



MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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MCBC RELEASES NEW REPORT ON MORTGAGE LENDING PATTERNS

Black and Latino Shares of Conventional Loans Well Below Household Shares

Boston, MA (December 21, 2015). The black share of conventional home-purchase loans in Boston has fallen by over 40% in the last six years so that in 2014 they received only 3.6% of all loans in the city although they constitute 21.0% of all households. In seven of the city's twenty major neighborhoods not a single home-purchase loan was made to a black borrower.

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

These are among the most dramatic findings presented in the Massachusetts Community and Banking Council's twenty-second annual report on local mortgage lending. *Changing Patterns XXII: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Boston, Greater Boston and Massachusetts, 2014* was prepared for MCBC by Jim Campen, professor emeritus of economics at UMass Boston.

"Despite decades of efforts to address discrimination in mortgage lending, Massachusetts still has the 48th lowest home ownership rate for minority households," said Kelly Maloy, Director of Homeownership for Massachusetts Housing Partnership, which administers the ONE Mortgage Program, and co-chair of MCBC's Mortgage Lending Committee. "Changing Patterns XXII illuminates the continued disparity in lending to minority households at a local and statewide level and underscores the importance of homeownership programs specifically designed to address common obstacles facing creditworthy, low-income homebuyers. We need these programs now more than ever."

Among the report's key findings:

- Blacks and Latinos received shares of conventional (i.e., non-government-backed) loans that were far smaller than their shares of households. In the Boston, blacks made up 21.0% of households, but received only 3.6% of loans, while Latinos made up 13.7% of households and received 4.0% of loans. In Greater Boston, blacks were 7.3% and households and received 2.0% of loans, while Latinos were 6.8% of households and received 3.2% of loans. The black loan share in Boston has fallen by over 40% since 2009, while the other loan shares have been stable during this seven-year period.
- Black and Latino borrowers in Boston, in Greater Boston, and statewide were much more likely to receive Government-Backed Loans (GBLs) in 2014 than were their white or Asian counterparts.

Government-Backed Loans include loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or the Department of Agriculture (USDA). For home-purchase loans in Greater Boston, GBLs accounted for 36% of loans to blacks and 37% of loans to Latinos, but only 9% of loans to whites. In the City of Boston, GBLs accounted for 40% of loans to blacks, 23% of loans to Latinos, and 5% of loans to whites. GBL loan shares were consistently much lower for Asian borrowers than for whites.

- Total home-purchase lending to blacks and Latinos in 2014 was highly concentrated in a small number of the state's cities and towns, and entirely absent in many others. Just five cities (Brockton, Boston, Randolph, Springfield, and Worcester) accounted for 47% of total loans to blacks in Massachusetts, but for only 12% of the state's total loans. Seven cities accounted for 42% of loans to Latinos in the state, while accounting for just 14% of the state's total loans. Meanwhile, in 86 of the state's 351 cities and towns there was not a single home-purchase loan to either a black or Latino homebuyer. And in seven of Boston's twenty major neighborhoods, there were no home-purchase loans to black borrowers.
- In Boston, Greater Boston, and Massachusetts in 2014, the denial rates on conventional (i.e., non-government-backed) home-purchase loan applications by blacks and Latinos were much higher than the corresponding denial rates for whites. The black/white denial rate disparity ratio was 3.6 in Boston (21% vs. 6%), 2.8 in Greater Boston (17% vs. 6%), and 2.4 statewide (17% vs. 7%). Latino denial rates for conventional home-purchase loans were approximately twice the denial rates for white applicants. The black/white denial rate disparity ratio in Boston has increased substantially over the past decade, while there has been no trend either up or down in the other disparity ratios.
- The implementation of the state's unique CRA for Mortgage Lenders law seems to have had a positive impact on the relative performance of independent mortgage companies for second straight year. Since the initial Changing Patterns report in 1995, Massachusetts banks and credit unions (whose lending is covered by the state and/or federal Community Reinvestment Acts) have consistently been found to perform better than other lenders in serving traditionally underserved borrowers and neighborhoods. Beginning in 2008, the state's CRA for Mortgage Lenders law subjected independent mortgage companies to comparable oversight and evaluation and beginning in 2013 these lenders have performed better than the third major category of lenders, out-of-state banks. For conventional home-purchase lending in 2014, the loan shares for independent mortgage companies were greater than the loan shares for out-of-state banks in all five categories of traditionally underserved borrowers and neighborhoods in Boston, in Greater Boston, and statewide.

“We hope all lenders will use the MCBC report as a tool in assessing the need to provide mortgage financing to traditionally underserved borrowers and neighborhoods and join the conversation with MCBC on how to better reach this population,” said Kathleen Schreck, Vice President of Retail Lending for Marlborough Savings Bank and co-chair of MCBC's Mortgage Lending Committee.

About the Massachusetts Community & Banking Council

The Massachusetts Community & Banking Council (MCBC) was established in 1990 to bring together community organizations and financial institutions to affect positive change in the availability of credit and financial services across Massachusetts by encouraging community investment in low- and moderate-income and minority group neighborhoods.

MCBC is funded through the financial support of member financial institutions. MCBC 2015 members include: Abington Bank, Avon Co-operative Bank, Bank of Canton, Beverly Co-operative Bank, Blue

Hills Bank, Boston Private Bank & Trust Company, Braintree Cooperative Bank, Cambridge Savings Bank, Cape Cod Five Cents Savings Bank, Capital One, Citi, Citizens Bank, Colonial Federal Savings Bank, Community Credit Union, Dedham Institution for Savings, Eagle Bank, East Cambridge Savings Bank, Eastern Bank, Equitable Bank, Everett Co-operative Bank, Industrial Credit Union, Leader Bank, N.A., Mansfield Credit Union, Mass Bay Credit Union, North Cambridge Co-operative Bank, Patriot Bank, People's United Bank, Randolph Savings Bank, RTN Federal Credit Union, Santander, Stoneham Bank – A Cooperative Bank, TD Bank, The Cooperative Bank, The Savings Bank, Wellesley Bank, Winchester Co-operative Bank, and Winchester Savings Bank.

MCBC's 2015 Community Partners include ACCION, City of Boston through the Boston Redevelopment Authority, Community Teamwork, Inc., Dudley Square Main Streets, ESAC, Fair Housing Center of Greater Boston, Family Independence Initiative, Interise, Massachusetts Affordable Housing Alliance, Massachusetts Association of CDCs, Massachusetts Housing Partnership, Metropolitan Boston Housing Partnership, Somerville Community Corporation, South Eastern Economic Development (SEED) Corporation, and The Neighborhood Developers.

In addition to the data in the report, MCBC is also providing data on all Massachusetts cities and towns in a set of supplemental tables. The report and the supplemental tables, as well as further information about MCBC, are available at www.mcbc.info.