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State of Housing in Black America

Written by:
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Fred McKinney and Gerald Jaynes

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Disclaimers

Neither the Board of the National Association of Real Estate Brokers, nor its executives or staff, are responsible for the content of this report. Any errors are the sole responsibility of the authors.

About the National Association of Real Estate Brokers

NAREB was founded in Tampa, Florida, in 1947 as an equal opportunity and civil rights advocacy organization for African American real estate professionals, consumers, and communities in America. Our purpose remains the same today, but we are more focused on economic opportunity than civil rights. Although composed principally of African Americans, the REALTIST© organization embraces all qualified real estate practitioners who are committed to achieving our vision, which is “Democracy in Housing.”

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Introduction

James H. Carr

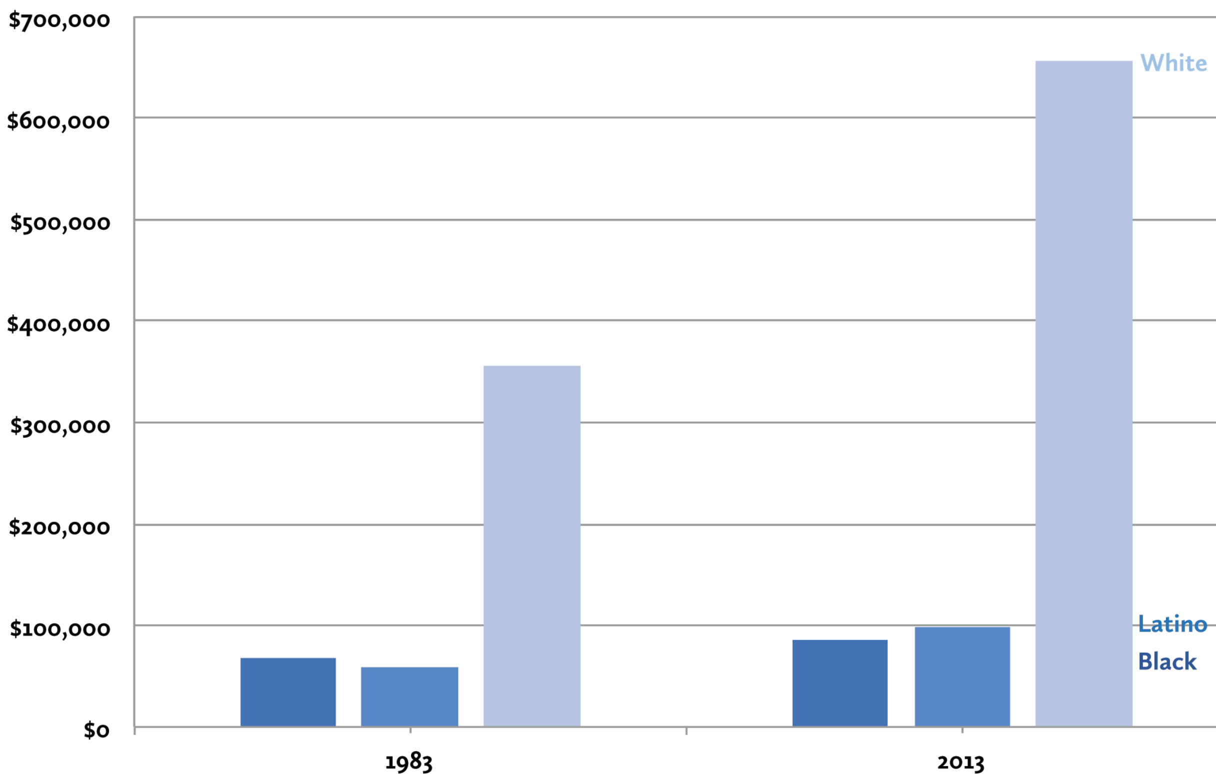
Black America is relegated to a perpetual cycle of institutional denial of equal access to credit conducted by private actors, reinforced and supported by actions and inactions of government institutions. Rather than breaking the barriers of discrimination, financial firms use sophisticated technology systems, driven by proprietary financial models, to justify their limited originations to Blacks. As proprietary, those models are unavailable for public scrutiny, in spite of the reality that they deny credit access to Blacks based on the differences in financial capacity between non-Hispanic Whites and Blacks, differences that are the direct legacy of decades of unchecked discrimination. Continued lack of access to home mortgage credit for Blacks is neither fair nor insurmountable; increasing Black homeownership demands only the removal of discriminatory, unfair, and deceptive barriers to credit access, including those that are programmed into the technologies and practices of our modern housing finance system.

This report comes at a critical time in our country's history. Wealth inequality between Blacks and non-Hispanic Whites is at its highest point in more than three decades. It can be argued that issues of race and economic and social justice have not been so prominent in the national discourse since the height of the civil rights movement in the 1960s. The question for America is not why these issues are now rising to the surface but rather why it has taken so long.

Homeownership is the single most important asset for wealth accumulation by the typical American household. The homeownership rate for Blacks today is lower than the national homeownership rate during the Great Depression years of the 1930s. The reason for this dismal reality is that Blacks have never enjoyed equal access to mainstream mortgage credit. Rather, Black families attempting to become homeowners have largely been trapped, either in a vicious cycle of predatory mortgage schemes or by an absolute denial of access to home loans.

Senator Elizabeth Warren, the Massachusetts Democrat who first proposed the creation of a consumer financial protection agency, offered an insightful observation about the recklessness of the behavior of financial regulators who refused to purge predatory subprime loans from the

The Racial Wealth Divide



Source: CFED, Institute for Policy Studies; *Wall Street Journal*.

housing market. Noting that regulators seemed unconcerned about the damage being caused by 1.2 million foreclosures at the start of the housing market's collapse, she said, "[i]f we had 1.2 million people whose toasters had exploded this year, we would . . . say those are products that should not have been put on the market."[1]

Although predatory subprime loans are no longer a feature within the mortgage market, the "toasters" are still exploding for Black America. Not only is the anemic housing recovery bypassing the Black community, but new forms of predatory lending are emerging, aimed at and—as before—disproportionately affecting people and communities of color. The most recent round of predatory subprime home lending resulted in the loss of more than half of Black household net worth, according to the Pew Research Center.[2] Blacks are not recovering from that loss. The majority of that wealth was in the form of housing equity. All signs suggest the wealth divide will continue to grow as homeownership for Blacks falls throughout the coming decade and beyond.

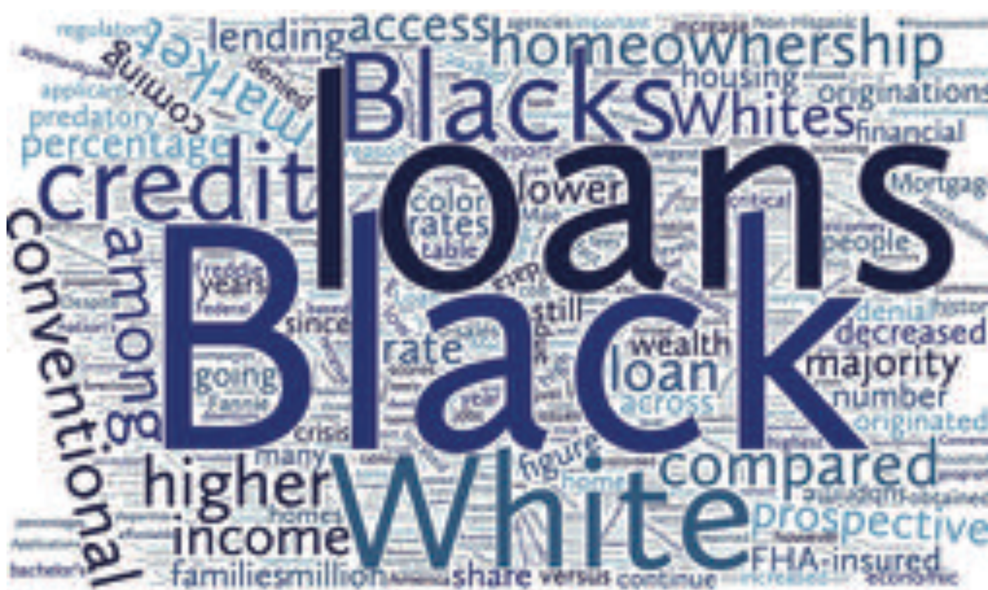
In 2014, homeownership rates stood at 41.2 percent among Blacks compared with 68.5 percent among non-Hispanic Whites. Conventional loans are still out of reach for many Black borrowers. The vast majority of Black borrowers rely on nonconventional loans, particularly Federal Housing Administration (FHA) loans, which continue to serve as a critical source of credit for borrowers of color. While applications from Black applicants for conventional loans decreased by 82 percent from 2004 to 2014, applications for nonconventional loans increased by 60 percent. In 2014, 68 percent of applications coming from Black prospective borrowers were for nonconven-

Not only is the anemic housing recovery bypassing the Black community, but new forms of predatory lending are emerging, aimed at and—as before—disproportionately affecting people and communities of color. The most recent round of predatory subprime home lending resulted in the loss of more than half of Black household net worth, according to the Pew Research Center.

tional loans, compared with just 19 percent in 2004.

The share of all applications for conventional loans coming from Black applicants decreased from 8 percent in 2004 to 3 percent in 2014. Black borrowers received only 3 percent of all originated conventional loans in 2014, well below the share recorded in 2004 (6 percent). Despite an increase in the number of nonconventional loans since 2004—from 88,000 to 139,000—the share of all nonconventional loans going to Black borrowers was 10 percent in 2014, down from 13 percent in 2004.

There are numerous excuses for lenders' failure to meet the mortgage credit needs of Blacks, but few empirical justifications. Lenders, for example, still express fear of extending loans to borrowers with lower credit scores and smaller down payments due to a concern that the federal housing agencies might identify defects in the loans and



require the lenders to repurchase them. As this report documents, the evidence does not support their concern.

Further, all three major federal housing agencies require lenders to submit loans evaluated using outdated credit-scoring models although more sophisticated and predictive scoring technologies exist. To the extent that Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) price loans based on the same dated scoring models, Blacks are unfairly and disproportionately required to pay a higher cost to access credit relative to non-Hispanic White applicants. In fact, loan-level pricing at Fannie Mae and Freddie Mac and higher insurance fees at FHA were instituted during the depths of the financial crisis. Yet those significantly increased costs continue to be imposed even though delinquencies have fallen sharply and all three agencies have books of business that are the most conservatively underwritten in years.

Further, while consumers with lower credit scores were being charged higher fees during the economic downturn, financial regulators treated the nation's largest financial institutions were given a series of countercyclical subsidies, including near zero percent loans from the Federal Reserve. Stated otherwise, due to the challenging economic climate, the nation's largest financial firms were allowed to access credit for free while our nation's most financially vulnerable households were charged an even higher cost for credit access than before the recession.

Further, since the onset of the housing crisis, federal regulators and independent researchers have documented the fact that a large number of subprime loans were blatantly exploitative. As a consequence, those loans have been removed from the mortgage market, and more than $100 billon has been paid by major financial institutions for participation in the subprime debacle. But what about the people who were exploited? These borrowers, disproportionately Black, still carry a significant negative blemish in their credit records. As a result, these borrowers are all but prohibited from accessing a conventional loan. Yet even those whose applications are accepted find they will be required to pay a higher credit access fee due solely to the regulatory failure that allowed the proliferation of subprime lending in the years leading up to the crisis.

The negative spillover effects of higher credit scores do not end with surcharges to access mortgage loans. Raising the costs to access credit in turn increases the risk of the borrower defaulting. In other words, borrowers who are measured to be a marginally higher credit risk are required to pay higher fees. These higher charges, in turn, predispose the borrower to an elevated level of risk of default.

Lack of access to traditional affordable and safe credit is again opening the door for predatory loan products in Black communities across the nation. Land installment contracts (also known as deed for sale or deed sales) are

reemerging as the newest form of predatory lending. Deed sales were a popular way to financially exploit Black borrowers in the 1940s, '50s, and '60s. While all agencies have indicated a desire to ensure that the distressed loans or foreclosed properties they sell better support affordable homeownership and neighborhood stabilization, sales to date have failed to accomplish these goals. In fact, some sales have led to deed sales.

This report documents each of these elements of the lending process and demonstrates the interconnectedness of the technology tools, processes, and systems that continue to unnecessarily deny access to credit to Black households. Regulators are fully aware of all of these issues and in many instances are discussing how to address them. But there is a striking and disturbing unimpassioned lack of urgency. Rather than address these matters with a level of commitment and determination equal to the damage being done to Black America, regulators are working in the opposite direction: Fannie Mae and Freddie Mac are not allowed to reserve for future losses, so they have a powerful incentive to lend only to borrowers with very high down payments and perfect credit. This is a precarious and unacceptable position. The executives of Fannie Mae and Freddie Mac would be remiss if they were not hypersensitive to this untenable situation and proceeded in the most conservative manner possible.

Compounding the impact of the many obstacles to improved homeownership presented by the current mortgage finance system, the labor market is also underperforming for Blacks. Since 2010, the U.S. economy has been undergoing the longest consecutive jobs recovery in 50 years. In June 2016, the economy added 287,000 jobs, and unemployment stood at 4.9 percent.[3] Yet a closer look at the number reveals why the jobs market for Blacks remains bleak. During the Great Recession, the unemployment rate for Blacks rose to a high of 16.8. By June 2016, it had fallen by nearly half. Still, at 8.6 percent it remains almost twice the rate (4.4 percent) for that of non-Hispanic White workers.

Lack of educational endowments does not explain the significant gaps in unemployment, wages, or labor-force participation for Blacks. Blacks do not receive the same return on their dollars invested in education as do non-Hispanic Whites. According to a 2009 study, Blacks with a bachelor's degree had an unemployment rate of 7.3 percent, while the rate for non-Hispanic Whites with a bachelor's degree was 4.2 percent.[4] In fact, Blacks with a bachelor's degree had a higher unemployment rate than non-Hispanic Whites with an associate's degree (6.2 percent). Indeed, non-Hispanic Whites with no college experience had an unemployment rate that was just 1.7 percentage points higher than the rate for Blacks with a bachelor's degree (5.7 percent for Blacks, 7.0 for non-Hispanic Whites).[5]

When Blacks do find work, they disproportionately attain low-wage jobs with little or no employment security and few if any benefits, such as employee-provided retirement savings or health insurance. The wage gap between Blacks and non-Hispanic Whites has not narrowed in more than 35 years, with Blacks earning 75 percent of the median hourly earnings of non-Hispanic Whites.[6]

This report discusses each of these issues in more detail and provides numerous recommendations to increase homeownership for Black America. The majority of an analysis of data from the Home Mortgage Disclosure Act (HMDA) focuses on changes in lending between 2004 and 2014 because lending to Blacks changed little between 2013 and 2014. Further, 2004 was the year of highest homeownership rate for Blacks and 2014 is the latest year for which HMDA data are available. There are, however, analyses that use 2001 as a comparison year because that was a period when underwriting standards were conservative relative to the reckless lending years of 2003–07. That year, 2001, provides a useful benchmark for the *minimum performance* Blacks should expect from the housing finance system. Some limited statistics on lending as of the first quarter of 2016 are provided based on proprietary data sources.

Part I Housing Market Performance —HDMA 2004–14

James H. Carr and Michela Zonta

Homeownership and Net Wealth

Homeownership is a key vehicle for wealth creation in American society. Access to homeownership, however, has historically been limited among people of color and low-income communities. Despite some progress since the Fair Housing Act of 1968, people of color—Black families in particular—still lag far behind non-Hispanic White families in the achievement of homeownership and wealth accumulation. In 2014, homeownership rates stood at 43 percent among Blacks compared with 73 percent among non-Hispanic Whites. This stark disparity is reflected in the wealth gap between these two groups: In 2013, the net worth of non-Hispanic Whites was seven times that of Blacks.

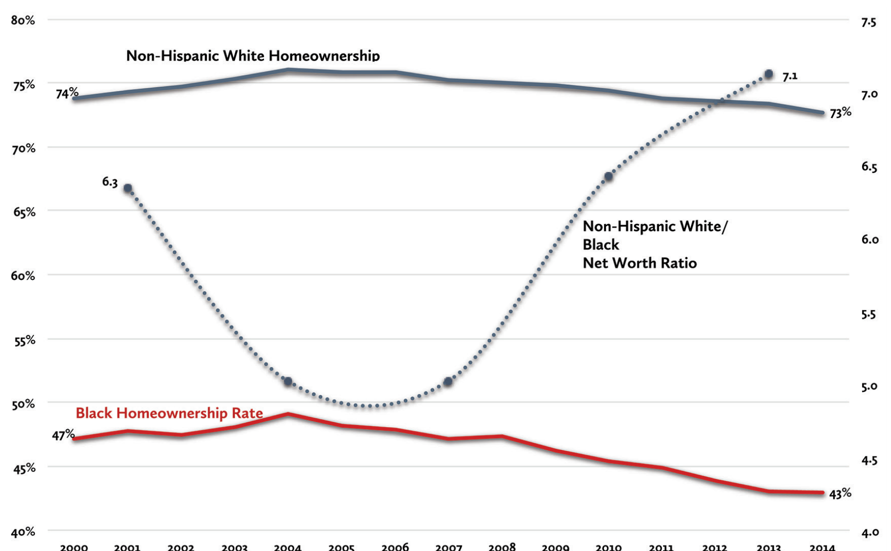
Loan Applications and Originations by Race and Ethnicity

Equal access to mortgage credit is a critical prerequisite for the achievement of homeownership. Yet, data on mortgage lending indicate that racial inequality in the mortgage market persists. People of color, especially Black families, still represent a small fraction of the mortgage market and receive higher cost loans than non-Hispanic White borrowers. Because of their consistently limited access to safe and affordable mortgage credit, Black families still find themselves trapped at the bottom of the opportunity ladder leading to homeownership and wealth building. The analysis presented in this section is based on Home Mortgage Disclosure Act (HMDA) data from 2004 to 2014,[7] and focuses on first-lien loans for the purchase of one- to four-family owner-occupied homes.[8] In particular, this section compares the mortgage market performance of Black and non-Hispanic White applicants.

The past 10 years have been a critical period for the mortgage market, as the foreclosure crisis and Great Recession have priced many homeowners and prospective home buyers out of the market. The number of home mortgage applications declined from 5.4 million in 2004 to 3.3 million in 2014. Similarly, loan originations dropped by 35 percent, to 2.4 million in 2014 from 3.7 million in 2004 (table 1). The market has rebounded slowly since 2010. However, not all prospective home buyers have been able to benefit from this growth, despite increasing home prices and relatively low interest rates. Mortgage credit is still very tight for many borrowers. In particular, HMDA data show that Black families, like other families of color, continue to lose ground in the mortgage market.

Since 2010, both the number of applications coming from Black prospective borrowers and the number of first-

Figure 1. Homeownership and Net Worth, 2000–14



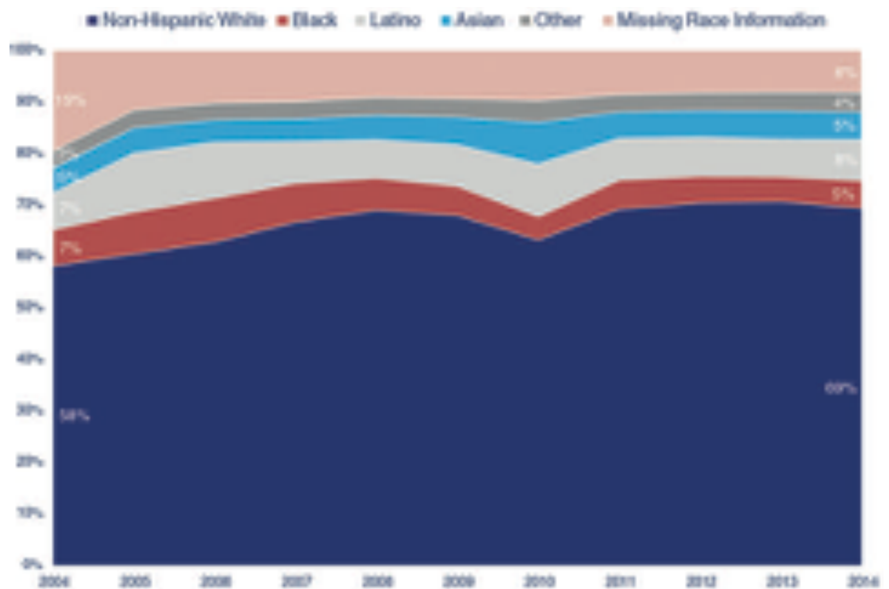
Source: Current Population Survey/Housing Vacancy Survey, 2001–14; Survey of Consumer Finances, 2001–13); *Wall Street Journal*.

lien loans for the purchase of owner-occupied one- to four-family homes going to Black families have decreased considerably. In 2014, about half as many applications and loans were recorded as in 2004 (458,354 applications in 2004 versus 206,182 applications in 2014; 261,743 loan originations in 2004 versus 130,176 originations in 2014). The share of all applications coming from Black prospective borrowers decreased from 7 percent in 2004 to 5 percent in 2014, after a peak of 9 percent in 2006 (figure 2).

Conventional loans are still out of reach for many Black borrowers. The vast majority of Black borrowers rely on nonconventional loans, particularly FHA loans, which continue to serve as a critical source of credit for borrowers of color (figure 3). While applications from Black applicants for conventional loans decreased by 82 percent from 2004 to 2014, applications for nonconventional loans increased by 60 percent (tables 2 and 3). In 2014, 68 percent of applications coming from Black prospective borrowers were for nonconventional loans, compared to just 19 percent in 2004.

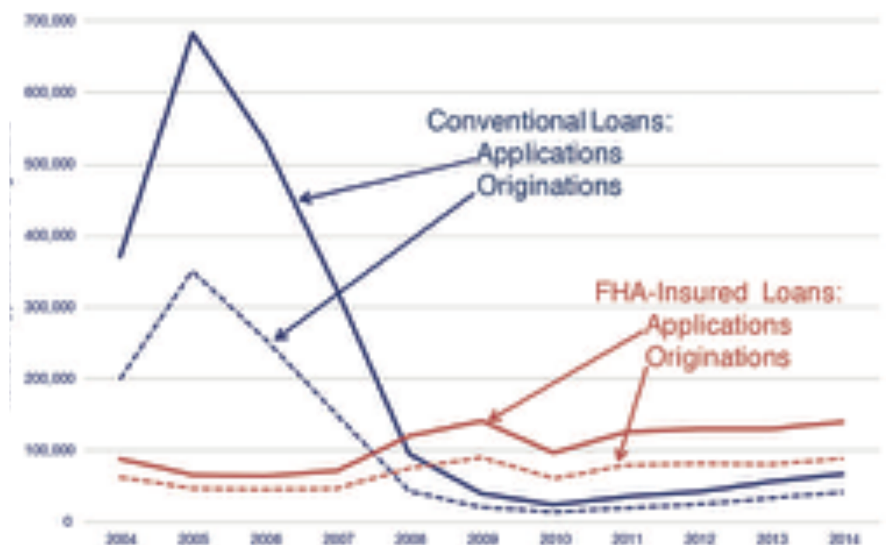
The share of all applications for conventional loans coming from Black applicants decreased from 8 percent in 2004 to 3 percent in 2014. Only 3 percent of all originated conventional loans went to Black borrowers in 2014, well below the share recorded in 2004 (6 percent). Despite an increase in the number of nonconventional loans since 2004—from 88,000 to 139,000—the share of all nonconventional loans going to Black borrowers was 10 percent in 2014, down from 13 percent in 2004.

Figure 2. Share of Loan Originations by Race and Ethnicity



Source: Author's calculations of HMDA data, 2000–14.

Figure 3. Applications and Originations of First-Lien Loans for the Purchase of Owner-Occupied One- to Four-Family Homes, Black Applicants

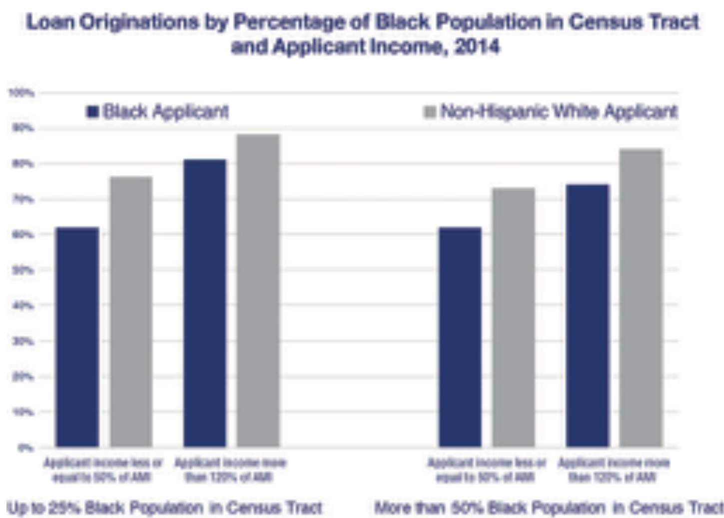


Source: Author's calculations of HMDA data, 2000–14.

Non-Hispanic White borrowers have not been immune to the impact of the foreclosure crisis and the economic downturn. The number of applications coming from non-Hispanic White prospective borrowers decreased from 2.9 million in 2004 to 2.2 million in 2014. Sixty-six percent of applications in 2014 were for conventional loans, down from 88 percent in 2004. Despite a 22 percent decrease in loan originations since 2004, non-Hispanic White borrowers have continued to receive the largest share of loans (figure 2). Loan originations to non-Hispanic White borrowers represented 69 percent of all loans in 2014, up from 58 percent in 2004. In 2014, loans to non-Hispanic White borrowers represented 73 percent of all conventional loans and 63 percent of all nonconventional loans.

Black applicants have a median income of $59,000, compared with $74,000 among White applicants.[9] Like Latinos,

Figure 4. Percentage Distribution of Loan Originations by Selected Loan and Neighborhood Characteristics, Black and Non-Hispanic White Borrowers, 2014



Source: Author's calculations of 2014 HMDA data.

Blacks are overrepresented in the low- and moderate-income bracket.[10] In 2014, 43 percent of Black applicants had incomes at or below 80 percent of the local Area Median Income (AMI), compared with 28 percent of non-Hispanic White applicants. Conversely, 46 percent of White applicants had very high incomes—more than 120 percent of AMI—while just 29 percent of Black applicants fell into this income bracket. For both Black and non-Hispanic White applicants, there is a positive correlation between loan originations and applicant income.

Distribution of Originations by Loan and Neighborhood Type

In the case of higher-income Black applicants, however, the percentage of originated loans tends to be much lower than that of higher-income non-Hispanic White applicants (65 percent versus 77 percent). The relationship holds for both conventional and nonconventional loans. As table 5 illustrates, these relationships also hold across geographic regions. Black borrowers continued to receive high-cost loans (figure 4). Twenty-seven percent of Black borrowers received high-cost loans compared with 10 percent of non-Hispanic White borrowers. In neighborhoods with very high incomes, high-cost loans were more common for Black borrowers. While only 7 percent of non-Hispanic White borrowers receiving loans for the purchase of homes in high-income neighborhoods were high cost, this percentage jumped to 16 percent for Black borrowers purchasing homes in these neighborhoods (table 4).

Mortgage loans given to Black borrowers have a lower chance of being sold to the Government Sponsored Enterprises (GSEs) —Fannie Mae or Freddie Mac—compared with loans obtained by non-Hispanic White borrowers. In 2014, 12 percent of loans obtained by Black borrowers were purchased by the GSEs, compared with 29 percent of loans obtained by non-Hispanic borrowers. The percentage of GSE-purchased loans among Black borrowers (18 percent) is lower than among White borrowers (33 percent) even in the highest income bracket.

Conversely, Black borrowers are more likely than non-Hispanic White borrowers to obtain FHA-insured loans—46 percent versus 18 percent. In general, the percentage of FHA-insured loans increases as applicant income decreases. Even in this case, there are stark disparities between Black and non-Hispanic White borrowers. Sixty-two percent of Black borrowers with very low incomes (at or lower than 50 percent of AMI) had an FHA-insured loan compared with 29 percent of very low-income non-Hispanic White applicants. Table 6 shows that the disparities remain consistent across geographic regions.

Other important disparities exist between Black and non-Hispanic White applicants in terms of the geographic location of the homes for which mortgage loans are sought.

The large majority of applications (64 percent) from Black prospective borrowers tend to be submitted for properties located in the South (table 4). In contrast, applications from non-Hispanic White applicants are distributed more evenly across the four U.S. regions.

Most important, the income and racial characteristics of the neighborhoods in which homes are located vary considerably based on the race of borrowers. Twenty-five percent of Black borrowers obtained loans for properties located in low- and moderate-income neighborhoods compared with only 11 percent of non-Hispanic White borrowers. Further, 48 percent of Black borrowers obtained loans for homes located in neighborhoods in which people of color represent the majority of residents, compared with only 9 percent of non-Hispanic White borrowers (figure 4).

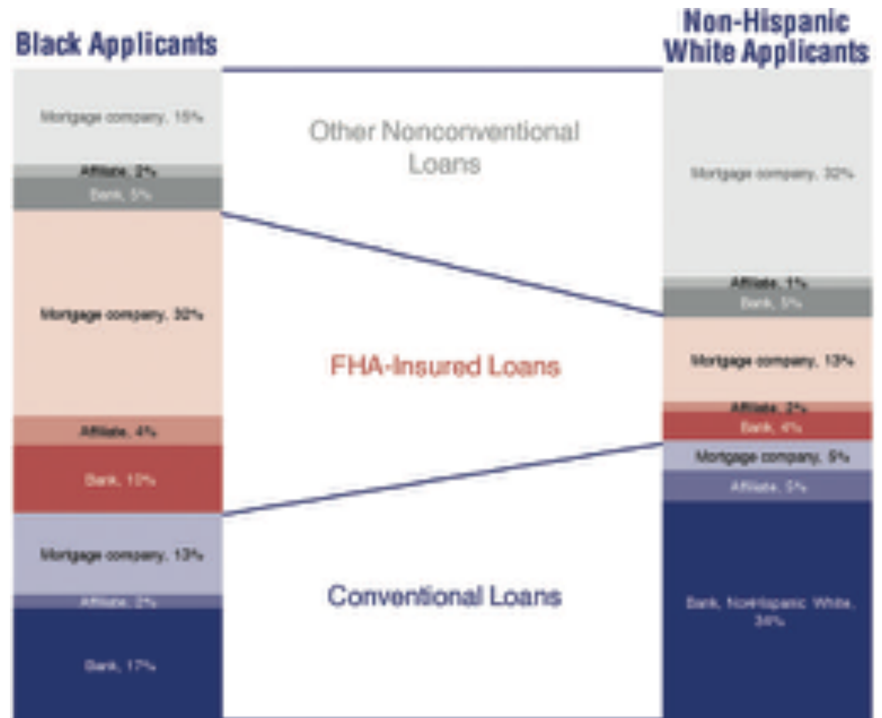
Applications by Loan and Lender Type and Race/Ethnicity

Continuing historic trends, in 2014 Black applicants were more likely than non-Hispanic Whites to be denied loans. For Black applicants, overall denial rates for home-purchase loans were double those of non-Hispanic White applicants—22 percent versus 10 percent (table 4).[11] The denial rate for Black applicants continued to be the highest among people of color. In addition, denial rates continued to be higher for conventional loans—23 percent compared with 21 percent for nonconventional loans. Denial rates for conventional loans peaked at 36 percent in 2008, at the height of the foreclosure crisis. Table 7 illustrates the distribution of denied applications from Black and non-Hispanic White applicants by reason for denial and applicant income level. Debt-to-income ratio and credit history are the most common reasons for denial reported for both Black and White applicants. Debt-to-income ratio was reported as the reason for 31 percent of denied applications among Black prospective borrowers. The corresponding percentage for White applicants was 26 percent. Similarly, credit history was reported as the reason for 30 percent of denied applications among Blacks, compared with 24 percent among Whites.

Insufficient collateral is a more common reason for denial among White applicants than Black applicants. For both groups, the percentages of denied applications due to credit history and collateral increase with increasing income levels. Among Black applicants with very high incomes, 37 percent of denied applications were due to credit history. These patterns are consistent across both conventional and nonconventional loan applications.

There are important differences between Black and non-Hispanic White applicants regarding the channels through which prospective borrowers apply for a loan. In 2014, the large majority of Black applicants applied for a loan at an independent mortgage company (60 percent), while non-Hispanic Whites tended to apply for a loan at a bank or a mortgage company affiliated with a depository institution (51 percent). Part of this difference is due to a higher propensity among Black prospective borrowers to apply for FHA-insured loans. Thirty-two percent of applications coming from Black applicants were for an FHA-insured loan through an independent mortgage company (figure 5).

Figure 5. Mortgage Loan Applications by Type of Loan and Lender, Black and Non-Hispanic White Applicants, 2014



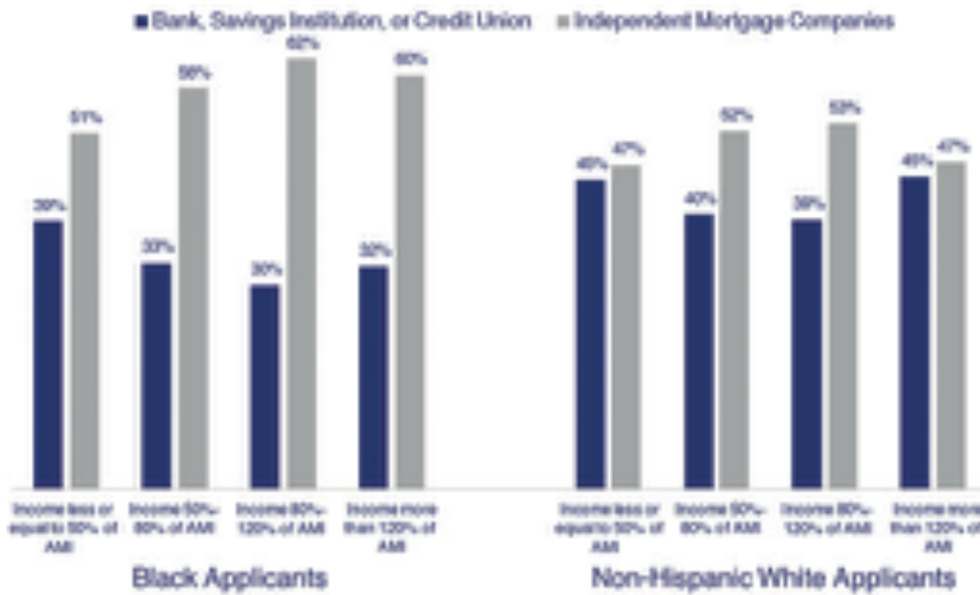
Source: Author's calculations of 2014 HMDA data.

Applications by Lender Type, Applicant Income, and Race/Ethnicity

Among Black applicants, the percentage of those applying at an independent mortgage company tended to increase with higher income levels. Conversely, as income levels decreased, the percentage of those applying at a commercial bank increased (figure 6). In general, loan origination rates were slightly higher among independent mortgage companies. Across all types of institutions, originations rates increased with increasing applicant income levels. Black applicants, however, displayed origination rates lower than those of non-Hispanic White applicants across different institutions at each income level. For example, 64 percent of high-income Black applicants applying at a bank received a loan, compared with 77 percent of similarly situated non-Hispanic White applicants (table 8).

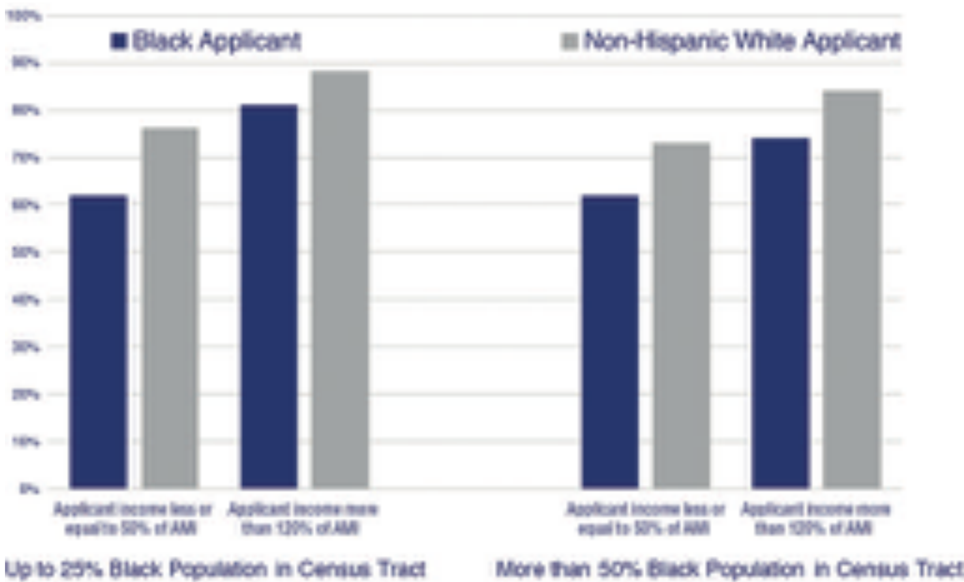
The large majority of conventional loans going to Black and non-Hispanic White borrowers were originated by commercial banks, savings institutions and credit unions, whereas more than 50 percent of FHA-insured loans were originated by independent mortgage compa-

Figure 6. Mortgage Loan Applications by Lender Type and Applicant Income Level, Black and Non-Hispanic White Applicants, 2014



Source: Author's calculations of 2014 HMDA data.

Figure 7. Loan Originations by Percentage of Black Population in Census Tract and Applicant Income, 2014



Source: Author's calculations of 2014 HMDA data.

nies among both Black and non-Hispanic White borrowers (tables 9 and 10). The percentage of originated loans going to Black applicants tends to be lower than that of loans going to non-Hispanic White applicants regardless of applicant income and neighborhood racial composition (figure 7).

Moreover, across all lender types, the overwhelming majority of both conventional and FHA-insured loans going to non-Hispanic White applicants were originated in neighborhoods with a small percentage (25 percent or less) of Black population. In contrast, both conventional and FHA-insured loans going to Black applicants were more evenly distributed across lender types and neighborhoods with varying percentages of Black population (tables 9 and 10). It is worth noting that commercial banks tend to have larger percentages of originations in majority Black neighborhoods compared with independent mortgage companies (25 percent versus 17 percent).

Originations by Census Tract Based on Percentage of Black Population and Income

In order to gain a more localized understanding of lending to Blacks in 2014, the mortgage market performance in the 10 U.S. cities with the largest Black populations are examined below. Blacks represent varying portions of the total population across these cities. Although the largest number of Blacks can be found in New York City, here they represent just one quarter of the total population. Detroit, Michigan, is the city with the largest proportion of Black population (81 percent), followed by Memphis, Tennessee (65 percent), Baltimore, Maryland (64 percent), and Washington, D.C. (50 percent). In virtually all of these cities, Blacks are significantly segregated from non-Hispanic Whites. The dissimilarity index indicates that in each of the 10 cities, more than 50 percent of Blacks would have to move to a different census tract to achieve

an even geographic distribution throughout the city. This percentage varies from 54 percent in Dallas, Texas, to 81 percent in Chicago, Illinois.

Figure 8: Ten U.S. Cities with the Largest Black Populations, 2014

City	Black Population	Percent of Total Population	Dissimilarity Index
New York, New York	2,206,863	26%	0.74
Chicago, Illinois	882,635	32%	0.81
Philadelphia, Pennsylvania	689,252	44%	0.70
Detroit Michigan	550,846	81%	0.64
Houston Texas	540,174	24%	0.56
Memphis, Tennessee	429,604	65%	0.67
Baltimore, Maryland	399,451	64%	0.68
Los Angeles, California	392,762	10%	0.57
Washington, D.C.	328,170	50%	0.69
Dallas, Texas	323,427	25%	0.54

Source: Author's calculations of 2014 American Communities Survey data.

Lending Patterns in Cities with the Largest Black Population

The 10 cities differ from each other in terms of the mortgage market performance of Black applicants. New York; Chicago; and Philadelphia, Pennsylvania, had the largest number of Black applicants. The largest share of applications from Blacks, however, could be found in Detroit, Memphis, and Baltimore, mirroring the racial composition of the population of these cities. Interestingly, Black applicants were underrepresented in the 10 cities when their share of total applications was compared with the percentage of Black population in each city.

For instance, while Blacks represent 81 percent of the population in Detroit, loan applications coming from this group represented only 51 percent of all applications in that city. In all cities, with the exception of Washington, D.C., the majority of applications coming from Black applicants were for FHA-insured loans, according to 2014 HMDA data. The proportions of applications for FHA-insured loans were particularly high in Baltimore, Memphis, and Philadelphia (77 percent, 73 percent, and 71 percent, respectively). Similar patterns were found across loan originations. The share of loans going to Black applicants in the 10 cities was in general larger than the national share (5 percent) with the exception of Los Angeles, California, where loans to Black applicants represented only 3 percent of all loans in the city. In all cities, the share of FHA-insured loans was larger than that of conventional loans.

When considering applications coming from Black applicants across income groups in each city, the percentage of loan originations increased as income increased (table 11). Further, the percentage of originated loans to Blacks across all income groups was consistently smaller than that of similarly situated non-Hispanic White applicants in each city, particularly among the high-income bracket (table 12).

In general, loans to Black applicants tended to be concentrated in neighborhoods where the Black population represents the majority of residents. Most important, loans to high-income Blacks followed similar geographic distributions. The following maps illustrate such

Figure 9. Selected Loan Applications from Black Applicants in the 10 U.S. Cities with the Largest Black Populations, 2014

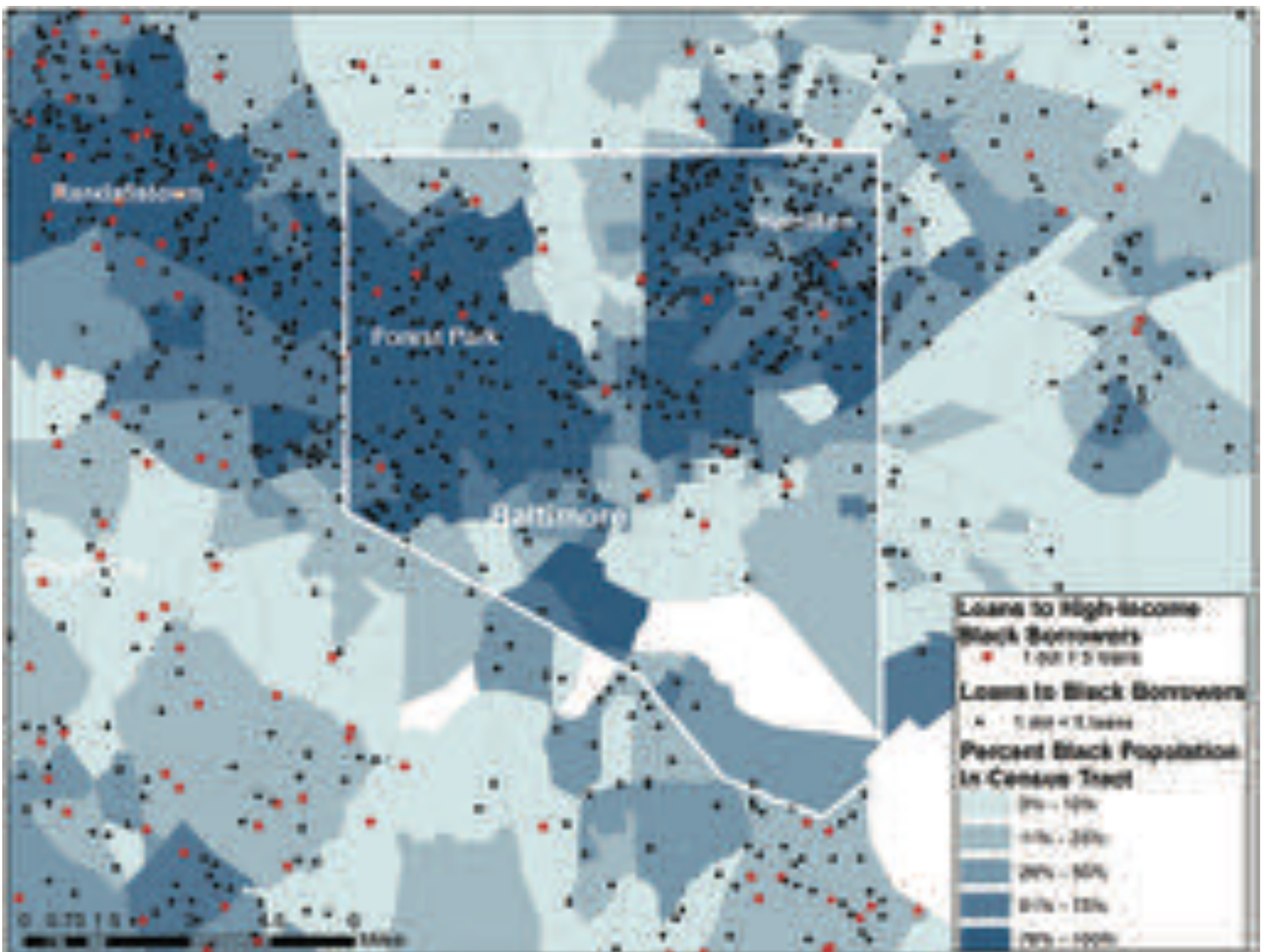
	Loan Applications from Black Applicants				Loan Originations to Black Applicants			
City	Total	Share of All Originations	Share of Conventional Loans	Share of FHA-Insured Loans	Total	Share of All Originations	Share of Conventional Loans	Share of FHA-Insured Loans
New York, New York	3,636	11	47	53	2,081	9	6	43
Chicago, Illinois	2,842	12	38	62	1,604	9	7	37
Philadelphia, Pennsylvania	1,997	20	29	71	1,236	17	5	43
Detroit, Michigan	692	51	49	51	211	49	40	62
Houston, Texas	1,403	8	49	51	818	6	7	18
Memphis, Tennessee	1,091	32	27	73	706	27	26	65
Baltimore, Maryland	1,359	30	23	77	875	27	22	53
Los Angeles, California	814	4	48	52	490	3	1	6
Washington, D.C.	1,084	14	54	46	0	12	8	53
Dallas, Texas	692	6	39	61	402	5	4	18

Source: Author's calculations of 2014 HMDA data.

patterns with the use of data pooled from HMDA for three consecutive years: 2012, 2013, and 2014. In cities such as Baltimore, Chicago, and Detroit, the density of loans to Black borrowers was particularly pronounced in neighborhoods where the population is predominantly Black.

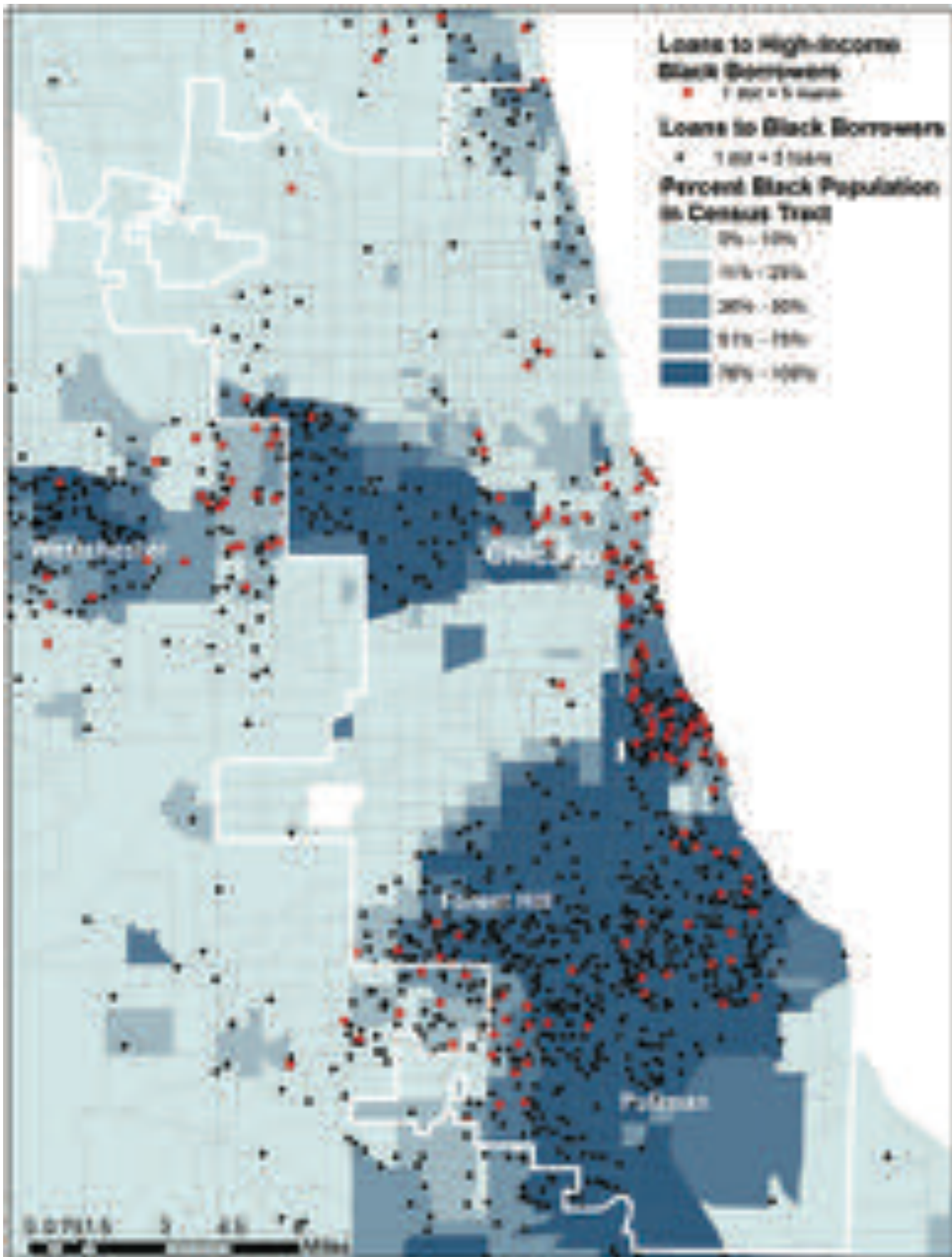
The distribution of loans to high-income Black borrowers also tended to mirror similar patterns, especially in Chicago and Detroit and their surrounding areas. The same patterns could also be observed within the city boundaries of Baltimore and in the northwestern part of its metropolitan area, whereas in the southern part of the region the small number of loans to Black borrowers seemed to be more evenly distributed across neighborhoods in which Blacks represent a minority of the population.

Figure 10. Distribution of Loans to Black Borrowers in Baltimore



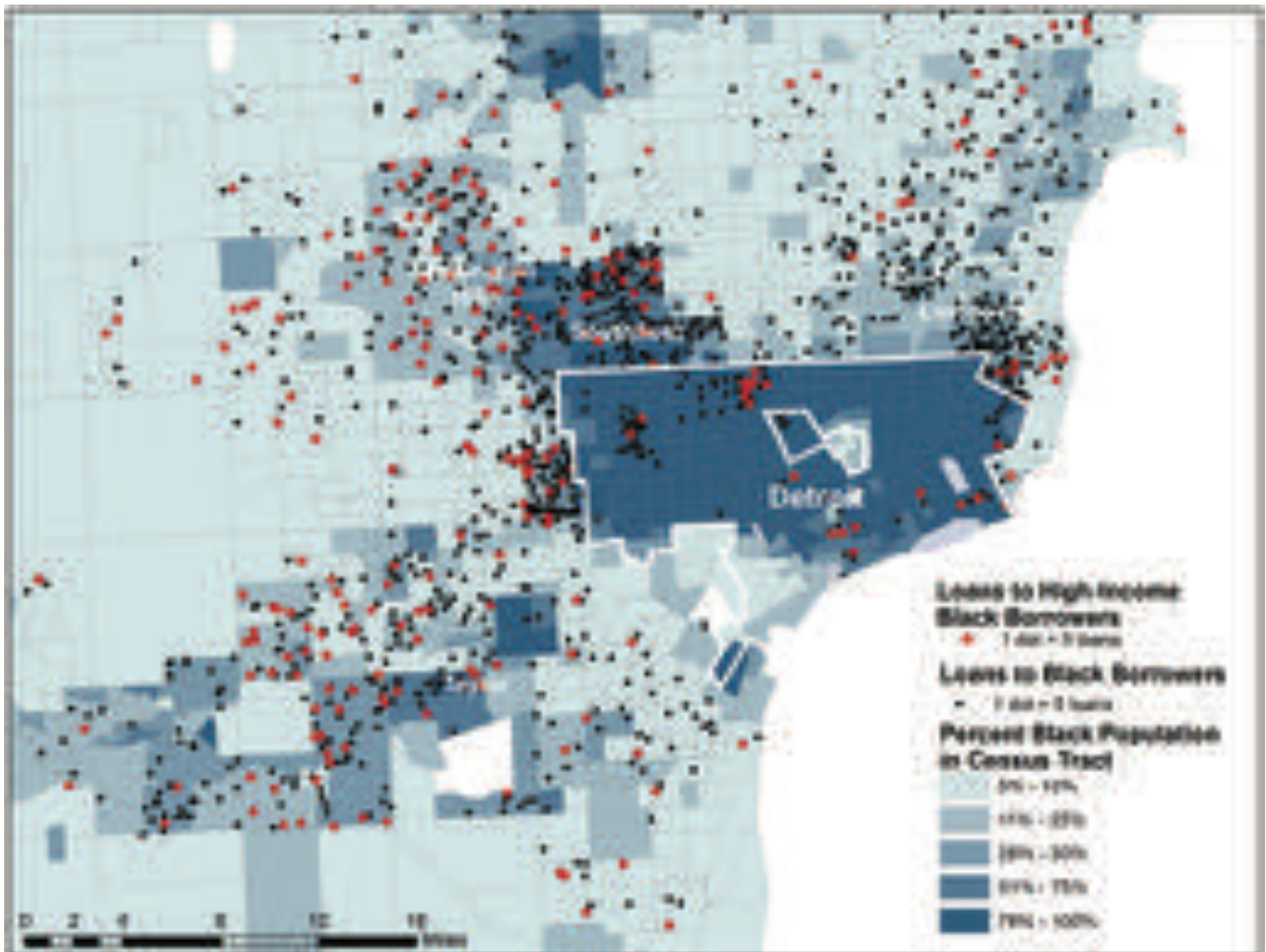
Source: Author's analysis of 2012, 2013, and 2014 HMDA and 2014 ACS data.

Figure 11. Distribution of Loans to Black Borrowers in Chicago



Source: Author's analysis of 2012, 2013, and 2014 HMDA and 2014 ACS data.

Figure 12. Distribution of Loans to Black Borrowers in Detroit



Source: Author's analysis of 2012, 2013, and 2014 HMDA and 2014 ACS data.

Industry Practices and Market Characteristics Behind the Numbers

Exclusionary Underwriting Practices

Today, many mortgage lenders have put in place excessively restrictive approval standards that have all but shut the door to Blacks seeking conventional mortgages. As discussed below, there are many justifications for not lending to lend to Blacks, particularly in the conventional market, but few of these reasons are valid. The Urban Institute produces a quarterly Housing Credit Availability Index (HCAI). The index is particularly useful to understand the major factors contributing to limited credit availability by examining, separately, the influence that product type and borrower risk have on credit availability.

Figures 13 and 14 show that while lenders have become much more conservative when it comes to borrower risk, they have almost eliminated any product risk. Underwriting standards are even more conservative than they have been in at least 30 years.

Some lenders justify overly restrictive underwriting practices by arguing that borrowers with lower credit scores and those who can afford only lower down payments—a group in which Blacks are overrepresented—are too risky to be approved for conventional mortgage credit.

But much of the research upon which that justification is based relies on analyses of pools of layered-risk loans. In other words, these loans did have low down-payment and credit-score requirements. But many were also poorly underwritten, high cost, and included risky features such as second liens, high prepayment penalties, and unaffordable upward interest rate adjustments.[12]

The impressive body of research in this area shows that modestly lower down payments and credit scores do not in and of themselves result in excessive additional defaults.[13] Of course, a loan with a down payment of 20 percent will perform significantly better, all things being equal, than a loan with a 3.5 percent down payment. But loans with 3–5 percent down payments default just 0.2 percent more frequently than loans with 5–10 percent down payments, according to the Urban Institute.[14]

Representations and Warranties

Since the start of the housing market's recovery, many of the nation's largest lenders have also justified their use of unnecessarily rigid underwriting standards on a perceived uncertainty with respect to the types of loan defects that the U.S. housing agencies may classify as unacceptably defective. The rapid and steep collapse of the housing market that began in 2007 led to the failure of every major subprime lender in the nation and instability throughout the U.S. financial system. The existence of trillions of dollars of securities backed by defective U.S. mortgage loans also wiped out private-label mortgage securitization, triggered the conservatorship of Fannie Mae and Freddie Mac, and forced FHA to greatly expand its mortgage insurance role in the housing market.

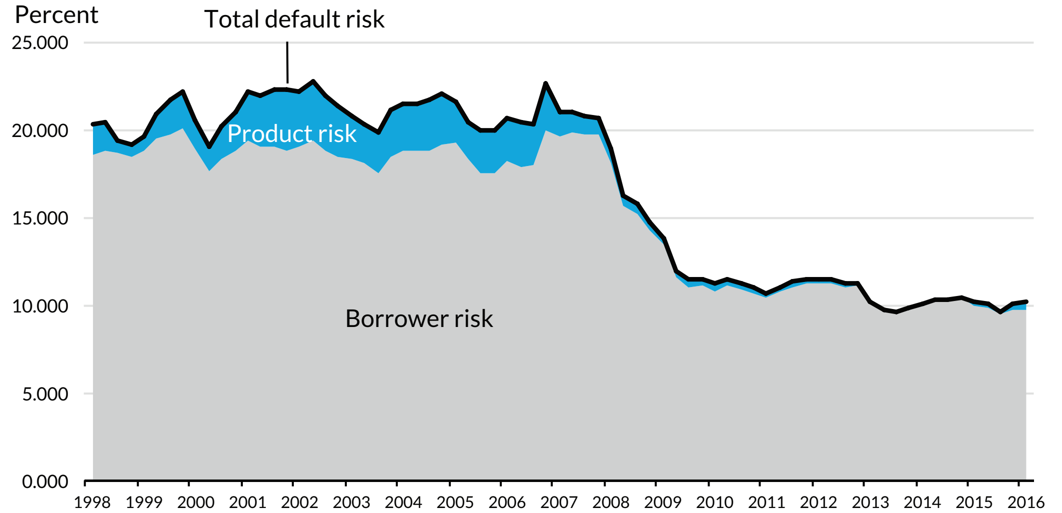
The shift of practically all U.S. mortgage loan risk to the federal government led the GSEs and FHA to substantially tighten their underwriting standards. It also encouraged the U.S. housing agencies to aggressively identify loans that they believed should be returned to lenders for failing to meet the underwriting standards of those respective agencies. Also known as "Representations and Warranties," reps and warranties are a lender's assurance that a mortgage loan sold to Fannie Mae or Freddie Mac (the Enterprises) complies with the standards outlined in the Enterprise's selling and servicing guides, including underwriting and documentation.[15] When mortgages don't comply, the Enterprises may require remedies, including issuing a repurchase request."[16] FHA also has guidelines to determine when a loan is defective to a degree where it is ineligible for FHA insurance.

New Guidance for Fannie Mae and Freddie Mac

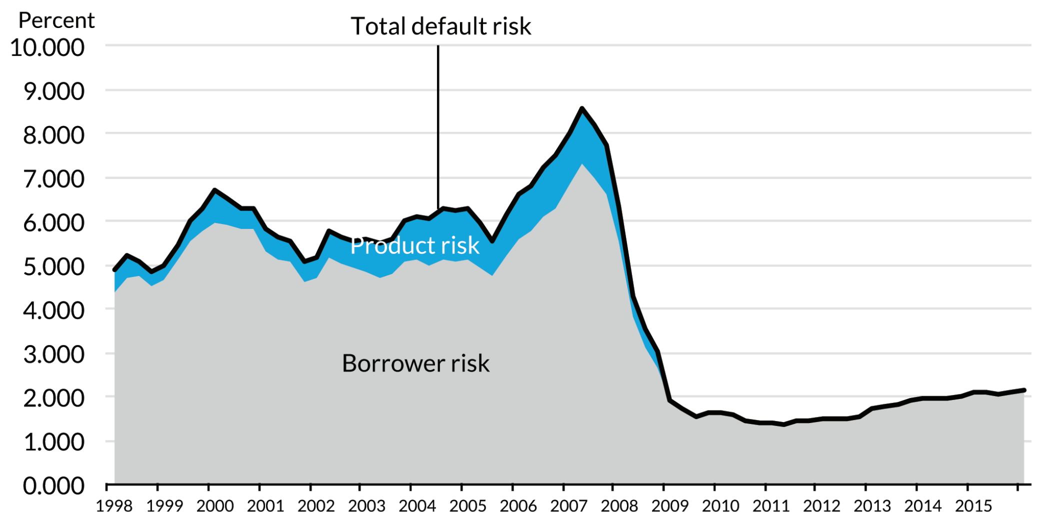
Through a series of changes initiated by the FHFA beginning in January 2013, lenders have been provided increasing clarity with respect to the types of underwriting and documentation defects that would require repurchasing by lenders for loans sold to Fannie Mae and Freddie Mac. Not only have the rules been clarified, but earlier this year the FHFA announced that "Fannie Mae and Freddie Mac have implemented an independent dispute resolution (IDR) process for resolving repurchase disputes. The program enables lenders to submit unresolved loan-level disputes to a neutral third-party arbitrator after the appeal and escalation processes have been exhausted."[17] FHFA's leadership on this issue appears to have paid off, In May of this year, Freddie Mac announced that repurchases at that agency are down by 95 percent from their peak in 2010. Removing uncertainty about loan repurchase guidelines has eliminated one of the most important impediments lenders identi-

Figure 13: Housing Credit Availability Index (HCAI)

13a. Default Risk Taken by the Government Channel, 1998Q1–2016Q1



13b. Default Risk Taken by the Government-Sponsored Enterprise Channel, 1998Q1–2016Q1



Source: eMBs, CoreLogic, HMDA, IMF, Urban Institute.

Figure 14. Year-End Single-Family Repurchase Requests
(in billions of dollars of unpaid principal balance)

Source: Mock, C. 2016. Single-family loan repurchases trending down. Freddie Mac.

fied during the current housing recovery for their failure to originate a greater number of loans to Black borrowers.

FHA Guidelines

Certifying loans that meet FHA requirements has been a major issue for lenders since the start of the current housing recovery. A November 2012 survey of lenders conducted by the National Association of Realtors found that the largest concern, by far, for lenders originating FHA loans was the possibility of loans being deemed unacceptable for FHA insurance.[19] Striking a balance in loan certification language that protects borrowers from reckless and unscrupulous lenders, while at the same time providing lenders with clear guidelines, is essential to the effective functioning of the FHA market.

Last year, FHA proposed new guidelines to better clarify the conditions under which a loan may be deemed ineligible for FHA insurance.[20] The housing advocacy and civil rights communities reacted favorably. In a letter from the Center for Responsible Lending, Leadership Conference on Civil Rights, NAACP, National Fair Housing Alliance, and 11 other organizations, numerous recommendations were offered to enhance the proposed new guidelines.

"[T]he FHA [should] adopt a certification process that facilitates its focusing on identifying and preventing the most serious defects, identifies and singles out those lenders whose underwriting and quality control systems are deficient, and requires responsible lenders to commit to curing good faith, inadvertent errors that occur notwithstanding a robust lender Quality Control program by remediation or by indemnifying FHA from future insurance claims."[21]

Unfortunately, according to many lenders, FHA's current four-tier certification criteria remain confusing. And that perceived confusion remains a key justification by lenders for failing to originate a higher number of FHA loans to Black borrowers. Writing in *National Mortgage News,* Phil McCall, chief operating officer of ACES Risk Management Corporation, provides a succinct overview and critique of the proposed guidelines, from the lender's perspective:

> *Tier 1, the highest severity level, deals mainly with fraud, inconsistencies and/or incurable regulatory violations. Tiers 2 and 3 deal with errors that, "even if identified and corrected, would lead the loan to be unapprovable" because it exceeded approval limits and/or failed to comply with loan guidelines. The problem lies with the inherent judgment call that has to be made in determining whether a defect should be categorized as a Tier 2 (more severe) or Tier 3 (less severe) defect.*
>
> *Tier 2 defects meet these criteria by a large margin, and*

Summary of Updates to the Representation and Warranty Framework

"The first improvements to the Framework took effect in January 1, 2013, with the introduction of representation and warranty relief for underwriting the borrower and property when a loan meets certain payment history requirements, such as 36 consecutive on-time monthly payments made by the borrower.

"Additional enhancements to the Framework were announced in 2014, such as adjusting the payment history requirement to allow up to two delinquencies of 30 days or less within the first 36 months after loan purchase and allowing lenders to stand in for an insurer when mortgage insurance is rescinded after delivery.

"The Enterprises took additional steps in 2015 to finalize improvements to the Framework, categorizing loan origination and servicing defects and the appropriate remedies available to address them.

"In February 2016, the final piece of the Framework was completed—the independent dispute resolution (IDR) program. Developed cooperatively by Fannie Mae, Freddie Mac, FHFA and the lending community, IDR is designed as a way to resolve contested loan-level disputes about repurchase requests. Under this program, a neutral third party will determine whether a breach of representations and warranties exists to support a repurchase request."

Source: FHFA.[18]

Additional changes at Fannie Mae and Freddie Mac that should further reduce lender repurchase concerns:

Changes in Fannie and Freddie's underwriting standards as a result of what they learned in the credit crisis are helping to ensure that higher-quality loans are sold on the secondary market.

The industry has adopted loan quality standards established during and after the crisis, which are more effective at detecting errors before the loans are closed. Both agencies require lenders to have detailed policies for detecting errors in loan quality, and make efforts to verify that lenders are following those policies. Lenders tell me that these standards are working, because defects are down.

Most loans are subject to the Consumer Financial Protection Bureau's regulations requiring lenders to fully document the borrower's ability to repay the loan.

Modern technology tools are helping lenders to detect defects sooner. Both agencies offer lenders state-of-the-art underwriting software engines, which help ensure loans meet underwriting standards. The GSEs also offer lenders early delivery-edit checking software. Lenders tell me they run each loan through this software several times before they close the loan and use this data to analyze ways to improve performance throughout the manufacturing process.

Fannie and Freddie have also developed new appraisal review software tools. Fannie's software identifies appraisal defects and provides lenders with a wealth of information on each property. Freddie's version of this tool is about to be released.

—Jennifer Whip in *American Banker,* June 2016[23]

Tier 3 defects do so by small margin. What's lacking is a clear definition of what is considered small and large. At what point does a "large" degree of loan guideline failure enter into the realm of a Tier 1-worthy defect? Furthermore, where does a Tier 3 defect end and a Tier 4 defect (an error that doesn't negate insurability) begin? To further complicate matters, FHA notes that these margins of error between Tier 2 and Tier 3 may not apply in all cases and that FHA reserves the right to revise these margins at its discretion.[22]

Compounding the lack of clarity with respect to the possible ineligibility of FHA loans is the fact that lenders that deliver loans to FHA that are deemed not to meet FHA guidelines, are subject to prosecution by the U.S. Department of Justice under the False Claims Act.[24]

Damages under the False Claims Act can be costly: "not less than $5,500 and not more than $11,000 . . . plus 3 times the amount of damages which the Government sustains because of the act."[25] These penalties are reasonable and warranted in instances where lenders intend to defraud the government with false documentation of loans or other significant and intentional misrepresentations of the quality of loans they offer to FHA for insurance. The prospect of prosecution under the False Claims Act, however, for legitimate errors, missing documentation, and inconsequential underwriting mistakes places an unnecessary and chilling impact on FHA originations that disproportionately impacts the most financially vulnerable borrowers.

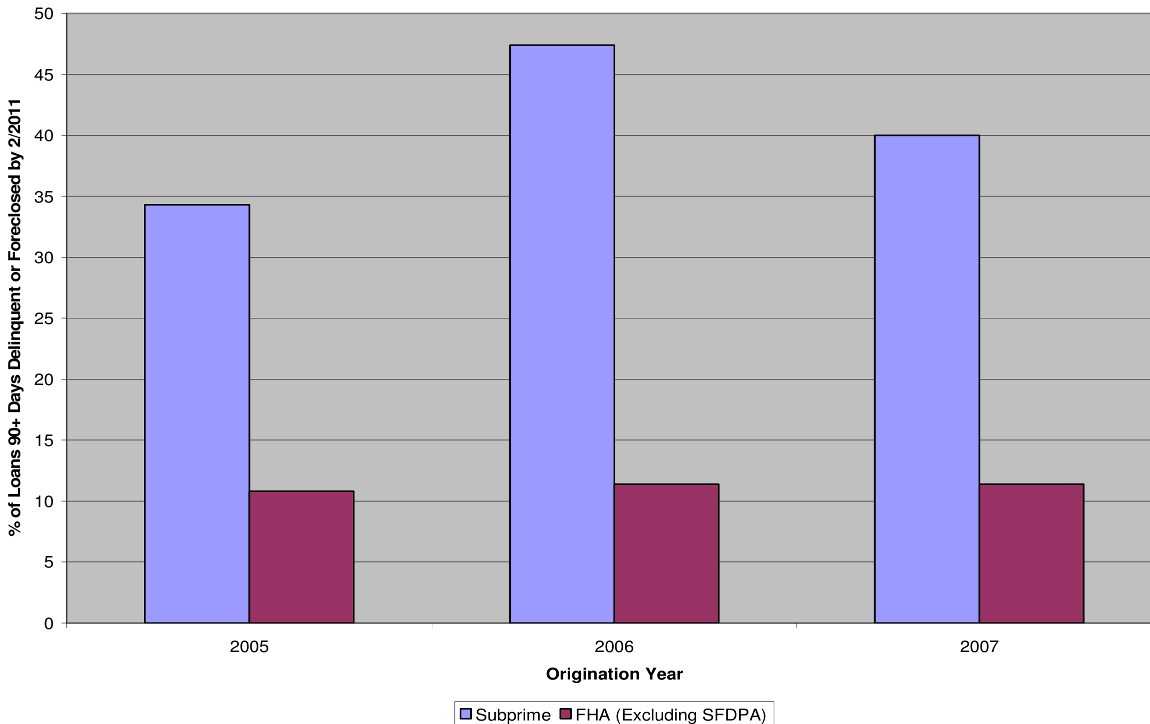
Given the success of Fannie Mae and Freddie Mac in reducing lender repurchase concerns, it would be worthwhile for FHA to determine the extent to which criteria used by the GSEs might be appropriate and helpful in its efforts to provide greater clarity on this issue.

Credit Scores

Similar to risk-based pricing, credit scores have presented unfair and unnecessary obstacles to homeownership for Blacks since their first, widespread use in mortgage lending in the early 1990s.[26] Outdated, traditional credit scores are developed based on the creditworthiness of borrowers who have routine interactions with mainstream sources of credit such as credit cards, revolving lines of credit, small business loans, and other banking services. Blacks, who have historically been denied equal access to mainstream credit, often have limited if any of these sources of credit.

At the same time, outdated credit scores do not use key variables that provide more direct and accurate insight into a home loan applicant's ability and willingness to repay a mortgage. According to research by the Federal Re-

Figure 15. Comparison of Subprime and FHA Loans with Comparable Credit Scores (Excluding Seller-Financed Down Payment Assistance Program Loans)



Source: CRL calculations of data from LPS Analytics loan-level database and BlackBox Logic loan-level database.

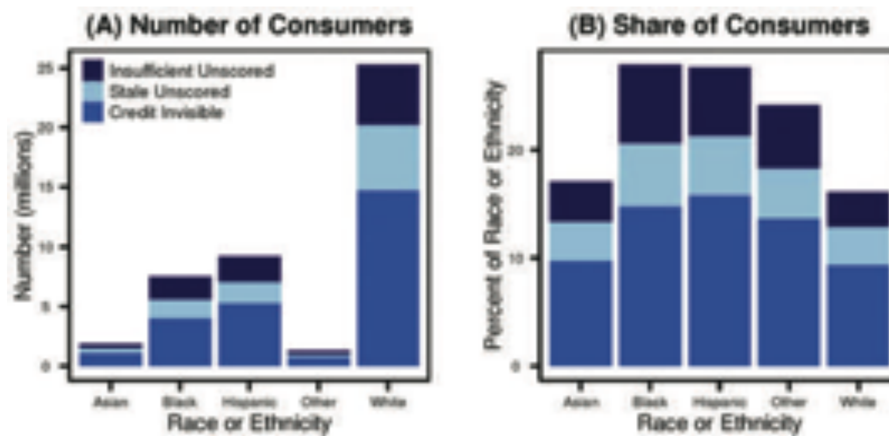
serve, "rent, utility, and other nonstandard payment histories, which are often considered important for low-income populations, are frequently left out of scoring models. They further observe that "[c]onsumers facing financial difficulties may, for instance, choose to pay their mortgage obligations first and postpone payments on other debts." They conclude: "Thus, scores for these populations may not reliably assess individual risk."[27]

Millions more consumers are currently not scorable by these inadequate outdated credit-scoring models. Jeffrey Feinstein, senior director of analytic strategy for LexisNexis, estimates that roughly one in four consumers cannot be scored using outdated scoring technologies.[28] He further states: "We estimate that as many as 70 percent of the credit invisible population could be offered prime or near-prime credit offers if alternative data was part of the underwriting system."[29] According to the FDIC, Blacks and Hispanics are overrepresented in the ranks of unbanked and underbanked consumers.[30] VantageScore has estimated that home lending to Blacks and Latinos could be enhanced by as much as 16 percent per year through the use of more predictive credit scores.[31] And FICO 9 credit scores are stated by the company to be 'the most predictive FICO Score yet.[32]

The Consumer Financial Protection Bureau divides consumers with limited credit history data into two categories: credit invisibles and unscorables. Credit invisibles are consumers who lack a credit record with one of the three nationwide credit reporting agencies (NCRAs). Unscorables receive that label because, although they may have some credit records, their files are insufficient to generate a conventional/traditional credit score. This may be because they have "too few accounts or that [they] are too new to contain sufficient payment history to calculate a reliable credit score . . . or . . . [the file] has become 'stale' in that it contains no recently reported activity."[33]

According to the FDIC, the second and third most common reasons for consumers to be unbanked are that "they do not like dealing with or don't trust banks [and] account fees are too high or unpredictable."[34] Given decades of legally permissible discrimination and decades more of financial exploitation by many of the nation's most revered and iconic financial firms,[35] it is not surprising that Blacks are overrepresented in the ranks of the unbanked and underbanked and therefore also number disproportionately among credit invisibles and unscorables. Decades

Figure 16. Number and Incidence of Consumers Who Are Credit Invisible or Have an Unscored Credit Record by Race or Ethnicity



Source: Data points: Credit invisibles. 2015. Consumer Financial Protection Bureau.

of redlining and the scarce presence of depository institutions in Black communities have contributed to this phenomenon. These communities have often relied on check-cashing businesses and predatory institutions.

Beyond being invisible or unscorable with outdated credit-scoring models, potentially millions more consumers who are scorable may nevertheless have credit scores that unfairly misrepresent their creditworthiness

To the extent that outdated credit-scoring technologies have a disproportionately negative impact on protected class households and more predictive credit-scoring tools are available, the continued use of flawed credit-assessment tools are vulnerable to disparate impact challenges. Each year, potentially tens of thousands of consumers are denied credit due to the use of unnecessarily inadequate credit-scoring technologies. Regulators are well aware of this situation but continue to fail to act.

for reasons having nothing to do with their willingness and ability to manage mainstream credit. For example, outdated credit scores do not take into account the type of loan accessed by a borrower; they consider only whether a loan was repaid in a timely manner. But failure to consider loan type is problematic. Research has shown that loan terms (for example, prepayment penalties, adjustable rate loans, and quality of documentation) determines a borrower's likelihood of repayment more reliably than the score generated by a traditional credit-scoring model.[36]

There are significant differences in loan types (that is, in terms of affordability and reasonable repayment terms) used by borrowers. A borrower repaying a 30-year fixed-rate loan at 5.5 percent is in a much better position to meet the terms of the loan than a consumer with a 3/27 subprime loan with, for example, prepayment penalties, balloon payments, high-cost and adjustable rates and other predatory features. Research by the Center for Responsible Lending examined the performance of FHA loans relative to that of subprime loans with FICO scores of between 580 and 680. All loans also had an LTV of greater than 90 percent. As Figure 15 demonstrates, "subprime loans had default rates of three to four times higher than those for FHA loans made to comparable borrowers."

The failure of regulatory institutions to bar predatory subprime loans from the housing market allowed millions of consumers, disproportionately Blacks and Latinos, to lose their homes to foreclosure, further damaging their measured credit scores.[37] Their damaged credit scores unfairly rate them against borrowers with low-cost conventional loans designed for sustainability.

Outdated credit scores can lock these individuals in a perpetual loop of financial disadvantage by poorly estimating, or failing to estimate at all, their ability and willingness to repay a loan. As a result, they are forced to rely on high-cost and subprime loans that further diminish their credit scores and reinforce their exclusion from conventional mortgage credit.

As of March 2016, the Justice Department had collected $110 billion in settlements from financial firms for various aspects of their participation in unfair and deceptive subprime lending.[38] Billions more have been collected in additional legal actions.[39] Yet consumers who were driven into foreclosure as a direct result of receiving defective and exploitative loan products are further penalized with low credit scores.

To the extent that outdated credit-scoring technologies have a disproportionately negative impact on protected

Figure 17. Fannie Mae Upfront Loan-Level Price Adjustments (LLPAs)

Credit Score	LTV							
	≤60	60.01-70	70.01-75	75.01-80	80.01-85	85.01-90	90.01-95	95.01-97
> 740	0.00%	0.25%	0.25%	0.50%	0.25%	0.25%	0.25%	0.75%
720 - 739	0.00%	0.25%	0.50%	0.75%	0.50%	0.50%	0.50%	1.00%
700 - 719	0.00%	0.50%	1.00%	1.25%	1.00%	1.00%	1.00%	1.50%
680 - 699	0.00%	0.50%	1.25%	1.75%	1.50%	1.25%	1.25%	1.50%
660 - 679	0.00%	1.00%	2.25%	2.75%	2.75%	2.25%	2.25%	2.25%
640 - 659	0.50%	1.25%	2.75%	3.00%	3.25%	3.75%	2.75%	2.75%
620 - 639	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.50%
< 620	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.75%
Product Feature (Cumulative)								
High LTV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property	2.125%	2.125%	2.125%	3.375%	4.125%	N/A	N/A	N/A

Source: Fannie Mae and Urban Institute.
Note: For whole loans purchased on or after September 1, 2015, or loans delivered into MBS pools with issue dates on or after September 1, 2015.

class households and more predictive credit-scoring tools are available, the continued use of flawed credit-assessment tools are vulnerable to disparate impact challenges. Each year, potentially tens of thousands of consumers are denied credit due to the use of unnecessarily inadequate credit-scoring technologies. Regulators are well aware of this situation but continue to fail to act.

Last year, as part of the Federal Housing Finance Agency 2015 Scorecard Progress Report, both Fannie Mae and Freddie Mac were instructed to investigate the opportunities and costs of incorporating more predictive credit-scoring models.[40] More than a year later, no public action has occurred. There has been no change in credit-scoring models, no recommendations for how to upgrade systems, and no explanation for this failure to act. The FHFA, Fannie Mae, Freddie Mac and FHA are all aware that both FICO and VantageScore have credit-scoring models that are superior to the outdated scoring models that all three agencies continue to issue.

Further, the damage to the homeownership aspirations of Blacks that derive from a failure to act does not end with loan rejection. To the extent that borrowers with lower credit scores are approved for loans, they will be required to pay higher access fees or interest rates by institutions that price for credit on the basis of measured risk posed at the individual applicant level (risk-based pricing). The requirement to pay unwarranted higher fees further limits homeownership on the basis of affordability.

Fannie Mae and Freddie Mac: G-Fees, LLPAs, and Additional Market Fees

Fannie Mae and Freddie Mac offer lenders broad latitude with respect to the underwriting of affordable loans, including 97 percent LTVs (loan to value ratios) and credit scores as low as 620. As compensation for providing the guarantee on mortgage-backed securities (MBS), Fannie Mae and Freddie Mac charge two types of fee. The first is a guarantee fee (G-fees) that is based principally on the loan type, such as 30-year fixed rate, 15-year fixed rate, or 5/1 adjustable rate mortgage. The second fee is a loan-level price adjustment (LLPAs) that is based on borrower issues such as loan to value ratio (LTV)/credit score ratio, cash-out refinance, investor property, and similar criteria.

G-fees and LLPAs largely cover the costs of potential future credit losses (although modest administrative expenses are also covered.)[41] Borrowers pay the fees either at the time of closing, on an ongoing monthly basis, or in some combination of the two. G-fees have been a core aspect of the business model for Fannie Mae and Freddie Mac since those agencies first began packaging MBS. Until relatively recently, Fannie Mae and Freddie Mac charged roughly similar fees across credit scores, differing only in terms of LTV.[42] After the housing market's collapse, both agencies began charging loan-level price adjustments (LLPAs) on loans based on the risks posed by each individual loan.

Charging borrowers considered to be a greater risk a higher cost for mortgage credit has been problematic, because "risk is endogenous to its price."[43] Research by the University of North Carolina's Center for Community Capital highlights how charging a higher cost for auto insurance for a driver deemed to be more likely to have an accident does not increase his chance to have an auto accident. But with mortgage loans, the higher the cost for credit, the more challenging it is to repay and therefore the higher the probability to fail on a loan.[44]

Figure 17 demonstrates that pricing loans at an individual loan level can greatly increase the cost of mort-

gage credit and ultimately "the degree of affordability and access to mortgage credit."[45]

In a June 22, 2016, letter to FHFA Director Melvin L. Watt, a broad coalition of organizations representing mortgage industry association, housing advocates, and civil rights groups appealed to the regulator of Fannie Mae and Freddie Mac to eliminate LLPAs and lower G-fees at the two companies.[46] The letter highlighted the fact that between 2009 and 2014, the average G-fees at Fannie Mae and Freddie Mac increased from 22 basis points to 58 basis points, a 167 percent increase. LLPAs can now reach as high as 4 percent of the loan value, based largely on credit score and LTV. Additionally, the letter states: "Eight years after the financial crisis, mortgage credit quality has improved dramatically and regulations have improved the industry's risk management practices.[47]

A large share of subprime loans were designed to fail and federal regulators chose not to purge them from the market until after *the housing market's collapse. Rather than acknowledging this reality and assisting borrowers who had been exploited by predatory loans, the conventional market targeted both the individual borrowers and their communities for additional fees.*

During the market meltdown and until recently, an additional adverse market delivery charge was imposed on communities deemed to be financially vulnerable. In fact, the communities that were deemed to require this fee were likely the same communities that had a disproportionate share of subprime or other high-cost loans. Further, charging a higher cost to access mortgage credit during periods of economic stress is contradictory to the manner in which countercyclical policy treats financial institutions. During the Great Recession, the federal government implemented numerous policies to stimulate the economy and support the flow of credit. The nation's largest banks, for example, were granted a series of bond-purchasing programs (quantitative easing) as well as eight years of near zero interest rates.

A large share of subprime loans were designed to fail and federal regulators chose not to purge them from the market until *after* the housing market's collapse.[48] Rather than acknowledging this reality and assisting borrowers who had been exploited by predatory loans, the conventional market targeted both the individual borrowers and their communities for additional fees.

These excessive and poorly applied fees have prohibited potentially hundreds of thousands of borrowers from access to conventional credit. They also further directly stifled the recovery of communities that were most in need of economic stimulus. The adverse market fee was at cross purposes with, even in direct contradiction of, community recovery programs such as the Neighborhood Stabilization Program (NSP) that was designed to help lift the most troubled communities out of economic distress. As the NSP was greatly assisting communities to address many of their most challenging problems related to the housing crash, the adverse market fee was strangling the ability of low- and moderate-income households to stabilize communities through increased levels of homeownership. In fact, many of the communities that were targeted for higher loan fees were suffering from an inordinate number of underwater properties. So while on the one hand, the federal government was providing funding to allow borrowers principal reductions on their loans, federal policy was simultaneously hiking the cost to stabilize homeownership in communities most in need of a stimulus.

The net result is that many promising new programs—including NSP, Choice Communities, and others—were stifled in reaching their full potential due to the contradictory policies between the federal agencies promoting community investment programs and those supporting homeownership.

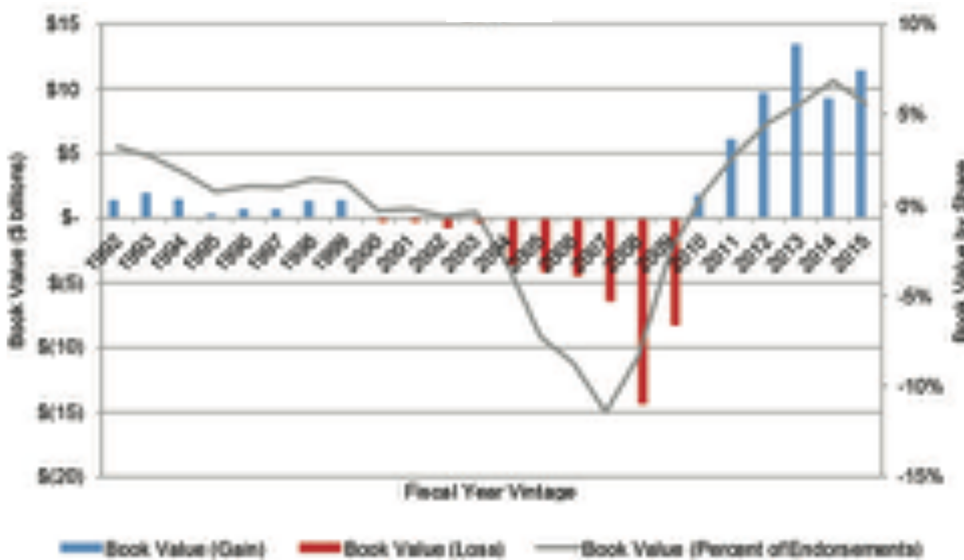
Federal Housing Administration: UFMIP and MIP

The home buyers whose loans are submitted to the Federal Housing Administration for insurance are charged two insurance fees: the first is an Upfront Mortgage Insurance Premium (UFMIP) that is collected at the time of closing; the second is an annual Mutual Mortgage Insurance Premium (MIP) that is collected in installments.[49]

As a result of significant and increasing losses, in 2008 FHA increased its UFMIP from 1.5 to 1.75 and its MIP from .55 percent to 1.35 percent.[50] "For a $150,000 mortgage, a borrower in 2013 would face first-year insurance fees of roughly $6,967—almost as much as the entire 3.5 percent down payment."[51]

Further, prior to the housing market collapse, the MIP was canceled when a home's outstanding loan balance reached 78 percent of the original value of the home In FHA loans; termination of MIP when a home had accu-

Figure 18. Book Value by Vintage, FY 1992–2015



Source: FY2015 Actuarial Reviews of the MMI Fund; analysis by U.S. Department of HUD/FHA.

mulated equity of more than 20 percent was similar to the treatment of private mortgage insurance in the conventional market. In 2013, the MIP was no longer extinguished when the loan balance reached 78 percent but was extended for the life of the loan.

The initial fee increases in FHA could be justified by the fact that the Mutual Mortgage Insurance Fund had fallen below its congressionally mandated minimum capital ratio of 2 percent, and the agency was under intense pressure by Congress to correct that deficiency.[52] Although this change caused significant discussion when it was made, it is largely inconsequential since "the typical FHA loan is outstanding about 6 years."[53]

On November 16, 2015, FHA reported that the MMI had surpassed its 2 percent capital threshold for the first time since 2008,[54] rising from negative 1.44 percent to positive 2.07 percent. In addition, FHA reported that its book of business was strong, with delinquencies falling by 35 percent over the previous four years, and that more FHA loans were being cured relative to those going into default.[55]

Although the agency's MMI is now above its 2 percent threshold, FHA's most problematic loans have either been terminated or modified, its underwriting standards servicing processes have been tightened, and the housing market as a whole has stabled. On January 26, 2015, FHA reduced the MMI by a full 37 percent, from 1.35 to .85 percent. Although this fee reduction is not inconsequential, it remains .35 basis points (or 70 percent) above its pre-crisis level.

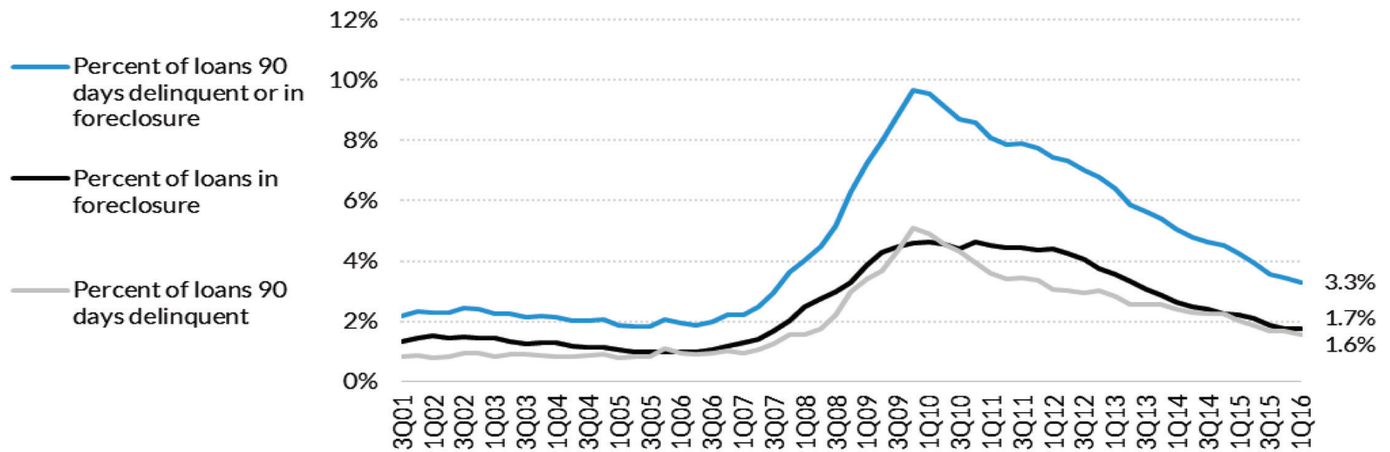
According to research by RealtyTrac, lowering the current .85 MIP would not pose a risk to the FHA:

The five states with the highest number of completed foreclosures for the 12 months ending in March 2016 were Florida (69,000), Michigan (48,000), Texas (28,000), Georgia (23,000), and California (23,000). These five states accounted for about 41 percent of all completed foreclosures nationally.

- Four states and the District of Columbia had the lowest number of completed foreclosures: The District of Columbia (128), North Dakota (317), West Virginia (482), Alaska (653), and Montana (695).
- Four states and the District of Columbia had the highest foreclosure inventory rate: New Jersey (3.7 percent), New York (3.2 percent), Hawaii (2.2 percent), the District of Columbia (2.1 percent), and Florida (2 percent).
- The five states with the lowest foreclosure inventory rate were Alaska (0.3 percent), Minnesota (0.3 percent), Utah (0.4 percent), Arizona (0.4 percent), and Colorado (0.4 percent).

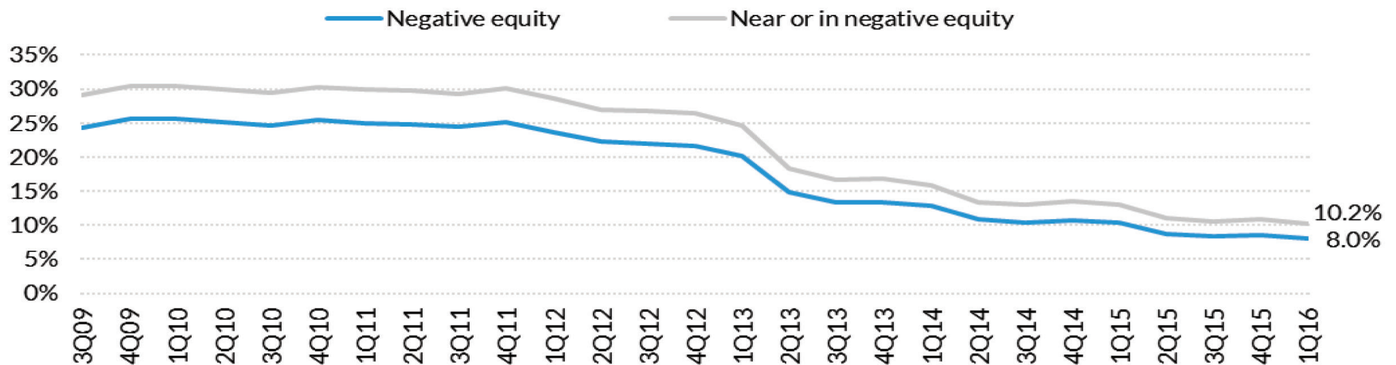
Source: CoreLogic

Figure 19. Loans in Serious Delinquency/Foreclosure



Source: Mortgage Bankers Association and Urban Institute.

Figure 20. Negative Equity Share



Source: CoreLogic and Urban Institute.
Note: CoreLogicc negative equity rate is the percent of all residential properties with a mortgage in negative equity. Loans with negative equity refer to loans above 100 percent LTV. Loans near negative equity refer to loans above 95 percent LTV.

"Reducing the annual MIP from today's .85 percent to .55 percent is not unreasonable for three reasons. First, the reserves are doing remarkably well. Second, the reserves are likely to keep doing well because foreclosure rates[56] continue to fall. For instance, in May 2012, there were 30,158 FHA foreclosure starts versus 11,544 in October 2015. Third, if the FHA drops the annual MIP again it will attract hordes of new borrowers who will instantly pay 1.75 percent of their loans into the program in the form of the up-front MIP. The total could amount to billions of fresh dollars for the FHA's reserves.[57] FHA has flexibility to further reduce the UFMIP and to return to its policy of canceling the MIP when properties reach 78 percent. Given the disproportionate reliance on FHA by low- and moderate-income and Black borrowers, it is important that fees charged in that program do not surpass what Congress requires.

Foreclosures and Delinquencies

Since 2004, the peak year of homeownership for Blacks, 8.3 million homes have fallen into foreclosure.[58] But the situation is improving. CoreLogic's April 2016 National Foreclosure Report indicates that the foreclosure inventory declined by nearly 24 percent, and completed foreclosures fell by 16 percent from April 2015.[59] The 37,000 completed foreclosures in April 2016 represent a nearly 70 percent decline from a peak of 117,813 foreclosures in September 2010.[60] Finally, CoreLogic reports that "the April 2016 foreclosure inventory rate is the lowest for any month since September 2007,"[61] and National Mortgage News reported on June 22, 2016, that foreclosure starts had risen from a 10-year low.[62]

Serious delinquencies also continue to fall; in April 2016, they reached their lowest level since October 2007 as a

Figure 21. Negative Equity by State

Metropolitan Area	2012 Q1 Negative Equity Rate	2015 Q4 Negative Equity Rate	2016 Q1 Negative Equity Rate
United States	[illegible]	[illegible]	[illegible]
New York/Northern New Jersey	[illegible]	[illegible]	[illegible]
Los Angeles-Long Beach-Anaheim, CA	[illegible]	[illegible]	[illegible]
Chicago, IL	[illegible]	[illegible]	[illegible]
Dallas-Fort Worth, TX	[illegible]	[illegible]	[illegible]
Philadelphia, PA	[illegible]	[illegible]	[illegible]
Houston, TX	[illegible]	[illegible]	[illegible]
Washington, DC	[illegible]	[illegible]	[illegible]
Miami-Fort Lauderdale, FL	[illegible]	[illegible]	[illegible]
Atlanta, GA	[illegible]	[illegible]	[illegible]
Boston, MA	[illegible]	[illegible]	[illegible]
San Francisco, CA	[illegible]	[illegible]	[illegible]
Detroit, MI	[illegible]	[illegible]	[illegible]
Riverside, CA	[illegible]	[illegible]	[illegible]
Phoenix, AZ	[illegible]	[illegible]	[illegible]
Seattle, WA	[illegible]	[illegible]	[illegible]
Minneapolis-St Paul, MN	[illegible]	[illegible]	[illegible]
San Diego, CA	[illegible]	[illegible]	[illegible]
St. Louis, MO	[illegible]	[illegible]	[illegible]
Tampa, FL	[illegible]	[illegible]	[illegible]
Baltimore, MD	[illegible]	[illegible]	[illegible]
Denver, CO	[illegible]	[illegible]	[illegible]
Pittsburgh, PA	[illegible]	[illegible]	[illegible]
Portland, OR	[illegible]	[illegible]	[illegible]
Charlotte, NC	[illegible]	[illegible]	[illegible]
Sacramento, CA	[illegible]	[illegible]	[illegible]
San Antonio, TX	[illegible]	[illegible]	[illegible]
Orlando, FL	[illegible]	[illegible]	[illegible]
Cincinnati, OH	[illegible]	[illegible]	[illegible]
Cleveland, OH	[illegible]	[illegible]	[illegible]
Kansas City, MO	[illegible]	[illegible]	[illegible]
Las Vegas, NV	[illegible]	[illegible]	[illegible]
Columbus, OH	[illegible]	[illegible]	[illegible]
Indianapolis, IN	[illegible]	[illegible]	[illegible]
San Jose, CA	[illegible]	[illegible]	[illegible]
Austin, TX	[illegible]	[illegible]	[illegible]

Source: Zillow.

result of home prices that rose by more than 6 percent over the previous 12 months and the addition of 2.6 million new jobs.[63] Delinquencies fell by nearly 22 percent in April 2016 relative to one year earlier. Finally, rising home prices also helped to further reduce the number of homeowners with negative equity. Since 2010, the number of underwater borrowers has fallen by two-thirds, although 4 million homeowners remain upside down in their mortgages,[64] or owe more than the home is worth. Negative equity homes have fallen from 31 percent in 2012 to 8 percent today.[65]

Negative Equity

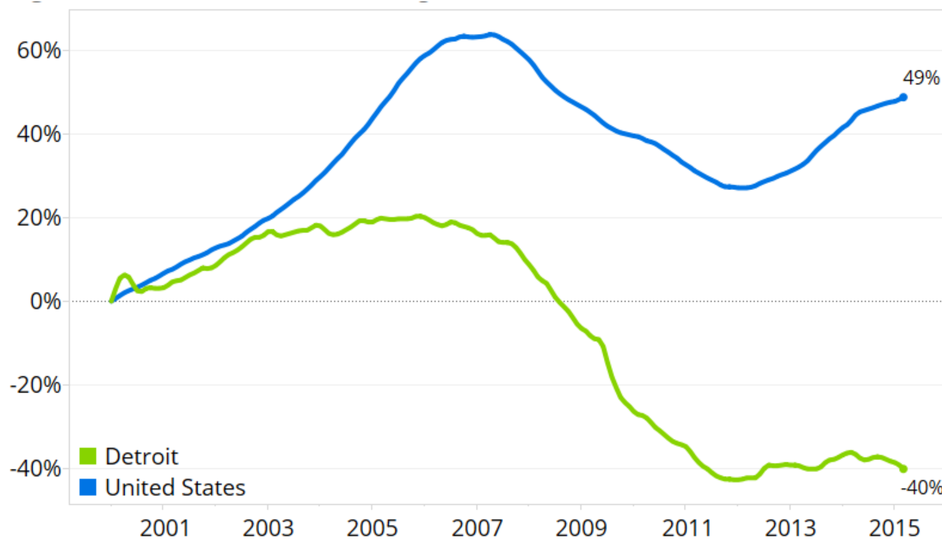
The recovery in home prices has not been even across the United States. According to Zillow, "[i]n first quarter 2012, the West Coast, Southeast, and Rust Belt regions had a disproportionately greater share of underwater homeowners. For example, the Southeast had 20.4% of homes with a mortgage, but 24.9% of homes in negative equity. Four years later, the West Coast, home to hot markets like the Bay Area, Portland, and Seattle, is at 10.2% of homeowners with negative equity, but 15.2% of all mortgaged homeowners. The imbalance was worst in the Rust Belt region, which includes Wisconsin, Illinois, Indiana, Michigan, and Ohio."[66 67]

According to Zillow, Chicago (20.3 percent) has surpassed Las Vegas, Nevada, (20.2 percent) as the city with the greatest share of underwater homes. The rebound from the foreclosure crisis has been impressive for Las Vegas, where home prices have rebounded 50 percent (compared to 23.6 percent for the nation) since hitting bottom in January 2012, but still leaving 70 percent of homes underwater.[68] These two cities plus Atlanta (16.6 percent), Baltimore (17.2 percent), and Kansas City, Missouri, (15.5 percent) were the top five cities with the highest levels of underwater homes. As of the fourth quarter of 2015, the top five cities with negative equity of 200 percent or more were San Antonio, Texas (17.4 percent), Detroit (17.3 percent), Charlotte, North Carolina (16.9 percent), Chicago (16.6 percent), and Kansas City (15 percent).[69]

Although Detroit cannot claim the title of largest share of homes underwater, it is the most distressed housing market in the United States. Zillow notes that the Motor City missed out on "the mid-2000s housing boom, had a harder bust and has had almost no recovery in home values since."[70]

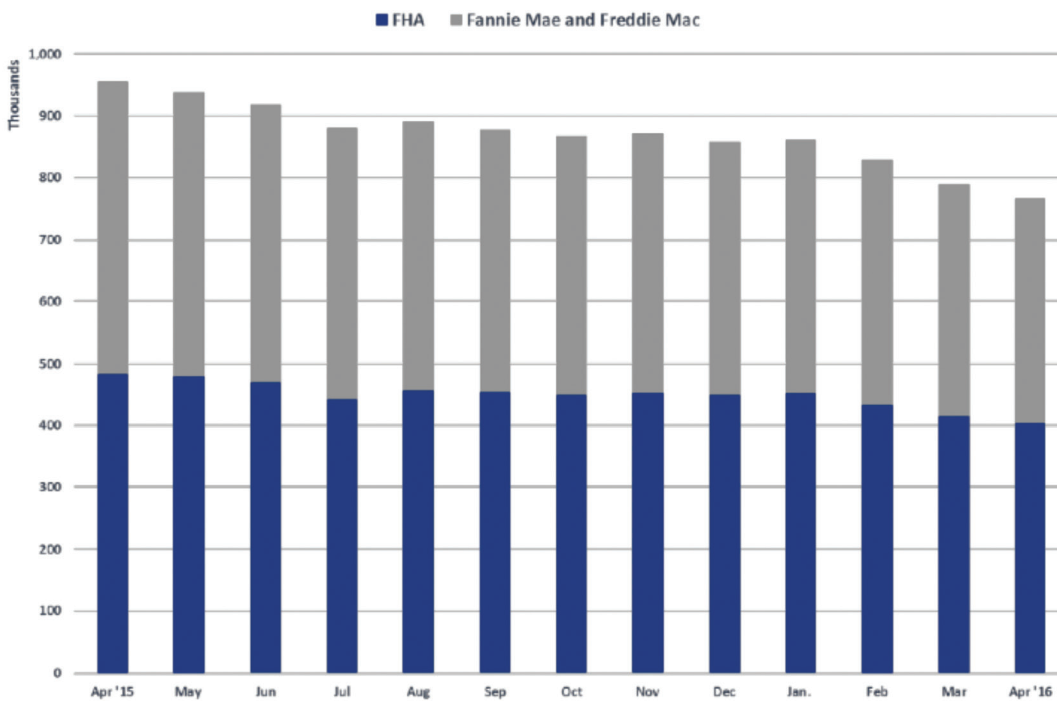
Although the fall in the share of homes in negative equity has improved greatly since the depths of the housing crisis, Zillow estimates borrowers whose equity in their homes is at least 20 percent less than the value of those houses are not likely to recover anytime soon. Despite a high demand for homes in the least valuable third of the housing market, 25 percent of owners in that price range are underwater. Only 8 percent of owners in the third highest valued homes are in negative equity. The net effect is that owners of lower-valued properties are less likely to be able to sell their homes due to their negative equity status. "The logjam at the bottom is having ripple effects throughout the market, and as home value growth slows, it will be years before it gets cleared up. In the meantime, we'll be left with volatile prices, limited inventory, tepid demand, elevated foreclosures, and a whole lot of frustration."[71]

Figure 22. Cumulative Percent Change in the Median Home Value since January 2001



Source: Zillow Research.

Figure 23. Seriously Delinquent Loans: FHA and GSEs, April 2015–April 2016



Source: Author's calculation of data from FHA Single Family Loan Performance Trends, Risk Report, HUD, and Foreclosure Prevention Report, FHFA.

Distressed Sales Practices and Performance at GSEs and FHA

Even though foreclosures, delinquencies, and the number of underwater homes are down considerably from the height of market's collapse and the trend lines are also promising, area of weak market activity with high levels of distressed loans and foreclosures include communities heavily populated by Black households.

The manner in which Fannie Mae, Freddie Mac, and FHA dispose of their distressed assets and foreclosed properties can have profound impacts on the economic stability and wealth of Black communities. Here again, however, while Fannie Mae and FHA in particular are attempting to unload their poorly performing assets at the lowest cost to the government, their processes have been inadequate and have further contributed to the failure of those markets to recover.

Despite the sharp decline in foreclosures, millions of Americans remain underwater, meaning that their mortgages are worth more than their homes.[72] Despite some signs of housing market recovery, the aftermath of the foreclosure crisis and the Great Recession is still affecting many families and the communities in which they live. This is evident in communities of color and low-income neighborhoods, which have not yet bounced back to the same degree as non-Hispanic White and higher-income neighborhoods. Black neighborhoods, in particular, have suffered disproportionately from the economic losses incurred during the foreclosure crisis.

Figure 24. Purchasers across NPLS Programs, FHA, Fannie Mae, and Freddie Mac

FHA (2010–16)

National Pools

Purchaser	Loans
Bayview Asset Management	18,606
LSF9 Mortgage Holdings, LLC	17,568
Angelo, Gordon & Co., L.P.	6,607
Selene Residential Partners	6,388
RBS Financial Products Inc.	5,126
Kondaur Capital Corporation	4,331
Neuberger Berman - PRMF	3,167
OHA Newbury Ventures, LLC/MCM	2,917
One William Street Capital Management	2,856
Varde Management, L.P / V Mortgage, LLC	2,453
Credit Suisse /DLJ Mortgage Capital	2,215
Altisource Residential Corporation	1,966
25 Capital Partners	1,895
PIMCO/ LVS	1,489
Pretium Mortgage Credit Management, LLC	1,259
Others	2,140
Total	**80,983**

NSO Pools

Purchaser
Bayview Asset Management
Oaktree Cpital Management/DC Residential
The Corona Group
25 Capital Partners
Pretium Mortgage Credit Managemet LLC
MRF (Non Profit)
Kondaur Capital Corporation
Community Loan Fund of New Jersey, Inc. (Non-profit)
Altisource Residential Corporation
Hogar Hispano Inc. (Non-profit)
AMIP Management LLC
Total

Fannie Mae and Freddie Mac (2014–16)

Purchaser	Loans
LSF9 Mortgage Holdings, LLC	9,750
SW Sponsor, LLC	7,571
GCAT Management Services 2015-13 LLC	4,704
MTGLQ Investors, L.P.	4,581
Rushmore Loan Management Services, LLC	2,533
Carlsbad Funding Mortgage Loan Acquisition LP	2,308
New Residential Investment Corp.	2,118
PRMF Acquisition LLC	1,871
Other bidders	6,213
Total	**41,649**

Data compiled from Report to the Commissioner on Post-Sale Reporting FHA Single Family Loan Sale Program, January 22, 2016.[75]

The large loss of wealth in Black communities is largely the result of subprime lending and particularly aggressive predatory lending practices that targeted communities that had already been denied full access to mortgages for several decades due to widespread racial discrimination and federal housing policies.[73]

The large amount of vacant and abandoned properties in many Black neighborhoods exemplifies the compound effect of the loss of assets in these communities, a tight credit environment, persistent racial segregation, and very limited access to the resources that could effectively help these communities rebound. A 2012 report by the National Fair Housing Alliance documents how discrimination in property maintenance and marketing of real-estate-owned (REO) properties in communities of color makes matters worse. Because of this discrimination, it is very difficult for the many vacant properties in these communities to be marketable and increase in value, thus affecting the entire community's long-term stabilization and sustainability.[74] Very often, REOs are purchased by private investors at a discounted price, frequently with cash, rather than by families.

The FHA, along with Fannie Mae and Freddie Mac still hold in their portfolios a significant number of seriously delinquent single-family loans and vacant properties facing foreclosure. Despite an overall decline compared to the previous year, in April 2016, 766,868 loans insured by FHA or serviced by the GSEs were still seriously delinquent. The FHA reported 403,016 of its loans as being delinquent for 90 days or more, in foreclosure, or in bankruptcy. At the same time the Federal Housing Finance Agency (FHFA) reported that 363,853 loans serviced by Fannie Mae and Freddie Mac were delinquent for 90 days or more or in the process of foreclosure (figure 23).

Managing a large volume of nonperforming loans can be very costly, both in terms of property maintenance and

sale, and in terms of legal risks. In order to minimize the costs associated with mortgages heading to foreclosure, both FHA and the GSEs have auctioned off thousands of nonperforming loans to private investors in the past six years. FHA has done so through HUD's Single Family Loan Sale (SFLS) program, which was established in 2010.

The Neighborhood Stabilization Outcome (NSO) component of the program was introduced in 2012, at the same time HUD renamed the SFLS program the Distressed Asset Stabilization Program (DASP).[75] As of January 2016, FHA had sold approximately 105,500 mortgage loans through these programs combined since the inception of the SFLS program. For the 57,400 resolved loans, foreclosure has been avoided for 43 percent of the borrowers. Yet, for the loans where the post-sale reporting has been received, approximately 35 percent of the loans are in delinquent servicing. The top five states where notes were sold are Florida, New Jersey, Illinois, New York, and Ohio.[76]

The acquisition of foreclosed properties in low-income communities of color by profit-seeking investors is deleterious in that it prevents homeowners of color from benefiting from any returns in property values and often forces them to relocate somewhere else.

Between August 2014 and May 2016, Fannie Mae and Freddie Mac sold a total of 41,649 nonperforming loans.[77] New Jersey, New York, and Florida accounted for 49 percent of the nonperforming loans sold. As of December 2015, 24 percent of the 8,849 loans that had settled by the previous June had been resolved, half of them through foreclosure. Loans associated with vacant properties had a higher rate of foreclosures than loans associated with borrower-occupied homes.[78] As figure 2 illustrates, some major bidders from HUD's programs can be found also among the purchasers of nonperforming loans auctioned by Fannie Mae and Freddie Mac. For instance, Lone Star Funds (LSF9 Mortgage Holdings, LLC), purchased 16 percent of FHA loans and 23 percent of loans sold by the GSEs. Only a handful of investors who purchased FHA loans are nonprofit companies.

Why are there so many loans at both FHA and the GSEs that have not been resolved? There is very little detail available. In addition, no information is available about the small-scale geographic distribution of auctioned notes at Fannie Mae and Freddie Mac. Data, however, are available for individual note sales at FHA. A June 2016 study by the Center for American Progress reports that about 84 percent of distressed assets auctioned by FHA from 2012 to 2014 were sold in ZIP codes with a higher concentration of people of color than the typical ZIP code.

Further, 40 percent of notes were sold in ZIP codes featuring above-average percentages of Black residents. Also, notes sold through the DASP program tended to be in areas with high negative equity rates and higher-than-average unemployment rates—that is, in neighborhoods that are still in the process of recovering from the Great Recession.[79]

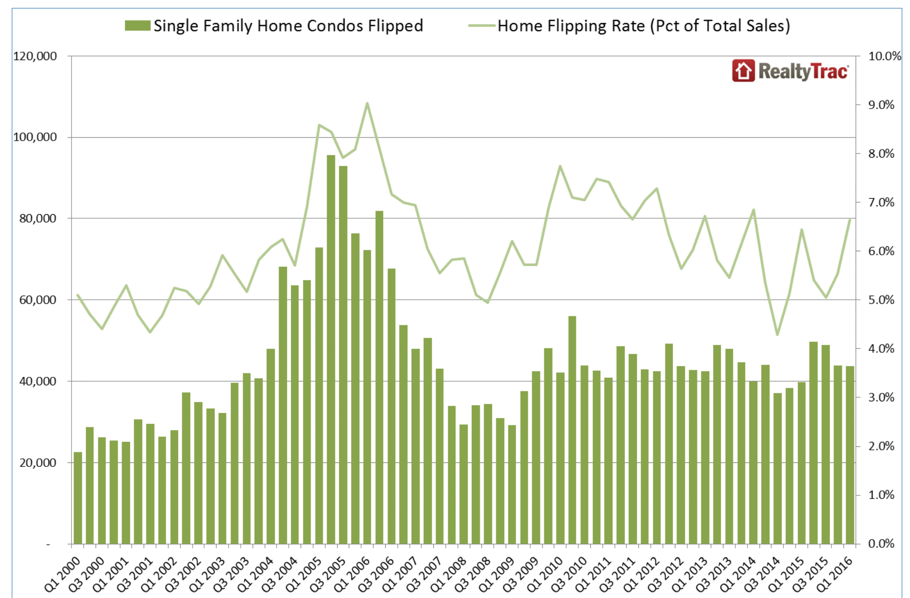
Advocacy groups are concerned when private investors, rather than local nonprofit organizations, play a large role in nonperforming loan auctions. The worry is that these can have a negative impact on local communities, especially disenfranchised communities of color. Private equity firms and hedge funds have an economic incentive in acquiring these loans, as the homes associated with them can be converted into rental properties that are currently in high demand, thus potentially yielding quick profits in the short run.[80] The acquisition of foreclosed properties in low-income communities of color by profit-seeking investors is deleterious in that it prevents homeowners of color from benefiting from any returns in property values and often forces them to relocate somewhere else.[81]

Most important, these transactions pose a serious barrier to any stabilization efforts in these neighborhoods and potentially lend a hand to other mechanisms, such as land installment contracts (described below), that could further the downward spiral of many of these communities. Although the full number of properties at all agencies and via private conduits is not known, the Harvard Joint Center for housing studies estimates that "the number of single-family detached homes in the rental market increased by 3.2 million on net between 2004 and 2013. This shift accommodated more than half of the growth in occupied rentals over this period, lifting the single-family share from 31 percent to 35 percent."[82] Much of this growth is derived from the conversion of formally owner-occupied housing through foreclosures and distressed sales. Stated otherwise, when home prices collapsed and interest rates fell to near historic low levels, federal policies created an environment that benefited investors and facilitated a decline in homeownership, especially among lower- and moderate-income families.

As in other aspects of Fannie Mae's and Freddie Mac's current business practices, the reality that these firms are

not allowed to reserve for losses directly affects their flexibility to adequately manage their distressed loan portfolios. Federal policy encourages the agencies to dispose of properties as quickly as possible and at the highest prices possible. At the same time, federal policy demands that Fannie Mae and Freddie Mac work more closely with investors and nonprofits to better meet affordable housing needs. In this conflict, communities, particularly Black communities, will continue to be the losers.

Figure 25. U.S. Home Buy/Sells Historical Trend



Source: RealtyTrac

Properties Bought and Sold in a 12-Month Period (Buy/Sells)

Knowing the number of and trends related to properties changing hands within a relatively brief period of time is a critical indicator of a neighborhood's housing conditions. Properties that are purchased and sold within a 12-month period are generally referred to as having been "flipped." In this report, these transactions are called buy/sells because the term "flipping" often connotes negative transactions. In distressed communities, however, the buying and selling of properties within a relatively short period of time can be a positive occurrence. Properties that are purchased for the purpose of repairing and placing them back on the market to promote affordable and sustainable homeownership can promote a healthy rise in owner-occupied property values, increased wealth for families, and improved stability for communities.

The term can also refer to properties being purchased for the purpose of performing gut rehabilitations and reselling to an upscale market. The upgrading of homes for a higher-end market can also represent positive and healthy market transactions. But the selling of properties by government housing agencies to investors at preferred prices, which leads to widespread gentrification of communities, raises important public policy concerns.

Finally, buy/sells, can also refer to blatantly predatory practices; actions of investors who purchase foreclosed properties or distressed loans and, within a relatively short span of time, resell them at steeply higher prices while making few if any repairs other than cosmetic improvements (cleaning and painting) while leaving known structural or systems problems unaddressed.

To the extent to which the purpose of the rapid purchase and sale is unknown, this report refers to those transactions as buy/sells, transactions that may or may not be a reflection of predatory behavior. Even without knowledge of the purpose of the buy-sells, awareness of elevated levels of homes bought and sold in a relatively short period of time within a community provides real estate experts with an additional indicator to further examine the overall health of a community's housing market.

The analysis below is based on RealtyTrac data from May 2016 that use the term "flipping" in place of "buy/sells." Buy/sells are experiencing a resurgence, with a growth of 20 percent from the previous quarter and a 3 percent gain over the past year.[83] The buy/sells of homes had fallen to a post-recession low of 4.3 percent of the market in the 3rd quarter of 2014; it now stands at 6.6 percent of the market.[84]

Although the rapid turning over of properties remains far below its peak of 9 percent in the first quarter of 2006,[85] home buy/sells as a share of total sales over the past year rose in 75 of 126 metropolitan areas. Communities with the highest gains include New Orleans (up 45 percent), San Antonio (up 34 percent), Nashville (up 26 percent), Cleveland (up 26 percent), Columbus, Ohio (up 23 percent), and Dallas (up 22 percent).[86]

The recent rise in buy/sells reflects predatory flipping, a practice that is unhealthy for the communities in which the activity is concentrated. The steeply marked-up prices paid by the new owners as a result of this practice could have been used to make meaningful improvements to the home. That would not only have improved the property but also improved the new owners' ability to sustain payments on the loan, because they would not be paying

a marked-up home price plus improvements. The amount of buy/sells associated with contract sales is unknown, but is known to be increasing.[87]

Several communities reached new buy/sells highs during the first quarter of 2016. These include Baltimore, Maryland; Buffalo, New York; Huntsville, Alabama; New Orleans, Louisiana; York-Hanover, Pennsylvania; Seattle, Washington; Virginia Beach, Virginia; Bakersfield, California; and San Diego, California.[88] Finally, RealtyTrac reports that gross profits from home buy/sells were reported to have reached a 10-year high. According to RealtyTrac, investors gained an average of just under 50 percent

Buy/sells that represent predatory flipping are a particular problem for Black America; predatory flipping disproportionately occurs in Black communities, where the return to investors can greatly exceed the gains achieved in non-Hispanic White communities.

return on their investments nationally on the sale of their properties.[89]

Buy/sells that represent predatory flipping are a particular problem for Black America; predatory flipping disproportionately occurs in Black communities, where the return to investors can greatly exceed the gains achieved in non-Hispanic White communities. In Chicago, for example, homes were sold for an average return of nearly 75 percent during the first quarter of this year.[90] Most of the buy/sells of properties in Chicago occurred in the Black community of Cook County.

Not only is the highest concentration of buy/sells in Chicago occurring in the Black community, the returns to investors in those communities yield twice that of the national average. The average purchase price for buy/sell homes in Cook County during the first quarter of 2016 was $89,000 and the average selling price was $175,000; a gain of $86,000, or nearly 100 percent.[91] Other metropolitan areas with exceptionally high returns included New Orleans (98 percent), Buffalo (88 percent), and Baltimore (81 percent). To the extent these buy/sells represent predatory investor behavior, these actions demand greater attention from regulatory agencies, particularly the Consumer Financial Protection Bureau.

The damage of predatory flipping is not restricted to the exorbitant cost extracted from Black consumers relative to the market as a whole. Rather, excessive levels of predatory flipping can also artificially drive up home prices in those communities, predisposing households to greater levels of foreclosure and destabilizing homeownership for the entire community.

Land Installment Contracts

A new study by the National Consumer Law Center indicates that "[a] new wave of predatory real estate lending, previously peddled to African Americans during the 1930s to 1960s, is popping up across the nation as equity investment firms position themselves to profit from foreclosed homes."[92] Deemed "toxic" by NCLC, these loans, similar to predatory subprime loans, are offered disproportionately to people of color—in particular, to Black households. "Such contracts proliferated in recent years as banks retrenched from lending to low-income families and private investment firms like hedge funds stepped in to fill the void."[93] Nationwide, more than 3 million people are estimated to have bought a home through a contract for deed. After the financial crisis, as banks retreated from lending to those with poor credit, this odd corner of the housing market began to draw interest from deep-pocketed investors who sometimes sell the homes for four times the price they paid.[94]

In many respects, land installment contracts (also known as contract for deed (hereinafter referred to as contract sales) are, in many ways, more financially exploitative than the infamous 3/27 subprime loans that were at the epicenter of the recent foreclosure crisis. Subprime 3/27 loans were designed to trigger unaffordable loan payments (that is, designed to fail) within three years after origination in order to force borrowers into an unnecessary refinancing, during which the borrowers would have to pay a new round of loan origination fees. In the process, it created both an unsustainable loan and a vehicle to strip any appreciated gains in the value of the home from the owner.

Similar to subprime loans, the goals of originating contract sales place the loan originator and borrower in opposition. Borrowers seek an affordable and sustainable home loan; investors, in many instances, seek to strip as much wealth from the borrower as possible. Investors gain by selling homes at inflated prices, charging excessive interest rates, transferring the responsibility of all maintenance and repairs to owners, and ultimately finding ways to cancel contracts so that they can reclaim the home plus the down payment and any payments made as of the point of cancellation. Homes are then immediately resold to the next unwitting customer or rented back to the previous owner until a sale opportunity arises.

Financial exploitation of borrowers in a contract sale starts with the purchase price. A large share of contract sales are offered to purchase foreclosed properties, most often bought at auction or in bulk sales at heavily discounted prices. Without any meaningful repairs, they are sold to borrowers at highly inflated markups. According to NCLC, "[I]t is not uncommon to see an investor purchase a home at auction for $5,000 and sell it days

Perhaps most distressing about this new round of predatory lending is that many of the same types of institutions (in some instances the same investors) that preyed upon financially vulnerable borrowers with exploitative subprime loans are now purchasing distressed loans and foreclosed properties. Large investment firms are among those funding these new predatory sales arrangements. In many instances, the homes were purchased in bulk sales, the remains of tattered communities that experienced the worst of the foreclosure crisis.

later on land contract (with no repairs) for $30,000."[95] In essence, therefore, the buyer is deeply underwater the minute the contract is signed.

Further, interest rates are often exorbitant, reaching into double digits even though mortgage interest rates remain near historic lows. The excessive interest rates alone are sufficient for a borrower to fail on the loan. Because contract sales are not regulated as mortgage products, they do not require an inspection or improvements. Yet due to the fact that a large share of contract sales properties have been foreclosed upon, those units frequently are in need of major repairs in order to bring them to local building code standards, for which the borrower is solely responsible. Because the purchasers of these homes have limited financial resources, borrowers may be unable to make consistent monthly loan repayments after the expense of fixing major systems in the home.

Finally, a single missed payment can trigger a default and make the borrower subject to immediate eviction. NCLC notes that states with the highest number of contract sales on foreclosed homes include Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Texas. Last year in Detroit, contract sales outnumbered total mortgage originations.[96]

Perhaps most distressing about this new round of predatory lending is that many of the same types of institutions (in some instances the same investors) that preyed upon financially vulnerable borrowers with exploitative subprime loans are now purchasing distressed loans and foreclosed properties. Large investment firms are among those funding these new predatory sales arrangements. In many instances, the homes were purchased in bulk sales, the remains of tattered communities that experienced the worst of the foreclosure crisis. Typically, the discount homes the investors bought have been facilitated by federal agency loan sales, because these prefer investors as buyers. For example, some of the real estate investment players involved in these sales took advantage of Fannie Mae's bulk sale program from 2010 to 2014.[97]

As a result, rather than recovering from the foreclosure crisis, many Black communities continue to spiral from yet another round of irresponsible and unregulated predatory financial wealth-stripping. Contract sales are so pervasive in some Black communities that in Detroit, they outnumbered mortgage originations.[99] And the City of Detroit does not require that contract sales be recorded, so keeping track of these transactions is complicated.[100] There is an urgent need for improved financial oversight for nontraditional home sale arrangements, particularly when these are targeted to lower-income and protected-class households.

Regulatory agencies should have intervened to enhance affordable lending and thus stabilize communities rather than allowing a new round of predatory lending to

From the 1930s to the 1960s, federal homeownership programs prevented most African-Americans from gaining access to federally backed home loans and mortgages." The systemic exclusion of African-Americans from the conventional mortgage market encouraged speculators to peddle land contracts with inflated prices and harsh terms to residents of credit-starved communities. In tightly segregated urban neighborhoods, often populated by Southern migrants, land contracts were often the primary way to purchase a home. One leading advocate from the 1950s estimated that 85% of the properties purchased by African-Americans in Chicago were sold on contract.[98]

Erica Stovall is a working mother who had always wanted to own her own home, but didn't think she could qualify for a mortgage loan. She was living in low-income rental housing in Ottumwa, Iowa, when she saw an advertisement to buy a home through a land contract. The seller offered to sell her the home for $59,000 at 11 percent interest. Although she did not know it at the time, the assessed value of the home was only $30,480. In July 2015, Ericka signed an installment contract to buy the home, made a down payment of $1,650, moved in, and began making monthly payments of $588.25: $550 toward the purchase price and the rest for homeowners insurance. Although the contract doesn't specify the total number of payments, it would require 340 payments to pay the purchase price at 11 percent interest.

Never having purchased a home before, Ericka did not know to ask for an independent home inspection. Soon after moving in, she began to notice major problems with the house. A hole in the attic and another from the crawl space allowed animals to make their home in her home. The toilet was constantly running, leading to a water bill of over $240 one month. Then, in winter, the furnace sputtered and died. When she contacted the seller about these issues, she was told this was all part of the responsibility of homeownership, and that she would have to bear the cost of repairs.

The seller also refused to provide the land contract Erica signed in a form that could be recorded at the local land registry; an unrecorded land installment contract is unenforceable in Iowa. In a bind, Ericka relied on electric space heaters, running up huge electric bills, and battled frozen pipes. She frequently had to find her daughters a place to stay overnight, as the house was just too cold. When Ericka stopped sending payments, the seller told her the contract had been forfeited, and that she could be evicted like a tenant without a lease. Under threat of eviction, she gave up her right to buy the home and is now a month-to-month tenant.

Ericka's story is not unique. She is one of many would-be homeowners around the country who have entered into a form of seller financing called a land installment contract, also known as a "land contract" or "contract for deed." In these transactions the buyer makes payments directly to the seller over a period of time—sometimes as long as 30 years—and the seller promises to convey legal title to the home only when the full purchase price has been paid. If the buyer defaults at any time in the payment period, the seller can cancel the contract through a process known as forfeiture, keep all payments, and evict the buyer.[101]

further damage the well-being of Black families and their communities.

The Consumer Financial Protection Bureau has authority to regulate contract sales arrangements, and has assigned two enforcement attorneys to investigate the extent to which these sales practices violate truth in lending laws. NCLC recommends that CFPB should require:

- an appraisal to establish the actual value of the property,
- an inspection to establish the true condition of the property,
- assurances that the property taxes are paid,
- fair application of the payments made by the buyer, and
- prohibition against contractual clauses that cost buyers their hard-earned investments in the property when there is an early termination.

Until this is done, potentially thousands of additional Black households may experience Wall Street's newest wealth-stripping and community-destabilizing financial scheme.

Housing Market Reform Recommendations

NAREB Goal of 2 Million New Black Homeowners Initiative

In 2015, the National Association of Real Estate Brokers (NAREB) adopted a proposal to increase homeownership for Blacks by 2 million within five years. Although this goal may seem like a reach, in fact, it is possible and reasonable. Research by the Urban Institute estimated that in 2013, 115,093 loans to Blacks were missing from the mortgage market due to overly restrictive underwriting practices. They estimated that in 2013, the number of loans to Blacks (137, 627) was down by half, relative to loans to Blacks in 2001 (277,409), a year in which underwriting standards were relatively conservative.

The missing loans would have been made based on 2001 underwriting standards. Because lending to Blacks has not improved materially since 2013, it is reasonable to estimate that by the end of 2016, there could have been an additional 460,000 Black homeowners. That would have been nearly a quarter of the way toward the NAREB goal without the need for a special initiative.

Using today as a starting point, and using the same missing loans estimates, five years from today, there could be nearly 700,000 additional Black homeowners. Importantly, the Urban Institute estimate did not take into account the possible increase in lending based on using more predictive credit scores. VantageScore estimates that the disproportionate share of borrowers who are invisible for credit-scoring purposes are Blacks and Latinos. Further, more predictive credit scores could increase lending among borrowers who currently have unacceptably low scores due to outdated credit estimating models.

Finally, the estimates of missing Black borrowers from the mortgage market did not consider the potential to grow lending among Black households based on lowering excessive GSE G-fees and loan- level price adjusters, and FHA mortgage insurance premiums. Making up the remaining gap could be achieved by increased diversity marketing initiatives, more meaningful enforcement of equal credit, duty-to-serve requirements, and enhanced homebuyer counseling availability.

Taken together, it is not unreasonable that the housing market could meet the NAREB goal of 2 million new Black homeowners in five years. Importantly, these changes could and should be instituted immediately; they do not require the rebuilding of the housing finance system. Having said that, a bolder and more comprehensive national community investment entity could also build jobs, stronger communities, and an even greater number of Black homeowners in the years ahead.

Recommendations to Implement Immediately

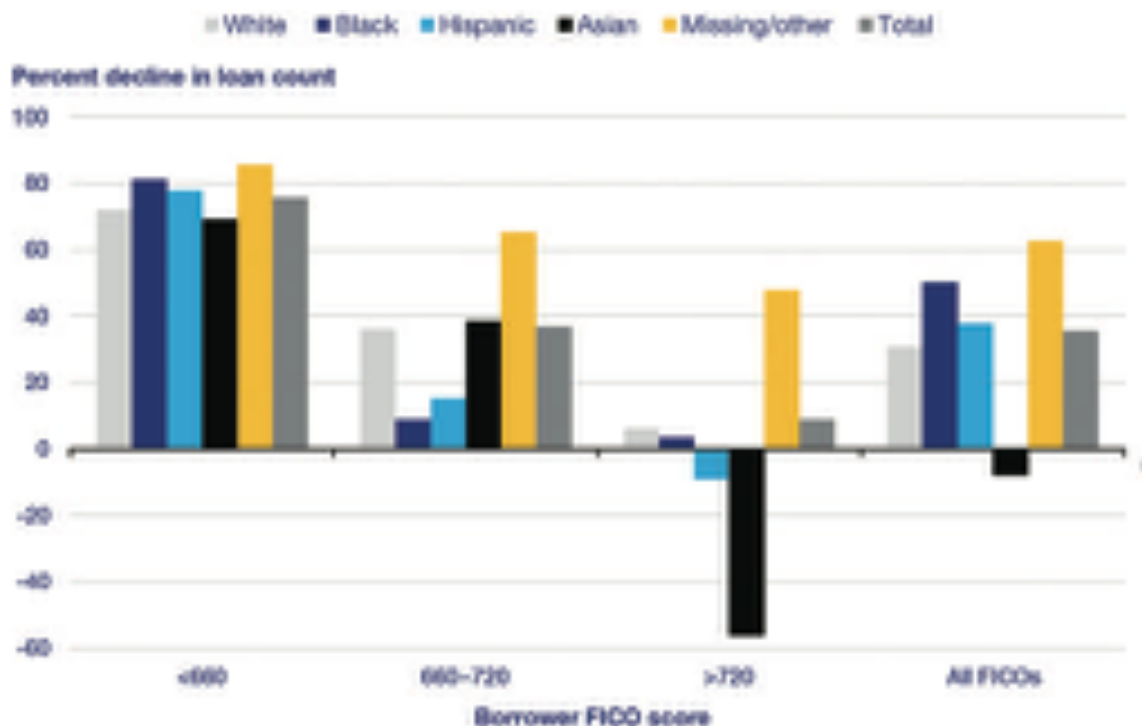
Fannie Mae and Freddie Mac could immediately take major steps to increase conventional mortgage credit access. These changes include requiring lenders to use the most updated and predictive credit-scoring technologies, eliminate LLPAs and set G-fees at a level necessary to insure against future losses and administrative fees, and reinstate FHA's MIP policy to terminate that additional charge when borrower equity reaches 87 percent of the original loan value.

Figure 26. Missing Loans by FICO Score and Race and Ethnicity

Loan category	2001 loan count	2013 loan count	Percent decline	Hypothetical 2013 loan count with 2001 standards	Missing loans: Difference between 2013 hypothetical and 2013 actual
FICO <660	1,310,317	317,474	75.8%	1,193,697	876,222
FICO 660-720	1,314,672	828,657	37.0%	1,197,664	369,007
FICO >720	2,026,327	1,845,980	8.9%	1,845,980	0
All borrowers	4,651,317	2,992,112	35.7%	4,237,341	**1,245,229**

Source: Urban Institute calculations from HM DA and CoreLogic data.
Note: Shares are computed within each race and ethnicity group. Declines are the percent decline in loans from 2001 to 2013.

Figure 27. Decline in Lending Volume by FICO Score and Race and Ethnicity, 2001–13



Source: Urban Institute calculations from HMDA and CoreLogic data.

Further, both agencies should continue to find more effective ways to leverage their distressed loans and foreclosed properties to promote affordable homeownership. This step would not only improve lending to Blacks but also help rebuild communities where buy/sells, deed sales, and gentrification are occurring as a direct result of the financial destruction those communities are subjected to by unregulated mortgage market wrongdoing.

A monumental challenge for both Fannie Mae and Freddie Mac is that neither agency is currently allowed to set to aside reserves for future losses. The terms of their conservatorship currently require that all agency revenue be turned over to the U.S. Treasury. Federal law prohibits them from reserving for future losses. This is ironic, because the government's justification for taking over both firms was a perception that they were inadequately capitalized and in need of imminent capital infusions.

Worse, both firms are required to wind down their current portfolios by 2018. If they are not restructured before then, one or both firms might need to turn to the Treasury for another bailout even though both firms have paid the federal government significantly more than the amounts they borrowed. It is clear that executives at both Fannie Mae and Freddie Mac have a strong disincentive to originate loans to any consumer who might pose a credit risk.

As a result, the executives have an impossible task: Serve the home-buying public broadly while limiting losses to as close to zero as possible.

This is an unreasonable mandate for agency executives regardless of their personal dedication to broadly serve the American public. Federal policymakers should respond now with a meaningful restructuring of Fannie Mae and Freddie Mac so those agencies can best serve their missions as well as protect taxpayers from future housing market losses.

Earlier this year, the Urban Institute launched a series of discussion papers on the future of the housing finance system that included ways to improve homeownership and rental affordability.[102] Those papers offer many refreshing, thought-provoking, and promising ideas about how to repair our broken housing finance system. The ideas there move far beyond the unworkable bills, such as one sponsored by senators Tim Johnson (D-South Dakota) and Mike Crapo (R-Idaho),[103] that failed to gain the political (or housing advocacy) support for passage.

Many Black communities have been devastated by a combination of foreclosed and vacant properties, many of which derive directly from abusive subprime lending. Further, many Black communities continue to struggle to recover from the Great Recession, which had a particularly

negative impact on Blacks; the unemployment rate during its depths soared to 16 percent. Today it remains more than twice that for non-Hispanic Whites.

When the current housing finance system was established in the mid-1930s, housing agencies promoted jobs as well as homeownership. The FHA's focus, for example, in insuring almost exclusively loans for new homes in the suburbs virtually guaranteed a housing construction boom as well as the public infrastructure required to support it. This created millions of new jobs in addition to increased affordable homeownership. The same could be done today in many distressed communities across the nation.

Today, many distressed communities struggle with unemployment rates that exceed the national rate of unemployment during the 1930s Great Depression. At the same time, over the past 80 years, the geographic preferences of American households have shifted dramatically. Americans are rediscovering the attractiveness of cities, so many formerly distressed cities are experiencing remarkable revitalization. But just as the post-WWII movement of non-Hispanic White households to the suburbs excluded the equal participation of African Americans and Latinos, many impressive urban economic recoveries are, again, leaving people of color on the sidelines.

Any attempt to rebuild the nation's housing finance system must take into account the problems the predecessor system caused. The power of housing development and its associated economic engines must be harnessed to both level the playing field with respect to homeownership rates between Blacks and non-Hispanic Whites, as well as ensure that jobs created by the renaissance in our cities are shared equitably with the people who already live in these distressed communities.

Who wins and who loses is being determined largely by household financial capacity, which strongly disfavors Black households. Yet the disparities in wealth and income between Blacks and Whites are due principally to the impacts of segregationist policies developed in the mid-20th century.

Any attempt to rebuild the nation's housing finance system must take into account the problems the predecessor system caused. The power of housing development and its associated economic engines must be harnessed to both level the playing field with respect to homeownership rates between Blacks and non-Hispanic Whites, as well as ensure that jobs created by the renaissance in our cities are shared equitably with the people who already live in these distressed communities.

Summary of Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, Inc.

"Low Income Housing Tax Credits are federal tax credits distributed to low-income housing developers through an application process, and the distribution is administered by state housing authorities. In 2009, the Inclusive Communities Project (ICP), a non-profit organization dedicated to racial and economic integration of communities in the Dallas area, sued the Texas Dept. of Housing and Community Affairs (TDHCA), which administers the Low Income Housing Tax Credits within Texas. ICP claimed that TDHCA disproportionately granted tax credits to developments within minority neighborhoods and denied the credits to developments within Caucasian neighborhoods. ICP claimed this practice led to a concentration of low-income housing in minority neighborhoods, which perpetuated segregation in violation of the Fair Housing Act."[105]

A Bolder Agenda for Housing Finance Reform

The current housing finance system was designed to support new construction in the suburbs. The system has few effective tools to address the challenges presented by comprehensive inner-city redevelopment, particularly in older industrial cities with large lower-income populations and many people of color.

An article included in the Urban Institute's series on the future of the housing finance system, "America Needs a 21st-Century Housing Finance System," proposed that Fannie Mae and Freddie Mac be merged into a new National Housing and Community Investment Corporation (NHCIC).[104]

The new NHCIC would support comprehensive community development, which is essential to equitable urban

Disparate Impact

"Disparate impact analysis considers whether policies or practices have a disproportionate and deleterious impact on protected populations such as people with disabilities, women, families with children, or people of color. To be successful, however, a disparate impact charge requires more than just a simple finding of significantly different outcomes by demographic characteristics of the population. Legitimate business necessity may allow a practice to continue even where it produces disparate results. The disparate impact test seeks only to eliminate only those practices that have a discriminatory impact but either serve no legitimate business necessity or serve a legitimate business purpose that can be accomplished in a less harmful way.[108]

revitalization, as well as being responsive to rural investment needs. This would include comprehensive mixed-use redevelopment incorporating owner-occupied and rental housing, retail and commercial space, and the accompanying community infrastructure. This new function could be accomplished via a new generation of community-development tax credits, tax-preferred municipal bonds, direct federal loans or guarantees, or incorporating a fully developed infrastructure bank.

The ability to pursue broad-based community investment as part of its housing finance mission would enable the NHCIC to work with communities on long-term development strategies and near-term opportunities. The new community development infrastructure function would provide low-cost funding to developers who meet criteria related to local community benefits. There are many ways to design this financing vehicle, and adding this function within the new housing finance system would provide more integrated, long-term, and sustainable investments, as well as quality construction-related job growth, in many communities that need it the most. And having this function within the NHCIC is not completely new; for many years, Fannie Mae employed community-development experts who performed many of these new functions.

Although the National Association of Real Estate Brokers (NAREB) has not endorsed the idea that Fannie Mae and Freddie Mae be merged, the association strongly supports the elements of the proposal, specifically to produce broad-based comprehensive community investment. This function would allow the housing agencies to leverage jobs and wealth mobility for Blacks and other minorities the way it has served non-Hispanic Whites for more than 80 years.

The pursuit of a more comprehensive and impactful housing finance system should not delay those changes that can and should be made to improve safe, affordable, and sustainable lending now—specifically, incorporating updated credit-scoring technologies, adjusting guarantee and insurance fees, and better leveraging distressed and foreclosed properties to stabilize and rebuild communities.

Finally, although legislation is the most effective way to achieve equal access to opportunities, the courts have often provided the path to greater civil rights legislation. On June 25, 2015, the Supreme Court, in the case of Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, Inc.[106] affirmed the validity of the use of the "disparate impact" test to determine the existence of discrimination.

The pursuit of a more comprehensive and impactful housing finance system should not delay those changes that can and should be made to improve safe, affordable, and sustainable lending now—specifically, incorporating updated credit-scoring technologies, adjusting guarantee and insurance fees, and better leveraging distressed and foreclosed properties to stabilize and rebuild communities.

This ruling was a major victory for civil rights advocates. It can be extremely difficult, if not impossible, to demonstrate "intent" to discriminate in an era in which discrimination has become institutionalized in systems and processes that on their surface appear to be impartial while in practice they have a demonstrably and significantly negative impact on protected-class households.

Disparate impact theory is neither new nor novel; it is a legal tool that has been accepted by the courts for more than 40 years. Yet, while disparate impact analysis has a long history of use in both judicial and regulatory environments, it continues to raise controversy because it does not hinge on whether private institutions intend to discriminate. The practice of being held legally responsible for one's actions regardless of whether one intends to

cause harm is infused throughout our legal system. And failing to know whether one is violating the law is also no immunity from prosecution.

Individual who get behind the wheel of a car after drinking will be legally accountable for driving under the influence, regardless of whether they were aware that their alcohol toxicity level was over the legal limit. And they will be accountable for any damage or harm they cause regardless of whether they intended to cause harm or injury.[107] Lenders and federal agencies alike must be held accountable for ensuring their roles in the housing market are not discriminatory.

Many of the processes and technologies that the home mortgage finance system relies upon have meaningfully negative and disparate impacts on Blacks while, at the same time, alternative processes and systems exist that would achieve the same business goals for financial institutions while removing biased impacts on Blacks. If policymakers and regulators are unwilling to grant Blacks rights to equal credit access rights, advocates may want to consider a more expanded strategy to challenges that are vulnerable to a disparate impact test.

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Part II Closer Examination of Housing and the Economy

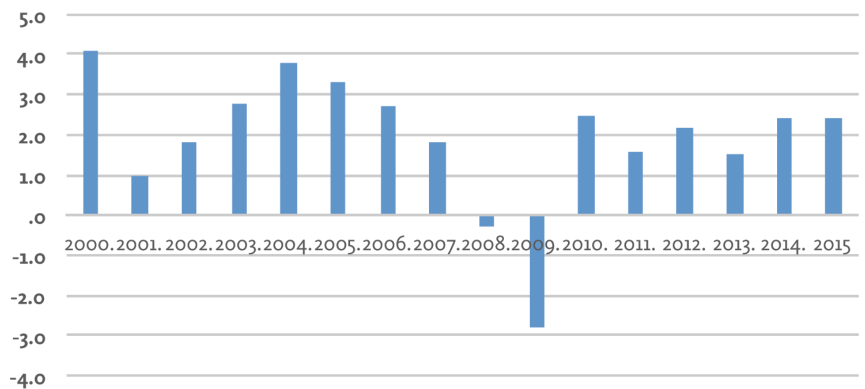
Fred McKinney and Gerald Jaynes

Introduction

Among all Americans, homeownership rates are at a 30-year low. But Black homeownership remains 20 points below the national average. Nationally, the rate of homeownership in 2016 is 63.5 percent.[1] For non-Hispanic White households, the homeownership rate in 2016 is 72.1 percent. For Black households, the rate of homeownership is 41.5 percent.[2]

There were an estimated 16.4 million Black households in the United States in 2015; at a rate of 41.5 percent, that means there are 6.8 million Black homeowners. If Blacks had the same homeownership rate as non-Hispanic Whites, there would be 11.8 million Black homeowners—an increase of almost 5 million.

Figure 1. Changes in Real GDP 2000–15



Source: Economic Report of the President, 2016. Government Printing Office.

The potential additional wealth accumulation of 5 million homeowners at average home prices of $250,000 is more than $1.25 trillion in Black wealth. This increase in wealth due to homeownership would make a significant dent in the wealth gap between Black households and White households.

Homeownership is the glue that builds neighborhoods and communities. Homeowners protect their investments, and demand more and better public services. The public sector historically has been more responsive to owners than to renters. Imagine the impact of turning 5 million Black households from renters to owners would have on communities around the country: Education, police, and fire services—along with other basic services like sewage treatment and electrical, cable, and Internet—would improve.

This chapter explores the economic factors preventing Blacks from owning homes at the same rate as non-Hispanic Whites. These factors include the general economy, labor force participation, wealth and household income, housing prices and housing inventory, mortgage interest rates, homeownership rates, and considerations in the decision to buy or rent. It concludes with a discussion of Black-owned businesses and Black-owned banks, the effect of urban blight and gentrification, and thoughts about the future.

The Great Recession took an enormous toll on the American economy. Real Gross Domestic Product (GDP), the broadest measure of economic well-being, is defined as the final value of all goods and services produced in a given period of time. Figure 1 illustrates the changes in real GDP from 2000 to 2015. After peaking in 2004, growth slowed from 2005 to 2007 and then turned negative during the Great Recession of 2008 and 2009 before turning positive in 2010.

The economic downturn started in financial markets, where speculation and the unsustainable thirst for mortgage assets by Wall Street financial firms led to widespread lender fiduciary failure and abuse of borrowers. Many lenders approved loans without requiring information on borrower income and credit history. Lenders abused borrowers by steering many into the subprime market where mortgages with low initial interest rates were destined to rise to unaffordable levels for many borrowers. The Federal Reserve, in a post-crisis study, concluded that

60 percent of subprime borrowers should have qualified for less risky conventional loans. These predatory steering practices were particularly targeted at Blacks, Hispanics, and first-time borrowers. According to a recent study by Patrick Bayer, Fernando Ferreira, and Stephen L. Ross,[3] highlighted in *The Atlantic:*

> *". . . race and ethnicity were among two of the key factors that determined whether or not a borrower would end up with a high-cost loan, when all other variables were held equal. According to them, even after controlling for general risk considerations, such as credit score, loan-to-value ratio, subordinate liens, and debt-to-income ratios, Hispanic Americans are 78 percent more likely to be given a high-cost mortgage, and black Americans are 105 percent more likely."*[4]

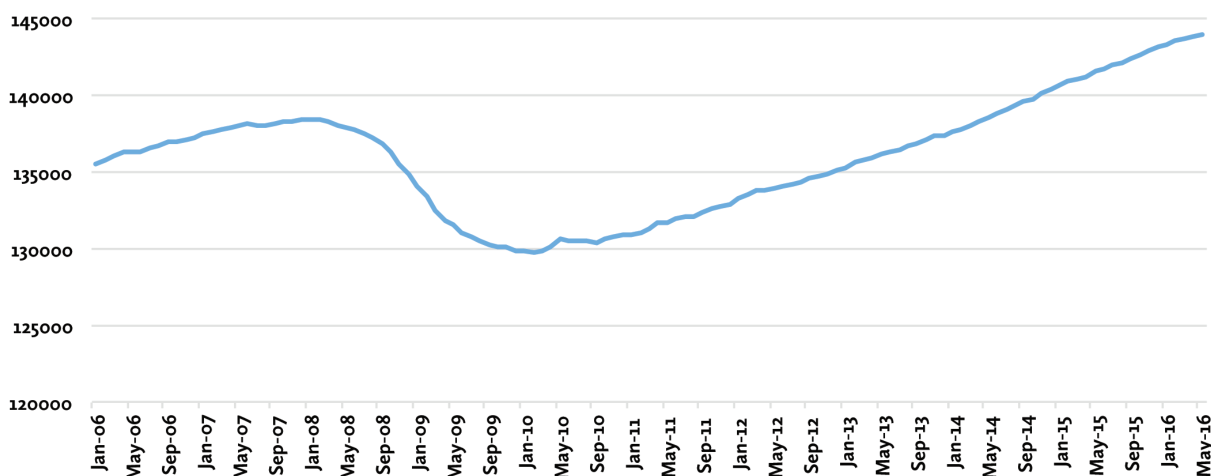
The growth of subprime mortgages in a frothy housing market, where home prices seemingly had no upward limit, made the mortgage decision appear easy for both the borrower and the originator of the loan. Originators of home mortgages, in particular, had no incentive to make prudent lending decisions: As soon as the loans were made, they were sold to Wall Street firms that used the mortgages to form mortgage-backed securities. These securities promised ignorant investors the returns experienced in the housing market without having to own the property. It was these mortgage-backed securities—built on a foundation of lender fiduciary failure and predatory lender abuses—that led to the speculative bubble that collapsed in 2008.

With the housing market collapse, Wall Street firms and commercial banks also collapsed—and credit for housing and business dried up. The snowball effect of this deep and widening economic downturn required the largest intervention by the federal government since the Great Depression of the 1930s. Congress passed and President George W. Bush signed the Troubled Asset Relief Program Act (TARP), which injected more than $700 billion into the U.S. economy to shore up the nation's financial institutions and the Big Three automakers (General Motors, Ford, and Chrysler).

But the damage that began in 2008 worsened in 2009 as the number of unemployed in the labor force grew by an average exceeding 600,000 per month (figure 2). The increase in unemployment was the direct result of the collapse in business credit added to the understandable decline in consumer confidence and its impact on consumer spending. As unemployment increased in early 2009, at the start of President Barack Obama's administration, many homeowners who were now in the growing army of the unemployed could no longer afford their mortgage payments. Mortgage defaults became increasingly common. The crisis soon included a number of other factors: rising homeowner defaults, growing unemployment, falling home prices, declining prices of mortgage-backed securities, declining business lending, and declining consumer spending. The circular spiral of these multiple factors posed an existential crisis for the U.S. and world economy like nothing seen since the Great Depression.

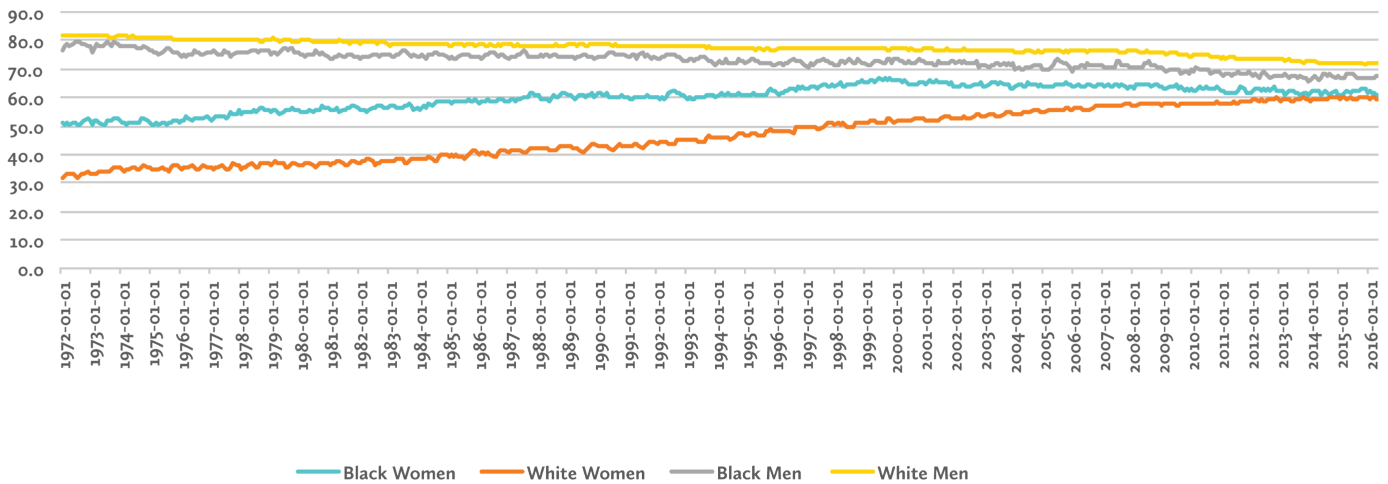
This depressed environment had an especially negative effect on Black households and homeowners. The "last hired, first fired" syndrome was now in full effect. Black unemployment soared from just over 8 percent in 2007 to more than 16 percent in 2010. If Blacks had the same unemployment rates as Whites, more than 1.1 million would have been able to keep their jobs. In addition, 1 million Black workers dropped out of the labor force

Figure 2. Monthly Change in Nonfarm Employment 2006–16



Source: Center on Budget and Policy Priorities.

Figure 3. Labor Force Participation Rates by Race and Gender, 1972–2016



Source: Bureau of Labor Statistics. Current Population Survey.

entirely, because job prospects had become so bleak. The proportion of Blacks employed or actively looking for employment (LFPR) declined from 63.8 percent in 2004 to 61.0 percent in April 2016.[5] Since the unemployment rate treats workers as employed regardless of how many hours they work, even these dismal numbers underrepresent the situation: The number of part-time workers more than doubled between October 2007 (4.2 million) and September 2010 (9.3 million).

Labor Force Participation

Unemployment is defined as a state of not working at any job for any amount of time while simultaneously actively seeking a job. Added to the number of underemployed workers, those working part-time instead of the desired full-time, is the number of Black workers who simply gave up looking for work. These are known as discouraged workers. In May 2016, the unemployment rate plus the discouraged worker rate plus the rate of workers working part-time for economic reasons totaled 9.7 percent, while the official unemployment rate for all workers was 5 percent. If this discouraged worker rate was almost double for all workers, we comfortably estimate it is more than double for Black workers.[6]

Underemployment and low labor force participation continue to be disproportionately experienced in African American communities. Part-time employment may be a choice for some, but when it is not a choice, workers may be unable to earn enough to adequately care for themselves and their families. According to the Bureau of Labor Statistics, in March 2016, 6.1 million Americans were working part-time but wanted to work full-time.[7] This number was down from the previous year, when the number of part-time workers for economic reasons totaled 6.7 million workers. This category peaked at 9 million in August 2009.[8]

Table 1. Ratio of Part-Time Workers for Economic Reasons to Full-Time Employees, March 2016

	Men 25+	Women	Teenagers
White	2.5%	3.9%	22.9%
Black	4.1%	6%	440%

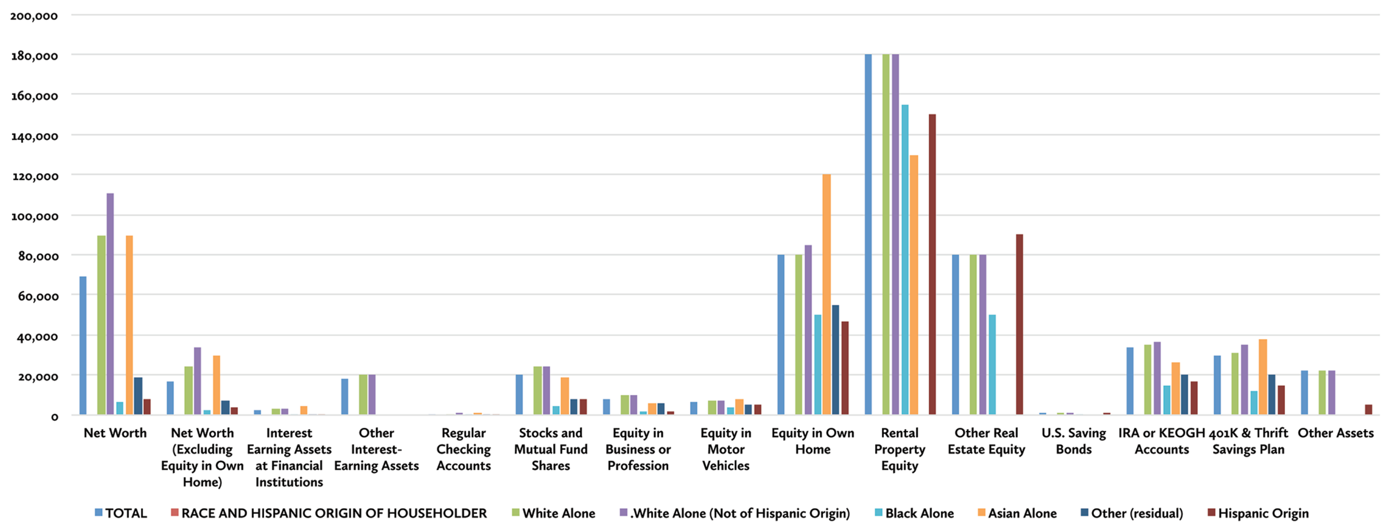
Source: Bureau of Labor Statistics. 2016. Labor Force Statistics from Current Population Survey.

Similar to the unemployment experience of African Americans compared to the general population, the percentage of African Americans who are working part-time for economic reasons is significantly higher.[9] Table 1 shows the percentages. In effect, for every Black teenager with a full-time job, there are 440 Black teenagers who are looking for a full-time job![10]

Labor force participation is a key determinant of economic well-being. To be included in the labor force, a person must be either employed or unemployed. For many years, the labor force participation rate has been declining for men and increasing for women and for all racial and ethnic groups.[11] As a result, these rates have converged over time.

The total LFPR was 66.6 percent in 1994. As of March 2016, it had declined to 62 percent. It declined for all races and genders, with the exception of Black women, for whom the LFPR has remained relatively constant at 60 percent over the period 1994 to March 2016.

Figure 4. Sources of Wealth by Race and Ethnicity, 2011



Source: U.S. Census Bureau, Survey of Income and Program Participation.

Wealth and Household Income

The issue of Income and wealth inequality has been a hot topic in the 2016 presidential campaign. While the income gap has drawn the most attention, perhaps because it can be discussed without having to bring in issues of race and ethnicity, it is hard to talk about the wealth gap without discussing race. While the Great Recession reduced wealth across all racial groups, it also increased the wealth gap between Blacks and Whites, and between Hispanics and Whites.

According to the Pew Research Center, median White wealth declined from 2007 to 2010 from $141,000 to $138,000, but then grew 40 percent by 2014.[12] In contrast, Black wealth grew from $11,000 in 2007 to $16,800 in 2010 and then to $19,200 in 2014. Over this entire period, the gap between Whites and Blacks grew from $130,000 per household to $173,800, an increase of 33.4 percent. More significantly, in all 3 years, median Black wealth was about 1 percent of median White wealth.

There are several ways Americans create wealth:

- homeownership,
- entrepreneurship,
- savings and investments,
- inheritance, and
- luck.

Figure 3 shows all of these sources of wealth except inheritance and luck. Homeownership is the largest single contributor to net worth. Black equity in homes is $35,000 less than White equity. This is the result of the combination of fewer homes with lower value, often the result of housing market and financial discrimination. Because discrimination was the norm until recently, and homeownership is a long-term investment, the legacy of historic discrimination remains with us today.

Wealth creation is also highly correlated with educational attainment. This is important: Solving the wealth gap is related to solving the achievement gap, the opportunity gap for Black workers, and the entrepreneurial gap for Black business owners. The wealth gap is both a cause and an effect of these other major societal problems.

Household income is one of the key determinants of homeownership. In 2014, White median household income of $60,256 was 70 percent greater than Black median household income of $35,398.

Higher unemployment, higher underemployment, lower labor force participation rates, labor market discrimination, differences in the quality and quantity of education, the location of jobs, and access to transportation contribute to lower incomes for Blacks and a lesser ability to accumulate assets, including homes. But even when comparing the labor market experience of Blacks to Whites, there continue to be significant disparities. Racial and ethnic income inequality is a persistent feature of American society.

Consider median weekly earnings for full-time employees in 2015. Table 2 shows the difference in dollar amounts. Black men earned 74 cents for every $1 earned by White men, and Black women earned 83 cents for every $1 earned by White women.[13]

While much of this disparity can be explained by location, human capital factors, industry, experience and other economic factors, the size of the differences is partly the result of a noneconomic factors: racial discrimina-

Table 2. Median Weekly Earnings for Full-Time Employees in 2015

	Men	Women
White	$920	$743
Black	$680	$615
Black/White	.739	.828

Source: Bureau of Labor Statistics. 2016, March. Labor Force Statistics from Current Population Survey.

tion in the labor market.

A job applicant's first name is one example of a non-economic factor at work.

Marianne Bertrand and Sendhil Mullainathan conducted a study[14] on the impact of first names on the probability that prospective workers would get a return call after sending resumes that were identical in all other respects. Applicants with "African-American-sounding names" received 50 percent fewer callbacks than prospective workers with "White-sounding names."

Those with a lower income often find it difficult to save money. Prospective homeowners need to have savings in order to make the down payment necessary to secure a mortgage. Conventional mortgages require a 20 percent down payment. For a single-family home priced at the median, $200,000, a borrower would need to have $40,000 in savings to secure a conventional loan. There are nonconventional loans that lower-income borrowers can secure, but even then more than $10,000 would be needed just to make a 5 percent down payment—and there are other costs to consider. Unquestionably, income inequality contributes to lower homeownership rates for Blacks and Hispanics.

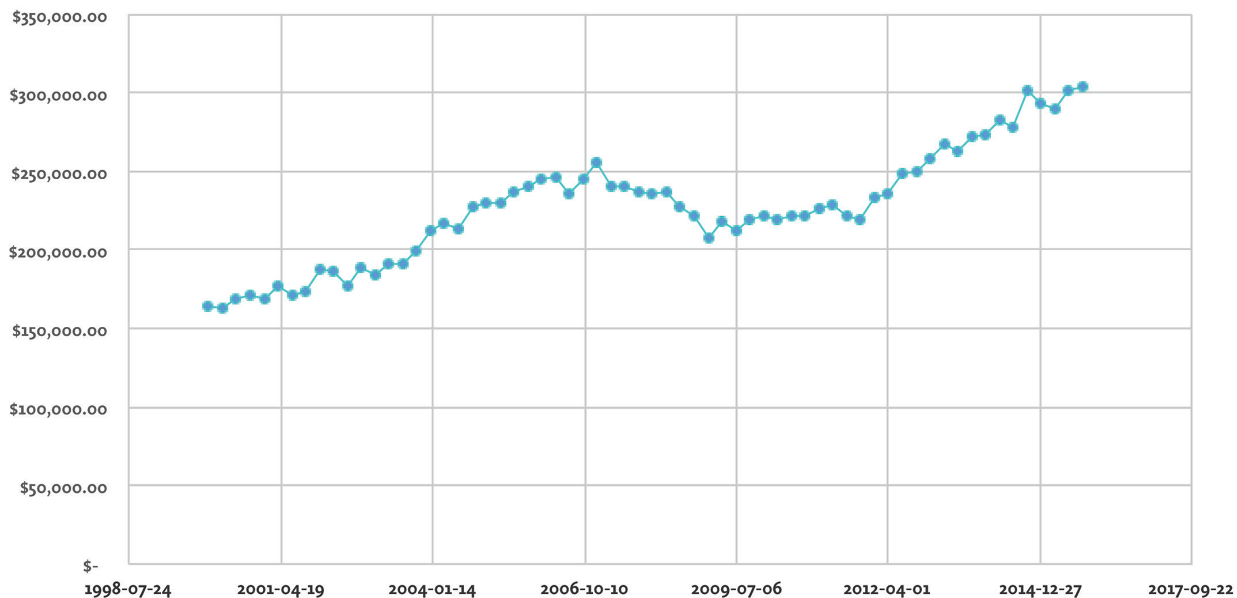
Housing Prices and Housing Inventory

Macroeconomic and labor conditions are factors that work on the demand side of the housing market equation. Equally important are factors that affect the supply of housing. Without adequate supply, housing prices increase, making it more difficult for first-time buyers to enter the market. Housing starts peaked in January 2006 at 2,273,000 units. In January 2009, the lowest point in the housing crisis, housing starts had fallen to 718,000. By February 2016, new housing starts had increased to 1,178,000 units. This represents a recovery compared to the 2009 low, but it is still 93 percent below the pre-crisis peak.[15]

At the same time, foreclosures on homes increased dramatically, leading to an explosion of real estate owned (REO) properties on bank balance sheets. According to Core Logic, foreclosures have continued to decline since the worst part of the Great Recession. The foreclosure inventory declined from 761,000 units in February 2014 to 549,000 in January 2015.[16]

The combination of reduced supply from foreclosed units and relatively lower new housing starts partially explains rising housing prices. These are market forces at work. Rising prices have the positive effect of moving

Figure 5. Median Price of New Homes Sold, 2000–15



Source: Federal Reserve Bank of St. Louis. Federal Reserve Economic Data.

more homeowners out of negative equity (that is, underwater), where the amount owed on a property is greater than the market value. This helps them start to generate wealth. For first-time homebuyers, however, this market shift makes homeownership less possible.

Mortgage Interest Rates

Mortgage interest rates have trended downward since 2000. The decline in mortgage interest rates is likely the result of more capital entering the market to fund homeownership. This increased capital is largely the result of expansionary policies of the Federal Reserve.

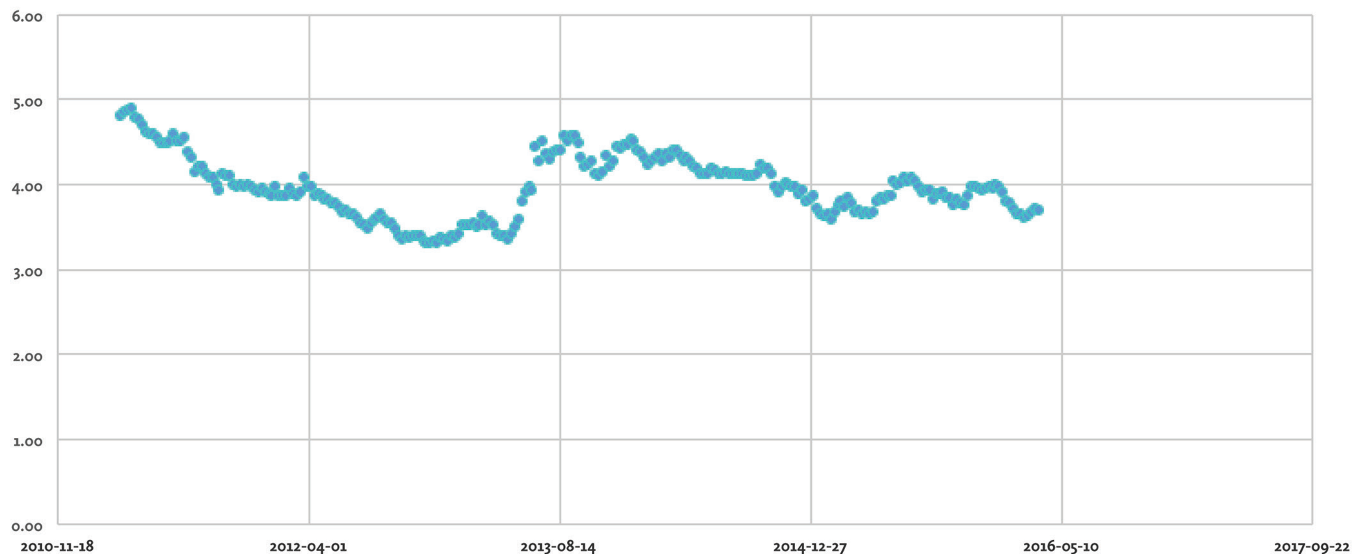
Two distinct periods of aggressive Federal Reserve policy are noted. The first was the reaction to the 2000–01 recession that was precipitated by the dot-com bubble and bust. In an effort to contain this financial crisis, the Fed injected billions of dollars into the financial market resulting in lower rates. In fact this policy is directly tied to the subsequent housing boom that took place following the 2001 downturn.[17]

The second mortgage rate decline was the result of the Fed's response to the Great Recession. Quantitative Easing (QEI)[18] was followed by several additional rounds of expansionary monetary policy. These continue today. These policies led directly to lower interest rates, including mortgage rates. This latest round of Federal Reserve intervention was different from previous rounds: In addition to purchasing U.S. government securities, the Federal Reserve purchased billions of dollars of mortgage-backed securities, thus propping up their prices and providing needed liquidity to the financial system. Both periods of rate reduction were intended to spur economic growth.

Housing as a long-term wealth-building asset is based on its appreciation in absolute and relative terms. The median price of a house in January 2000 was $163,677. By October 2015, median housing prices reached $304,000. This amounts to a 3.91 percent annual return. If $202,000 were invested in a 2 percent commercial bank savings account over this same period it would have grown to $277,181. In contrast, with significantly more risk, $202,000 invested in the stock market in January 2000 would have generated $231,043, a return of .85 percent (figure 10). Both housing prices and stock prices fluctuated during that 16-year period. Despite the housing crisis, an investment in a home offered a higher return over this period—and a home is an asset that the investor can actually use.[19]

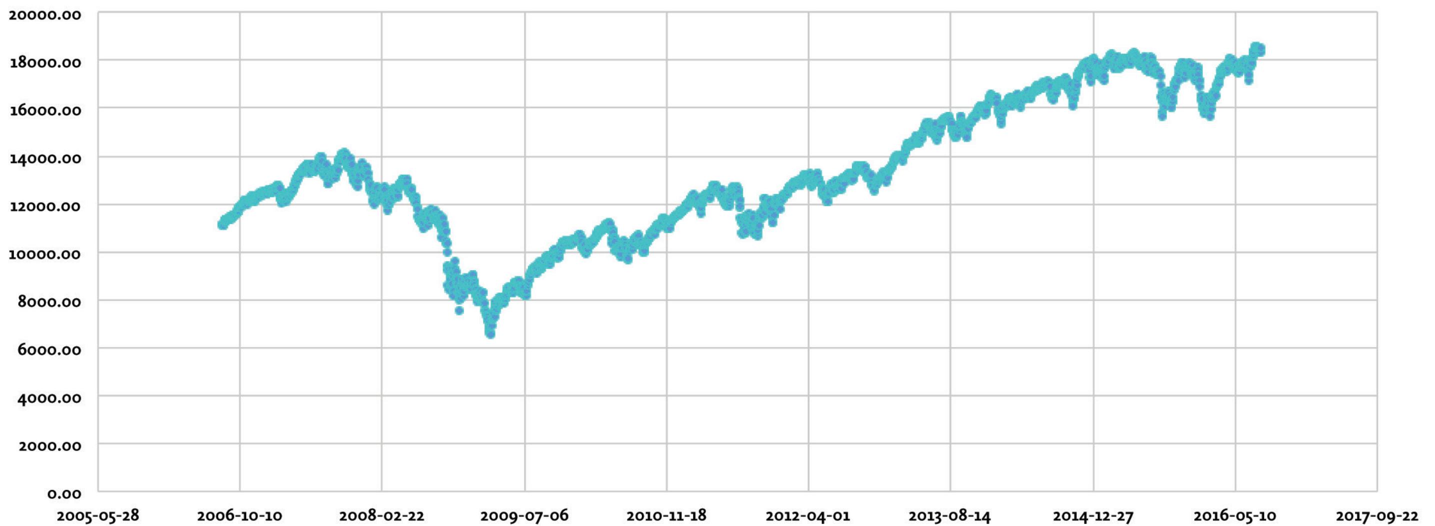
Considerations in the Decision to Rent or Buy

There is a debate over whether renting or owning a home is the best strategy for wealth-building. The variables that determine whether owning is better than renting depend on factors such as investable savings, income, average monthly rent compared to mortgage payments, taxes, expenses, and rental rate increases. For many Blacks, there is no choice. They are renters. For Black households, homeownership rates are lower than for the general pop-



Source: Federal Reserve Bank of St. Louis. Federal Reserve Economic Data.

Figure 7. Dow Jones Industrial Average, 2007–June 2016



Source: Yahoo Finance.

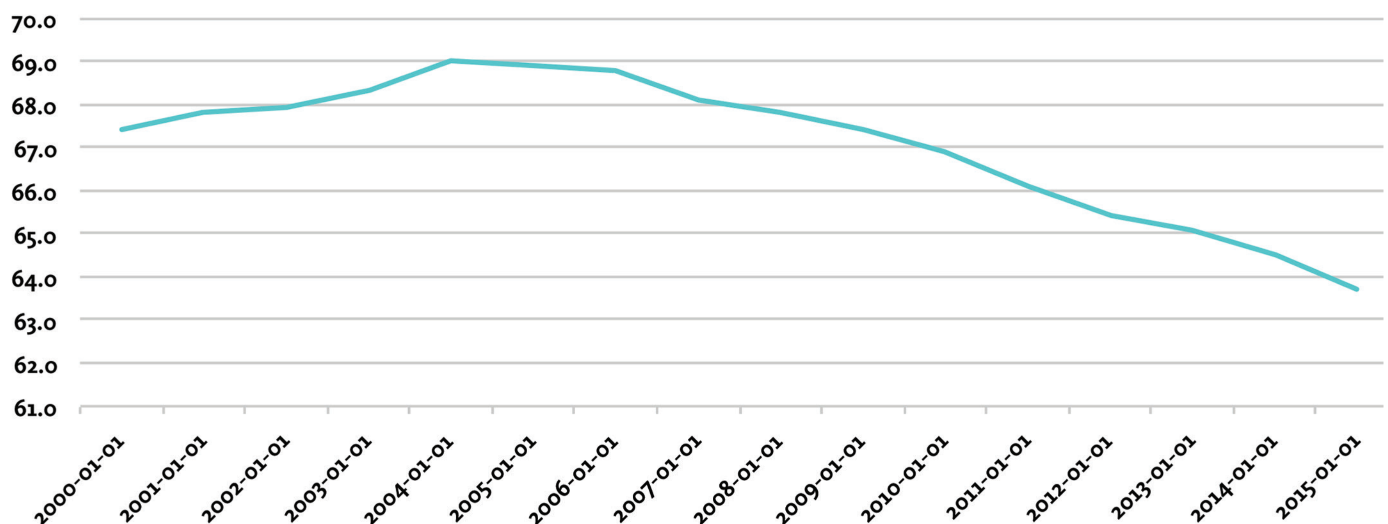
ulation and other minority groups, even controlling for these factors. The disparity in Black ownership is correlated with lower levels of income and wealth. It appears that Blacks can and should own more homes.

The comparison of renting versus owning misses an essential fact: Renters likely help to create wealth for the owners. If it is true that most owners of the rental property from whom Blacks renter are not Black, this arrangement further worsens the distribution of wealth across racial and ethnic groups.

The supply of housing and economic conditions affects rents as well as homeownership. Since 2006, median rents in the United States have increased from $862 per month to $934 per month in 2014. U.S. vacancy rate are down to 6.32 percent from a high of 8.3 percent in 2009.[20] The increased demand for rental units was a direct reflection of the financial crisis and falling housing prices. It is likely that many of these new renters were once homeowners.

In some markets, rental affordability has become a major problem. In lower Fairfield County, Connecticut, according to a 2010 study, a renter would have to earn $34.62 per hour (over $72,000 annually) to afford a modest two-bedroom apartment without spending more than 30 percent of their income on housing. The real estate company Zillow has an online affordability calculator based on after-tax income and allowing for other debt

Figure 8. Homeownership Rates, 2000–15



Source: U.S. Census.

payments.[21] This calculator estimates that a person working at the federal minimum wage of $7.25 per hour working full-time with monthly debt of $400 would be able to afford a monthly rent of only $418 per month. This is an affordability crisis that not only is damaging to households, but is also a problem for businesses that need to attract affordable labor.

Homeownership rates for all Americans are currently at a 30-year low. Black homeownership remains 20 points below the national average. Nationally, the rate of homeownership in 2016 was 63.5 percent.[22] For non-Hispanic White households, the homeownership rate in 2016 was 72.1 percent. For Black households, the rate of homeownership that same year was 41.5 percent.[23]

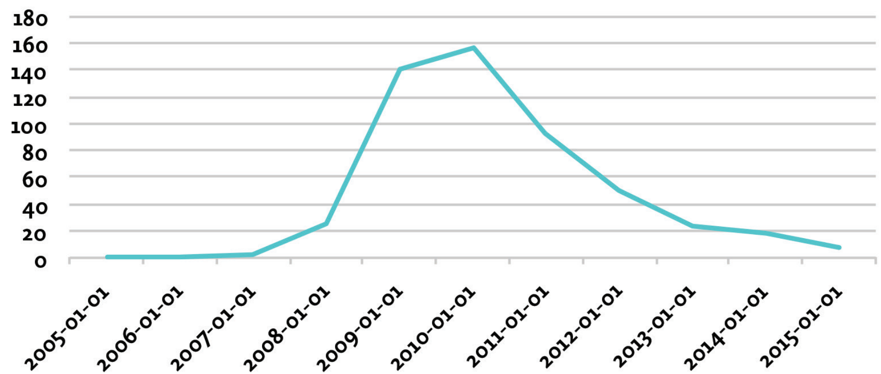
The persistent gap between homeownership rates for Whites and Blacks, through high-interest rate environments and low-interest rate environments and through economic expansions and contractions, suggests that closing the homeownership gap can be addressed only by policies that close wealth and income gaps and fundamentally change the process of mortgage lending.

One consideration in the low rate of Black homeownership is the rate at which Blacks apply for and succeed in obtaining home mortgages. Blacks are less likely to apply for mortgage loans than Whites, and the rate of success when applying for loans is less for Blacks compared to Whites.

California is used as an example because it was at the epicenter of the housing crisis.

An analysis of the Home Mortgage Data Act in the State of California for 2005, 2010, and 2014 shows how much the demand for mortgage loans declined during the Great Recession. For Blacks, the number submitting mortgage loan applications declined from 273,000 in 2005 to less than 44,000 in 2010, with only a slight increase from 2010 to 2014. It is impossible to determine from the data whether this dramatic decline in loan applications was the understandable result of people witnessing thousands of homeowners lose their homes to foreclosure, or whether there was a perception that banks were simply not going to lend. We do know that the financial crisis led banks to almost completely shut down their lending operations. So both demand and supply for mortgages declined during the Great Recession.

Figure 9. Number of Commercial Bank Failures, 2005–15



Source: Federal Reserve Bank of St. Louis. Economic Research.

Black-Owned Business and Black-Owned Banks

Black-Owned Businesses

According to the U.S. Department of Commerce Minority Business Development Agency, there were an estimated 2.6 million Black-owned firms in 2012, but only 109,000 had employees. The average gross receipts for Black-owned firms with employees was $948,000; average gross receipts for nonminority firms was $2,337,000.[24]

There is a relationship among black wealth, homeownership, and black entrepreneurial success. Most entrepreneurs get their first significant investment from the equity in their homes or from the savings of family members. Because of the lower homeownership rate and the lower value of homes owned by Blacks and the smaller amount of equity in those homes, Black entrepreneurs have greater difficulty when starting and growing their businesses.

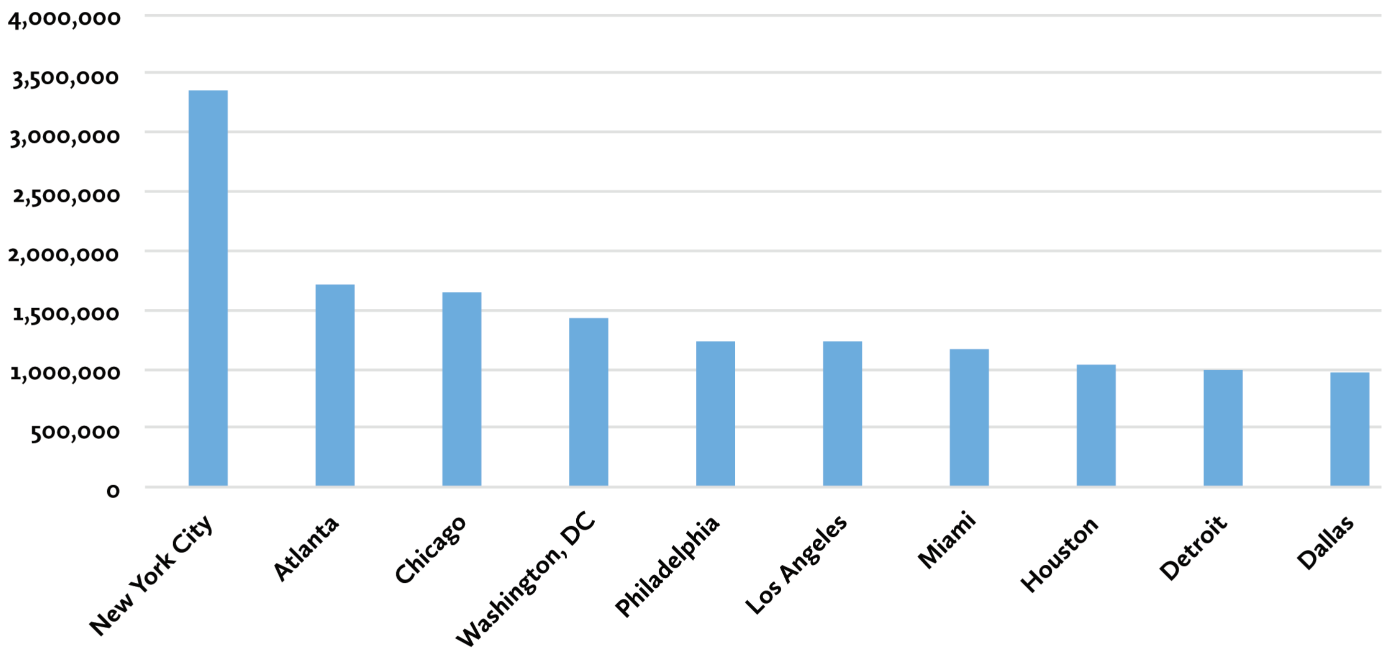
Black-Owned Banks

The Great Recession took its toll on banks. The FDIC, in its regulatory role responsible for safety and soundness, closed, forced sales, or liquidated 466 commercial banks between 2008 and 2012.[25]

Black-owned banks were among the hardest hit. As of August 2014, there were only 21 Black-owned banks left in the United States. As recently as 1994, there were 54 Black-owned banks[26] The combined assets of these 21 surviving institutions was $4.3 billion, less than 1 percent of the total income of all Blacks. These institutions are truly an endangered species.

The decline in the number of Black-owned banks is a reflection of the economic vitality of the communities they once served, often as the only institution that treated Black financial consumers with respect. As middle- and upper-income Blacks moved out of segregated Black communities

Figure 10. Metropolitan Areas with Largest Black Populations in 2010



Source: U.S. Census. Black Population 2010: U.S. Census Briefs.

into more integrated parts of town, they often took their money out of these institutions. More importantly, perhaps, the next generation of Black financial consumers had options to conduct their financial business with other larger national institutions. The four largest commercial banks, JP Morgan Chase, Bank of America, Citigroup, and Wells Fargo, had combined deposits in 2014 of $4.5 trillion.[27] Just these four institutions represented more than 43 percent of all deposits nationally.[28] In this highly concentrated industry, it is difficult for smaller institution to thrive. These large institutions have successfully harvested the assets of communities across the country.

Urban Blight, Gentrification, and Black Homeownership

"According to the Census, the total number of vacant housing units in the United States grew by over 4.5 million from 2000 to 2010, an increase of 44 percent. While empty houses are everywhere, they are disproportionately found in many older industrial cities, particularly those that have lost much of their population and job base over the past several decades. Boarded houses, abandoned factories and apartment buildings, and vacant storefronts are a common part of the landscape in large cities like Detroit, Buffalo, and Philadelphia, and a host of smaller cities such as Flint, Gary, and Youngstown."[29]

Blacks are concentrated in urban America and in the rural South. Almost 15 million of the 40 million Black Americans live in 10 large metropolitan areas. These are areas that simultaneously suffer from urban blight and urban gentrification. The dynamics are masked when looking at the metropolitan area and not the politically defined city that is the economic driver of the area.

Take, for example, the District of Columbia. In the 1960s and 1970s, Washington, DC, was affectionately known by its residents as "Chocolate City and its vanilla suburbs." In the 1970 census, Blacks represented a historic high of 71 percent of the District's population. By 2014, the Black population of the District had fallen to 49 percent.[30] Black homeowners have been bought out by Whites and others, with many Blacks moving to the Maryland suburbs of Prince George's and Montgomery counties.

J. Rosie Tighe, James Wright, Robert Renner, and Derek Hyra looked at the racial impact of gentrification in the District of Columbia and concluded:

"For instance, Washington, DC (DC) was once known as Chocolate City due to its majority Black population and its plethora of Black political officials. In the 2000s the city experienced "wildfire" gentrification, led by an influx of thousands of new White residents into its low-income minority neighborhoods. Since 1973 the DC city council was majority Black, but with recent demographic and redevelopment shifts its city council, as of 2015, is now majority White."[31]

As this transformation of Washington, DC, has occurred, there has also been a dramatic change in the prices of housing in the city, making it all but unaffordable for most Blacks to buy the houses that come on the market from the continued flow of Blacks leaving. This dynamic is also being seen in several other major American cities. City living has become popular again. And with this popularity, housing prices and rents are increasing—and Blacks are being pushed out.

The Future

This analysis leaves us with several questions:

Are there any forces in the economy and in policy that will lead to a closing of the homeownership gap between Blacks and Whites?

What will need to be done to close the gap if there are no "natural" forces leading to such a transformation?

The best forecast of the future is to expect what has most often happened in the past. But the status quo is not a particularly sanguine forecast for Blacks. It is likely that without significant federal intervention, without changes in the lending practices of financial institutions, without changes in perceived attractiveness of homeownership among Blacks and changes in income and wealth, Blacks will continue to underinvest in homeownership.

The work of NAREB to increase Black homeownership is needed. It deserves support and attention.

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17 The response of the Federal Reserve to a recession is to buy U.S. government securities. This purchase of bonds drives up bond prices and lowers their yields. As yields of government securities decline, interest rates on other financial assets (e.g., mortgages, corporate bonds, and business loans) also decline. The specific purpose of the Federal Reserve's action is to lower interest rates, which they hope increases the demand for mortgages and business loans, thus spurring economic activity.

18 Quantitative Easing was the name given to the Federal Reserve's expansionary monetary policy. The intervention was large and significant (quantitative) and it injected more money into the financial system "easing" the amount of money flowing in the system and the ability of financial institutions to provide credit.

19 Rate of return analysis is extremely sensitive to picking the start and end times. It is possible to show that over certain time periods the order could be reversed. But these dates are selected because they are long-term and the start of this century has some appeal as a start date.

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Part III Conclusion

James H. Carr

Nearly half a century after the passage of the Fair Housing Act, Blacks continue to be denied equal access to mortgage credit. Within the policy and regulatory arenas, the challenges confronting Blacks with respect to achieving equal credit access seem to merely be statistics to be measured, reported upon, discussed, and debated. Actions to achieve equal access are perpetually denied.

Today, mortgage processing systems purport to deliver high-quality service for customers while offering efficiency to businesses. Yet while companies may benefit from efficiency, the current mortgage does not deliver adequate services to Blacks. A housing market that is relatively free of blatant discrimination is not the same as having a market free of discrimination. Failing to fix systems that consistently produce disparate impacts, particularly in instances where relatively minor modifications to existing process could reduce or eliminate those biases, is unacceptable.

It's time for policymakers and regulators to take seriously the rights and needs of Black America and provide Blacks the opportunity to build wealth, provide inheritances to their children, and stabilize their communities.

Between the years 1934 and 1936, the federal government established the Homeowners Loan Corporation, FHA, Fannie Mae and Federal Home Loan Bank System. This complex and thoughtfully designed financial infrastructure increased the homeownership rate for non-Hispanic Whites from the mid-40 percent range during the Great Depression to more than 70 percent today. But today, simply incorporating updated credit-scoring models appears to be an insurmountable challenge for regulators.

Equally important, the greatest gains in homeownership for non-Hispanic White households were achieved prior to the mortgage market's access to or reliance on credit scores, risk-based pricing, automated underwriting, securitization, access to global financial markets and more. It's time for policymakers and regulators to take seriously the rights and needs of Black America and provide Blacks the opportunity to build wealth, provide inheritances to their children, and stabilize their communities.

Finally, it's important for regulators and policymakers to acknowledge the damage that decades of housing market discrimination has had in Black communities across the nation. Hyper-segregation, concentrated poverty, and distressed labor market conditions are largely the result of a denial to Black America of their rights to be free of discrimination. Repairing the serious harms to Black communities will require more than improved access to mortgage credit. Blacks need and deserve the housing finance system to leverage housing and community investment to also create jobs and economic opportunity.

Better serving the needs of Black America to increase homeownership and transform distressed areas into vibrant communities will benefit families, local economies and America.

Appendix

Methodological Note and Tables

The analysis presented in this section is based on Home Mortgage Disclosure Act (HMDA) data from 2004 to 2014, and focuses on first-lien loans for the purchase of one- to four-family owner-occupied homes. Data are for the United States, excluding Puerto Rico. Records for which no state information was reported were omitted. Only records with no quality or validity edit failures are included in the analysis. In addition, omitted are the records for loans purchased by the institution, as well as those reporting that a preapproval request was denied by the financial institution and those reporting that a preapproval request was approved but not accepted. Following the Federal Reserve's practice, applications are placed in one category for race and ethnicity.[1] HMDA data contain the following race and ethnicity variables for applicants and co-applicants:

Ethnicity:
1. Hispanic or Latino
2. Not Hispanic or Latino
3. Information not provided by applicant in mail, Internet, or telephone application
4. Not applicable
5. No co-applicant

Race:
1. American Indian or Alaska Native
2. Asian
3. Black or African American
4. Native Hawaiian or Other Pacific Islander
5. White
6. Information not provided by applicant in mail, Internet, or telephone application
7. Not applicable
8. No co-applicant

Race for both applicant and co-applicant is reported five times to account for multiple races.
Applicant's race and ethnicity were coded based on the values of the variables as follows:

1.	Non-Hispanic White	(race1 = 5 and ethnicity = 2)
2.	Black	(race1 = 3) or (race1 = 5 and race2 = 3)
3.	Asian and Pacific Islander	(race1 = 2 or race1 = 4) or (race1 = 5 and (race2 = 2 or race2 = 4))
4.	American Indian	race1 = 1 or race1 = 5 and (race2 = 1)
5.	Latino	(race1 = 5 and ethnicity = 1)
6.	Missing race	race1 = 6 or race1 = 7 or (race1 = 5 and (ethnicity = 3 or ethnicity = 4))
7.	Two or more races	race1 < 5 and race2 < 5
8.	Joint application	Non-Hispanic White applicant & corace1 < 5 or non-Hispanic White applicant and corace1 = 5 and co-applicant ethnicity = 1 or race1 < 5 and (co-applicant race1 = 5 and co-applicant ethnicity = 2) or (race1 = 5 & ethnicity = 1) and (co-applicant race1 = 5 & co-applicant ethnicity = 2)
9.	Other	race1 = 4 or (race1 = 5 and race2 = 4)

In the final coding, American Indian applicants were combined into an "other race and ethnicity" category along with applicants reporting two or more races.

Denial rates are calculated as the number of denied loan applications divided by the total number of applications, excluding withdrawn applications and application files closed for incompleteness. High-cost loans are defined as those for which a rate spread of 1.5 or higher is reported in HMDA data. Lenders must report the spread, or difference, between the annual percentage rate on a loan and the rate on U.S. Treasury securities of comparable maturity—but only for loans with spreads above designated thresholds. The GIS analysis was performed by pooling HMDA data by census tract from three consecutive years: 2012, 2013, and 2014.

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1 Bhutta, N., J. Popper, and D.R. Ringo. (November 2015). The 2014 Home Mortgage Disclosure Act Data. Washington, D.C.: Board of Governors of the Federal Reserve System. Federal Reserve Bulletin 101 (4). Retrieved from http://www.federalreserve.gov/pubs/bulletin/2015/pdf/2014_HMDA.pdf.

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Total Applications	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Table 2. Disposition of applications for conventional first lien purchase loans of occupied 1- to 4-family homes by year, race and ethnicity (2004 to 2014)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Applications for Conventional Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Non-Hispanic White Applicant											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Black Applicant											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Latino Applicant											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Asian Applicant											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Other Race/Ethnicity Applicant											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Joint Applicant											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Missing Race/Ethnicity											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Table 3. Disposition of applications for nonconventional first lien purchase loans of occupied 1- to 4-family homes by year, race and ethnicity (2004 to 2014)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Applications for Nonconventional Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Non-Hispanic White Applicants											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Black Applicants											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Latino Applicants											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Applicants											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Race/Ethnicity Applicants											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Joint Applicants											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Missing Race/Ethnicity											
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Table 4. Distribution of applications for first-lien purchase loans of occupied 1- to 4-family homes by disposition and selected applicant and loan characteristics, 2014

	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ file closed
BLACK APPLICANTS					
TOTAL APPLICATIONS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Applicant income					
Less or equal to 50% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50% - 80% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80% - 120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
More than 120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loan type					
Conventional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nonconventional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GSE/FHA					
GSE-purchased*		[illegible]			
FHA-insured	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loan cost					
High-cost*		[illegible]			
Property location					
Low-moderate income neighborhood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Higher income neighborhood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Majority-minority neighborhood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Northeast	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midwest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON-HISPANIC WHITE APPLICANTS					
TOTAL APPLICATIONS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Applicant income					
Less or equal to 50% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50% - 80% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80% - 120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
More than 120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loan type					
Conventional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nonconventional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GSE/FHA					
GSE-purchased*		[illegible]			
FHA-insured	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loan cost					
High-cost*		[illegible]			
Property location					
Low-moderate income neighborhood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Higher income neighborhood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Majority-minority neighborhood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Northeast	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midwest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Information applicable only to originated loans

Table 6. Distribution of originations of first lien purchase loans of occupied 1- to 4-family homes by region and applicant income
GSE-purchased and FHA-insured, Black and Non-Hispanic White applicants, 2014

	BLACK APPLICANT					NON-HISPANIC WHITE APPLICANT				
	Total	Income less or equal to 50% of AMI	Income 50%-80% of AMI	Income 80%-120% of AMI	Income more than 120% of AMI	Total	Income less or equal to 50% of AMI	Income 50%-80% of AMI	Income 80%-120% of AMI	Income more than 120% of AMI
Total Loans	130,176	14,256	39,124	38,114	38,682	1,689,166	109,402	355,955	441,705	782,122
GSE-Purchased	12%	9%	8%	11%	18%	29%	20%	23%	28%	33%
FHA-Insured	46%	62%	56%	45%	31%	18%	29%	26%	21%	12%
Northeast										
Total Loans	14,418	1,481	4,659	4,386	4,152	242,799	14,916	53,698	64,968	109,217
GSE-Purchased	15%	10%	11%	15%	21%	28%	23%	24%	28%	30%
FHA-Insured	52%	62%	58%	52%	44%	17%	27%	25%	20%	10%
Midwest										
Total Loans	18,985	3,228	6,729	5,026	4,002	452,893	45,368	116,594	119,066	171,865
GSE-Purchased	14%	9%	9%	14%	25%	30%	22%	24%	30%	36%
FHA-Insured	54%	63%	63%	53%	31%	18%	30%	26%	20%	10%
South										
Total Loans	84,214	8,998	25,340	24,778	24,897	634,913	32,977	130,786	160,127	311,023
GSE-Purchased	10%	7%	7%	9%	17%	26%	21%	20%	24%	31%
FHA-Insured	44%	62%	55%	43%	28%	18%	29%	26%	21%	12%
West										
Total Loans	12,759	589	2,615	3,924	5,631	368,579	16,140	64,877	97,544	190,017
GSE-Purchased	18%	24%	15%	16%	20%	32%	30%	29%	31%	34%
FHA-Insured	39%	44%	48%	41%	34%	19%	27%	27%	23%	14%

Table 7: Distribution of denial reasons of first lien purchase loans of occupied 1- to 4-family homes by applicant income
Conventional and nonconventional loan applications, Black and Non-Hispanic White applicants, 2014

Type of loan and denial reason	BLACK APPLICANT					NON-HISPANIC WHITE APPLICANT				
	Denied Applications	Less or equal to 50% of AMI	50%-80% of AMI	80%-120% of AMI	More than 120% of AMI	Denied Applications	Less or equal to 50% of AMI	50%-80% of AMI	80%-120% of AMI	More than 120% of AMI
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Debt-to-income ratio	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Employment history	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit history	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Collateral	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insufficient cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unverifiable information	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit application incomplete	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mortgage insurance denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conventional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Debt-to-income ratio	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Employment history	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit history	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Collateral	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insufficient cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unverifiable information	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit application incomplete	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mortgage insurance denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nonconventional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Debt-to-income ratio	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Employment history	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit history	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Collateral	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insufficient cash	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unverifiable information	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit application incomplete	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mortgage insurance denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Table 8. Disposition of applications for first lien purchase loans of occupied 1- to 4-family homes by type of lender and applicant income
Black and Non-Hispanic White applicants, 2014

	BLACK APPLICANT					NON-HISPANIC WHITE APPLICANT				
	Total Applications	Income less or equal to 50% of AMI	Income 50%-80% of AMI	Income 80%-120% of AMI	Income more than 120% of AMI	Total Applications	Income less or equal to 50% of AMI	Income 50%-80% of AMI	Income 80%-120% of AMI	Income more than 120% of AMI
TOTAL APPLICATIONS	**206,182**	**27,198**	**62,353**	**57,376**	**59,597**	**2,223,063**	**161,933**	**409,968**	**567,872**	**1,021,290**
Bank, Savings Institution, or Credit Union										
Applications	47,152	10,569	20,360	16,988	19,275	945,666	71,445	187,294	223,377	462,950
Originated	63%	49%	61%	64%	64%	75%	64%	74%	77%	77%
Approved but not accepted	4%	3%	3%	4%	4%	3%	3%	3%	3%	3%
Denied	23%	36%	28%	20%	18%	11%	24%	13%	11%	9%
Withdrawn/File Closed	12%	12%	12%	12%	14%	10%	10%	9%	10%	11%
Mortgage Companies Affiliated with Depositories										
Applications	17,494	2,619	5,645	4,623	4,604	171,290	13,542	38,677	45,199	74,872
Originated	64%	56%	64%	68%	66%	77%	69%	77%	79%	78%
Approved but not accepted	6%	7%	6%	6%	6%	5%	5%	5%	4%	5%
Denied	16%	23%	17%	14%	13%	8%	16%	9%	7%	6%
Withdrawn/File Closed	14%	15%	13%	13%	15%	10%	10%	10%	9%	11%
Independent Mortgage Companies										
Applications	121,496	14,005	36,306	35,767	35,718	1,105,107	76,946	243,997	300,696	483,468
Originated	64%	53%	64%	67%	65%	76%	69%	77%	78%	76%
Approved but not accepted	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Denied	16%	23%	17%	15%	14%	8%	14%	8%	7%	7%
Withdrawn/File Closed	16%	19%	16%	15%	17%	13%	14%	12%	12%	13%

BLACK APPLICANTS

NON-HISPANIC WHITE APPLICANTS

Table 11. Disposition of applications for first-lien purchase loans of occupied 1- to 4-family homes by city and applicant income, Black applicants, 2014

	Baltimore, MD	Chicago, IL	Dallas, TX	Detroit, MI	Houston, TX	Los Angeles, CA	Memphis, TN	New York City, N.Y.	Philadelphia, PA	Washington, D.C.
Total Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disposition										
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income										
Less or equal to 50% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50%-80% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80%-120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
More than 120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income less or equal to 50% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income 50%-80% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income 80%-120% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income more than 120% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Table 13. Disposition of applications for first-lien purchase loans of occupied 1- to 4-family homes by city and applicant income, Non-Hispanic White applicants, 2014

	Baltimore, MD	Chicago, IL	Dallas, TX	Detroit, MI	Houston, TX	Los Angeles, CA	Memphis, TN	New York City, N.Y.	Philadelphia, PA	Washington, D.C.
Total Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disposition										
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income										
Less or equal to 50% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50%-80% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80%-120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
More than 120% of AMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income less or equal to 50% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income 50%-80% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income 80%-120% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income more than 120% of AMI										
Applications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Originated	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Approved but not accepted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denied	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Withdrawn/File closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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