



Changing Patterns IV

Mortgage Lending to

Traditionally Underserved

Borrowers & Neighborhoods

in Boston, 1990 - 1996

M|C|B|C



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BY

Jim Campen

*Department of Economics and Mauricio Gaston Institute
for Latino Community Development and Public Policy
University of Massachusetts /Boston*

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INTRODUCTION ¹

In January 1990, the leaders of the local and statewide banking industry announced a commitment to substantially increase the provision of credit and banking services to the low-income and minority communities within the city of Boston. Three studies released in 1989 had demonstrated the existence of substantial racial disparities in the number of mortgage loans made in different neighborhoods within the city.² One of the major components of the bankers' subsequent response was a pledge for a major expansion in the supply of mortgage lending to previously underserved borrowers.

As the fifth anniversary of the announcement of that commitment approached, the Massachusetts Community and Banking Council (MCBC) – whose Board of Directors has an equal number of bank and community representatives – commissioned a study to evaluate the extent to which it had been fulfilled. That study, conducted by the present author, was organized around three principal questions:

- Whether and to what extent had mortgage lending to low-income and minority households and neighborhoods in the city of Boston increased since 1990?
- Whether and to what extent had major types of lenders (the biggest Boston banks, other banks, and mortgage companies) performed differently in meeting previously underserved mortgage lending needs?
- Whether and to what extent had multi-bank targeted mortgage programs made significant contributions toward meeting the banks' commitments?

The resulting seventy-eight page report, *Changing Patterns: Mortgage Lending in Boston, 1990-1993*, was released by MCBC in August 1995. Soon thereafter, Home Mortgage Disclosure Act (HMDA) data for 1994 became available and a follow-up report was released in November 1995 as *Changing Patterns: Mortgage Lending in Boston, A 1994 Update*. In December 1996, HMDA data for 1995 were incorporated into the analysis presented in *Changing Patterns III: Mortgage Lending to Traditionally Underserved Borrowers and Neighborhoods in Boston, 1990-1995*.³

¹ Preparation of this report was supported by a grant from the Massachusetts Community and Banking Council [MCBC] to the Mauricio Gaston Institute for Latino Community Development and Public Policy at the University of Massachusetts/Boston. An advisory board consisting of two members of the MCBC Board of Directors, Tom Callahan of the Massachusetts Affordable Housing Alliance and Julie Connelly of Citizens Bank, plus MCBC manager Kathleen Tullberg, oversaw preparation of the report and reviewed the final draft. Katherine Krister of BankBoston provided both the map and a keen editorial eye. In spite of helpful comments and suggestions received, the ideas and conclusions in this report are the responsibility of the author, and should not be attributed to any of the officers or board members of either the Gaston Institute or the MCBC.

² The three studies were: Katherine L. Bradbury, Karl E. Case, and Constance R. Dunham, "Geographic Patterns of Mortgage Lending in Boston, 1982-87," *New England Economic Review* [Federal Reserve Bank of Boston], September-October 1989; Charles Finn, *Mortgage Lending in Boston's Neighborhoods, 1981-87: A Study of Bank Credit and Boston's Housing*, Boston Redevelopment Authority, 1989; and Melvin W. LaPrade and Andrea Nagle, *Roxbury – A Community at Risk: An Analysis of the Disparities in Mortgage Lending Patterns*, Greater Roxbury Neighborhood Authority, 1989.

³ These three earlier reports are available from the Massachusetts Community and Banking Council [MCBC] at 40 Court Street, Boston MA 02108 (telephone: 617/695-5151), or by contacting the author – Jim Campen, Department of Economics, University of Massachusetts/Boston, 100 Morrissey Boulevard, Boston MA 02125 (617/287-6962).

The present report uses HMDA data for 1996 to carry the analysis of the first two questions forward one more year. In addition to providing a snapshot of lending levels and denial rates during 1996, most of the tables and charts that follow also contain information for each of the years from 1990 through 1996, thereby facilitating the analysis of trends over the entire seven-year period. A companion report, available later this fall, will update the analysis of the third question on the basis of available data on targeted mortgage program lending through 1996.

The current report, like its predecessors, is concerned only with *home-purchase* mortgage loans within the *city of Boston* (that is, the analysis excludes both loans to refinance existing mortgages and loans for properties located within the metropolitan area but outside Boston's city limits). Because MCBC again wanted to focus attention on the performance of the lending industry as a whole and of major components of that industry, and to avoid comparative examinations of the performance of individual lenders, this report follows its predecessors in containing no analysis of lending by individual banks or mortgage companies.

The primary goal of this series of reports is to contribute to improving the performance of mortgage lenders in meeting the needs of traditionally underserved borrowers and neighborhoods in the city of Boston by presenting a careful *description* of what has happened that all interested parties can agree is fair and accurate. It is beyond the scope of these reports to offer either an *explanation* of why the observed trends have occurred or an *evaluation* of how well lenders have performed. Rather, their descriptive contributions are intended to be important annual inputs into the complex, on-going tasks of explanation and evaluation.

I. TOTAL LENDING BY RACE, INCOME, AND NEIGHBORHOOD

Tables 1-5 and their accompanying charts present data on overall lending to traditionally underserved borrowers and neighborhoods. The tables and charts show that mortgage lending patterns in 1996 were generally similar to those in the previous year, with a significant drop in the share of loans going to black borrowers offset by a continued increase in the Hispanic loan share and an improvement in the ratio of minority to white denial rates. For the seven-year period as a whole, the general pattern that emerges is one of substantial improvement in lender performance through 1993 or 1994, but no clear trend in bank performance since then. More specifically:

- **The share of Boston home-purchase loans that went to black borrowers fell back in 1996 to essentially the same level as in 1990, the earliest year for which data are available.** Blacks, who made up 20.6% of Boston's households according to the 1990 census, received 16.5% of all loans in 1996, down from 19.8% in the previous year, and close to their 16.2% share in 1990. The number of loans to blacks more than tripled during the seven-year period, but so did the total number of home-purchase loans in the city. (See Table 1 and Chart 1.)⁴

⁴ Note that the comparison of the loan shares of blacks and Hispanics is to their shares of the city's *households* instead of to their shares of the city's *population*. This is the same comparison as in *Changing Patterns III*, but is a change from the two earlier reports in this series. Since the number of homes is much more closely related to the number of households than to the number of individuals, it seems more appropriate to compare the number of home-purchase loans to the former percentage than to the latter. (The 1990 population shares of blacks and Hispanics were 23.8% and 10.8%. The Massachusetts Institute for Social and Economic Research estimates that these population shares increased to 26.1% and 12.2%, respectively, in 1995. However, 1990 is the most recent year for which reliable data on household shares are available.)

- **The share of Boston home-purchase loans that went to Hispanic borrowers increased for the fifth consecutive year.** Hispanics, who made up 8.1% of the city's households in 1990, received 7.2% of all 1996 loans, up slightly from 6.8% in 1995, and significantly above their 5.1% share of all loans in 1990. The actual number of loans to Hispanics jumped to 392 in 1996, up from 303 loans in 1995 and just 91 loans in 1990. (Table 1 and Chart 1; the 1991 share, not shown in the table, was 4.6%.)
- **Denial rates in Boston remained very low compared both to their 1990 levels here and to those nationwide.** Between 1995 and 1996, the Boston denial rate for Hispanic applicants fell from 18.6% to 15.2%, while the black denial rate rose from 15.8% to 18.3% and the white denial rate rose from 7.3% to 9.3%. Between 1990 and 1996, Boston denial rates for blacks, Hispanics, and whites all *decreased* by more than 40%, while the corresponding denial rates for the U.S. as a whole *increased* by between 44% and 67% during the same period. Boston denial rates, which began the period very close to their nationwide counterparts, are now less than half as great. Most dramatically, the 1996 denial rate for blacks in Boston (18.3%) was just one-third of the denial rate for blacks nationwide (48.8%). Statewide denial rates have been similar to those in Boston throughout the last five years. (Table 2)
- **Both the black/white and the Hispanic/white denial rate ratios for 1996 were lower than the year before, but very close to their 1990 levels.** This is the result of a roller coaster ride of substantial declines in these ratios through 1993 (highlighted in the original *Changing Patterns* report), two years of even more substantial increases to peak levels in 1995, and substantial decreases again last year. The black/white ratio was 1.97 in 1996, down from 2.16 in 1995, and close to its 2.00 level of 1990. The Hispanic/white ratio fell sharply from 2.55 in 1995 to 1.63 in 1996, close to its 1990 level of 1.55. (Table 2 and Chart 2)
- **After three years of dramatic increases at the beginning of the decade, the loan share of low- and moderate-income borrowers has been relatively stable for the last three years.** The share of total Boston home-purchase loans that went to low- and moderate-income borrowers (those with incomes no greater than 80% of the median family income in the Boston metropolitan area) actually dropped slightly last year, to 37.7% from 38.6% in 1995, although it remained well above the 1990 level of 22.4%. Low-income borrowers alone (those with incomes no greater than 50% of the Boston area median) received 10.8% of all loans in 1996, down from 11.6% in 1995, but up from just 2.8% in the first year of our period. (In 1996, low-income borrowers were those with incomes of \$28,000 or less, while moderate-income borrowers were those with incomes from \$29,000 to \$45,000).⁵ (Table 3 and Chart 3)
- **Although black and Hispanic mortgage applicants had, on average, substantially lower incomes than their white counterparts, these lower incomes do not account for the fact that blacks and Hispanics experienced higher denial rates than whites in 1996.** When applicants are grouped

⁵ The percentages for 1990-1993 shown in Table 3 in this report and in *Changing Patterns III* differ from those reported in the two earlier reports in this series. Those earlier percentages were calculated on the simplifying assumption that the Boston MSA median family income remained constant at \$50,000 from 1990 through 1994. See "Notes on Data and Methods" at the end of this report for a fuller explanation.

into income categories, the combined denial rate for blacks and Hispanics at every income level (except the very lowest) was above that of white applicants in the same income category – although the denial rate disparities for most income groups were smaller than in previous years.⁶ (Table 4 and Chart 4)

- **Lower-income neighborhoods with a high-concentration of black and Hispanic residents once again received only about three-quarters of their proportionate share of the city's home-purchase loans.** Although the 35 Boston low- or moderate-income census tracts – located primarily in Roxbury and Mattapan (see Map) – in which blacks and Hispanics made up more than 75% of the 1990 residents contained an estimated 11.6% of all mortgageable housing units in the city, these census tracts received only 9.0% of all loans last year (up slightly from 8.8% in 1995). While these tracts have 57.6% as many mortgageable housing units as are in the 30 low- or moderate-income census tracts with over 75% white residents, they received only 47.0% as many home-purchase loans as the predominantly white census tracts did in 1996. Except for a slight dip in 1994, this ratio has remained remarkably stable for the last five years, and remains substantially below its level at the beginning of the decade. (Table 5, Chart 5, and Map)

II. COMPARATIVE PERFORMANCE OF MAJOR TYPES OF LENDERS

Tables 7 and 8, together with their accompanying charts, present summary data on the relative performance of three major types of lenders in meeting the needs of traditionally underserved borrowers and neighborhoods in Boston during the last two years. These data indicate a continuation of the principal patterns identified in Part II of *Changing Patterns...1990-1993* on the basis of an extensive analysis of Home Mortgage Disclosure Act (HMDA) data for that period. In general, the group consisting of the biggest Boston banks continued to have by far the best performance record, while mortgage company lenders⁷ continued to perform much less well than bank lenders according to the performance measures used in this series of reports. More specifically:

- Mortgage company lenders accounted for 43.4% of all Boston home-purchase loans last year, up from 37.7% one year earlier, and just 23.5% in 1990. **1996 was the first year in which mortgage companies made more loans than the six biggest Boston banks** (Bank of Boston, BayBanks, Boston Safe Deposit, Citizens, Fleet, and Shawmut⁸ – together with their affiliated mortgage companies), whose share fell from 43.6% in 1995 to 34.8% last year. The remaining 21.9% of 1996 loans were made by “all other banks,” a diverse group of 115 lenders that included 27 banks with at least one Boston office (13.8% of all loans), 65 other Massachusetts banks (7.1%), and 23 credit unions (0.9%). (See Table 6, which includes information on the 16 mortgage companies and 15 banks that made 35 or more Boston home-purchase loans in 1996, and reports the number of loans made by each of these lenders during each of the last seven years.)

⁶ Because of the small numbers of black and/or Hispanic applicants in some income categories, this report again combines black and Hispanic applicants for purposes both of formulating the findings stated in the text and of preparing Chart 4. Enlarging the pools of applicants in this way reduces the impact that small variations in the absolute number of denials have on observed denial rates. Corresponding data for 1995 are in Table 4 and Chart 4 on page 10 of *Changing Patterns III*.

⁷ More precisely, as explained in the footnotes to Tables 6-8, “mortgage companies” as used in this report includes all lenders not affiliated with a Massachusetts bank or credit union. This includes independent mortgage companies based either inside or outside of Massachusetts, mortgage companies affiliated with non-Massachusetts banks, and non-Massachusetts banks themselves.

⁸ Although BayBanks and Shawmut have ceased to exist as a result of mergers, both reported HMDA data for 1996.

- **The big Boston banks directed a substantially greater share of their total Boston loans in 1996 to every one of the categories of traditionally underserved borrowers and neighborhoods examined in this report than did either of the other two major types of lenders.** Black borrowers received 29.3% of the loans made by the big Boston banks, but only 10.1% of those made by mortgage companies and 6.4% of those made by all other banks. Hispanic borrowers received 12.3% of big bank loans, but only 3.6% of mortgage company loans and 5.1% of other bank loans. Low-income borrowers obtained 20.3% of the loans made by the Big Boston banks, but only 4.8% of mortgage company loans and 6.0% of the loans made by all other banks. The differences in lending to moderate-income borrowers were not quite so great; they received 36.8% of big bank loans, compared to 20.2% of mortgage company loans and 21.2% of loans by all other banks. Finally, low- and moderate-income census tracts that had over 75% black and Hispanic residents received 14.1% of the loans by the big Boston banks, but only 7.7% of the loans made by mortgage companies and 3.4% of the loans made by other banks. There were only small changes in these percentages between 1995 and 1996; these minor changes were generally positive for the big banks and mortgage companies, but generally negative for the group of all other lenders.⁹ (Table 7 and Chart 7)
- The same general conclusion concerning the performance of mortgage companies relative to banks emerges when the data are examined from a different perspective. While mortgage companies made 43.4% of all home-purchase loans in Boston in 1996, they made just 27.4% of the total loans to blacks, 22.7% of total loans to Hispanics, 20.0% of total loans to low-income borrowers, and 33.4% of total loans to moderate-income borrowers. Although each of these four market shares was between five and eight percentage points higher than in 1995, **the mortgage company shares of loans to various categories of traditionally underserved borrowers were only one-half to three-quarters as great as the mortgage company share of total lending.** The highest market share for mortgage companies was their 37.1% share of total loans to predominantly-minority lower-income neighborhoods, up from 29.0% in 1995 – and more than twice as great as their 16.9% share of these loans in 1994. (Table 8 and Chart 8)
- **The mortgage companies' low shares of total loans to black and Hispanic borrowers are not primarily the result of higher denial rates.** Rather, the lower level of lending to these minority borrowers by mortgage companies than by banks reflected the shares of applications obtained by these two types of lenders. In 1996, for blacks and Hispanics combined, mortgage companies received 27.6% of all applications, and made 26.0% of all loans. They denied a higher percentage of their black applicants than banks did (21.9% vs. 16.8%), but a lower percentage of their Hispanic applicants (14.6% vs. 15.3%).¹⁰

⁹ The use of three major lender categories was decided upon after analyses of 1995 HMDA data indicated that alternative, more detailed categories did not correspond to significant differences in lending performance as measured in this report. In addition, I explored the hypothesis that the biggest "mortgage company" lenders might have performed differently from other "mortgage companies," a possibility suggested by the large differences in performance between the big Boston banks and all other bank lenders. I did this by comparing the 1995 percentages for all mortgage companies, as reported in Table 7, to the corresponding percentages calculated for a group consisting of only the six mortgage company lenders that made more than 100 Boston home-purchase loans in that year. Each of these calculated percentages for this hypothetical group was within one percentage point of the corresponding percentage for all mortgage companies.

¹⁰ The data on applications and denial rates reported in this paragraph are not presented in any of the tables in this report.

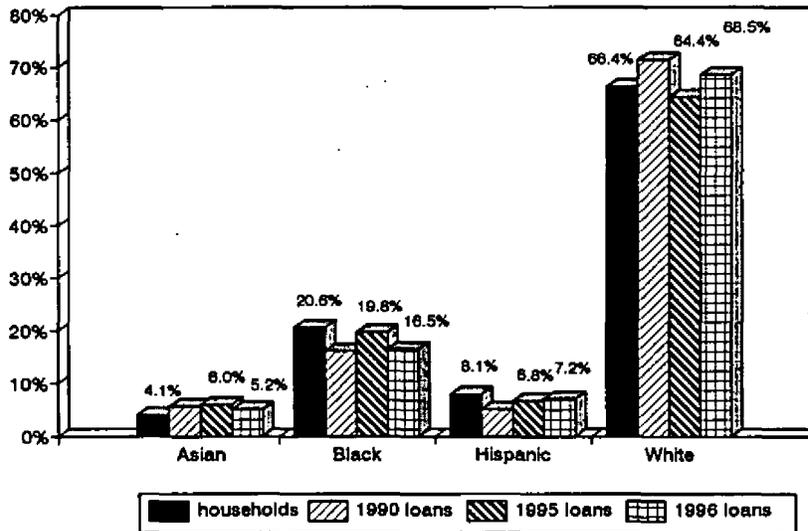
TABLE 1
BOSTON HOME-PURCHASE LOANS BY RACE, 1990 & 1992-96 *

	Number of Loans						Per cent of All Loans					
	1990	1992	1993	1994	1995	1996	1990	1992	1993	1994	1995	1996
Asian	100	140	203	255	269	282	5.6%	6.1%	5.7%	5.6%	6.0%	5.2%
Black	287	400	712	955	880	897	16.2%	17.5%	20.1%	20.8%	19.8%	16.5%
Hispanic	91	127	202	303	303	392	5.1%	5.5%	5.7%	6.6%	6.8%	7.2%
White	1,266	1,591	2,344	2,964	2,866	3,725	71.5%	69.4%	66.1%	64.5%	64.4%	68.5%
Total#	1,770	2,292	3,548	4,592	4,450	5,436	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Columns with 1991 data are omitted from this table because of insufficient space.

Total includes loans to Native Americans (84 loans in 7 years, 20 in 1996) and "others" (469 loans in 7 years, 120 in 1996), but excludes loans for which race of borrower was not reported (885 loans in 7 years, 187 in 1996).

CHART 1
SHARES OF HOUSEHOLDS AND LOANS, BY RACE
BOSTON HOME-PURCHASE LOANS: 1990, 1995, & 1996



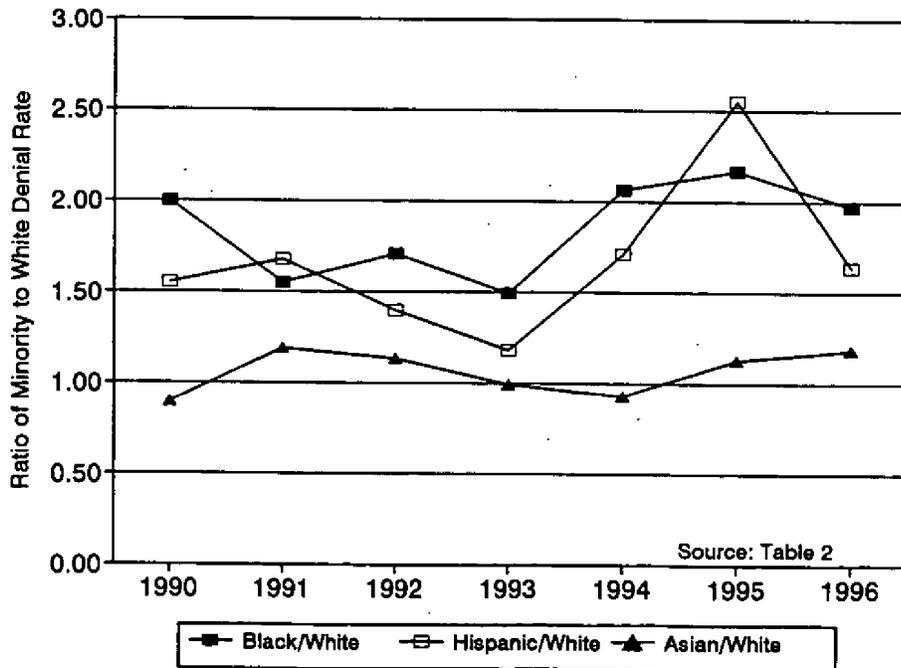
Source: Table 1 (loans) and 1990 Census (households)

TABLE 2
HOME-PURCHASE LOAN DENIAL RATES BY RACE
BOSTON, MASSACHUSETTS, AND UNITED STATES# -- 1990 & 1992-96*

	Denial Rate						Ratio to White Denial Rate					
	1990	1992	1993	1994	1995	1996	1990	1992	1993	1994	1995	1996
A. BOSTON												
Asian	14.5%	15.1%	11.6%	7.6%	8.2%	11.0%	0.89	1.13	0.99	0.93	1.12	1.18
Black	32.7%	22.7%	17.5%	16.9%	15.8%	18.3%	2.00	1.71	1.49	2.06	2.16	1.97
Hispanic	25.3%	18.6%	13.8%	14.0%	18.6%	15.2%	1.55	1.40	1.18	1.71	2.55	1.63
White	16.4%	13.3%	11.7%	8.2%	7.3%	9.3%	1.00	1.00	1.00	1.00	1.00	1.00
B. MASSACHUSETTS												
Asian		12.7%	8.8%	7.1%	7.3%	8.5%		1.18	0.95	0.94	0.99	1.04
Black		21.3%	18.5%	16.8%	16.3%	17.8%		1.97	2.00	2.22	2.23	2.17
Hispanic		19.7%	15.3%	12.7%	13.1%	15.3%		1.82	1.66	1.68	1.79	1.87
White		10.8%	9.2%	7.6%	7.3%	8.2%		1.00	1.00	1.00	1.00	1.00
C. UNITED STATES*												
Asian	12.9%	15.3%	14.6%	12.0%	12.5%	13.8%	0.90	0.96	0.95	0.73	0.61	0.57
Black	33.9%	35.9%	34.0%	33.4%	40.5%	48.8%	2.35	2.26	2.22	2.04	1.97	2.02
Hispanic	21.4%	27.3%	25.1%	24.6%	29.5%	34.4%	1.49	1.72	1.64	1.50	1.43	1.43
White	14.4%	15.9%	15.3%	16.4%	20.6%	24.1%	1.00	1.00	1.00	1.00	1.00	1.00

Massachusetts denial rates for 1992-1996 calculated by author.
 U.S. denial rates for 1990-1994 from Federal Reserve Bulletin: 11/91 p870; 11/92 p808; 2/94 p86; 2/95 p96; & 9/95 pA70.
 U.S. denial rates for 1995 & 1996: Fed. Fin. Insts. Exam. Council Press Releases, 7/30/96, Table 4 & 8/4/97, Table 6.
 # U.S. denial rates are for conventional loans only; in Boston conventional and overall denial rates are very similar.
 * Columns with 1991 data are omitted from this table because of insufficient space.

CHART 2
MINORITY/WHITE DENIAL RATIOS, BY RACE
BOSTON HOME-PURCHASE LOANS, 1990-1996



**TABLE 3
BOSTON HOME-PURCHASE LOANS & DENIALS BY INCOME LEVEL
1990 & 1992-96***

Income Level ^	As Percent of All Loans						Denial Rate					
	1990	1992	1993	1994	1995	1996	1990	1992	1993	1994	1995	1996
Low#	2.8%	9.1%	11.7%	11.2%	11.6%	10.8%	33.3%	24.8%	27.0%	16.3%	20.0%	20.2%
Moderate	19.6%	27.2%	28.9%	27.1%	27.0%	26.9%	20.8%	16.9%	16.9%	12.5%	10.2%	13.5%
Middle	29.3%	30.0%	26.8%	27.2%	27.6%	26.1%	20.1%	15.4%	13.3%	11.8%	9.5%	9.6%
High	28.5%	20.7%	19.5%	20.6%	19.4%	21.4%	18.8%	12.9%	13.7%	6.7%	7.3%	9.8%
Highest	19.7%	13.0%	13.1%	14.0%	14.4%	14.8%	16.3%	13.7%	10.5%	7.8%	5.7%	8.9%
Hi+Hi'est	48.3%	33.7%	32.6%	34.5%	33.9%	36.2%	17.8%	13.2%	12.4%	7.1%	6.6%	9.4%
Total#	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	20.0%	15.9%	15.7%	10.8%	10.1%	11.9%

* Columns with 1991 data are omitted from this table because of insufficient space.

Low and Total include only applicants with reported incomes over \$10,000.

^ Income categories are defined in relationship to Boston MSA Median Family Income as follows:

Low: <50% Moderate: 50%-80% Middle: 80% - 120% High: 120%-200% Highest: >200%

The actual income ranges for each year were calculated from the following Boston MSA Median Family Incomes:
1990: \$46,300 1991: \$50,200 1992: \$51,100 1993: \$51,200 1994: \$51,300 1995: \$53,100 1996: \$56,500

**CHART 3
LOANS TO LOW- AND MODERATE-INCOME BORROWERS
AS % OF ALL BOSTON HOME-PURCHASE LOANS, 1990-96**

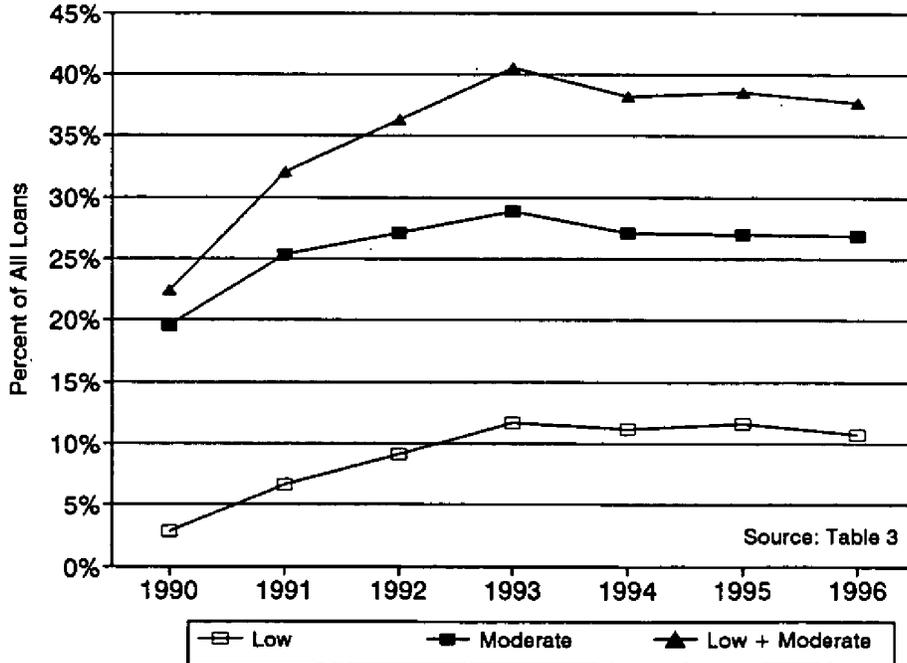


TABLE 4
APPLICATIONS, DENIALS, & DENIAL RATES, BY RACE & INCOME OF APPLICANT
BOSTON HOME-PURCHASE LOANS, 1996

Income (\$000)	Black			Hispanic			White		
	Applics	Denials	D-Rate	Applics	Denials	D-Rate	Applics	Denials	D-Rate
11-20	64	18	28.1%	54	11	20.4%	61	18	29.5%
21-30	311	67	21.5%	135	17	12.6%	290	37	12.8%
31-40	330	59	17.9%	125	23	18.4%	579	56	9.7%
41-50	237	41	17.3%	90	14	15.6%	616	47	7.6%
51-60	124	15	12.1%	51	7	13.7%	543	45	8.3%
61-70	69	9	13.0%	31	4	12.9%	453	39	8.6%
71-80	35	4	11.4%	14	1	7.1%	377	32	8.5%
over 80	73	10	13.7%	31	4	12.9%	1657	144	8.7%
Total*	1243	223	17.9%	531	81	15.3%	4576	418	9.1%

Total* includes only applications with reported incomes over \$10,000.

CHART 4
DENIAL RATES BY RACE AND INCOME, 1996
HOME-PURCHASE LOANS IN BOSTON

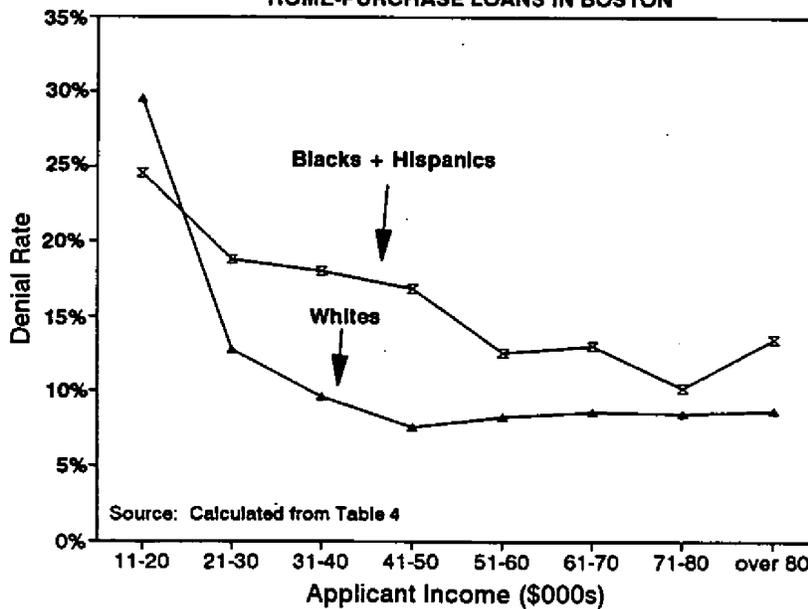
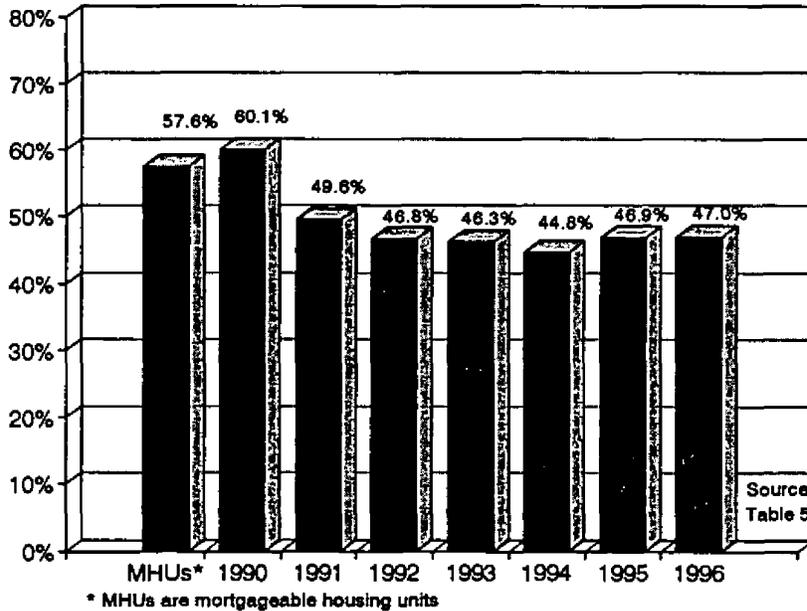


TABLE 5
LOAN DISTRIBUTION BY RACIAL COMPOSITION OF NEIGHBORHOOD
BOSTON LOW- AND MODERATE-INCOME CENSUS TRACTS, 1990 & 1992-96*

Racial Composition of Census Tract	No. of Census Tracts	No. of MHUs#	% of all Boston MHUs#	% of all Boston Home-Purchase Loans						
				1990	1991	1992	1993	1994	1995	1996
>75% Blk + Hisp	35	11,341	11.6%	11.7%	8.8%	8.4%	9.0%	8.3%	8.8%	9.0%
50%-75% Blk+Hisp	14	3,939	4.0%	3.2%	4.6%	4.6%	5.2%	4.8%	5.5%	4.9%
All Other	33	16,687	17.1%	17.0%	14.3%	17.6%	14.7%	15.7%	16.3%	16.0%
>75% White	30	19,684	20.1%	19.4%	17.7%	17.9%	19.4%	18.6%	18.7%	19.1%
Total: All Low/Mod CTs	112	51,651	52.8%	51.3%	45.5%	48.4%	48.3%	47.5%	49.3%	48.9%
Compare: All Boston CTs	160	97,782	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio: >75%B+H / >75%White		57.6%		60.1%	49.6%	46.8%	46.3%	44.8%	46.9%	47.0%

* Column with 1991 data is omitted from this table because of insufficient space.
 # "MHUs" are "mortgageable housing units," an estimate of the properties eligible for mortgage loans.

CHART 5
HOME-PURCHASE LOANS AND MORTGAGEABLE HOUSING UNITS IN LOW/MOD CENSUS TRACTS WITH OVER 75% BLACK + HISPANIC RESIDENTS AS A PERCENT OF THOSE IN LOW/MOD TRACTS WITH MORE THAN 75% WHITE RESIDENTS



BOSTON'S HIGHLY MINORITY AND HIGHLY WHITE LOW- AND MODERATE-INCOME CENSUS TRACTS

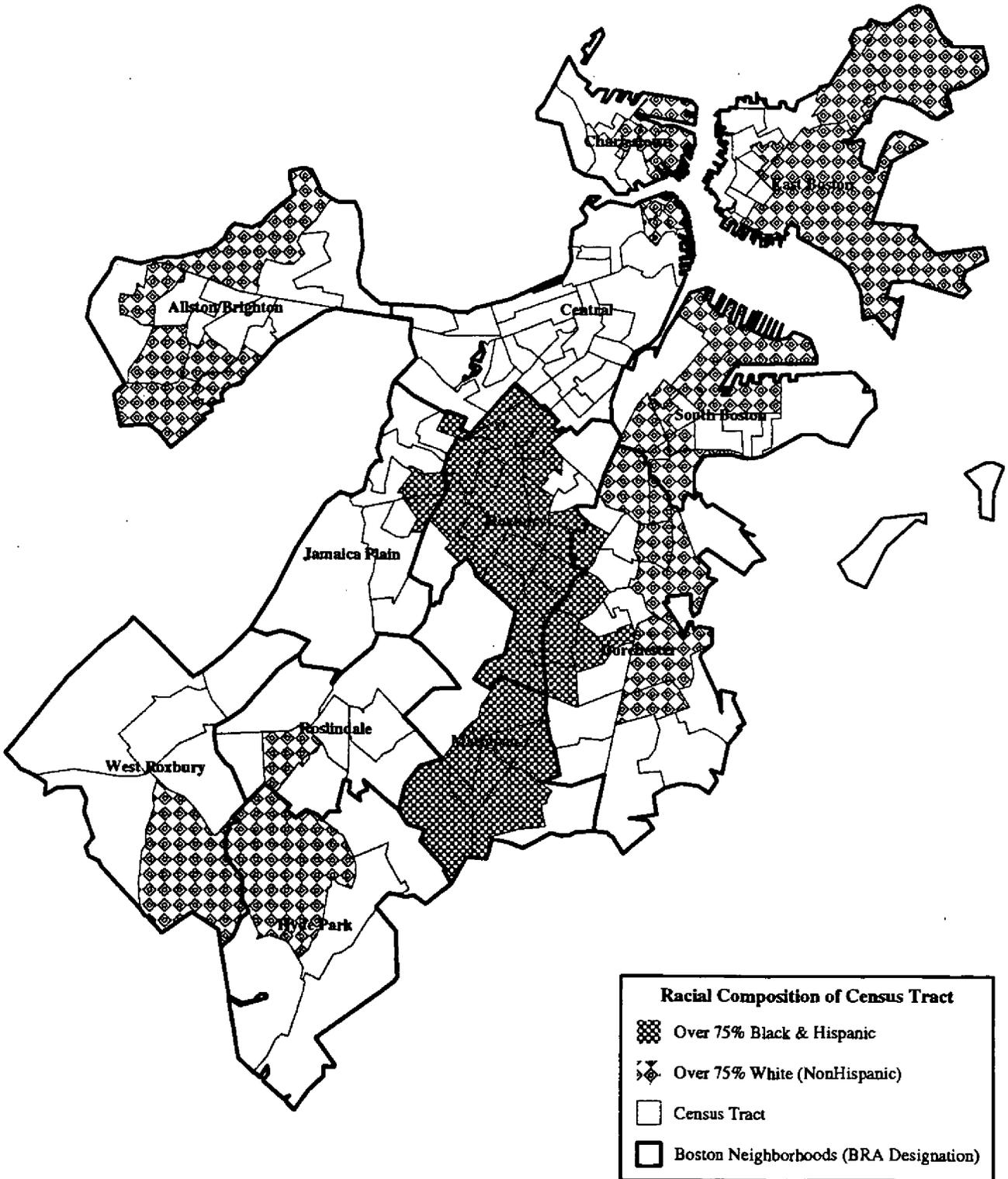


TABLE 6
THE BIGGEST MORTGAGE LENDERS IN BOSTON, 1996
 (ALL LENDERS WITH 35 OR MORE HOME-PURCHASE LOANS IN 1996)

LENDER	1990 Loans	1991 Loans	1992 Loans	1993 Loans	1994 Loans	1995 Loans	1996 Loans
A. THE 16 BIGGEST MORTGAGE COMPANY LENDERS							
Norwest Mortgage Co	6	17	50	4	1	157	250
Bank of America						116	186
North American Mortgage Co					39	98	177
Chase Manhattan	11	37	26	37	170	115	176
Republic Bank (FL)							167
Countrywide Funding Corp		4	9	77	128	108	101
Assurance Mortgage Corp of Amer				12	25	62	99
Accubank Mortgage Corp					25	47	98
Merrimack Mortgage Co					1	17	78
Bank United of Texas FSB			20	61	85	63	73
Great Western Mortgage Corp	49	38	44	51	83	60	72
GMAC Mortgage Co	1	7	6	7	5	18	70
Crossland Mortgage Co					35	59	55
Eastern Mortgage Services					9	50	50
G E Mortgage Services	75	11	7	25	43	56	45
Resource Bankshares Mortgage Co						10	39
Subtotal: These 17 Mortgage Co. Lenders	142	114	162	274	649	1,036	1,736
Total: All Mortgage Co. Lenders	410	535	580	1,301	1,690	1,748	2,439
B. THE 15 BIGGEST BANK LENDERS							
Fleet	7		96	261	497	462	687
Citizens (Boston Five thru '92)	40	98	97	181	157	210	513
Bank of Boston	146	86	207	312	281	237	366
BayBanks	67	162	110	204	314	463	240
Boston Federal Savings Bank	18	15	29	32	102	71	202
Boston Safe Deposit (inc. Mellon since '94)	10	11	57	117	108	96	107
Wainwright Bank	1	3	12	8	20	60	74
Hyde Park Savings Bank	13	12	8	10	8	20	64
Grove Bank	7	17	14	19	53	39	57
Boston Private Bank & Trust	1	3	4	14	29	18	52
PNC				35	23	34	49
Peoples Heritage SB							47
Cambridge Savings Bank	4	10	14	11	36	17	42
Shawmut	149	209	344	457	492	552	41
Peoples Federal Savings Bank	14	21	28	30	21	0	35
Subtotal: These 16 Bank Lenders	477	647	1,020	1,691	2,141	2,279	2,576
Total: All Bank & CU Lenders	1,460	1,428	1,782	2,421	3,007	2,889	3,184
Total Boston Home-Purchase Loans							
	1,870	1,963	2,362	3,722	4,697	4,637	5,623

"Mortgage Companies": all lenders not affiliated with Mass. banks or credit unions, including out-of-state banks.

"Bank Lenders" includes: Massachusetts banks, their affiliated mortgage companies, and credit unions.

TABLE 7
PERCENTAGES OF LOANS THAT WENT TO TRADITIONALLY UNDERSERVED
BORROWERS AND NEIGHBORHOODS, BY TYPE OF LENDER
(BOSTON HOME-PURCHASE LOANS, 1995 & 1996)

	Total Loans		Loans to Black Borrowers		Loans to Hispanic Borrowers		Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans in CenTracts >75% Blk+Hisp	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
A. 6 BIG BOSTON BANKS												
Number of Loans	2,020	1,954	643	572	213	240	403	397	679	720	257	275
% of Loans	100%	100%	31.8%	29.3%	10.5%	12.3%	20.0%	20.3%	33.6%	36.8%	12.7%	14.1%
B. ALL OTHER BANKS AND CREDIT UNIONS												
Number of Loans	869	1,230	68	79	36	63	52	74	202	261	32	42
% of Loans	100%	100%	7.8%	6.4%	4.1%	5.1%	6.0%	6.0%	23.2%	21.2%	3.7%	3.4%
C. MORTGAGE COMPANIES												
Number of Loans	1,748	2,439	169	246	54	89	75	118	352	492	118	187
% of Loans	100%	100%	9.7%	10.1%	3.1%	3.6%	4.3%	4.8%	20.1%	20.2%	6.8%	7.7%

Notes

- *6 Big Boston Banks: Bank of Boston, BayBank, Boston Safe Deposit, Citizens, Fleet, and Shawmut – + affiliated mort co's.
- *All Other Banks and Credit Unions* included, in 1995 [1996]: 26 [29] banks with at least one Boston office (575 [777] loans); 48 [68] other Massachusetts banks (247 [353] loans); and 17 [23] credit unions (47 [53] loans) – + affiliated mort co's.
- *Mortgage Companies*: all lenders not affiliated with Mass. banks or credit unions, including out-of-state banks.
- *Black* means "Black, not of Hispanic origin."
- *Low-Income* is below 50% of Boston MSA median (\$27K or less in 1995; \$26K or less in 1996).
- *Moderate-income* is between 50% and 80% of MSA median (\$28K - \$42K in 1995; \$29K - \$45K in 1996).
- *CenTracts >75% Blk+Hisp*: The 35 low- or mod-income Boston CTs in which over 75% of the pop'n was black or Hispanic.

CHART 7
SHARE OF MORTGAGE COMPANY AND BANK LOANS GOING TO
TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
BOSTON HOME-PURCHASE LOANS, 1996

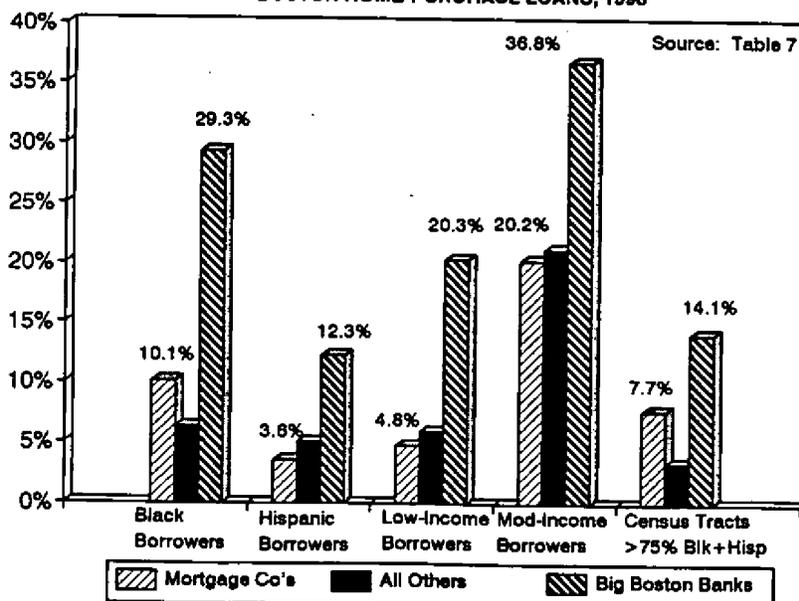


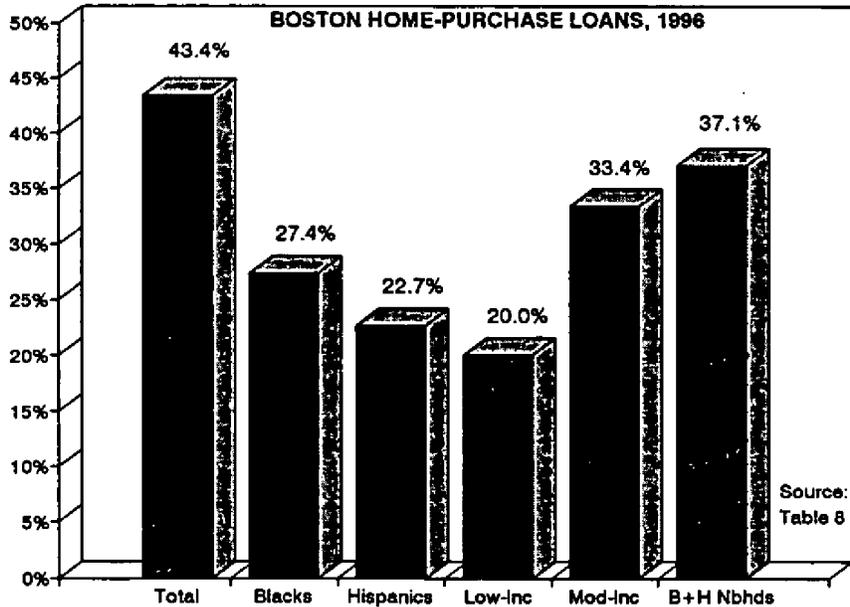
TABLE 8
MORTGAGE COMPANY SHARES OF ALL LOANS: TOTAL BOSTON AND
TO TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS
(BOSTON HOME-PURCHASE LOANS, 1995 & 1996)

	Total Boston Loans		Loans to Black Borrowers		Loans to Hispanic Borrowers		Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans in CenTracts >75% Blk+Hisp	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
All Lenders	4,637	5,623	880	897	303	392	538	589	1,233	1,473	407	504
Mortgage Companies	1,748	2,439	169	246	54	89	78	118	352	492	118	187
Mortgage Co. Share	37.7%	43.4%	19.2%	27.4%	17.8%	22.7%	14.5%	20.0%	28.5%	33.4%	29.0%	37.1%

Notes

- *Mortgage Companies*: all lenders not affiliated with Mass. banks or credit unions, including out-of-state banks.
- *Black* means *Black, not of Hispanic origin*
- *Low-Income* is below 50% of Boston MSA median (\$27K or less in 1995; \$28K or less in 1996).
- *Moderate-income* is between 50% and 80% of MSA median (\$28K - \$42K in 1995; \$29K - \$45K in 1996).
- *CenTracts > 75% Blk+Hisp*: the 35 low- or mod-income Boston CTs where over 75% of the pop'n was black or Hispanic.

CHART 8
MORTGAGE COMPANY SHARES OF ALL LOANS: TOTAL BOSTON AND
TO TRADITIONALLY UNDERSERVED BORROWERS AND NEIGHBORHOODS



NOTES ON DATA AND METHODS

Data on loans, applications, and denials were calculated from Home Mortgage Disclosure Act data (HMDA data), as collected, processed, and released each year by the Federal Financial Institutions Examination Council. Among the HMDA data provided for each loan application are: the identity of the lending institution; the census tract in which the property is located; the race and sex of the applicant (and co-applicant, if any); the income of the applicant(s); the purpose of the loan (home purchase, refinancing of existing mortgage, or home improvement for a one-to-four family building; or any loan for a building with more five or more dwelling units); the amount of the loan or request; and the disposition of the application (loan originated, approved but not accepted by applicant, denied, application withdrawn, or file closed for incompleteness). The raw HMDA data were carefully pruned to create a database consisting only of records of applications for originations of home-purchase loans for properties located in valid census tracts in the city of Boston (CTs 0001.00 through 1501.00).

Adjustment for the double-counting of Soft Second Loan Program records: Because the Soft Second Program (SSP), one of the major targeted mortgage programs in Boston, involves the creation of two mortgages for each home purchased under the program -- a first mortgage and a ("soft") second mortgage -- SSP applications and loans, if reported in accordance with HMDA regulations, are double-counted in HMDA data. I therefore attempted to locate all pairs of SSP records (by matching year, lender, action, census tract, and applicant characteristics) in my database and delete the record in each pair that had the smaller of the two loan amounts. This resulted in the removal of a total of 1,003 records from the database (795 records for second mortgage loans and 208 records for SSP applications that did not result in loans; 310 of these records, including 229 loans, were from 1996; 273 records, including 225 loans, were from 1995; 268 records, including 215 loans, were from 1994; and 152 records, including 126 loans, were from earlier years). Because SSP loans are effectively targeted to minority and low/mod-income borrowers, failing to remove their double-counting would exaggerate the extent of lending to these categories of borrowers. After removing these records, the database of applications for Boston home-purchase mortgage loans consists of 33,977 records for the entire 1990-96 period (6,045 of these are for 1995, and 7,717 are for 1996).

Income categories for applicants/borrowers are defined in relationship to the median family income of the Boston Metropolitan Statistical Area (MSA) as reported annually by the U.S. Department of Housing and Urban Development: \$46,300 in 1990, \$50,200 in 1991, \$51,100 in 1992, \$51,200 in 1993, \$51,300 in 1994, \$53,100 in 1995, and \$56,500 in 1996. Income categories are defined as follows -- low: below 50% of the MSA median; moderate: between 50% and 80% of the MSA median; middle: between 80% and 120% of the MSA median; high: between 120% and 200% of the MSA median; and highest: over 200% of the MSA median. Using these definitions, specific income ranges were calculated for each category for each year. Applicants/borrowers were assigned to income categories on the basis of their income as reported (to the nearest \$1000) in the HMDA data. This method, used in the present report and in *Changing Patterns III*, is a change from the two predecessor reports, which used \$50,000 as an approximation for the average level of median family income over the whole period being studied. In making this change, I discovered that the predecessor reports had incorrectly used \$49,300 rather than \$46,300 as the median family income for 1990.

Geographical analysis of lending is based on 1980 census tracts, which were the basis for HMDA reporting through 1991. Four 1980 census tracts (0004.00, 0005.00, 0008.00, and 0104.00) were subdivided into pairs of 1990 census tracts (for example, 0004.01 and 0004.02). Applications and loans in each pair of newly subdivided tracts for 1992-95 were combined and attributed to their "parent" 1980 census tract. Racial composition and median family incomes for each "parent" census tract for 1990 were calculated from the census data for its two "offspring" census tracts. The census did not report income data for tract 1501.00 (Harbor Islands). Low- and moderate-income census tracts are those with 1990 median family incomes, as reported by the 1990 U.S. census, of \$39,440 or less -- that is, 80% or less of \$49,300, which I had until recently believed to be the 1990 median family income of the Boston MSA as reported by HUD.

Denial rates are calculated simply as the number of applications denied divided by the total number of applications. Not all loan applications result in either a loan or a denial. Of the 7,717 Boston home-purchase loan applications in 1995, 72.9% resulted in loans being originated and 12.0% were denied. As for the remaining 15.1%: 3.9% of all applications were approved by the bank but not accepted by the applicant; 10.1% were withdrawn by the applicant, and 1.0% resulted in files being closed because of incompleteness of the application. The U.S. (but not Boston) denial rates in Table 2 are for conventional home-purchase loans only. Nationwide, about one-fifth of all 1996 applications were for government-backed loans (i.e., VA or FHA loans), and the denial rates for government-backed loans were only about one-third as great as for conventional loans [*Federal Reserve Bulletin*, 9/97, pp. A69-A70]. In Boston, by contrast, only 9.5% 1996 home-purchase loans were government-backed (up from 7.8% in 1995, 5.5% in 1994 and 1.6% in 1990) and the denial rates for conventional loans only were 11.1% for Asians, 18.3% for blacks, 14.7% for Hispanics, and 9.4% for whites -- very close to the denial rates for all applicants reported in Table 2.

Minor differences in totals and percentages reported in different tables result from incomplete data. For example, Table 8 reports a total of 5,623 loans for 1996, whereas total 1996 loans in Table 1 include only the 5,436 loans for which data on the race of the applicant was reported, and the loan percentages in Table 3 are based on only the 5,474 loans for which applicant income of over \$10,000 was reported.

Mortgageable Housing Units: To provide a basis for comparing the numbers of loans made in different geographical areas (for example, the sets of census tracts used in Table 5), it is necessary to somehow take into account the fact that the numbers and types of housing units may differ. In this report, lending rates in geographical areas are normalized by comparing them to estimates of the number of one-to-four family properties in the same area that were calculated from detailed data on Boston residential housing units in 1990 that were obtained from the Boston Redevelopment Authority.

Lender names reported in Table 6 in many cases represent sets of affiliated lenders that are treated separately in HMDA data. For example, the loans attributed to "Fleet" are reported in HMDA data under the names and ID numbers of eleven different subsidiaries of Fleet Financial Group.

More detailed notes on data and methods are provided in *Changing Patterns... 1990-1993* (see footnote 3), especially pages 50-54.