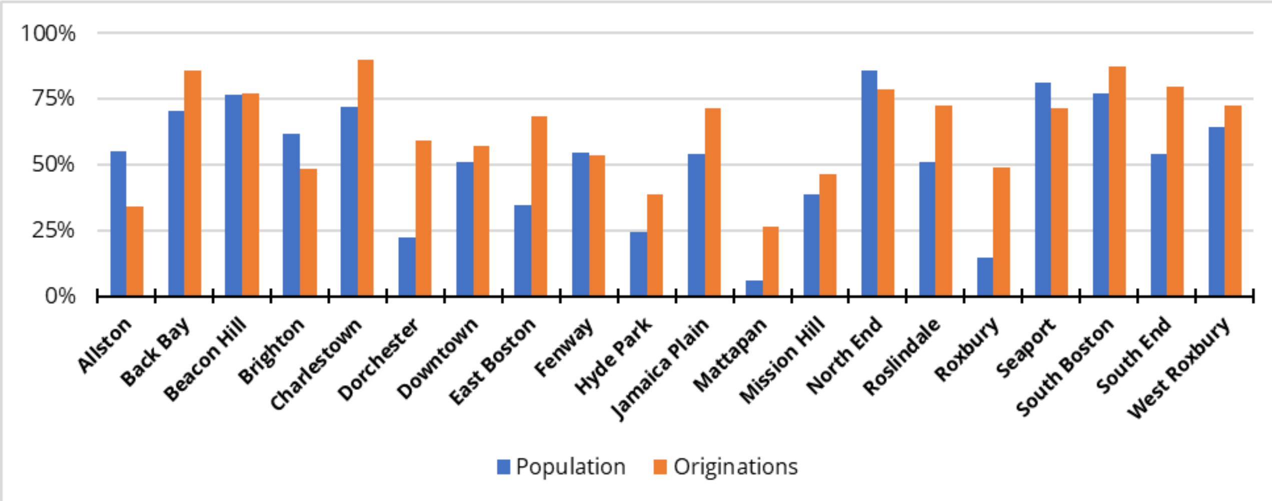
Latine borrowers were also a smaller percentage of traditional purchase originations than their share of the population would suggest in most Boston neighborhoods, 18 of 20 in 2022, compared with 19 of 20 in 2021 (Chart 25). Only in Hyde Park did Latine borrowers receive more than 20 percent of traditional purchase mortgages (down from 25 percent in 2021). In two other neighborhoods—Mattapan and Roxbury—they received 15 percent of the traditional mortgages. The biggest difference between the percentage of the population and mortgages continued to be in East Boston, where the population was roughly 54 percent Latine, while they only received just over 12 percent of traditional mortgages. In Fenway and Mission Hill, no Latine borrowers received traditional purchase mortgages even though Latines comprise almost 13 percent and 20 percent of the respective neighborhoods.

Chart 25: Percent of Population and Mortgage Originations to Latine Borrowers



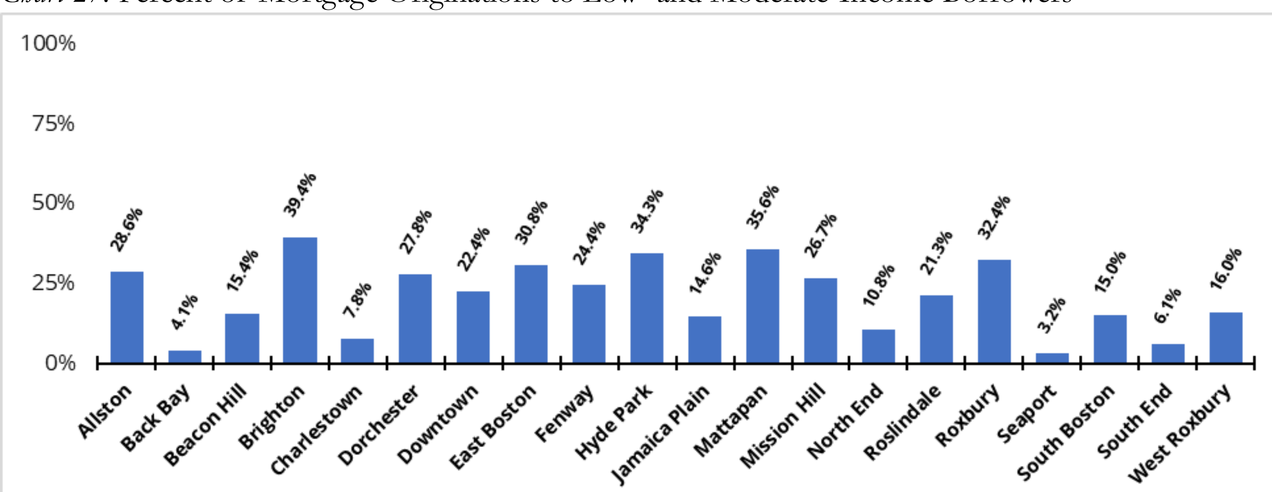
In four of the five neighborhoods where the White population was 73 percent of the population or more—Back Bay, Charlestown, North End, and South Boston—White borrowers received 85 percent or more of traditional purchase mortgages (Chart 26). The highest percentage was in Charlestown, where almost 90 percent of traditional purchase mortgages went to White buyers. As in 2021, in three of the four neighborhoods—Dorchester, Mattapan, and Roxbury—where the White population is less than 25 percent, White borrowers continued to receive well over twice the percentage of mortgages as their share of the population in 2022.

Chart 26: Percent of Population and Mortgage Originations to White Borrowers



LMI borrowers saw increases in four neighborhoods—Downtown (13 percentage point increase), East Boston (8 percentage point increase), Brighton (7 percentage points), and Roslindale (1 percentage point)—with all other neighborhoods seeing the LMI borrowers share of traditional purchase mortgages staying the same or decreasing (Chart 27). LMI borrowers received more than 30 percent of traditional mortgages in five neighborhoods—Brighton, East Boston, Hyde Park, Mattapan, and Roxbury. In 2021, traditional purchase originations for LMI buyers in Mission Hill represented over 30 percent of the total, but that dropped to under 27 percent in 2022. In four neighborhoods—Back Bay, Charlestown, Seaport, and the South End—LMI borrowers received less than 10 percent of traditional mortgages. In 2021, Downtown LMI borrowers also received only nine percent of traditional mortgages, but in 2022 that went up thirteen percentage points to 22 percent.

Chart 27: Percent of Mortgage Originations to Low- and Moderate-Income Borrowers



The median loan amount and property value data show that four neighborhoods—Back Bay, Beacon Hill, Seaport, and the South End—are clearly the most expensive in the city (Chart 28 and Chart 29). All four are the only ones with median loan amounts of $870,000 or more, and all have median property values over $1,200,000. Not surprisingly, those four neighborhoods also had relatively low percentages of LMI purchasers with only Beacon Hill having (just) over 10 percent of loans originating for LMI purchasers. Only one neighborhood in Boston—Brighton—had a median property value of less than $600,000. Brighton also had the highest percentage—nearly 40 percent—of LMI loan originations among the Boston neighborhoods. And, while most neighborhoods saw an increase in the median loan amount, Brighton saw a two percentage point decrease from 2021.

Chart 28: Median Loan Amount for Traditional Mortgages

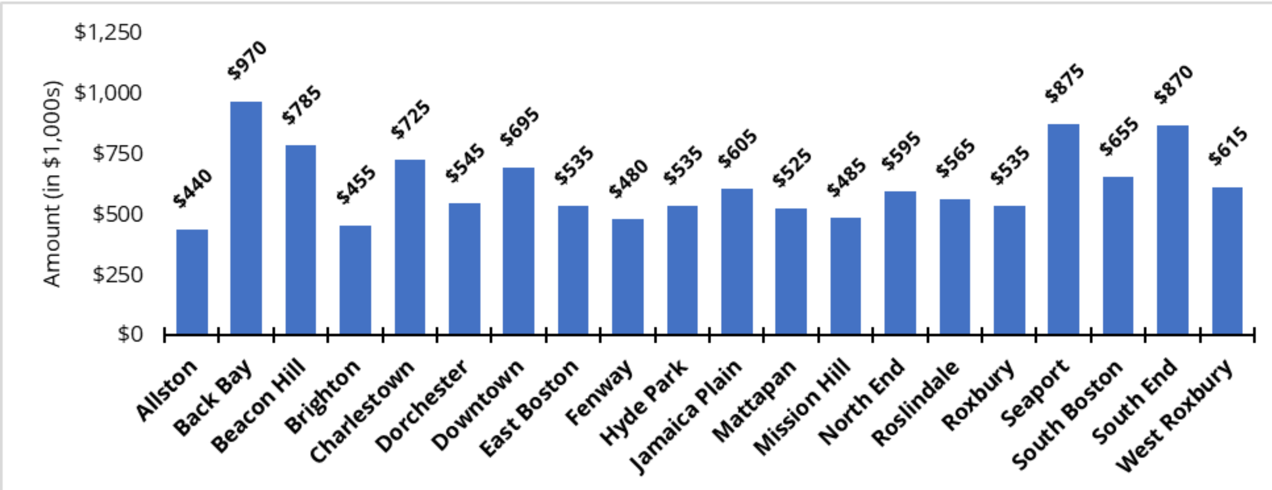
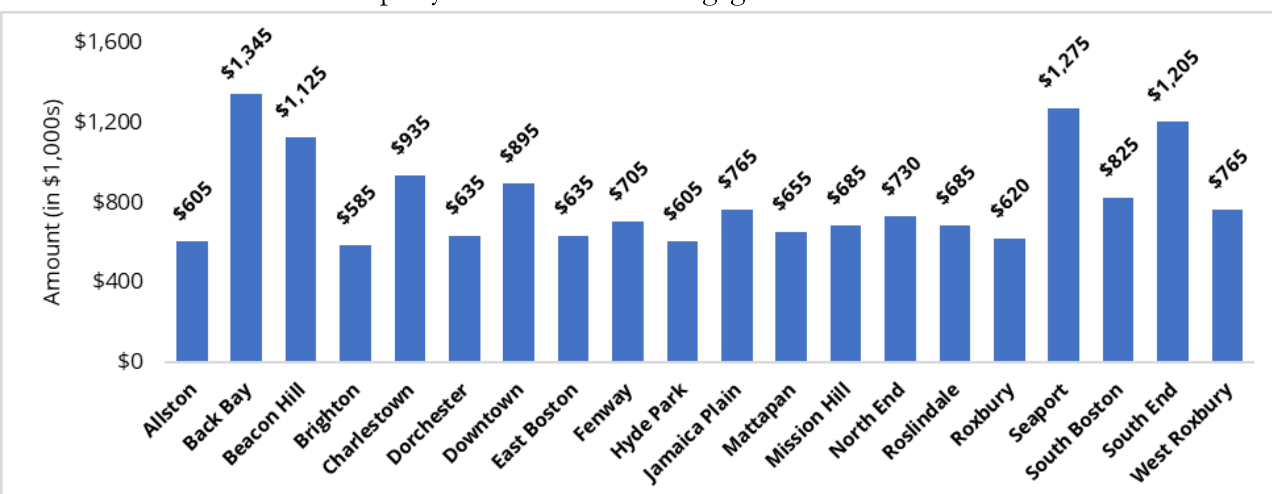
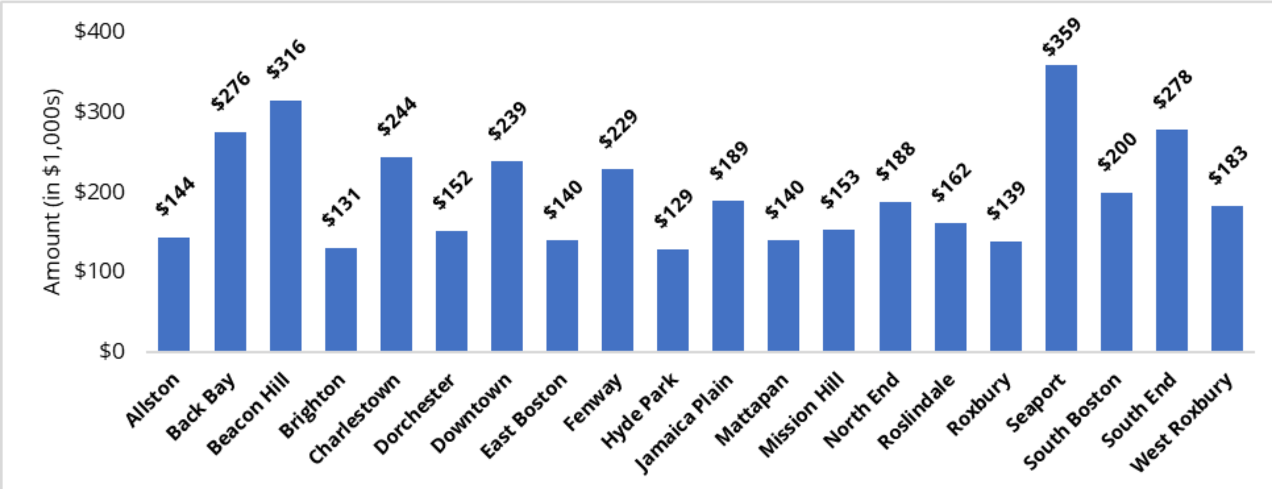


Chart 29: Median Value of Property for Traditional Mortgages



The purchaser median income data show that the four most expensive neighborhoods are also those with the highest median incomes with all four over $275,000 (Chart 30). The 2022 data suggests that neighborhoods continue to be differentiated by income and property values, with the six highest median values and incomes aligning in the same neighborhoods. The six neighborhoods also remain the same from 2021: Back Bay, Beacon Hill, Charlestown, Downtown, Seaport, and South End.

Chart 30: Median Borrower Income for Traditional Mortgages



Who is Making Loans to Whom?

Overall, Licensed Mortgage Lenders (LMLs) originated 38 percent of all purchase and refinance mortgages combined in the Commonwealth, 48 percent in Gateway Cities, 35 percent outside of Gateway Cities, and 30 percent in Boston. Massachusetts Banks and Credit Unions (MBCUs) originated 43 percent of all mortgages in the Commonwealth, 32 percent in Gateway Cities, 46 percent outside of Gateway Cities, and 54 percent in Boston. While in 2021, 80 percent of the top ten mortgage originators in the Commonwealth and outside of Gateway Cities were LMLs, in 2022, only four LMLs were in the top 10, while the remaining six top lenders were Massachusetts Banks or Credit Unions. In Gateway Cities, LMLs remain dominant as the top mortgage originators taking seven of the top ten slots. In Boston, on the other hand, there was an even split between LMLs and MBCUs, with five of each in the top ten.

Purchase Mortgages

For the Commonwealth as a whole, and for Gateway Cities and areas outside of those cities, purchase mortgage originations decreased by nearly 20 percent in 2022, compared to 2021, with a slightly larger decrease of 24 percent in Boston. LMLs continued to have the highest portion of purchase mortgages in 2022 in the Commonwealth and Gateway Cities, as in 2021, but MBCUs had the highest percentage outside of Gateway Cities and in Boston in 2022. LMLs originated 41 percent of purchase mortgages in the Commonwealth, with higher percentages of originations for some groups. They originated 59 percent of all purchase mortgages to Black borrowers, 57 percent for Latine borrowers, and 54 percent of purchase mortgages to LMI borrowers statewide (Chart 31). They originated even higher percentages of purchase mortgages for each of those groups in Gateway Cities, and their market share grew between 2021 and 2022. LMLs originated 64 percent of purchase mortgages for Black borrowers, 63 percent for Latine borrowers, and 59 percent for LMI borrowers (Chart 32). Outside of Gateway Cities, MBCUs continued to have a larger share of purchase originations than either in the Commonwealth as a whole or in Gateway Cities, although they still originated a smaller percentage of purchase mortgages for Black, Latine, and LMI borrowers than LMLs did (Chart 33). In Boston, MBCUs originated nearly as many mortgages for Black borrowers, but had higher numbers for Latine, and LMI borrowers than LMLs (Chart 34).

Chart 31: Purchase Originations by Lender Type, Commonwealth

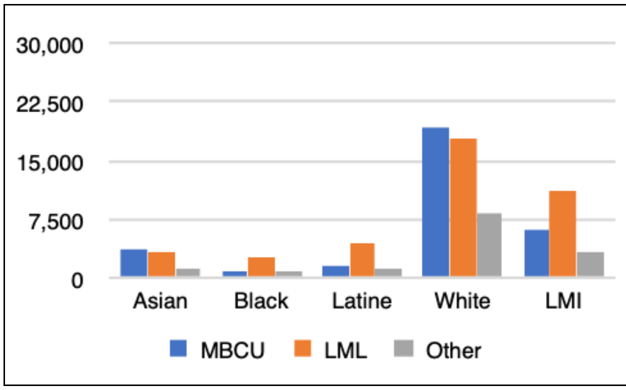


Chart 32: Purchase Originations by Lender Type, Gateway Cities

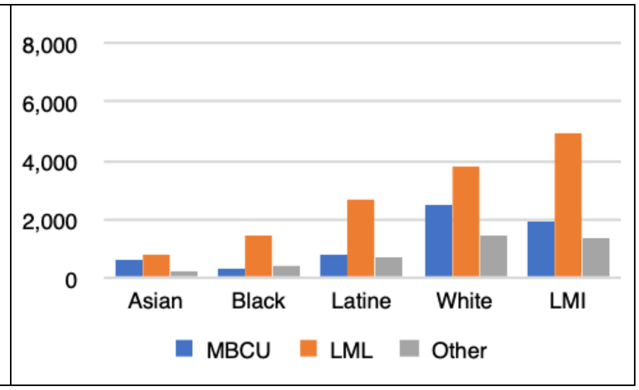


Chart 33: Purchase Originations by Lender Type, Excluding Gateway Cities

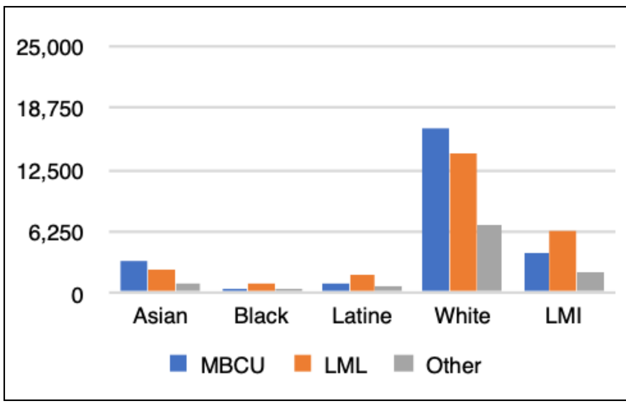
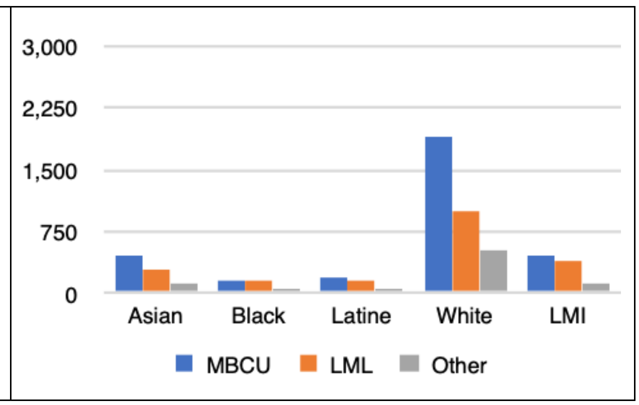


Chart 34: Purchase Originations by Lender Type, Boston



Refinance Mortgages

With the rise in interest rates over the course of 2022, the number of refinance mortgages fell dramatically across all four geographies, dropping over 70 percent overall. LMLs' market share of refinance mortgages dropped from 51 percent of refinance mortgages in the Commonwealth in 2021 to only 33 percent in 2022. Their share of refinance originations decreased in Gateway Cities as well, but LMLs remained the top provider of all refinance mortgages, with a 43 percent market share. Outside of Gateway Cities, LMLs originated only 31 percent of refinance mortgages, and only 30 percent in Boston. While LMLs originated a smaller share of refinance mortgages for Black and Latine borrowers in the Commonwealth in 2022 than in 2021, they still had the largest share with 49 percent for Black and 46 percent for Latine borrowers. LMLs' share of refinance originations for LMI borrowers decreased from 54 percent in 2021 to 42 percent in 2022, while MBCUs' share rose from 31 percent to 38 percent. (Chart 35). LMLs' dominant position in the Gateway Cities still held in 2022, although at a lower share than 2021, with 54 percent for Black borrowers, 53 percent for Latine borrowers, and 43 percent of LMI borrowers (Chart 36). Outside of Gateway Cities, however, LMLs only retained the highest share for Black borrowers, with MBCUs seeing an increasing share of refinance mortgages (Chart 37). In Boston, LMLs did not break 50 percent for any group, but Black borrowers were close with 47 percent of refinance mortgages originated by LMLs while LMI borrowers had 44 percent of their refinance mortgages with LMLs (Chart 38).

Chart 35: Refinance Originations by Lender Type, Commonwealth

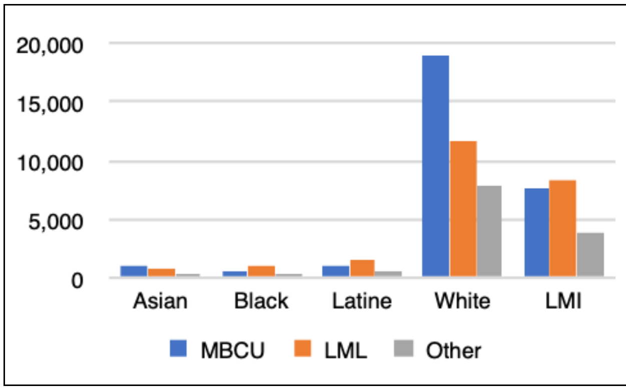


Chart 36: Refinance Originations by Lender Type, Gateway Cities

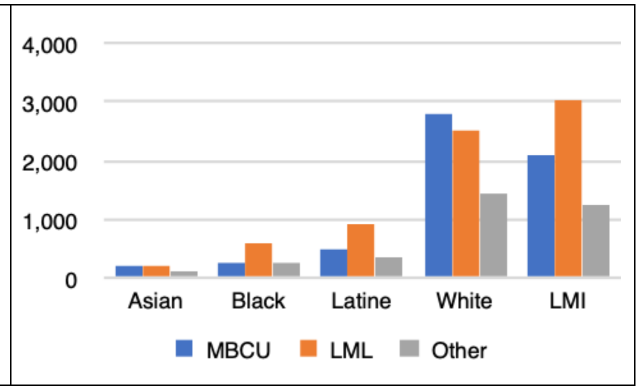


Chart 37: Refinance Originations by Lender Type, Excluding Gateway Cities

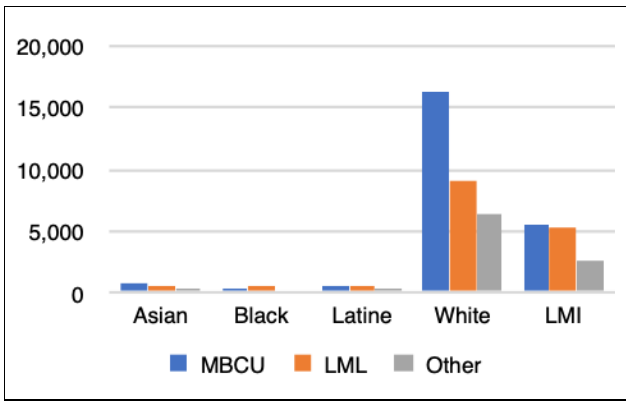
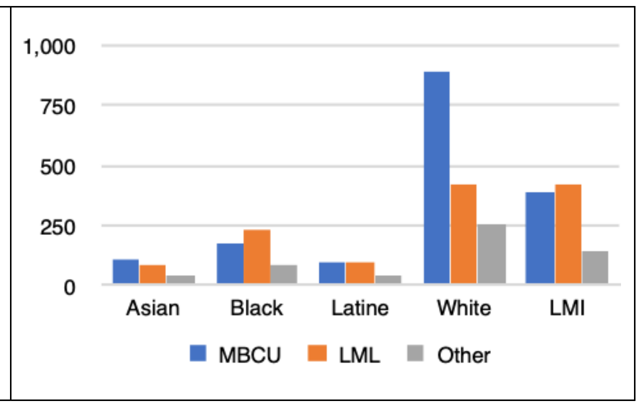


Chart 38: Refinance Originations by Lender Type, Boston



FHA Mortgages

As noted earlier in this report, FHA mortgages are one option to fill a need for potential buyers who are not able to meet conventional mortgage underwriting criteria. This comes at an additional cost for the borrowers both in the monthly payment and in closing costs. Just as was seen in 2021, some lenders may offer less expensive alternatives, as is evident by the data continuing to show that in 2022 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. There are several possible reasons why this variation is present. LMLs don't have typically have portfolio options to assist low downpayment borrowers other than FHA; FHA loans tend to be more profitable on the secondary market where LMLs have to sell all of their loans; and as stated earlier, LMLs often are not lenders in the two state-sponsored mortgage options. Only two percent of traditional purchase mortgages that MBCUs originated in the Commonwealth were FHA loans, compared with 18 percent for loans that LMLs originated (Chart 39). In Gateway Cities, five percent of the traditional mortgages MBCUs originated were FHA loans, compared with 32 percent of loans that LMLs originated (Chart 40). Outside of the Gateway Cities, just under one percent of MBCU traditional mortgages were FHA, while 11 percent of LML mortgages were (Chart 41). In Boston, less than half of one percent of traditional loans that

MBCUs originated were FHA loans, and only Black borrowers and Latine borrowers had over one percent for FHA loans (Chart 42).

In 2022, there continue to be differences among groups of borrowers with FHA mortgages. For all types of lenders in all geographic areas, as seen in 2021, Asian borrowers were the least likely to receive FHA mortgages, while Black and Latine borrowers were the most likely. Among lender types, MBCUs continued to originate a much lower percentage of FHA loans for all groups than either LMLs or other lenders, and are almost entirely absent in Boston. Just over two percent of LMI borrowers' total traditional mortgage originations across all types of lenders were for FHA loans. This is surprising as close to 35 percent of Boston LMI borrowers' traditional mortgages had LTVs of over 90 percent.

Chart 39: FHA Originations by Lender Type, Commonwealth

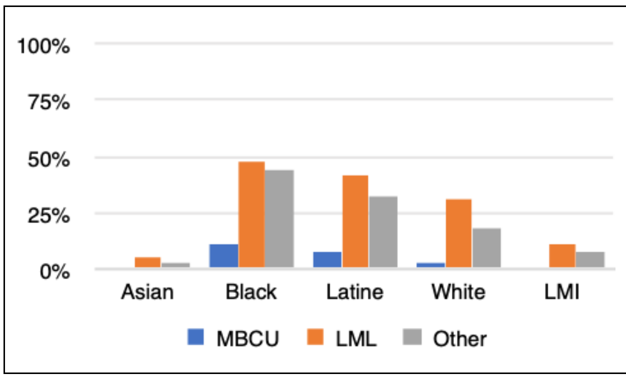


Chart 40: FHA Originations by Lender Type, Gateway Cities

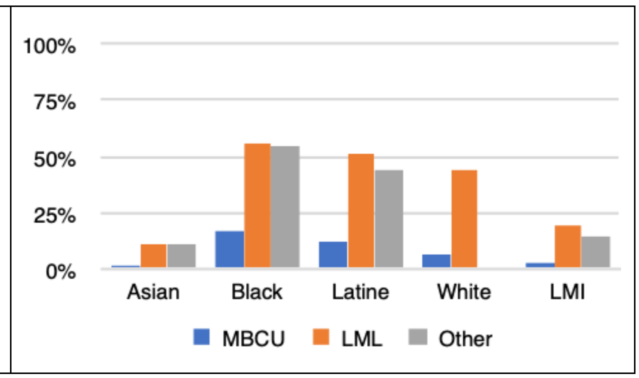


Chart 41: FHA Originations by Lender Type, Excluding Gateway Cities

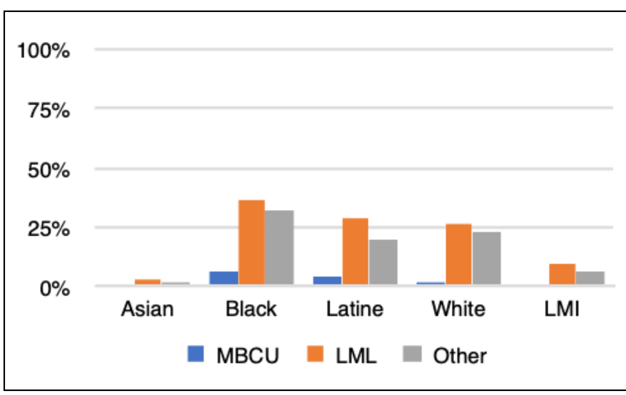
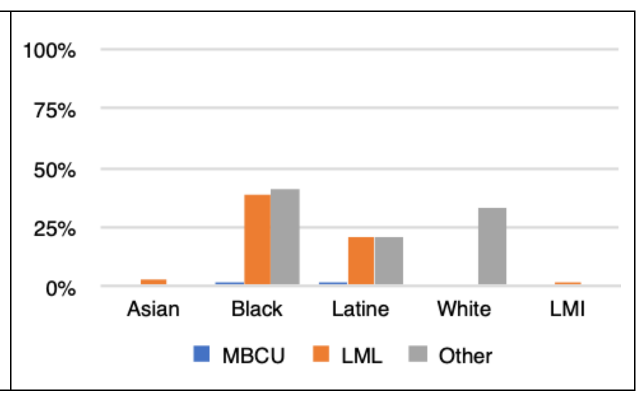


Chart 42: FHA Originations by Lender Type, Boston



Generally, the median loan amount increased across all geographies and groups with four exceptions, all in Boston. LMI Borrowers in Boston saw a 5 percent decrease in the median loan amount for loans received from both MBCUs and LMLs. Meanwhile, Asian borrowers in Boston saw a 4 percent decrease in the median loan amount from LMLs and other lenders. 2022 data continue to show similar variations among lender types and borrower groups that were seen in 2021. Across the Commonwealth, all three types of lenders again made larger traditional mortgages to Asian borrowers than to other borrowers. While MBCUs also made larger traditional mortgages to White borrowers than to other groups, Latine and Black borrowers saw similar median loan amounts from all three types of lenders (Chart 43). In Gateway Cities, Asian and Black borrowers had roughly equally high median loan amounts, but Latine borrowers saw the greatest increase of median loan amounts with a 25 percent increase over 2021 for loans originated by MBCUs and a 12 percent increase for loans from other lenders. White borrowers also continued to have the smallest loans in Gateway Cities (Chart 44). Outside of Gateway Cities, Asian borrowers again had the highest loan amounts from all three types of lenders (Chart 45). Boston continued to have the highest median loan amounts for all types of lenders and borrower groups, continuing the trend seen in 2021 (Chart 46). As originally seen in 2021, LMLs in 2022 continued to make slightly larger loans to LMI borrowers than either MBCUs or other lenders.

Chart 43: Median Loan Amount by Lender Type, Commonwealth

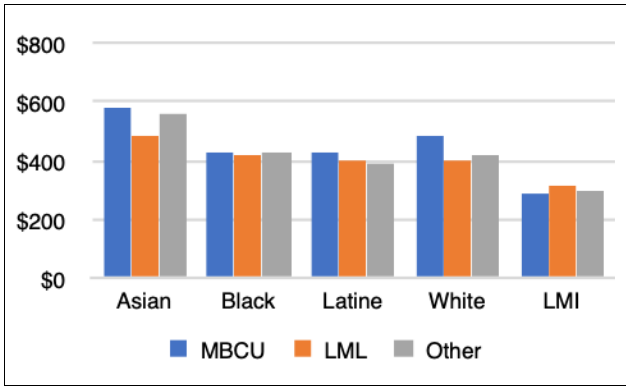


Chart 44: Median Loan Amount by Lender Type, Gateway Cities

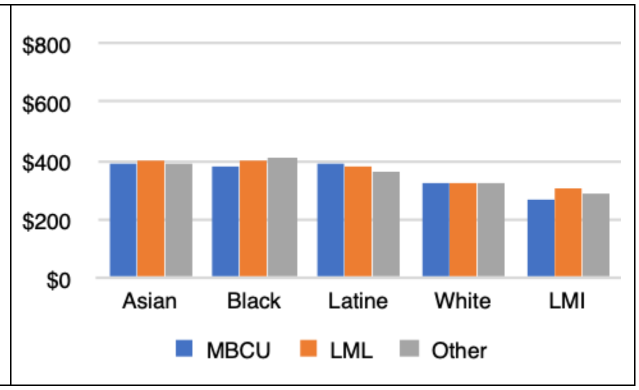


Chart 45: Median Loan Amount by Lender Type, Excluding Gateway Cities

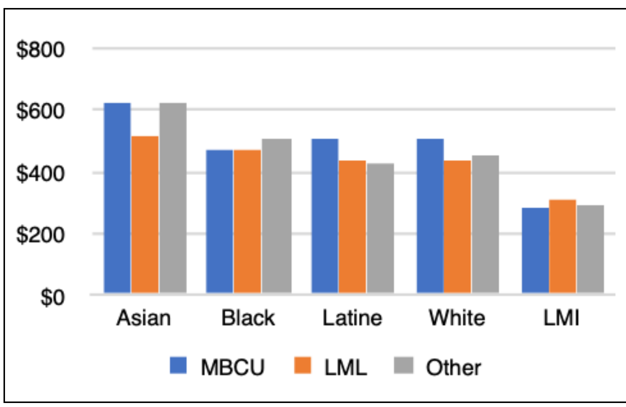
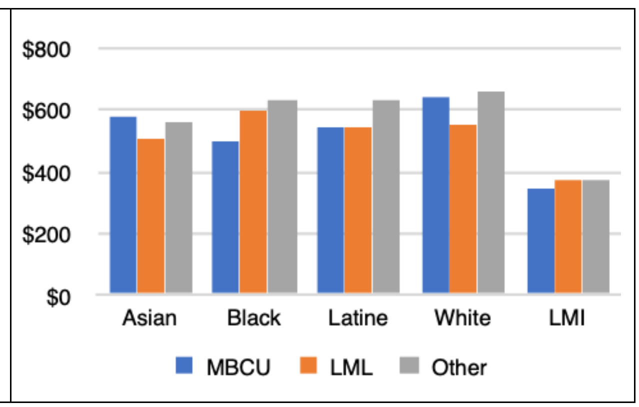


Chart 46: Median Loan Amount by Lender Type, Boston



Median borrower income in 2022 increased for all groups of borrowers and for all types of lenders in all geographies compared with 2021. LMLs continued to originate traditional mortgages for borrowers with lower median incomes than MBCUs or other lenders for borrowers from the four different racial groups overall and outside of Gateway Cities in 2022 (Charts 47 and 49). In Gateway Cities, the median income for all types of lenders differed only slightly for each group of borrowers, although there was some difference among the groups, with Black and Latine borrowers having lower median incomes than White or Asian borrowers (Chart 48). In Boston, LMLs originated loans for borrowers with lower median incomes than MBCUs or other lenders with the exception of loans for Black borrowers (Chart 50).

Chart 47: Median Borrower Income by Lender Type, Commonwealth

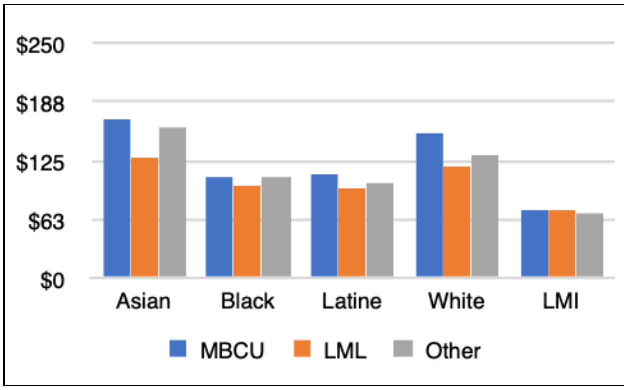


Chart 48: Median Borrower Income by Lender Type, Gateway Cities

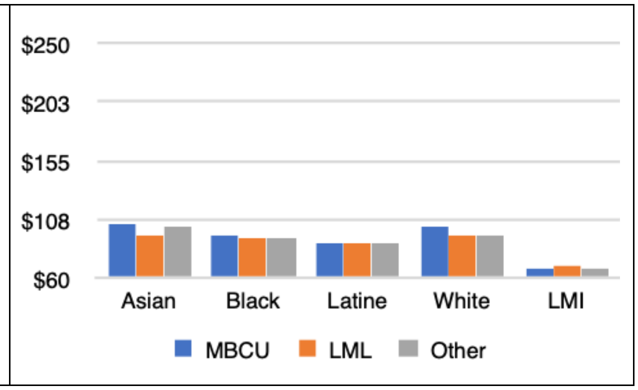


Chart 49: Median Borrower Income by Lender Type, Excluding Gateway Cities

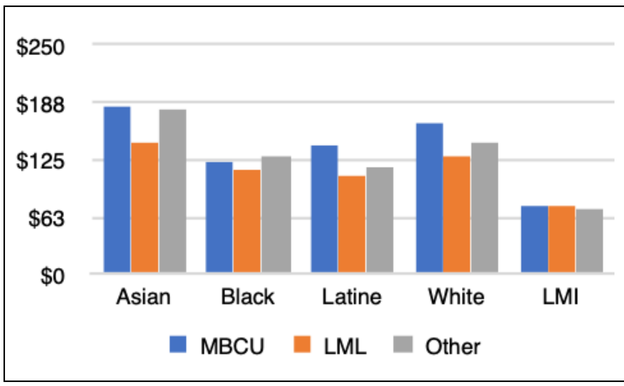
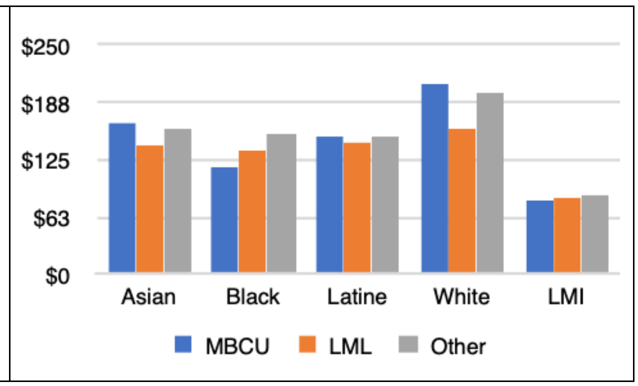


Chart 50: Median Borrower Income by Lender Type, Boston



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 household 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 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

We do know what works. 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 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. Just weeks ago, MHP joined with banks and community leaders to celebrate over 25,000 ONE Mortgages. It is truly a remarkable achievement for a program that many predicted would last just a year. Three decades later, that program continues apace, reaching 70% 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 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 CHAPA. 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 Section 8 to Homeownership programs, we are giving hope to long-time renters that homeownership may be path of 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 that is disadvantaged by the absence of a family history of homeownership. That program is now statewide thanks to funding from the state legislature. 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.

In 2023 and 2024, the Federal Home Loan Bank of Boston began its Lift Up Homeownership program. Lift Up Homeownership is a Special Purpose Credit Program (SPCP) that offers 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 more 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 homeownership opportunities need to command a higher priority among policymakers. The MBTA Communities law holds promise to create more transit-oriented development that is sorely needed. Leadership and enforcement from state officials like Governor Maura Healey and Attorney General Andrea Campbell will need to be sustained if it is to work. We look forward to a decision this fall from the Supreme Judicial Court that will reaffirm that communities must follow the law and rezone for multi-family housing.

Currently, the Massachusetts State Senate and House of Representatives are putting the last touches on a historic housing bond bill that provides for a record amount of potential spending for affordable housing in the Commonwealth.

Both the House and Senate bills include significant increases in funding authorizations for public housing, infrastructure improvements, smart growth, energy efficiency, and community planning, including policies such as the creation of an Office of Fair Housing and allowing Accessory Dwelling Units (ADUs) by right in single-family zoned districts. These policies will help move us closer to a Commonwealth where people can have safe, healthy, affordable homes in the communities they choose.

Unfortunately, the expected passage of this housing bond bill is a missed opportunity for homeownership. While Commonwealth Builder and MassDREAMS get new funding, the overall amount of funding for homeownership is a tiny percentage of the total authorization amounts and represents a cut from the Covid-era supports that boosted homeownership for households of color from 2021-2023.

Based on our research over the last few years, never before in history have more Black and Latino homebuyers been reached in Massachusetts. That's the good news. But more funding is necessary if we are going to sustain that progress. And right now, policy makers in Massachusetts are not prioritizing affordable homeownership opportunities in a way that will close the gap.

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[i] 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.

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

[iii] 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.

[iv] CFPB. (May 30, 2024) *CFPB Launches Inquiry into Junk Fees in Mortgage Closing Costs.* Consumer Financial Protection Bureau. https://www.consumerfinance.gov/about-us/newsroom/cfpb-launches-inquiry-into-junk-fees-in-mortgage-closing-costs/

[v] 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). In Suffolk County, Boston's data is further grouped by 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 educational 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 Latine, 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 amount of originations, followed by the total amount 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 cots.