



Massachusetts Community & Banking Council

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MCBC RELEASES REPORT ON STATEWIDE MORTGAGE LENDING PATTERNS

Black and Latino Mortgage Lending in MA Highly Concentrated in a Few Localities & FHA-loan products

Boston, MA (November 13, 2018). Total home-purchase lending to black households in 2017 was highly concentrated in a small number of the state's cities and towns, and entirely absent in many other locales. Just five cities (Brockton, Boston, Springfield, Worcester, and Randolph) accounted for 45.7% of all loans to blacks in Massachusetts. Brockton alone accounted for nearly one-fifth (18.4%) of all loans to blacks in Massachusetts. At the same time, blacks received no home-purchase loans in 129 of the state's 351 cities and towns, and only a single loan in 50 more.

In Boston, just four neighborhoods (Dorchester, Hyde Park, Mattapan and Roxbury) accounted for over three-quarters of all Boston loans to blacks (82.0%), while in two other neighborhoods (Allston and Seaport) blacks received no loans and in four neighborhoods there was just one loan to a black homebuyer.

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

At MCBC's December 4th Mortgage Lending Forum panelists will discuss current debt conditions and credit report data across Massachusetts because, even though black and Latino applicants had, on average, substantially lower incomes than their white counterparts, the higher denial rates experienced by black and Latino households cannot be explained by their lower incomes.

When applicants in Boston, in Greater Boston, and statewide are grouped into income categories, the 2017 denial rates for blacks and for Latinos were generally well above the denial rates for white applicants in the same income category. For example, in Greater Boston the

denial rates for applicants with incomes between \$101,000 and \$125,000 were 10.2% for blacks, 7.4% for Latinos, and 3.7% for whites.

The report also discusses mortgage lending to traditionally underserved borrowers and neighborhoods and how trends are characterized by a high level of loans insured by the Federal Housing Administration (FHA). For example, in the state's 26 Gateway Cities combined, 32.5% of home-purchase loans in 2017 were FHA loans, double the statewide FHA share of 16.2%. The high level of FHA loans, especially to traditionally underserved borrowers and neighborhoods, appears to be a symptom of—and a constructive response to—a lack of availability of conventional loans to those borrowers and neighborhoods.

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

These are among the most dramatic findings presented in the Massachusetts Community and Banking Council's 25th annual report on statewide mortgage lending trends. *Changing Patterns XXV: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Boston, Greater Boston and Massachusetts, 2017* was prepared for MCBC by Jim Campen, professor emeritus of economics at UMass Boston.

Among the report's key findings:

- In the twenty-five-year history of the Changing Patterns series of reports, 2016 and 2017 are the only years in which Massachusetts banks and credit unions (CRA-covered lenders) did not clearly outperform the other types of lenders as measured by the percentage of their total loans that went to five categories of traditionally underserved borrowers and neighborhoods.
- Licensed Mortgage Lenders (LMLs) in 2017 had the biggest loan shares in Greater Boston (45%) and statewide (48%) for the second consecutive year. Massachusetts banks and credit unions were second with loan shares of 43% in Greater Boston and 38% statewide. Other Lenders were a distant third, with loan shares of 12% in Greater Boston and 13% statewide. LMLs accounted for a much larger share of FHA loans than of all loans, while the reverse was true for CRA-covered lenders.
- Black and Latino borrowers in Boston, in Greater Boston, and statewide were much more likely to receive FHA loans in 2017 than were their white or Asian counterparts. For home-purchase loans in Greater Boston in 2017, the FHA loan share in predominantly minority tracts (those with at least 75% minority residents) was four times greater than the FHA loan share in predominantly white tracts (28% vs. 7%).
- The black and Latino shares of total non-FHA loans have increased steadily over the past four years. In Greater Boston, the black share of total non-FHA loans increased from 1.8% in 2012 to 2.4% in 2017, while the Latino share increased from 2.6% to 4.5%. Blacks and Latinos experienced similar increases in their loan shares in the city of Boston and statewide. While the loan shares remain small, they have increased consistently since 2012.

About the Massachusetts Community & Banking Council

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

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