2018 State of Housing in Black America

James H. Carr, Michela Zonta, and Steven P. Hornburg

Commissioned by
National Association of Real Estate Brokers
Board of Directors

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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 Authors

James H. Carr is Coleman A. Young Endowed Chair and Professor of Urban Affairs, Wayne State University; Senior Fellow, Roosevelt Institute; and Forbes Contributor.

Michela Zonta is Senior Policy Analyst, Center for American Policy.

Steven P. Hornburg is Principal, Emerging Community Markets.

All statements in this report are the views of the authors and do not represent the views of any organizations with which they are associated.

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 the United States. 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."

President's Message

Jeffrey Hicks | NAREB President

As NAREB's 30th president, I am proud to present the *2018 State of Housing in Black America* (SHIBA) report. I personally like to refer to the document as the *State of Democracy in Housing in Black America.*

As the country's oldest minority real estate trade association, we are charged with ensuring that Black Americans not only have equal access to homeownership opportunity, but also opportunities to live in the homes and neighborhoods of our choice—the very essence of NAREB's founding principle, "Democracy in Housing."

This year's report contains the strongest arguments NAREB has made to date on the overpricing and resulting unfairness to Blacks in the mortgage markets. Building wealth through homeownership continues to be and will remain a long-term goal, which will be reached only when the rate of Black American homeownership is on par with the White American homeownership rate.

Achieving parity requires that NAREB continue to build upon and strengthen our advocacy efforts with a laser focus on public policies that support Black homeownership and economic opportunity. It also requires that we involve the faith-based community and actively engage it in the struggle to elevate economic outcomes that can increase the number of Black homeowners.

For this to materialize we must have buy-in from the leadership in the lending sector. Lending practices must change to meet the demands of our current situation. NAREB would like to see the lending sector take the lead in creating the change. This change must start with the belief that an underserved market equipped with the proper investment in fiscal education is the wave of the future.

The strategy requires that we all believe and convey the message that owning and sustaining a home of choice positively changes financial futures now and for generations to come. We must have accurate information to serve as a strong marker of our success as well as viable approaches and strategies that support NAREB and other stakeholders in order to move closer to our near-term goal of 2 million new Black homeowners. The *2018 State of Housing in Black America* is indeed such a marker.

I extend my deepest appreciation and sincere thanks to James H. Carr, Michela Zonta, and Steven P. Hornburg, the dedicated and insightful authors of this year's SHIBA report. Armed with this current analysis, NAREB, homeownership stakeholders, and policymakers can take the necessary measured steps forward to bring the American Dream of homeownership to Black Americans.

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Executive Summary

Homeownership is a key vehicle for wealth accumulation in America. According to data provided by the United States Census Bureau, 69 percent of an American household's net worth is attributable to the equity in its home.[1] Access to homeownership, however, has historically been limited among Black households and communities. In the second quarter of 2018, Black home ownership stood at 41.6 percent, down more than a full half-percent from the first-quarter rate of 42.2 percent. Although ownership rates can fluctuate on a quarterly basis due to short-term environmental or economic influences, the decline is nevertheless distressing. All gains for Blacks in homeownership since the passage of the 1968 Fair Housing Act have been lost.

Discrimination in the real estate market has been practiced for decades and continues today. It is responsible for further undermining the value of homeownership to Blacks, even those who successfully buy homes. When Blacks secure mortgage credit, they pay higher interest rates, points, and fees, on average, than do non-Hispanic Whites even when Black and White borrowers exhibit similar incomes and credit histories. Additionally, homes in Black communities do not, on average, appreciate as rapidly as homes with similar amenities and locational attributes as houses in non-Hispanic White communities due to the illegal steering of non-Hispanic White borrowers away from Black neighborhoods.[2]

Since the peak year of Black homeownership in 2004, Black gains have been eviscerated due largely to the failure of federal financial regulatory agencies to prohibit predatory loan products that were disproportionately peddled to affect Black consumers, as well as insensitive federal policies that provide less assistance to Black households facing foreclosure than to non-Hispanic White homeowners. Finally, federal housing regulators have aggressively pursued lending practices that make access to homeownership more challenging than necessary for lower- and moderate-income and Black households.

The analysis below is based on Home Mortgage Disclosure Act (HMDA) data from 2004 to 2016[3] and focuses on first-lien loans for the purchase of one- to four-family owner-occupied homes.[4] In particular, this analysis compares the mortgage market performance of Black

1 Author's calculation from "Table 1. Median Value of Assets for Households, by Type of Asset Owned and Selected Characteristics: 2013" presenting data from the 2013 Survey of Income and Program Participation. U.S. Census Bureau: www.census.gov/data/tables/2013/demo/wealth/wealth-asset-ownership.html.

2 Rusk, David. The "Segregation Tax": The Cost of Racial Segregation to Black Homeowners. Brookings Institution. 2001.

3 See Tables in the Appendix for a fuller presentation of data.

4 Home Mortgage Disclosure Act (HMDA) data represent the most comprehensive source of publicly available information on the U.S. mortgage market, providing detailed information on the amount, recipients, and providers of credit each year.

and non-Hispanic White applicants. HMDA is used as the basis for this report because it represents the most comprehensive dataset on the housing market and is an official federal government database. Data for 2016 were the most recent final HMDA data available at the time of the writing of this report. Because 2004 was the peak homeownership year, it is used throughout the report as a reference point.

Highlights of the 2018 Report

Market Overview

- **Gap in Homeownership**
  - The gap in homeownership between Blacks and non-Hispanic Whites remained at 30 percentage points between 2015 and 2016, with homeownership rates of 42 percent and 72 percent respectively. This 30-percentage-point gap in homeownership is the highest it has been in the new millennium. Black homeownership is more than 7 percentage points below its peak, achieved in 2004, of just under 50 percent.
- **Loan Applications**
  - Total loan applications rose from 3.7 million in 2015 to 4.2 million in 2016, although they remain more than 20 percent below the 2004 level.
  - Applications from Blacks rose by 22 percent between 2015 and 2016, while total originations to Blacks for that same period increased by only 20 percent.
  - Although increasing since 2010, applications from Black home seekers have remained nearly 35 percent below their 2004 level (458,354 applications in 2004 versus 300,503 applications in 2016).
  - The share of applications coming from Black prospective buyers, as a share of all applications, was unchanged from 2015 to 2016.
- **Loan Originations**
  - Total loan originations rebounded to 3.1 million in 2016, an 11 percent increase over 2015.
  - Originations to Black applicants rose by nearly 20 percent between 2015 and 2016 (164,585 versus 198,217) but remain nearly a quarter below their 2004 level (261,743 loan originations in 2004 versus 198,217 loan originations in 2016). However, 2016 loan originations to Blacks are up by a fifth from their 2015 level of 164,585.
- **Loan Denials**
  - For Black applicants, overall denial rates for home-purchase loans (18 percent) were more than double those of non-Hispanic White applicants (9 percent) (see Table 1), virtually unchanged from 2015.
  - Debt-to-income ratio was the most common reason for denial reported for Black applicants: 31 percent compared to 20 percent among non-Hispanic White applicants.
  - Credit history was the second most prevalent reason for denial among both Black applicants (25 percent) and non-Hispanic White applicants (20 percent).
  - The Federal Housing Finance Agency (FHFA) continues to support Fannie Mae's and Freddie Mac's reliance on an outdated credit-scoring model and their practice of charging fees that far exceed reasonable prospective losses resulting from loans insured by the agencies.
- **Type of Loan**
  - 2016 Black applications and originations for nonconventional loans increased over 2015 levels by 20 and 18 percent respectively. Over the longer period, 2004 to 2016, Black applications and originations for nonconventional loans increased by 130 and 120 percent. Federal Housing Administration (FHA) loans are, on average, higher-cost loans than those securitized by Fannie Mae and Freddie Mac.
  - 2016 Black applications and originations for conventional loans increased over 2015 levels by 20 percent and 18 percent respectively. Over the longer period, applications from and originations to Blacks for conventional loans decreased by 74 percent and 69 percent respectively between 2004 and 2016.
  - More than twice as many of Black applicants (50 percent) applied for FHA-insured loans in 2016 compared to non-Hispanic White applicants (23 percent). Conversely, fewer Black applicants (32

percent) sought conventional financing, half the rate of non-Hispanic White applicants (64 percent) seeking this product.

- **Loan Overpricing**
  - A Fannie Mae borrower with a 660 credit score and a 5 percent downpayment seeking to purchase a $200,000 house financed with a 30-year fixed-rate mortgage effectively provides the GSEs with $67,000 of protection (the $10,000 down payment plus $57,000 in agency-required Private Mortgage Insurance) on a $190,000 loan.
  - That level of coverage is equivalent to the borrower making a 65 percent downpayment.
  - Fannie Mae also charges an additional fee—a Loan Level Price Adjuster—to provide additional insurance against potential losses associated with a loan default.
  - The level of coverage protects against default risk of roughly 24 percent, more than twice the default rate of Fannie Mae's worst-performing loans in the depths of the Great Recession, when the U.S. unemployment rate was 10 percent and home prices had fallen more than 30 percent nationally.
  - Similar high fees are charged by Freddie Mac.
- **Segregation**
  - In the 10 cities with the largest Black populations, segregation remains extremely high with dissimilarity rates ranging from a low of .60 in Detroit to a high of .83 in Chicago. Washington, D.C., stands at .70. The dissimilarity index measures the extent to which Blacks would have to move to different census tracts in order to achieve an even geographic distribution of households by race throughout the city. Dissimilarity indices over .60 are generally considered high.

Recommendations

Improving Black homeownership requires success in three areas: (1) Achieving high levels of loan applications; (2) increasing loan originations; and (3) improving homeownership sustainability.

NAREB's activities have been successful in all three areas. Loan applications and originations are up, and foreclosures are down. Transforming NAREB's actions into consistently rising Black homeownership, however, requires that FHFA address pricing by the GSEs in three ways: (1) Ensure that pricing adequately covers expected loan losses without overcharging; (2) return to its pre-Great Recession practice of pricing based on pooling of risk; and (3) require the use of credit scores that most accurately gauge the creditworthiness of Black borrowers.

Although not discussed in this report, the GSEs should be empowered to develop innovative loan products that better meet the needs of lower- and moderate-income borrowers and applicants with few savings for downpayment. Innovating the mortgage market to better suit the needs of diverse borrowers is an area for future exploration.

Introduction

This year commemorates the 50th anniversary of the passage of the 1968 Fair Housing Act and the *Report of the National Advisory Commission on Civil Disorders*, more popularly known as *The Kerner Commission Report*, or simply "the Kerner Report."

Both events occurred in an environment of great political upheaval, including the burning of many of our nation's greatest cities. Between 1965 and 1968, race-related violence exploded in more than 100 cities, due to decades-long discrimination against African Americans. The toll was of a significant magnitude: nearly 200 people were killed, thousands were injured, and property damage totaled $1 billion.[5] In Detroit alone, where the riot lasted for five days, 43 people were killed and property damage amounted to more than $100 million.[6]

The Kerner Report concluded that white institutions created, perpetuated, and condoned the "ghetto" and famously declared that "our nation is moving toward two societies, one black, one white—separate and unequal."[7] According to the commission, only aggressive federal measures could prevent future racial unrest. These actions would include massive spending for housing and education and the expansion of the safety net through a major increase in welfare programs.

Although the racial corporate glass ceiling has been broken as more Blacks are now able to make it into the top echelons of executive positions, the wage gap between the median Black and non-Hispanic White worker remains stubbornly high, even after controlling for educational attainment. Wages for the median African American worker are 60 percent of that of the median non-Hispanic White worker, a very modest improvement since the late 1960s when Blacks earned 55 percent of the wages of Whites, and a setback for Blacks relative to the late 1990s when Blacks earned 65 percent of the wages of non-Hispanic Whites.

Despite the powerful warning from the Kerner Commission our nation never enacted the "aggressive federal measures" it recommended. In fact, not only were programmatic responses woefully inadequate to successfully overcome decades of discrimination experienced throughout the 20th Century, but also legislative actions to prohibit discrimination were equally lacking. The 1968 Fair Housing Act, as initially passed, for example, contained no effective enforcement mechanisms. It was more of a moral directive than an enforceable federal mandate. The result is that housing and real estate professionals were allowed to continue to discriminate largely with impunity.

In fact, the 1968 Act did not even prohibit discrimination in mortgage lending. That action would not occur until five years later with the enactment of the 1973 Equal

5 www.usnews.com/news/national-news/articles/2017-07-12/race-troubles-109-us-cities-faced-violence-in-1967
6 www.npr.org/2018/02/27/589351779/report-updates-landmark-1968-racism-study-finds-more-poverty-more-segregation
7 U.S. National Advisory Commission on Civil Disorder, *The Kerner Report*. New York: Pantheon Books, 1968, 1.

Credit Opportunity Act. Even today, weaknesses in Home Mortgage Loan Disclosure [HMDA] data have prohibited civil rights advocates from proving discrimination through the information provided by that data. And the Fair Housing Act, even with its many amendments over the years, has not adequately addressed discrimination in the housing market. For this reason, the National Fair Housing Alliance continues each year to estimate the occurrence of 4 million instances of discrimination with only a handful ever being challenged.

From the most current report available,[8] in federal FY 2016, a total of 8,385 complaints were filed with the Department of Housing and Urban Development (1,366 complaints) and FHAP[9] agencies (7,019). Of those cases, close to half (48.4 percent) were dismissed due to a finding of no cause, and an additional 9.5 percent were administratively closed or closed by the Department of Justice. FHAP agencies found cause in only 4.3 percent of those complaints, while HUD issued charges in a nearly inconsequential 0.4 percent.

Federal regulators have reinforced the negative impacts of decades of discrimination through inadequate enforcement of anti-discrimination laws and inadequate oversight of lending practices to address the unique lending challenges experienced by Blacks due to decades of unequal and unfair access to mortgage credit and homeownership. The housing market meltdown that began in 2007, for example, was largely precipitated by the saturation of the housing market with predatory and fraudulent subprime lending practices that disproportionately targeted Black communities. Nonprofit housing associations, private research institutes and civil rights groups complained about, documented, and tried to get federal financial regulators to end predatory subprime lending more than a decade before the market's collapse, with little success.

Moreover, when federal legislators enacted the Home Affordable Mortgage Program (HAMP) to help borrowers avoid foreclosure, they excluded from participation borrowers holding private label subprime loans, although those loans were experiencing the highest foreclosure rates and were disproportionately held by Black borrowers. And because Black borrowers were not allowed to access HAMP for their private-label subprime loans, they lost their homes at a disproportionate rate relative to non-Hispanic Whites, who largely had conventional loans (i.e., Fannie Mae and Freddie Mac) that were eligible for HAMP.

Compounding the challenges to recover from the ravages of the foreclosure crisis in distressed lower- and moderate-income and Black communities, the GSEs, Fannie Mae and Freddie Mac, imposed an additional fee on borrowers wanting to purchase in weak markets. Known as the Adverse Market Impact Fee, that charge has disproportionately affected low- to moderate-income and Black communities, further driving down home prices, undermining the economic stability of those areas, and helping to drive borrowers in those communities into foreclosure.

Not only did Black homeowners disproportionately lose their homes relative to non-Hispanic White homeowners, their credit scores were further diminished for reasons having nothing to do with being less credit worthy then their non-Hispanic White counterparts.

This episode is only the most recent example of the failures of federal institutions to protect the rights of Blacks in the mortgage market. It should be no surprise, therefore, that Blacks continue to struggle to attain and succeed in homeownership.

Because homeownership is the single largest source of wealth for the typical American household, a loss of homeownership translates into a loss of wealth. The disparity in homeownership rates between Blacks and non-Hispanic Whites is the single largest contributing factor for the median Black household holding only 7 cents of wealth for every $1 of wealth controlled by the

8 Office of Fair Housing and Equal Opportunity: *Annual Report to Congress FY 2016*. Released on January 19, 2017. (www.hud.gov/sites/documents/FY2016FHEOANNUALREPORT.PDF, accessed August 10, 2018.)

9 Fair Housing Assistance Program, which assists "...state and local governments will enact and enforce their own statutes and ordinances that are substantially equivalent to the Fair Housing Act." (www.hud.gov/program_offices/fair_housing_equal_opp/partners/FHAP, accessed August 10, 2018.)

median non-Hispanic White household; a racial wealth gap of 14 to 1.[10]

This failure to attain greater homeownership occurs despite the fact that Black unemployment has fallen from a high of 16 percent in 2010 to 5.9 percent in May of this year, the second lowest Black unemployment rate since 1972.[11]

While market forces strongly influence homeownership attainment, the major impediments to increasing Black homeownership from its current lows are found in the structure and operation of the housing finance system.

After reviewing mortgage market trends between 2015-2016 and 2004-2016, this report focuses on overpricing and the use of outdated credit scores as a continuing barrier that should and must be removed for Black homeownership to meaningfully increase.

10 Darity, William Jr., Darrick Hamilton, Mark Paul, Alan Aja, Anne Price, Antonio Moore, and Caterina Chiopris. *What We Get Wrong About Closing the Racial Wealth Gap.* Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development. April 2018.

11 Statista. "Unemployment rate of African Americans in the United States from 1990 to 2017." *The Statistics Portal*. 1990-2017.

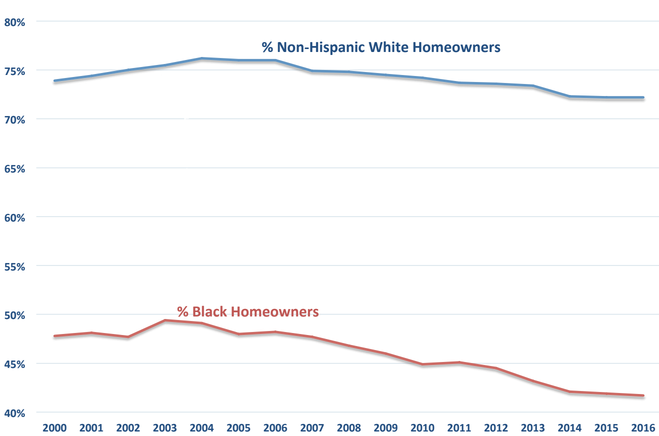
Access to Mortgage Credit

Homeownership

Homeownership is a key vehicle for wealth accumulation in America. According to data provided by the United States Census Bureau, 69 percent of an American household's net worth is attributable to the equity in their home.[12] Access to homeownership, however, has historically been limited among Black households and communities. As shown in Exhibit 1 below, the gap between Black and non-Hispanic White homeownership rates in 2016 remained at 30 percentage points, unchanged from 2015. This gap is the largest in the new millennium. Black homeownership peaked in 2004 when it exceeded 49 percent.

Since the enactment of the 1968 Fair Housing Act, all gains in homeownership have been erased. As with other aspects of the economy and society, Blacks had experienced important gains that have now been lost. Homeownership for Blacks peaked in 2004, at just below 50 percent, and fell to less to less than 43 percent in 2016. Black homeownership gains have been eviscerated due to predatory loan products that saturated the mortgage market from the late 1990s until 2007, due to inadequate oversight, including lax enforcement of fair lending laws by federal financial regulators.

Exhibit 1. Homeownership Rates 2000–2016



Source: Authors' calculations of 2016 HMDA data

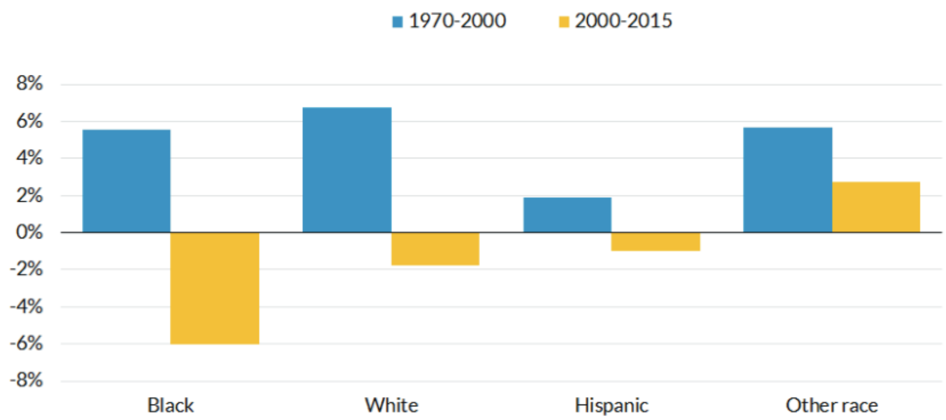
Black losses in homeownership are attributable to biased federal policy related to foreclosure prevention for struggling households as a result of the Great Recession. The federal Home Affordable Mortgage Program (HAMP), the major program enacted to stem the foreclosures crisis that began in 2007, provided relief only to home loans owned by Fannie Mae and Freddie Mac. HAMP's failure to include private-label, subprime loans was not an oversight. It was blatantly biased against Blacks. It was well-known that Blacks had been disproportionately targeted by reckless and fraudulent subprime lenders and were experiencing foreclosures at

12 Author's calculation from "Table 1. Median Value of Assets for Households, by Type of Asset Owned and Selected Characteristics: 2013" presenting data from the 2013 *Survey of Income and Program Participation*. U.S. Census Bureau: www.census.gov/data/tables/2013/demo/wealth/wealth-asset-ownership.html.

Exhibit 2.

All Gains in Black Homeownership since the Fair Housing Act Have Been Erased since 2000

Percentage-point change in homeownership by homeowner's race/ethnicity



Sources: Data for 1970 to 2010 come from "5-Percent Public Use Microdata Sample (PUMS) Files," US Census Bureau, last updated June 14, 2010, https://www.census.gov/census2000/PUMS5.html. Data for 2015 come from the University of Minnesota, Minnesota Population Center, American Community Survey 1% Public Use Microdata Series.
Notes: "Other" includes Asian Americans, Pacific Islanders, American Indians and Alaska Natives, people who identified as "other," and (starting 2000) people who chose more than one racial identity. Hispanics can be of any race; all other categories are non-Hispanic. Estimates for 1970 are based on Integrated Public Use Microdata Series imputation procedures (see https://www.ipums.org/).

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a disproportionate rate relative to non-Hispanic White households. It was also common knowledge that most home loans held by Blacks were not owned by either of those two mortgage institutions.

Middle-aged householders have felt the loss of homeownership most acutely. As they approach retirement age,. they have less wealth and lower savings for their children's college education.

Last year, the Urban Institute (UI) published a report with the provocatively pessimistic title, "Are Gains in Black Homeownership History?"[13] The reason for that disheartening title is that, according to the UI, the chances of increasing Black homeownership are not promising despite our growing economy and improved employment for Blacks. The UI report bluntly states "…the prospects for black homeownership have gone from hopeful to pessimistic in only 15 years."[14]

The reason for the pessimism expressed in the report is that homeownership has declined dramatically for each successive generation of Blacks over the past half-century. The report highlights the fact that half of all Blacks born between 1956 and 1965 were homeowners by age 50 but Blacks born between 1966 and 1975 have a homeownership rate of just above 40 percent and those born between 1976 and 1985 are attaining homeownership at such a slow pace that their rate could fall below 40 percent by age 50.

Further, even if 42 percent of Black householders were to attain homeownership by age 50, they would have accumulated less wealth than did their parents due to their relatively later age when achieving that goal.

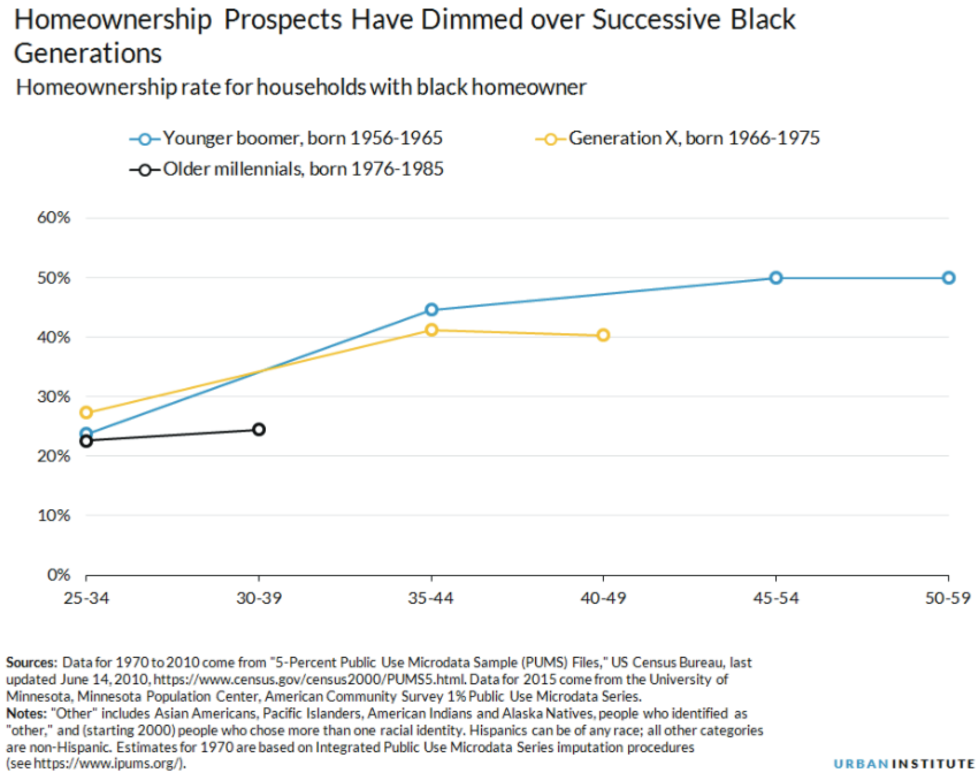
Loan Applications and Originations by Race and Ethnicity

The foreclosure crisis and Great Recession forced many homeowners and prospective home buyers out of the market. The total number of home mortgage applications declined from 5.4 million in 2004 to a low of 2.3 million in 2010. Although registering an increase from 3.7 million in 2015 to 4.2 million in 2016, applications remain more than 20 percent below the level in 2004. Similarly, loan originations dropped from 3.7 million in 2004 to a low of 1.6 million in 2010, before rebounding to 3.1 million in 2016, an 11 percent increase over 2015.

13 Goodman, Laurie, Jun Zhu, and Rolf Pendall. "Are gains in black homeownership history?" Urban Institute. February 15, 2017.
14 Ibid.

Despite steady gains since 2010, applications by and loans to Blacks remain below their pre-Great Recession levels. In 2016, about two-thirds as many applications were recorded relative to 2004 (458,354 applications in 2004 versus 300,503 applications in 2016), and originations are 24 percent below their 2004 level (261,743 loan originations in 2004 versus 198,217 originations in 2016). However, 2016 loan originations to Blacks are up by a fifth from their 2015 level of 164,585. The share of all applications coming from Black applicants, decreased from 7 percent in 2004 to 6 percent in 2016. That level is unchanged from 2015 and is a full 30 percent lower than the peak loan application rate of 9 percent in 2006 (see Exhibit 4).

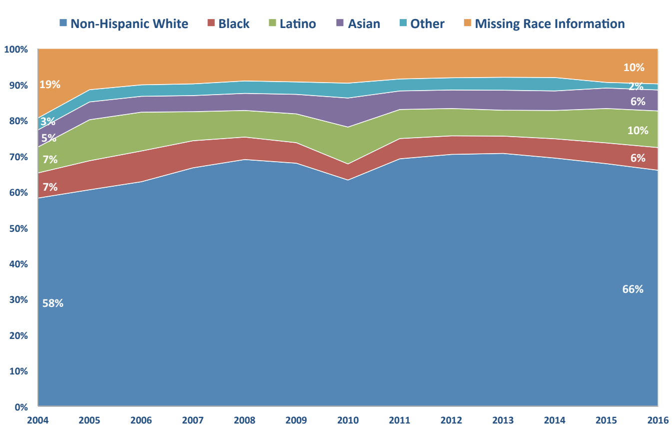
Exhibit 3



Applications from Blacks rose by 22 percent between 2015 and 2016, while total originations for that same period increased by 20 percent. (See Table 1 for more detail.) The number of Black applicants for FHA loans rose 20 percent over 2015 levels, compared to 26 percent annual growth in 2015 from 2014 levels. FHA originations to Blacks increased 18 percent from 2015 to 2016, compared to 36 percent growth from 2015 levels. Blacks also experienced comparable increases over 2015 for conventional loan applications (28 percent over 2015 to 2016 versus 13 percent over 2014 in 2015) and originations (26 percent in 2016 over 2015 versus 19 percent in 2015 over 2014). (See Table 4 for more detail on 2016.)

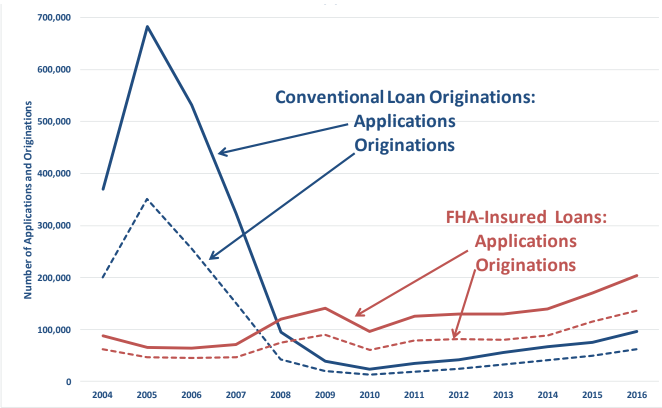
Even when they are successful in obtaining home loans, Black borrowers routinely receive higher-cost loans than non-Hispanic White borrowers. In 2016, 16 percent of successful Black applicants received high-cost loans, nearly three times the rate for non-Hispanic White

Exhibit 4. Share of Loan Originations by Race and Ethnicity



Source: Authors' calculations of 2016 HMDA data

Exhibit 5. Applications and Originations of First-Lien Loans for the Purchase of Owner-Occupied One- to Four-Family Homes



Source: Authors' calculations of 2016 HMDA data

applicants, who received loans at only 6 percent (see Table 14). Higher fees and interest rates unfairly restrain potential gains in Black homeownership and diminish the wealth Black households achieve from homeownership. Higher cost loans also increase the likelihood of default.[15] Limited access to safe and affordable mortgage credit traps Black families at the bottom of the economic opportunity ladder.

Despite the increase in conventional loan applications, access to loans held by Fannie Mae and Freddie Mac remains out of reach for many Black borrowers. Most Black borrowers rely on nonconventional loans, particularly FHA loans, which continue to serve as critical sources of credit for borrowers of color (see Exhibit 5).

While applications from and originations to Blacks for conventional loans decreased by 74 percent and 69 percent respectively, between 2004 and 2016, Black applications and originations for nonconventional loans increased by 130 and 120 percent over the same period (See Tables 2 and 3 for more detail). In 2016 Black applications and originations for nonconventional loans increased over 2015 levels by 20 and 18 percent, respectively. In 2016, 68 percent of applications coming from Black prospective borrowers were for nonconventional loans, virtually unchanged from 2015 compared to just 19 percent in 2004 (see Table 4 for more information on 2016).

This lopsided distribution of loans from FHA relative to the conventional market contributes greatly to the racial wealth gap between Black and non-Hispanic Whites as FHA loans are, on average, higher cost than those securitized by Fannie Mae and Freddie Mac. The share of conventional loan applications from Black prospective borrowers as a share of all loan applicants decreased from 8 percent in 2004 to 4 percent in 2016, while increasing by 1 percentage point over 2015.

Only 3 percent of all originated conventional loans went to Black borrowers in 2016, unchanged from the 2015 share and well below the 6 percent share recorded in 2004. Despite an increase in the number of Black applicants for nonconventional loans since 2004—from 87,869 to 204,218—the share of all nonconventional loans originated to Black borrowers was 11 percent in 2016, a slight increase from 2015 but still down from 13 percent in 2004.

Table 6 shows that Black borrowers successfully apply for FHA loans at a rate more than double that of non-Hispanic Whites (49 versus 22 percent respectively). However, Blacks succeed in getting GSE-purchased loans at less than half the rate of non-Hispanic Whites (13 versus 30 percent respectively). Table 6 shows that the magnitude of these disparities does not disappear at any income level, even among borrowers with income below 50 percent of the local Area Median Income (AMI), where presumably low income might force a tilt towards FHA loans. Table 6 reveals no notable difference in these patterns at the regional level.

Non-Hispanic White borrowers have not been immune to the impact of the Great Recession and foreclosure crisis. The number of non-Hispanic White applicants decreased from 2.9 million in 2004 to 1.4 million in 2010 before steadily increasing to 2.7 million in 2016 (see Table 1). Sixty-four percent of applications in 2016 were for conventional loans, unchanged from 2015 but down from 89 percent in 2004.

Despite an 18 percent decrease in loan originations since 2004, non-Hispanic White borrowers have increased their share of total mortgage originations from 58 percent in 2004 to 66 percent in 2016 (see Exhibit 6). In 2016,

15 Carr, James H. and Michela Zonta, *2016 State of Housing in Black America*. National Association of Real Estate Brokers.

loans to non-Hispanic White borrowers represented 70 percent of all conventional loans originated and 60 percent of all nonconventional loans, both shares down slightly from 2015 (see Tables 2 and 3).

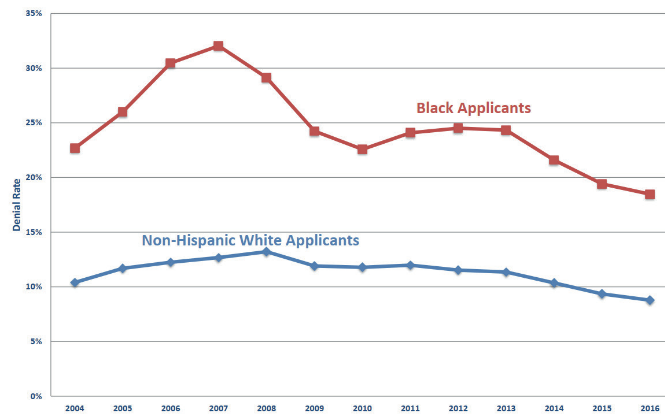
Lower median household income of Blacks compared to non-Hispanic Whites further contributes to lower originations for Black households. Like Latinos, Black applicants are overrepresented in the low- and moderate-income bracket. In 2016, 39 percent of Black applicants had incomes at or below 80 percent of the local AMI, down from 43 percent in 2015. In contrast, 29 percent of 2016 non-Hispanic White applicants fell below 80 percent AMI, down slightly from 2015.

Conversely, 50 percent of White applicants had high incomes (i.e., more than 120 percent of AMI), while just 31 percent of Black applicants fell into this income bracket; both shares rose slightly from 2015 (see Table 4 for more detail).

Table 6 shows that striking racial disparities continued to exist in 2016 regarding the percentage of applicants receiving FHA loans versus those sold to Fannie Mae or Freddie Mac. Black and Non-Hispanic White applicants were more successful in 2016 at obtaining GSE-purchased loan than in 2015. Thirteen percent of 2015 Black applicants (versus 10 percent in 2014) and 30 percent of Non-Hispanic White applicants (versus 28 percent in 2014) succeeded in obtaining GSE-purchased loans. However, 49 percent of Black applicants obtained FHA-insured loans (versus 36 percent in 2014), an increase of 13 percentage points. Twenty-two percent of Non-Hispanic Whites applicants obtained FHA-insured loans, unchanged from 2015.

Black borrowers continued to receive high-cost loans at a higher rate (see Table 14). Sixteen percent of Black borrowers received high-cost loans compared with 7 percent of non-Hispanic White borrowers, with the respective rates and gap virtually unchanged from 2015. For both racial groups, high-cost loans as a percentage of loan originations were higher in low- to moderate-income neighborhoods than higher-income neighborhoods by about one-third.

Exhibit 6. Denial Rates



Source: Authors' calculations of 2016 HMDA data

Loan Denial Rates by Race and Ethnicity

Continuing historic trends, Black applicants in 2016 had higher loan denial rates than non-Hispanic Whites (see Exhibit 6).[16] For Black applicants, overall denial rates for home-purchase loans were more than double those of non-Hispanic White applicants—18 percent versus 9 percent (see Table 1), virtually unchanged from 2015.

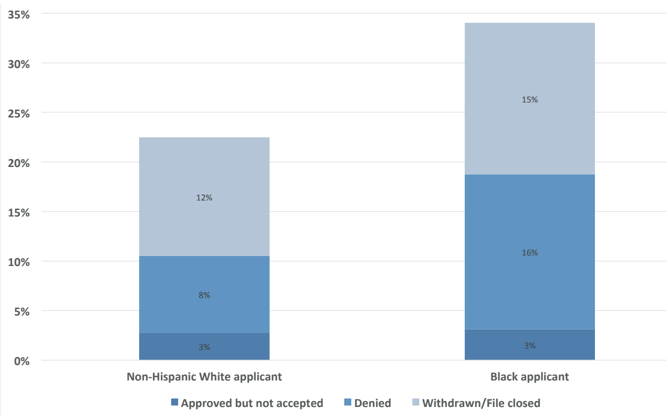
The denial rate for Black applicants continued to be the highest among people of color.[17] The Black denial rate for 2016 conventional loans was 20 percent and 18 percent for nonconventional loans, although each rate dropped by 1 percentage point from 2015 levels. Black denial rates for conventional loans peaked at 36 percent in 2008, at the height of the foreclosure crisis, after dropping by a full 70 percent from 2007 levels.

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 was the most common reason for denial reported for Black applicants—at 31 percent compared to 20 percent for non-Hispanic White applicants. Credit history was the second most prevalent reason for denials among both

16 Typically, denial rates are calculated by dividing the number of denied loan applications by the combined number of originated loans, applications approved but not accepted, and denied applications.

17 From Table 1, respective 2016 denial rates for Latino and Asian applicants are 14 and 11 percent, for example, each dropped slightly from 2015.

Exhibit 7. Loan Origination Failure Rate, Non-Hispanic White and Black Applicants, 2016



Source: Authors' calculations of 2016 HMDA data

Black applicants (25 percent) and non-Hispanic White applicants (20 percent).

Denials based on debt-to-income ratios tend to decrease as income increases, a tendency repeated in conventional and nonconventional shares. Credit history-based denials for Blacks increase as incomes rise, while remaining relatively flat for non-Hispanic Whites. Among applicants with incomes of more than 120 percent of AMI, 35 percent of denied applications for Blacks were due to credit history, unchanged from 2015. The corresponding share of credit history-based denials for non-White Hispanic applicants at this income level was 21 percent, virtually unchanged from 2015. Denials based on insufficient collateral for conventional loans increased with income level for both Black and non-Hispanic White applicants while remaining relatively flat across income brackets for nonconventional loans.

Loan Failure Rates by Race and Ethnicity

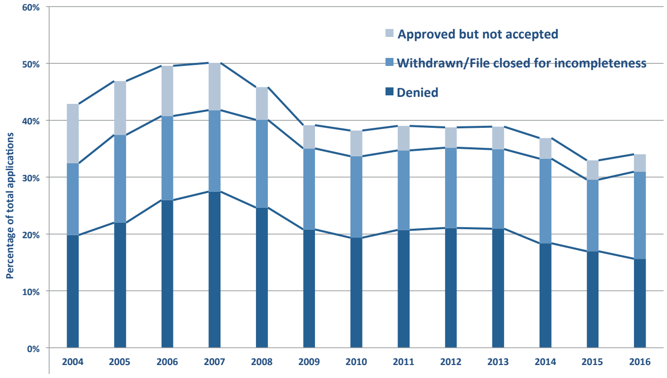
Large disparities can be seen in a broader measure of unsuccessful loan applications, that is, loan origination failure rates. That broader measure tracks applications which do not result in mortgage originations for one of three reasons:

- The loan application was approved by the lender but not accepted by the borrower;
- The loan application was either withdrawn or the file was closed for incompleteness; or
- The loan application was denied.

Exhibit 7 shows that, in 2016, Black applicants experienced an overall loan origination failure rate of 34 percent, compared to a non-Hispanic White applicant rate of 23 percent. The majority of this 11-percentage-point difference is due to denials, but an additional 3-percentage-point difference is attributable to applications withdrawn or closed.

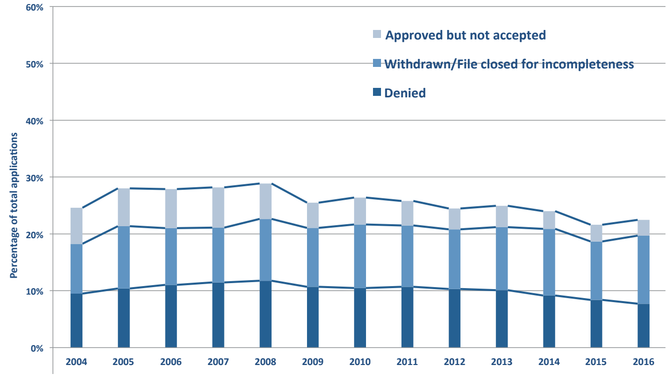
Exhibits 8 and 9 present historical loan origination failure rates for the period 2004-2016. Double digit percentage-point differences in overall rates are generally seen over this timeframe, with Non-Hispanic White rates generally falling between 20-30 percent of applications, while

Exhibit 8. Loan Origination Failure Rate Black Applicants



Source: Authors' calculations of 2016 HMDA data

Exhibit 9. Loan Origination Failure Rate Non-Hispanic White Applicants



Source: Authors' calculations of 2016 HMDA data

Black rates never go below 30 percent, with the lead up to the Great Recession producing the largest rate disparity of over 20 percentage points.

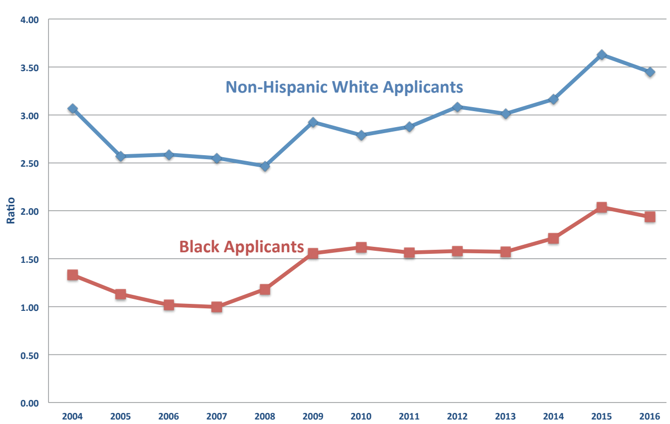
The consistently greater rates for "approved but not accepted" and "withdrawn/file closed for incompleteness" for Black applicants, relative to non-Hispanic Whites applicants, is an issue worthy of future examination.

One way to further assess the significance of the loan failure rate is to compare the ratio of loan originations to applications that failed for one of the three cited reasons (Exhibit 10 below). If this ratio is examined over time, clear differences emerge between loan failure rates between Blacks and Non-Hispanic Whites. For Blacks, one to two loans were successful for every application that failed. For Non-Hispanic Whites, 2.5 to 3.5 loans were approved for every failed application.

Loan and Lender Channels by Race and Ethnicity

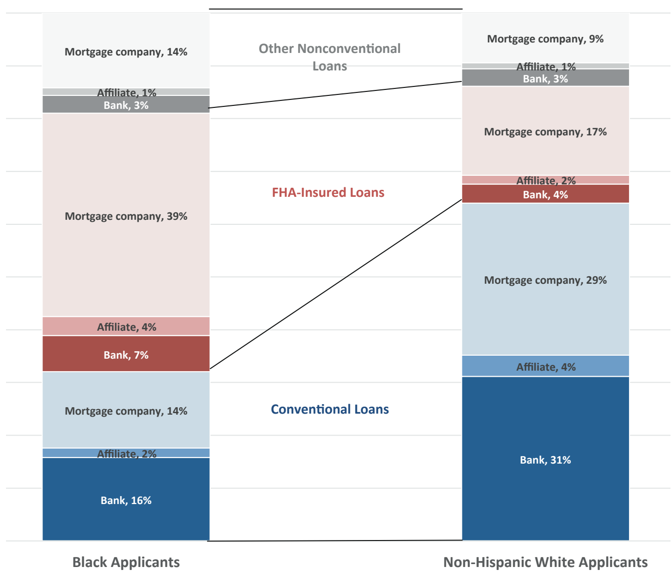
Exhibit 11 provides a snapshot of Black and non-Hispanic White applicants' loan and lender channels. Black

Exhibit 10. Number of loan originations per application that was approved but not accepted, denied, withdrawn, or closed for incompleteness



Source: Authors' calculations of 2016 HMDA data

Exhibit 11. Mortgage Loan Applications by Type of Loan and Lender, Black and Non-Hispanic White Applicants, 2016



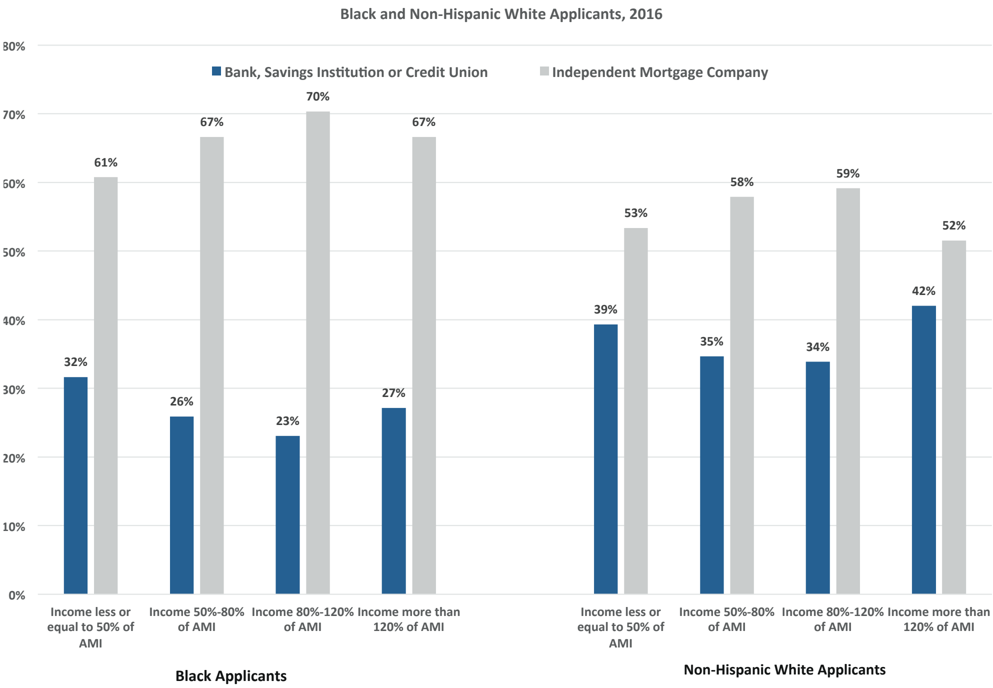
Source: Authors' calculations of 2016 HMDA data

and non-Hispanic White applicants rely on significantly different channels to apply for a loan. In 2016, 67 percent of Black applicants applied for a loan at a mortgage company, while only 55 percent of non-Hispanic Whites applied through that channel. Non-Hispanic White applicants relied more heavily on banks, with 39 percent seeking loans from those institutions versus 26 percent for Black applicants.[18]

Exhibit 11 also presents another view of Black applicants' reliance on FHA-insured loans, and the contrasting dominance of conventional loans among non-Hispanic White applicants. More than twice as many Black applicants (50 percent) applied for FHA-insured loans compared to only 23 percent of non-Hispanic White applicants. Conversely, only 32 percent of Black applicants sought conventional financing, half the rate of non-Hispanic White applicants (64 percent) seeking this product.

18 Part of this difference is due to Black prospective borrowers being steered into applying for FHA-insured loans. Exhibit 11 shows that 39 percent of applications coming from Blacks (up from 37 percent in 2015) were for FHA-insured loan through a mortgage company, the highest loan type by lender share for Blacks.

Exhibit 12. Mortgage Loan Applications by Lender Type and Applicant Income Level, 2016



Source: Authors' calculations of 2016 HMDA data

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

Exhibit 12 examines Black and non-Hispanic White applicants by income and lender type.[19] Among Black and non-Hispanic White applicants, the percentage of those applying at an independent mortgage company increased from the lowest income levels before dropping off for applicants with incomes greater than 120 percent of AMI. Conversely, applications by both racial groups to banks, savings institutions, or credit unions decreased from the lowest income level on up until spiking back up above 120 percent of AMI.

Overall, all income groups among both races increased their applications to independent mortgage companies (with one exception that stayed even) in 2016, with most applicants in all income levels increasing their shares by 3 to 4 percentage points over 2015. The biggest increase for Black applications over 2015 levels occurred in the lowest and highest income categories (4 percentage points); all non-Hispanic White income levels increased their reliance on independent mortgage companies by 2-4 percentage points. For all income categories among both races, applications to banks, savings institutions, and credit unions fell by 3 to 4 percentage points.

Table 8 presents data on loan application dispositions by lender type and income.[20] Continuing the annual trend from 2015, 2016 application rates are up for both lender type and applicant race. Black applications rose by more than a fifth over 2015 levels, with an almost one-third increase in those made to independent mortgage companies (concentrated among applicants with incomes more than 120 percent of AMI).

Non-Hispanic White applications reflected similar trends, though less robust. Overall, applications increased by 10 percent, with the increase concentrated in applications to independent mortgage companies and by applicants with incomes over 120 percent AMI.

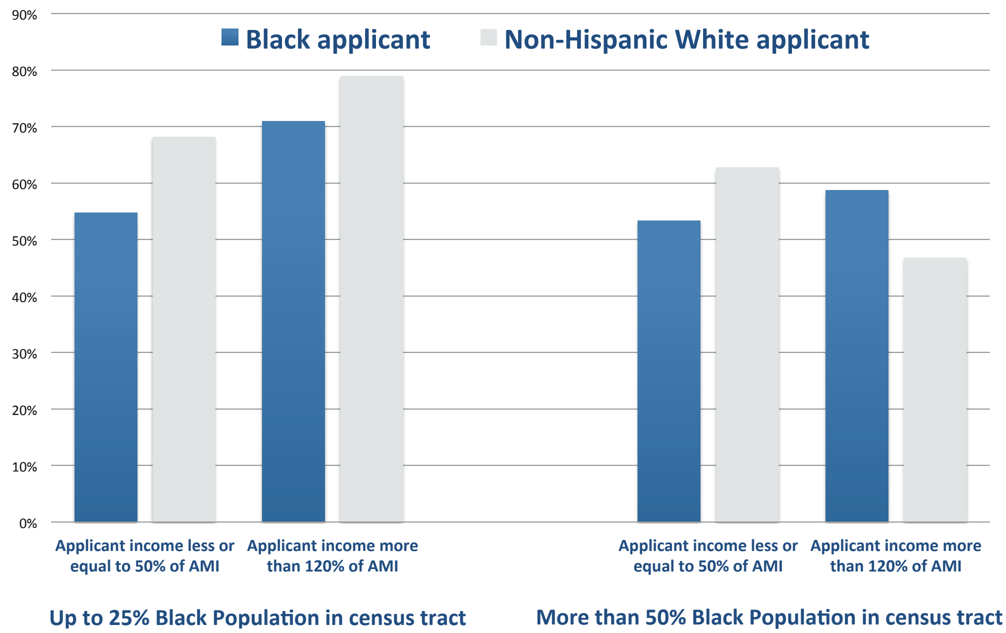
For both major lender channels, 2016 origination rates for both Black and Non-Hispanic White applicants were roughly two-thirds. The 2016 origination rates held steady compared to 2015 for both lender type and income levels. Banks, savings institutions, and credit unions experienced a gap of 13 percentage points in originations to Black ap-

19 Exhibit 12 excludes "Mortgage Companies Affiliated with Depositories."
20 This discussion focuses on the two largest lender categories.

plicants (63 percent) relative to non-Hispanic Whites applicants (76 percent).

For banks, this double-digit gap between Blacks and non-Hispanic Whites persisted across all income levels. Independent mortgage companies exhibited an origination gap of 12 percentage points in loans to Blacks and non-Hispanic Whites. Unlike banks, however, there was significant income variation with respect to the origination rates ranging from a low of 9 percentage points for applicants with incomes of more than 120 percent of AMI, to a high of 14 percentage points for applicants with incomes below 50 percent of AMI. These 2016 gaps and distributions essentially mirror those of 2015.

Exhibit 13. Loan Originations by Percentage of Black Population in Census Tract and Applicant Income, 2016



Source: Authors' calculations of 2016 HMDA data

Denials across lender type and income categories for 2016 also held steady compared to 2015, with most rates declining by a percentage point. For Black applicants, independent mortgage companies had a lower denial rate than banks, savings institutions, and credit unions (14 versus 21 percent, respectively). Non-Hispanic White applicants fared far better at both lender types, experiencing denial rates of 7 percent (independent mortgage companies) and 9 percent (banks, savings institutions, and credit unions).

For banks, savings institutions, and credit unions, racial denial rate gaps persist across all income levels, with the lowest gap (8 percentage points) occurring for applicants with incomes over 120 percent of AMI, and the largest gap (14 percentage points) found among applicants below 50 percent of AMI. Independent mortgage companies mirrored this performance, with the lowest gap (5 percentage points) in the highest income category and the highest gap (14 percentage points) in the lowest income group.

Loan Type, Geographic Patterns and Race

Examining the distribution of loan originations across geography, Exhibit 13 first explores how very low- and high-income applicants fared in two extremes of their census tract's relative share of Black population. In census tracts with up to 25 percent Black population, all categories (income and race) of applicants had higher loan origination rates in 2016 than in 2015, while the loan origination gap between races slightly widened at both income extremes. However, in census tracts with more than 50 percent Black population, the share of 2016 loan originations dropped relative to the 2015 level. Interestingly, for those tracts, the loan origination disparity for applicants with incomes over 120 percent AMI is reversed, with successful originations to 59 percent of Black applicants versus 47 percent for Non-Hispanic Whites.

Moreover, across lender types, Tables 9 and 10 clearly show most of both conventional and FHA-insured loans going to non-Hispanic White applicants are concentrated in census tracts with the smallest percentage (25 percent or less) of Black population. The contrast with Black borrowers is striking. Both conventional and FHA-insured loans going to Black applicants are far less concentrated in census tracts with low percentages of Black population and are somewhat more evenly distributed across differing census tract racial compositions.

Table 5 indicates that most loan applications from Blacks and non-Hispanic Whites are submitted in the South. However, a larger share of total Black applicants are in this region (64 percent) than are non-Hispanic Whites (37 percent). Origination rates by race in the South followed this pattern exactly.

Table 4 shows that important disparities also persist between Black and non-Hispanic White applicants by property location. While spatial patterns continue to change and evolve, America "…remains starkly segregated by race and income."[21] Evidence of this can be seen in the considerable variation in neighborhood income and racial characteristics where borrowers' homes are located.

In 2016, 24 percent of loans originated to Black applicants who financed properties located in low- and moderate-income neighborhoods—unchanged from 2015. Only 13 percent of Non-Hispanic White borrowers, however, financed similarly located properties, down 2 percentage points from 2015. Further, 46 percent of 2016 Black borrowers obtained loans for homes in majority minority neighborhoods, compared to only 9 percent of non-Hispanic White borrowers, a distribution unchanged from the prior year (see Table 4). Denial rates for Black applicants are also higher at 17 percent in these neighborhoods compared to a non-Hispanic White denial rate of 9 percent in the same neighborhoods

.

Cities with Largest Black Populations and High Levels of Segregation

Understanding aggregate national patterns of lending to Blacks can be enhanced by examining the mortgage market performance in the 10 U.S. cities with the largest Black populations. These cities are presented in Exhibit 14, along with a measure of segregated living patterns—the dissimilarity index. The dissimilarity index measures the extent to which Blacks would have to move to different census tracts in order to achieve an even geographic distribution of households by race throughout the city. Dissimilarity indices over 60 percent are generally considered high. The continuing extent of segregated living patterns in these cities forms an important backdrop for assessing mortgage market performance.[22]

Blacks represent varying shares of the total population across these cities. The cities with the largest Black populations range from a high in New York (2,064,927) to a low in Dallas (313,906). Although New York has the largest population of Blacks, they represent just less than one

Exhibit 14. Ten Cities with the Largest Black Populations, 2016

City	Black Population	Percent of Total Population	Dissimilarity Index
New York, New York	2,064,927	24%	0.81
Chicago, Illinois	839,917	31%	0.83
Philadelphia, Pennsylvania	668,573	43%	0.73
Detroit, Michigan	544,427	80%	0.60
Houston, Texas	511,398	23%	0.69
Memphis, Tennessee	417,362	64%	0.67
Baltimore, Maryland	391,160	63%	0.68
Los Angeles, California	353,023	9%	0.68
Washington, D.C.	318,598	48%	0.70
Dallas, Texas	313,906	25%	0.65

Source: Authors' calculations of 2016 HMDA data

21 Gregory Acs et al, "The Cost of Segregation: National Trends and the Case of Chicago, 1990–2010" (Washington: Urban Institute, 2017), v.

22 All 10 cities have experienced minor population losses or gains from 2015.

quarter of the city's total population.

The Black share of total population ranges from Detroit's high of 80 percent to a low of 9 percent in Los Angeles. The Black percentage of total population in these cities was essentially unchanged in 2015, with the Black population in seven cities (Philadelphia, Detroit, Houston, Memphis, Baltimore, Washington, and Dallas) gaining one percentage point share of the total city's population.

Previously, Blacks as a share of total population had declined in all 10 cities from 2014 to 2015, ranging from a low 1 percentage point drop in 3 cities (Chicago, Los Angeles, and Dallas) to a high 3 percentage-point decline in Washington. The three cities with the highest percentage Black populations are all majority minority: Detroit (80 percent), Memphis (64 percent), and Baltimore (63 percent).

In all these cities, Blacks are highly segregated from non-Hispanic Whites. All these cities have indices of .60 or higher, ranging from a low of .60 in Detroit to a high of .83 in Chicago. All 10 of these cities are in the top 40 most segregated metropolitan areas in the United States.[23] In two cities (New York and Philadelphia), the dissimilarity index dropped by .01, while in four cities (Houston, Memphis, Baltimore, and Washington) the index rose by the same amount.[24]

Exhibit 15. Selected Chracteristics of Loan Applications from Black Applicants in the 10 U.S. Cities with the Largest Black Populations, 2016

City	Total	Share of all applications	Percent applications for conventional loans	Percent applications for FHA-insured loans	Total
New York, N.Y.	3,436	10%	50%	48%	2,031
Chicago, IL	3,491	12%	38%	56%	2,114
Philadelphia, PA	2,818	21%	22%	71%	1,805
Detroit, MI	651	50%	39%	56%	337
Houston, TX	1,811	10%	47%	44%	1,115
Memphis, TN	1,422	32%	23%	67%	927
Baltimore, MD	1,961	34%	22%	70%	1,221
Los Angeles, CA	1,080	5%	51%	40%	659
Washington, D.C.	1,366	16%	60%	33%	849
Dallas, TX	1,020	8%	41%	49%	630

Source: Authors' calculations of 2016 HMDA data

Exhibit 15 offers insight into each of these 10 cities' mortgage markets, presenting selected characteristics of loans from Black applicants in their respective cities. In all 10 cities, the share of all loan originations to Black applicants is below their share of applications by 1 to 5 percentage points.

Except for Detroit and Washington, this pattern is repeated for shares of FHA applications and originations, with gaps 10 to 37 percentage points between applications and loans. This disparity between applications and loan originations is even more pronounced with conventional loans, ranging from 7 to 51 percentage points. Except for Detroit (32 percent), Memphis, and Baltimore (both 11 percent), the share of conventional loans made to Black applicants in the rest of the cities in Exhibit 15 is in single digits.

23 William H. Frey analysis of 1990, 2000, and 2010 U.S. Censuses, "Largest Metros (Total Population of 500,000 or more): Black White Segregation Indices sorted by 2010 Segregation." (www.census.gov/data/tables/2013/demo/wealth/wealth-asset-ownership.html)

24 Segregation had increased in eight out of ten of these cities from 2014 to 2015.

Fannie Mae and Freddie Mac Pricing

The past two reports, the 2016 and 2017 *State of Housing in Black America* (SHIBA), examined the pricing policies Fannie Mae and Freddie Mac use to compensate for the cost of insuring against the credit risk and other associated costs of single-family loans acquired by these government-sponsored enterprises (GSEs). Guarantee fees have been an integral part of the GSE business model since they began securitizing loans into mortgage-backed securities (MBS) in the 1970s.

As we have stated, the current conservatorship position of Fannie Mae and Freddie Mac is a strong disincentive to the ability of both agencies to make available, affordably priced loans for lower- and moderate-income borrowers, as well as applicants with few savings to apply to downpayment. The resulting overpricing of mortgage products is discussed below. Reform of the housing finance system is urgently needed.

Structure and Level of Guarantee Fees

Before 2008, the GSEs charged similar guarantee fees, or "G-fees," across credit scores, with minor variations mainly due to differing product types (e.g., 30- versus 15-year fixed rate loans and variations in credit score and loan-to-value ratios (LTV)). The Great Recession and GSE conservatorship forced major changes in both the structure and level of G-fees.

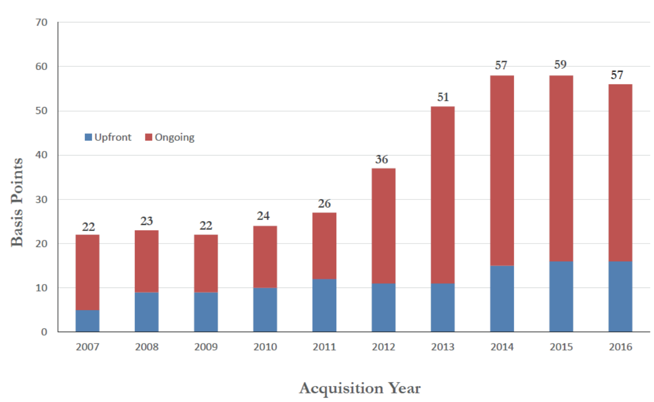
In 2008, both Fannie Mae and Freddie Mac abandoned their relatively low, average cost G-fee structure through which all borrowers were charged roughly the same price to cover potential losses on their loans. First, all borrowers since the housing market collapse are required to pay an up-front fee, based on the perceived risk of each borrower (i.e., risk-based pricing). Fannie Mae's "Loan Level Pricing Adjustments (LLPA)" and Freddie Mac's "delivery fees" are largely based on the combination of each individual borrower's downpayment amount and credit rating.

Separate fees are charged on an ongoing basis based on risks associated with product types. Paid over the life of the loan, ongoing fees are either priced up front for loans exchanged for MBS or are embedded in the price of loans sold to the GSEs for cash. These fees are incorporated into a loan's interest rate and paid by the borrower.

Also, in 2008, the GSEs began charging an additional 25-basis-point "adverse market delivery charge" on all loans originated in weak housing markets. This second fee was particularly harmful to lower-income communities and particularly to Black neighborhoods. An added fee in already-weak markets further discouraged lending in those communities. This contributed further to undermining homeownership and promoting foreclosures in markets needing the greatest support.

Ironically, while the federal government increased the cost to buy in lower-income markets, the Federal Reserve Bank simultaneously dropped the interest rate charged to the largest banks effectively to zero percent. Significantly, federal policy made it more difficult for moderate-income

Exhibit 15. Tracks Average G-fees from 2007 to 20016



Source: Scott, Frame, W., Geradi, Kristopher, and Sexton, Daniel, "Sunset Seminar: GSE Pricing and Cross-Subsidization." July 11, 2018. Urban Institute: Washington, DC.

households and Black communities ravaged by predatory subprime lending to stabilize and recover, while at the same time aggressively supported the recovery of many of the financial institutions responsible for undermining Black neighborhoods by peddling reckless predatory subprime loans to Black consumers.

The costly and controversial adverse market charge was eliminated in 2015. But despite a two-basis-point increase in the upfront average G-fee in 2015 (to 59 basis points)[25] and a 167 percent increase in upfront average G-fees from 2009 to 2014 (22 to 58 basis points),[26] the GSE regulator, the FHFA found ". . . no compelling economic reason to change the overall level of fees" in its 2015 review of guarantee fees. [27]

FHFA's latest review found that the average G-fee fell by two basis points in 2016 "…primarily because of competitive pressures between the Enterprises…"[28] Quarterly monitoring of G-fees revealed that "…the average fees were declining as the *ongoing* [emphasis added] portion of overall guarantee fees declined for both Enterprises…," leading FHFA to impose a new minimum for the ongoing guarantee fees, effective in November 2017.[29]

While perhaps reflecting a legitimate safety and soundness concern over a GSE "race to the bottom" through cutting ongoing fees for competitive reasons, insufficient information is currently available to publicly validate this concern. The effect of setting this new mandatory minimum level for ongoing fees should be monitored for its impact on affordability and Black borrowers.

Exhibit 16 summarizes the evolution of these fees post-Great Recession, tracking both increases in the base guarantee fee as well as the imposition and removal of new fees.

Exhibit 16: Timeline of Changes in Fees

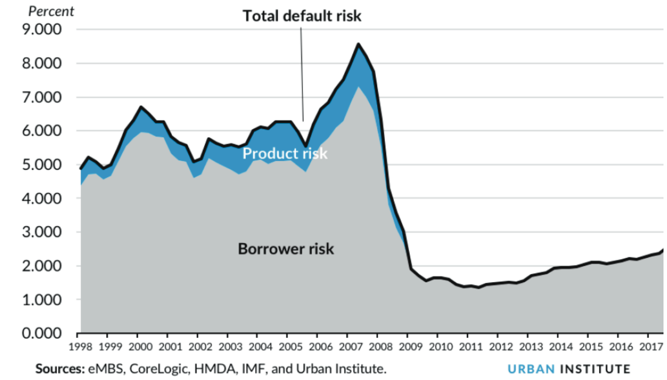
Event Date	Change
March 2008	The Enterprises increased ongoing fees and added two new upfront fees: a fee based on the borrower's LTV ratio and credit score, and a 25 basis point adverse market charge.
Late 2008 through 2011	The Enterprises gradually raised fees and refined their upfront fee schedules.
December 2011	Pursuant to the Temporary Payroll Tax Cut Continuation Act of 2011, FHFA directed the Enterprises to increase the ongoing fee for all loans by 10 basis points. This fee is paid to the U.S. Department of the Treasury and not to the Enterprises. This fee increase was effective with April 2012 deliveries and expires after 10 years.
August 2012	FHFA directed the Enterprises to raise fees by an additional 10 basis points on average to better compensate taxpayers for the credit risk. Fees were raised more on loans with terms longer than 15 years than on shorter-term loans to better align the gaps, and the fees were made more uniform for lenders that deliver larger and smaller volumes of loans. These changes were effective with December 2012 MBS deliveries.
December 2013	FHFA directed the Enterprises to increase ongoing fees by 10 basis points, change upfront fees to better align pricing with credit risk characteristics, and remove the 25 basis point adverse market charge for all but four states. However, in January 2014, FHFA suspended the implementation of these changes pending further review.
April 2015	FHFA completed its fee review and directed the Enterprises to eliminate the adverse market charge in all markets and add targeted increases for specific loan groups effective with September 2015 deliveries. These changes were approximately revenue neutral with little or no impact for most borrowers.
July 2016	Based on findings from FHFA's quarterly guarantee fee reviews, the agency issued direction that set minimum ongoing guarantee fees by product type for the Enterprises, effective in November 2016, consistent with FHFA's responsibility to ensure the safety and soundness of the Enterprises.

Source: FHFA, "Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2016." October 2017.

While dramatic action was required eight years ago, today both the mortgage market and the housing finance system are stronger. Moreover, mortgage credit quality has dramatically increased, regulation has improved the industry's risk management practices, and GSE profitability

25 FHFA, "Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2015." August 2016, 1.
26 Carr, James H. *et al.* "2016 State of Housing in Black America." NAREB: 2016. 22.
27 FHFA, "Guarantee Fees in 2015," 1.
28 FHFA, "Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2016." October 2017, 1.
29 Ibid.

Exhibit 17. Default Risk Taken by the Government-Sponsored Enterprises Channel 1998Q1-2018Q1



Sources: eMBS, CoreLogic, HMDA, IMF, and Urban Institute.

has returned.[30] Exhibit 17[31] demonstrates that, as of 2018 Q1, default risk taken on by Fannie Mae and Freddie Mac stands at 2.9 percent, far below pre-Great Recession levels and almost 40 percent below levels in 1998[32]—when mortgage-lending practices were very conservative, years before the housing market ballooned.

To the extent that the GSEs may be overpricing their loans, those earnings are not being used to provide adequate capital reserves or invest in mortgage innovation, because the current terms of the conservatorship require the GSEs to draw down all their capital by the end of 2018, effectively prohibiting the GSEs from reserving for future losses. Any net profits from Fannie Mae and Freddie Mac are siphoned off for federal deficit reduction.[33] According to the Congressional Budget Office (CBO), as of September 2016, the GSEs had paid $250 billion in dividends on the government's purchase of senior preferred stock of $187 billion[34], repaying $63 billion more to the Treasury than was borrowed.[35]

Ongoing quarterly payments—called "net worth sweeps"—are designed to wind down Fannie Mae and Freddie Mac capital reserves, and will produce an additional $180 billion in payments to the U.S. Treasury from 2017 to 2026, according to the 2016 CBO projections. [36]

The argument that the current level of G-fees is necessary in the current market is further belied by the 10 additional basis points of each G-fee levied in 2011,[37] which accrue to the Treasury Department to offset the cost of extending a payroll tax cut for 10 years. This levy on housing was ironically justified as compensation for taxpayer exposure to the risks posed by GSEs, although the increased fees are not held in reserve for future credit risk costs of the GSEs. In federal budget terms, any profits from GSE fees to date have gone to reduce the federal deficit or to fund a payroll tax cut, and do not contribute to a healthy and sound housing finance system.

30 According FHFA, with one exception totaling about $4 billion in 2017 Q4 which was attributable to accounting changes to their deferred assets caused by last year's tax legislation, Fannie Mae and Freddie Mac have not required a quarterly draw on their Treasury Commitments since 2011 Q4 and 2012 Q1, respectively. (Table 1: Quarterly Draws on Treasury Commitments to Fannie Mae and Freddie Mac per the Senior Preferred Stock Purchase Agreements" (www.fhfa.gov/DataTools/Downloads/Documents/Market-Data/Table_1.pdf, accessed July 26, 2018.)

31 Urban Institute Housing Finance Policy Center, "Housing Credit Availability Index: Q1 2018", Updated July 12, 2018. (www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-credit-availability-index, accessed July 24, 2018).

32 Ibid.

33 FHFA recently initiated a proposed rule on enterprise capital, seeking comments on two alternative schemes requiring an estimated risk-based and minimum capital reserve of between $284.4 and $320.4 billion. (see "Fact Sheet: Proposed Rule on Enterprise Capital" at www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/Proposed-Rule-Enterprise-Capital-Fact-Sheet.pdf (accessed July 27, 2018.)

34 As noted in a prior footnote, the GSEs required additional draws on the Treasury commitment due to accounting changes resulting from last year's tax bill, increasing this figure to $191.4 billion as of 2018 Q1.

35 CBO, "The Effects of Increasing Fannie Mae's and Freddie Mac's Capital." October 20, 2016, 1.

36 CBO will be changing the budgetary treatment of the GSEs. According to CBO, "Cash payments from Fannie Mae and Freddie Mac to the Treasury are recorded as offsetting receipts in 2017 and 2018. Beginning in 2019, CBO's estimates reflect the net lifetime costs—that is, the subsidy costs adjusted for market risk—of the guarantees that those entities will issue and of the loans that they will hold. CBO counts those costs as federal outlays in the year of issuance." This change reflects a conceptual issue about the GSEs treatment in federal budget terms but does not appear to change the basic premise that these fees are accruing to the federal government, not the housing finance system. (CBO, "The Budget and Economic Outlook: 2018 to 2028 April 28, 2018"). 2018, 49.

37 The Temporary Payroll Tax Cut Continuation Act of 2011.

Impact of Guarantee Fees on Borrowers

The last two *State of Housing in Black America* reports also criticized the degree of upfront risk-based G-fee pricing levied on borrowers (and typically reflected in higher interest rates) based on the credit risk of individual borrowers and loan characteristics such as credit scores and LTV ratios. The difference in G-fees assessed by Fannie Mae can vary more than 3 percentage points depending on borrower credit score and down payment amount.

Analysis of current GSE G-fees by Ted Tozer, former President of Ginnie Mae, makes a compelling argument that current LLPAs disproportionately overcharge high LTV borrowers and operate to the detriment of low-income and minority borrowers.[38] Exhibit 18 presents Tozer's analysis of Fannie Mae LLPAs that would be paid by homebuyers at various LTVs and credit scores.

Consider a borrower with a credit score of 660 and a 5 percent downpayment seeking to purchase a $200,000 house financed with a 30-year fixed rate mortgage. According to this pricing matrix, this hypothetical borrower would pay an LLPA of $4,275. Because the downpayment is less that 20 percent, the borrower also would be required to purchase private mortgage insurance (PMI) equal to $57,000[39] that, when added to the $10,000 downpayment in this example, provides the GSE with $67,000 of coverage before they could be exposed to losses.

Effectively, this level of coverage is on par with the protection offered by a 65 percent LTV loan. However, as Exhibit 18 shows, a 70 percent LTV loan (Note: There is no price indicated for a 65 percent LTV with credit score between 660-679) in the same credit band is only charged $1,400, while our hypothetical borrower pays an extra $2,875. Tozer's analysis suggests a comparable high LTV bias in all credit score bands.

Tozer speculates this bias may be attributable to counterparty risk—the possibility that some private mortgage insurers may not make timely payments on claims, particularly when under stress. While GSEs faced this problem for various reasons during the Great Recession, these insurers have instituted changes—some forced by FHFA regulations governing approval as an agency insurer[40]—that strengthen their position.

Another possibility offered for the high LTV bias is the potential for greater losses with high LTV loans, even with mortgage insurance claims properly paid. Analyzing the mortgage loss frequency of a 70 percent LTV loan versus the example of the 95 percent LTV borrower discussed above, Tozer concludes that "While it's true that borrowers with smaller down payments present a greater default risk, the gap between LLPAs charged on 70 percent LTV and 95 percent LTV loans is so great that increasing the loss frequency by a factor of 10 justifies less than half the [previously discussed] $2,875 difference." He finds the break-even default probability that justifies this difference to be about 24 percent in this example, a default rate

Exhibit 18. LLPA Fee Schedule

Credit score	Loan-to-value ratio							
	60%	70%	75%	80%	85%	90%	95%	97%
> 740	-	$350	$375	$800	$425	$450	$475	$1,455
720-740	-	$350	$750	$1,200	$850	$900	$950	$1,940
700-719	-	$700	$1,500	$2,000	$1,700	$1,800	$1,900	$2,910
680-699	-	$700	$1,875	$2,800	$2,550	$2,250	$2,375	$2,910
660-679	-	$1,400	$3,375	$4,400	$4,675	$4,050	$4,275	$4,365
640-659	$600	$1,750	$4,125	$4,800	$5,525	$4,950	$5,225	$5,335
620-639	$600	$2,100	$4,500	$4,800	$5,525	$5,850	$6,175	$6,790
< 620	$600	$2,100	$4,500	$4,800	$5,525	$5,850	$6,175	$7,275

Source: National Mortgage News.
Exhibit 18 used with author's permission. This figure reflects the author's analysis, which is based on a GSE pricing matrix in effect in April 2018.

38 This discussion draws on Ted Tozer's analysis presented in "GSE down payment penalty creates unnecessary homeownership hurdles" (*National Mortgage News*, July 23, 2018 at www.nationalmortgagenews.com/opinion/how-fannie-mae-and-freddie-mac-penalize-low-down-payment-mortgage-borrowers; accessed July 26, 2018.)

39 See "Mortgage insurance coverage requirements & exposure," MGIC at www.mgic.com/rates/mortgage-insurance-coverage-requirements (accessed July 27, 2018)

40 FHFA, "Private Mortgage Insurer Draft Eligibility Requirements Frequently Asked Questions (FAQs)". July 10, 2014. See www.fhfa.gov/Media/PublicAffairs/Pages/Draft-PMIERs-FAQs.aspx (accessed July 27, 2018.)

highly improbable for a loan accepted by the GSEs.

Both Fannie Mae and Freddie Mac have attempted to redress the negative impact of G-fee pricing on a limited basis. For instance, in 2015, both GSEs introduced special policies for households earning less than 100 percent of Area Median Income (AMI) or those purchasing in underserved areas. Borrowers fitting these criteria may qualify for a mortgage under Fannie Mae's HomeReady or Freddie Mac's Home Possible programs.

Home Possible is restricted to first-time homebuyers, while HomeReady has no such restriction. Both programs permit low downpayment loans (with mortgage insurance required), have flexible features that accommodate assistance programs, and feature homeownership education requirements. Most importantly, these programs currently enhance affordability by capping risk-based pricing fees at 1.5 percent for qualifying borrowers with relatively lower LTVs and higher credit scores. This represents a major savings for borrowers who may otherwise have needed to pay as much as 3.75 percent in upfront G-fees.

While targeted initiatives such as these offer the possibility of redressing the current systemic imbalance in pricing, assessing their implementation is difficult due to a lack of transparency in exactly how these loans are underwritten. Furthermore, without more information on actual deliveries and loan performance under these initiatives, their scale and potential for mainstreaming their positive features into standard GSE practice will be difficult to assess.[41]

Tozer's bottom line is that the current fee structure unfairly charges excessive rates (based on relative risk) on more vulnerable borrowers, who disproportionately are Black. This structure compounds the unfairness of years of discrimination against Blacks that has left them with lower credit scores and less money in savings to allocate to downpayments. Furthermore, since higher pricing leads to higher loan failure rates, loan-level pricing, with the unjustified bias in their distribution across borrower classes, conflicts with the GSEs' Charter requirement to increase access to mortgage credit in a safe and sustainable manner:

"(P)rovide ongoing assistance to the secondary market for residential mortgages *(including activities relating to mortgages on housing for low and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities [emphasis added])* by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing."[42]

This Charter requirement clearly states a tolerance for reasonable risk that does not appear reflected in how G-fees are imposed. While the Great Recession raised legitimate safety and soundness issues, these concerns should not lead to an increasing break with the principle of pooling risk "involving a reasonable rate of return" to ensure broader and fairer access to the market. First, the improved financial health of the mortgage market and the GSEs argues for cutting overall levels of G-fees, not maintaining them at Great Recession levels.

Second, tilting so far toward risk-based pricing away from pooling risk "…increase(s) the burden of any given level of debt, making it more difficult to repay and, therefore, increasing the likelihood of default. Risk-based pricing is often a self-fulfilling prophecy."[43] Finally, even if one accepts a higher overall level of fees, the way the fees are charged across borrower classes operates like a reverse Robin Hood subsidization of better-quality borrowers.

Intersection of Pricing and Credit Scores

In the last two reports, the *State of Housing in Black America* highlighted the promise of newer credit scoring models to expand mortgage-credit access to borrowers who are potentially shut out by the outdated FICO 4

41 The latest FHFA report on GSE progress against Scorecard goals merely notes the rollout of these programs. (FHFA, "2017 Scorecard Progress Report." March 29, 2018, 3)
(www.fhfa.gov/AboutUs/Reports/ReportDocuments/2017-Scorecard-Progress-Report.pdf, accessed July 28, 2018).

42 Title III of National Housing Act, 12 U.S.C. 1716 §301(3). As amended through May 24, 2018.

43 Park, Kevin A. "Risks of Risk-based Pricing of Mortgage Credit." University of North Carolina Center for Community Capital. Policy Brief, October 2014, 1.

Exhibit 19. All Eligible Mortgages - LLPA by Credit Score/LTV Ratio

Representative Credit Score	LTV Range Applicable for all mortgages with terms greater than 15 years									
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	>97.00%	SFC
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	**0.750%**	N/A
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	**1.000%**	N/A
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	**1.500%**	N/A
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	**1.500%**	N/A
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%	**2.250%**	N/A
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%	**2.750%**	N/A
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	**3.500%**	N/A
< 620[1]	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	**3.750%**	N/A

Source: Fannie Mae Loan-Level Price Adjustment (LLPA) Matrix, June 5, 2018.
(https://www.fanniemae.com/content/pricing/llpa-matrix.pdf, accessed July 24, 2018)

(now termed "Classic FICO" by FHFA).[44] Credit scores are among the most important variables used by the GSEs and can, alone, cause a borrower's application to fail.

NAREB has consistently focused on both the unfairness of outdated credit scores' impact in prohibiting Blacks access to homeownership and the overcharging, through excessive G-fees, of Black borrowers who are approved for mortgages. The importance of credit scores to what borrowers pay can be seen in Exhibit 19, in which Fannie Mae's LLPA varies by 3 percentage points for all LTVs above 80 percent across the spectrum of credit score bands. This means that someone with a credit score of less than 620 will pay 3 percentage points more than someone with a credit score greater than or equal to 740 for a mortgage with LTV of 80 percent or higher.

Last year's *State of Housing in Black America* report examined one of the newer models currently in use outside of the mortgage finance system and reported on the FHFA decision to defer consideration of new credit score models until the Common Securitization Platform is fully operational and the GSEs implement the Single Security, then projected to occur in 2019. In addition, FHFA: "…concluded that the Enterprises' empirical findings revealed only marginal benefits to requiring a different credit score than Classic FICO. These findings suggest that, regardless of the credit score used in the underwriting process, each Enterprise's automated underwriting systems more precisely predicted mortgage defaults than third-party credit scores alone."[45]

Even if this statement is accurate, it fails to address the unfairness of continuing to use outdated credit scores for three important reasons. First, Fannie Mae's automated underwriting system incorporates an enhanced credit scoring model that is proprietary to Fannie Mae. That model is useless, however, for borrowers who never reach Fannie Mae's more sophisticated scoring system due to lenders who fail to accept loan applications from Blacks who have low FICO-measured credit scores.

Second, FICO 4, not Fannie Mae's updated and proprietary scoring model, is used in the loan pricing decision. As a result, Black borrowers may be being systematically overcharged for mortgage credit.

Third, FHFA stated "marginal benefits to requiring a different credit score"[46] but did not indicate how many borrowers they considered "marginal" or the racial distribution of borrowers who would have been positively

44 Goodman, Laurie. "In Need of an Update: Credit Scoring in the Mortgage Market". Urban Institute. July 2017.

45 FHFA, "Credit Scores: Request for Input." December 20, 2017.
(www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/CreditScore_RFI-2017.pdf, accessed July 28, 2018.)

46 Watt, M. August 1, 2017. Prepared Remarks of Melvin L. Watt, Director of FHFA at the National Association of Real Estate Broker's 70th Annual Convention, New Orleans, LA.

impacted. Given the relatively small number of Black borrowers in the conventional market, even an additional 1,000 Black borrowers would yield an important gain in Black homeownership.

While deferring implementation of any new credit scoring models, FHFA issued a Request for Information (RFI) late in 2017,[47] with a target of reaching a conclusion by the end of 2018. The RFI proposed consideration of only two updated models (i.e., FICO 9 and VantageScore 3.0) in various combinations.

In the interim, Congressional legislation incorporating a requirement for the GSEs to establish an application, validation, and approval process for new credit score models was passed.[48] Subsequently, FHFA announced that the RFI process already established was duplicative and inconsistent with the newly mandated process and announced it was shifting its focus from making a decision in 2018 to implementing the provisions of the new bill.[49]

Based on the statutory timeframes, implementing the new process would occur by June 2019 at the earliest; use of the Classic FICO credit score is schedule for sunset by November 2020.[50] However, FHFA rulemaking implementing the new law's various provisions was left without clear guidance on a timetable, so it is currently unclear what course and timing of this new process will be.

As noted above, FHFA constrained the RFI to variations on only two new models: FICO 9 and VantageScore 3.0. However, evidence continues to mount that the universe of options should be expanded to include consumer credit histories on a broader set of expenses via alternative data sources. Many analysts have suggested that such expenses as payments for rent, telephones, utilities, and cable both improve the ability to assess—and assess more positively—many thin file potential borrowers and could provide the ability to score current credit invisibles. Some of these factors are currently used in non-mortgage credit scoring, and the GSEs instituted changes last year allowing processing of eligible loans for credit invisibles.[51]

Progress is welcome, but delaying improving credit score models from 2018 to potentially 2020 or possibly later also delays economic justice for Black borrowers. Furthermore, FHFA has yet to demonstrate a serious commitment to working to merge alternative data into mainstream credit scoring tools and underwriting, maintaining yet another unfair barrier for Black borrowers. First, many potential borrowers should not be invisible just because they have been closed out of the mainstream financial system, especially given the increasing evidence of the efficacy of using alternative data sources. Furthermore, the pricing disparities discussed above result in part from credit scores that may not reflect the creditworthiness of Blacks, low-income families, and younger households.

47 Ibid.

48 Section 310 of "The Economic Growth, Regulatory Relief and Consumer Protection Act" (Public Law. 115–174), signed into law on May 24, 2018.

49 FHFA Press Release, "FHFA Announces Decision to Stop Credit Score Initiative." July 23, 2018.
(www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Decision-to-Stop-Credit-Score-Initiative.aspx, accessed July 24, 2018.)

50 Author's calculations from statute.

51 FHFA, "2017 Scorecard Progress Report," 3.

The FHFA's Evaluation of Credit Scores Misses the Mark

- **New forms of data are largely missing from traditional credit bureau files.** [T]he utility, telecom, and rent payment data found in credit bureau files is disproportionately negative—that is, it is generally not reported unless a consumer falls behind on a payment. Consumers get penalized for bad payment histories but do not get rewarded for good behavior.
- **High-quality payment data exist outside of credit bureaus.** As the RFI notes, telecom, utility, and TV payment data are reported to the National Consumer Telecom and Utilities Exchange (NCTUE). The NCTUE database is highly comprehensive and contains payment history for more than 300 million telecom, TV, and utility accounts and more than 200 million unique consumers. Moreover, FICO already uses these data, to a limited extent, to score and underwrite consumers for credit cards.
- **Additional data would make mortgage underwriting more equitable.** The consumers who stand to benefit most from the use of new data are those who are underrepresented in traditional credit bureau files and scores. Many of these consumers may not have had a mainstream financial product or have had limited time to establish credit history. These are often millennials, first-time homebuyers, and minorities, all groups that will be the main engine of household formation and homeownership in the coming decades (Goodman, Pendall, and Zhu 2015). By laying the groundwork for improved access to credit for these groups today, the FHFA can ensure that the mortgage industry is better prepared for tomorrow.
- **Rent payment data can be useful in mortgage underwriting.** Reporting and collecting rent payment data remains a work in progress because landlords are not required to report such data. In addition, much of the nation's rental housing stock is single-family homes and small multifamily buildings owned by mom-and-pop investors and is fragmented. Also, minorities and younger households are more likely to be renters than the general population, as they tend to have less wealth, smaller incomes, and less savings. Incorporating rental payment histories in mortgage underwriting could enable homeownership for these groups. Some services are already trying to crack this market. The GSEs could work with their depository sellers to explore ways in which rental payment history might be gleaned from GSE mortgage applicants' bank statements.

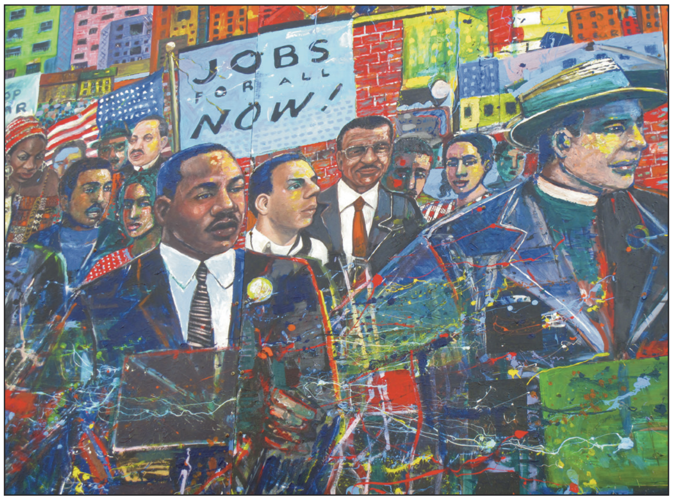
Source: Urban Institute Housing Finance Policy Center, "The FHFA's Evaluation of Credit Scores Misses the Mark," March 2018.

Homeownership Challenges in the Context of Broader Civil Rights Activism

As mentioned in the Introduction, this year commemorates the 50th anniversary of the passage of the 1968 Fair Housing Act and the release of the Kerner Report. Understanding the history of these actions and assessing their successes and shortcomings is important. Politicians and members of the public often express confusion as to how discrimination against Blacks continues, given the many antidiscrimination laws that have been passed over the past half-century. Likewise, many conservative policymakers are critical of civil rights advocates who seek the enactment of economic policies and programs to improve the plight of Blacks, arguing those actions are not warranted because Blacks have squandered assistance provided in the past due to a lack of individual responsibility. Both are wrong.

In the arena of Black homeownership, as this report indicates, the future is not promising. Regulators and legislators frequently show empathy for the vulnerable economic state of Blacks in America but fail to pursue the strong regulations and legislative actions that could result in meaningful Black progress.

Further, many American cities that are home to the largest shares of Black population are currently undergoing impressive economic recoveries after decades of distress. The distress that many of these cities have suffered was a direct consequence of discriminatory federal policies that encouraged non-Hispanic White households and business to flee the cities while simultaneously trapping Blacks in those increasingly deteriorating communities.



Yet Blacks throughout of those recovering cities are not benefitting equitably from the recoveries in those cities but rather face increasing economic marginalization

Given the importance of the Kerner Report and 1968 Fair Housing Act, NAREB has published a separate report to commemorate those two important milestones for Black America.

Conclusion

The recent downturn in Black homeownership from its historic high of nearly 50 percent in 2004 to below 42 today is disheartening. In fact, Black losses in homeownership show no signs of yet hitting bottom. Even the decline in Black unemployment by half since 2010 has been insufficient to grow Black homeownership. While market forces strongly influence homeownership attainment, the major impediments to increasing Black homeownership from its current lows are found in the structure and operation of the housing finance system.

Improving Black homeownership requires success in three areas: (1) Achieving high levels of loan applications; (2) increasing loan originations; and (3) improving homeownership sustainability.

NAREB's activities have been successful in all three areas. While remaining far below their 2004 levels, loan applications and originations are up considerably since NAREB announced its 2.2 million homeowners' initiative. And the expertise of NAREB members to assist borrowers to secure safe and sound mortgage products has contributed to the decline in foreclosures over the past five years.

Transforming NAREB's actions into consistently rising Black homeownership, however, requires that FHFA address pricing by the GSEs in three ways: (1) Ensure that pricing adequately covers expected loan losses without overcharging; (2) return to its pre-Great Recession practice of pricing based on pooling of risk; and (3) require the use of credit scores that most accurately gauge the creditworthiness of Black borrowers.

Our report this year has quantified the overcharging of creditworthy lower- and moderate-income borrowers by the GSEs. Excessive charging of borrowers with low downpayments and moderate credit scores has led those agencies to serve predominantly wealthier households. The result is that the GSEs are failing to fully meet the homeownership needs of working Americans and our nation's growing diverse populations.

The FHFA should immediately eliminate the current risk-based pricing practices at the GSEs and return to its pre-Great Recession pooling of risk across all borrowers, which was used by the GSEs for more than 60 years leading up to the Great Recession. Pooling risk does not increase overall costs at the GSEs. FHFA should also adjust GSE G-fees and PMI premiums charged to cover only reasonably expected loan losses. Finally, marginal borrowers should not be made to pay excessive fees that are then swept into the U.S Treasury to fund other government activities. That practice creates a hidden tax on homeownership charged to households that can least afford it.

Reasonable fees and pooled-risk pricing allowed millions of moderate-income non-Hispanic Whites to become homeowners on favorable, affordable terms. Black home seekers deserve the same treatment.

Although the topic is not discussed in this report, the GSEs should be empowered to develop innovative loan products that better meet the needs of lower- and moderate-income borrowers and applicants with little savings for downpayment. Innovating the mortgage market to better suit the needs of diverse borrowers is an area for future exploration.

Mortgage innovation, and for that matter, a return to reasonable pricing of loans by the GSEs depends on FHFA or Congress releasing Fannie Mae and Freddie Mac from conservatorship either as private corporations or restructured government corporations.[52] The current capital constraints on both companies almost dictates poor performance to financially limited borrowers who are most in need of the services of those important government housing agencies.

52 Carr, James H. "America Needs a 21st-Century Housing Finance Agency." Urban Institute. April 12, 2016.

Appendix

Table 1. Disposition of applications for first lien purchase loans of occupied one- to four-family homes by year and race/ethnicity

Total Applications	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	5,399,330	**7,436,253**	**5,460,054**	**4,022,896**	**2,812,503**	**2,732,911**	**2,349,050**	**2,456,376**	**2,790,926**	**3,245,843**	**3,338,594**	**3,734,982**	**4,192,391**
Originated	3,724,150	4,863,541	3,513,087	2,606,624	1,852,961	1,932,806	1,640,719	1,737,117	2,018,430	2,335,643	2,434,100	2,828,680	3,125,888
Approved but not accepted	432,314	584,249	440,352	321,388	190,510	130,090	120,223	112,962	109,986	130,686	112,300	116,596	122,152
Denied	647,102	1,019,773	835,545	629,398	414,166	346,998	293,292	309,925	337,726	385,097	360,287	374,084	390,124
Withdrawn/File closed	595,764	968,690	671,070	465,486	354,866	323,017	294,816	296,372	324,784	394,417	431,907	415,622	554,227
Non Hispanic White Applicant													
Applications	**2,871,226**	**4,086,258**	**3,058,227**	**2,419,118**	**1,795,895**	**1,762,663**	**1,408,965**	**1,619,842**	**1,881,341**	**2,197,862**	**2,223,063**	**2,446,232**	**2,659,182**
Originated	2,165,602	2,941,208	2,205,337	1,737,846	1,277,775	1,313,583	1,037,184	1,201,921	1,420,633	1,649,943	1,689,184	1,917,607	2,061,488
Approved but not accepted	181,236	272,331	210,295	171,224	111,326	77,924	66,477	69,580	69,213	82,392	69,699	72,251	73,874
Denied	272,598	425,603	337,067	277,226	211,554	188,224	147,521	173,079	194,194	221,936	203,313	205,316	205,571
Withdrawn/File closed	251,790	447,116	305,528	232,822	195,240	182,932	157,783	175,262	197,301	243,591	260,867	251,058	318,249
Black Applicant													
Applications	**458,354**	**748,090**	**596,132**	**394,846**	**214,892**	**180,219**	**119,818**	**161,319**	**172,061**	**186,074**	**206,182**	**245,425**	**300,503**
Originated	261,743	397,178	300,583	197,120	116,371	109,728	74,055	98,416	105,379	113,723	130,176	164,585	198,217
Approved but not accepted	47,896	70,980	52,567	32,726	12,363	7,361	5,407	6,958	6,176	7,417	7,407	8,289	9,318
Denied	90,844	164,579	154,766	108,353	52,903	37,458	23,173	33,441	36,219	38,956	37,898	41,653	47,032
Withdrawn/File closed	57,871	115,353	88,216	56,647	33,255	25,672	17,183	22,504	24,287	25,978	30,701	30,898	45,936
Latino Applicant													
Applications	**417,115**	**938,253**	**681,150**	**406,752**	**250,023**	**246,316**	**266,711**	**214,872**	**229,359**	**255,496**	**284,984**	**380,455**	**453,381**
Originated	270,811	557,842	381,664	211,608	137,877	155,587	168,788	140,712	153,239	169,493	193,892	272,525	319,710
Approved but not accepted	36,379	76,918	57,702	38,120	19,483	13,429	14,887	10,517	9,736	10,404	10,015	12,340	13,862
Denied	66,382	169,151	149,217	100,356	56,267	43,920	45,851	35,449	37,433	41,986	41,016	49,893	54,036
Withdrawn/File closed	43,543	134,342	92,567	56,668	36,396	33,380	37,185	28,194	28,951	33,613	40,061	45,697	65,773
Asian Applicant													
Applications	**259,616**	**374,112**	**243,927**	**185,297**	**148,098**	**157,965**	**198,249**	**133,389**	**152,881**	**189,503**	**187,777**	**220,991**	**257,327**
Originated	177,948	240,108	155,945	117,048	88,755	105,677	133,862	89,722	105,700	130,781	131,352	162,198	184,921
Approved but not accepted	25,491	36,939	24,783	20,572	14,082	9,822	13,650	8,127	7,969	10,064	8,051	8,483	8,913
Denied	28,037	49,465	33,569	26,883	22,639	20,833	24,805	17,872	19,979	23,586	20,987	22,955	23,961
Withdrawn/File closed	28,140	47,600	29,630	20,794	22,622	21,633	25,932	17,668	19,233	25,072	27,387	27,355	39,532
Other Race/Ethnicity Applicant													
Applications	**86,082**	**113,187**	**68,765**	**46,070**	**31,066**	**30,601**	**33,451**	**22,525**	**24,045**	**27,426**	**29,482**	**29,603**	**36,155**
Originated	53,043	66,743	39,218	25,704	17,868	19,337	20,865	14,917	16,115	17,894	19,974	21,436	25,533
Approved but not accepted	7,466	10,255	6,407	4,263	2,244	1,487	1,749	1,122	1,058	1,195	1,074	968	1,118
Denied	13,463	19,202	13,921	10,451	6,531	5,182	5,454	3,685	3,970	4,715	4,398	3,664	4,178
Withdrawn/File closed	12,110	16,987	9,219	5,652	4,423	4,595	5,383	2,801	2,902	3,622	4,036	3,535	5,326
Joint Applicants													
Applications	**94,206**	**138,744**	**103,280**	**83,957**	**66,665**	**66,226**	**63,597**	**58,814**	**69,835**	**88,051**	**96,062**	**29,518**	**34,589**
Originated	70,559	100,421	74,084	59,127	46,298	48,631	46,595	43,594	52,839	65,910	72,580	22,990	26,214
Approved but not accepted	6,130	9,913	7,590	6,780	4,679	3,238	3,236	2,793	2,675	3,436	3,098	946	1,058
Denied	9,259	14,002	11,076	9,857	8,373	7,273	6,884	6,291	7,215	8,974	8,560	2,314	2,644
Withdrawn/File closed	8,258	14,408	10,530	8,193	7,315	7,084	6,882	6,136	7,106	9,731	11,824	3,268	4,673
Missing Race/Ethnicity													
Applications	**1,212,731**	**1,037,609**	**708,573**	**486,856**	**305,864**	**288,921**	**258,259**	**245,615**	**261,404**	**301,431**	**311,044**	**382,758**	**451,254**
Originated	724,444	560,041	356,256	258,171	168,017	180,263	159,370	147,835	164,525	187,899	196,942	267,339	309,805
Approved but not accepted	127,716	106,913	81,008	47,703	26,333	16,829	14,817	13,865	13,159	15,778	12,956	13,319	14,009
Denied	166,519	177,771	135,929	96,272	55,899	44,108	39,604	40,108	38,716	44,944	44,115	48,289	52,702
Withdrawn/File closed	194,052	192,884	135,380	84,710	55,615	47,721	44,468	43,807	45,004	52,810	57,031	53,811	74,738

Table 2. Disposition of applications for conventional first lien purchase loans of occupied one- to four-family homes by year, race and ethnicity (2004–2016)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Applications for Conventional Loans	**4,765,090**	**6,963,526**	**5,012,541**	**3,566,531**	**1,835,870**	**1,275,064**	**1,103,806**	**1,211,548**	**1,502,386**	**1,967,593**	**2,076,294**	**2,234,000**	**2,523,396**
Originated	3,254,778	4,506,585	3,174,540	2,274,959	1,166,288	882,687	767,093	857,682	1,100,317	1,441,887	1,542,659	1,713,162	1,907,247
Approved but not accepted	407,693	564,800	423,018	303,926	148,332	72,063	65,528	64,055	67,869	87,529	73,998	74,365	79,173
Denied	575,493	971,024	790,233	567,537	276,063	161,525	129,578	144,957	164,228	204,924	194,942	198,262	205,567
Withdrawn/File closed	527,126	921,117	624,750	420,109	245,187	158,789	141,607	144,854	169,972	233,253	264,695	248,211	331,409
Non Hispanic White Applicant													
Applications	**2,549,631**	**3,789,366**	**2,774,126**	**2,139,785**	**1,198,088**	**869,917**	**707,112**	**855,007**	**1,076,496**	**1,396,825**	**1,460,484**	**1,553,704**	**1,701,123**
Originated	1,912,097	2,707,274	1,981,619	1,524,500	830,352	633,529	513,994	633,208	819,077	1,063,103	1,125,471	1,228,571	1,331,315
Approved but not accepted	170,363	260,531	199,706	160,973	87,255	45,508	38,264	42,045	45,198	57,556	48,318	48,782	51,025
Denied	242,104	399,985	312,215	246,106	142,666	94,706	72,620	87,572	101,682	124,763	117,061	116,171	115,667
Withdrawn/File closed	225,067	421,576	280,586	208,206	137,815	96,174	82,234	92,182	110,539	151,403	169,634	160,180	203,116
Black Applicant													
Applications	**370,485**	**682,601**	**532,348**	**323,607**	**94,617**	**39,307**	**23,949**	**35,491**	**42,036**	**56,456**	**66,696**	**75,466**	**96,285**
Originated	200,160	350,857	255,372	149,743	42,290	20,148	13,616	19,403	23,801	33,153	41,478	49,482	62,481
Approved but not accepted	44,552	68,223	50,040	30,219	7,646	2,098	1,265	1,912	1,869	2,738	2,611	2,849	3,204
Denied	77,811	155,502	146,193	94,665	28,075	11,092	5,649	9,581	10,784	12,966	12,850	13,858	16,097
Withdrawn/File closed	47,962	108,019	80,743	48,980	16,606	5,969	3,419	4,595	5,582	7,599	9,757	9,277	14,503
Latino Applicant													
Applications	**362,298**	**892,234**	**641,627**	**364,107**	**137,842**	**65,053**	**57,702**	**57,009**	**67,932**	**94,889**	**115,133**	**150,503**	**189,043**
Originated	231,827	525,190	353,153	182,666	65,765	36,854	34,460	35,223	43,939	62,246	78,024	106,564	132,687
Approved but not accepted	34,293	74,963	56,032	36,360	14,004	4,564	3,949	3,303	3,454	4,497	4,463	5,393	6,368
Denied	58,568	162,936	144,471	93,291	36,101	13,951	10,701	11,042	12,204	16,202	16,747	20,618	22,670
Withdrawn/File closed	37,610	129,145	87,971	51,790	21,972	9,684	8,592	7,441	8,335	11,944	15,899	17,928	27,318
Asian Applicant													
Applications	**251,641**	**368,789**	**239,191**	**180,639**	**131,467**	**116,116**	**143,833**	**96,840**	**116,471**	**155,968**	**157,770**	**177,906**	**210,334**
Originated	172,190	236,116	152,350	113,780	77,746	77,403	97,567	65,509	81,632	108,926	111,426	131,250	151,913
Approved but not accepted	25,122	36,700	24,564	20,377	13,217	7,829	10,876	6,429	6,513	8,720	6,937	7,022	7,484
Denied	27,192	48,950	33,165	26,272	20,031	14,699	16,656	12,079	13,826	17,768	16,373	17,265	18,266
Withdrawn/File closed	27,137	47,023	29,112	20,210	20,473	16,185	18,734	12,823	14,500	20,554	23,034	22,369	32,671
Other Race/Ethnicity Applicant													
Applications	**74,889**	**106,661**	**63,363**	**40,330**	**18,507**	**11,393**	**10,595**	**8,235**	**9,532**	**12,438**	**13,685**	**14,361**	**17,636**
Originated	45,186	62,048	35,341	21,692	9,527	6,363	5,867	5,103	6,061	7,956	9,090	10,355	12,482
Approved but not accepted	6,994	9,989	6,197	3,999	1,639	666	582	453	477	609	552	519	598
Denied	12,023	18,424	13,232	9,550	4,395	2,160	2,053	1,573	1,786	2,217	2,163	1,805	1,932
Withdrawn/File closed	10,686	16,200	8,593	5,089	2,946	2,204	2,093	1,106	1,208	1,656	1,880	1,682	2,624
Joint Applicants													
Applications	**79,710**	**124,913**	**89,632**	**70,422**	**39,231**	**28,587**	**28,372**	**28,411**	**36,646**	**52,047**	**57,724**	**18,633**	**21,607**
Originated	59,097	89,449	63,142	48,719	25,770	20,255	20,527	20,768	27,731	39,264	43,923	14,578	16,480
Approved but not accepted	5,601	9,358	7,077	6,198	3,419	1,702	1,689	1,614	1,689	2,320	1,991	615	718
Denied	7,858	12,863	10,003	8,487	5,217	3,165	2,890	2,951	3,434	4,689	4,705	1,308	1,446
Withdrawn/File closed	7,154	13,243	9,410	7,018	4,825	3,465	3,266	3,078	3,792	5,774	7,105	2,132	2,963
Missing Race/Ethnicity													
Applications	**1,076,436**	**998,962**	**672,254**	**447,641**	**216,118**	**144,691**	**132,243**	**130,555**	**153,273**	**198,970**	**204,802**	**243,427**	**287,368**
Originated	634,221	535,651	333,563	233,859	114,838	88,135	81,062	78,468	98,076	127,239	133,247	172,362	199,889
Approved but not accepted	120,768	105,036	79,402	45,800	21,152	9,696	8,903	8,299	8,669	11,089	9,126	9,185	9,776
Denied	149,937	172,364	130,954	89,166	39,578	21,752	19,009	20,159	20,512	26,319	25,043	27,237	29,489
Withdrawn/File closed	171,510	185,911	128,335	78,816	40,550	25,108	23,269	23,629	26,016	34,323	37,386	34,643	48,214

Table 3. Disposition of applications for nonconventional first lien purchase loans of occupied one- to four-family homes by year, race and ethnicity (2004–2016)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Applications for Nonconventional Loans	**634,240**	**472,727**	**447,513**	**456,365**	**976,633**	**1,457,847**	**1,245,244**	**1,244,828**	**1,288,540**	**1,278,250**	**1,262,300**	**1,500,982**	**1,668,995**
Originated	469,372	356,956	338,547	331,665	686,673	1,050,119	873,626	879,435	918,113	893,756	891,441	1,115,518	1,218,641
Approved but not accepted	24,621	19,449	17,334	17,462	42,178	58,027	54,695	48,907	42,117	43,157	38,302	42,231	42,979
Denied	71,609	48,749	45,312	61,861	138,103	185,473	163,714	164,968	173,498	180,173	165,345	175,822	184,557
Withdrawn/File closed	68,638	47,573	46,320	45,377	109,679	164,228	153,209	151,518	154,812	161,164	167,212	167,411	222,818
Non Hispanic White Applicant													
Applications	**321,595**	**296,892**	**284,101**	**279,333**	**597,807**	**892,746**	**701,853**	**764,835**	**804,845**	**801,037**	**762,579**	**892,528**	**958,059**
Originated	253,505	233,934	223,718	213,346	447,423	680,054	523,190	568,713	601,556	586,840	563,713	689,036	730,173
Approved but not accepted	10,873	11,800	10,589	10,251	24,071	32,416	28,213	27,535	24,015	24,836	21,381	23,469	22,849
Denied	30,494	25,618	24,852	31,120	68,888	93,518	74,901	85,507	92,512	97,173	86,252	89,145	89,904
Withdrawn/File closed	26,723	25,540	24,942	24,616	57,425	86,758	75,549	83,080	86,762	92,188	91,233	90,878	115,133
Black Applicant													
Applications	**87,869**	**65,489**	**63,784**	**71,239**	**120,275**	**140,912**	**95,869**	**125,828**	**130,025**	**129,618**	**139,486**	**169,959**	**204,218**
Originated	61,583	46,321	45,211	47,377	74,081	89,580	60,439	79,013	81,578	80,570	88,698	115,103	135,736
Approved but not accepted	3,344	2,757	2,527	2,507	4,717	5,263	4,142	5,046	4,307	4,679	4,796	5,440	6,114
Denied	13,033	9,077	8,573	13,688	24,828	26,366	17,524	23,860	25,435	25,990	25,048	27,795	30,935
Withdrawn/File closed	9,909	7,334	7,473	7,667	16,649	19,703	13,764	17,909	18,705	18,379	20,944	21,621	31,433
Latino Applicant													
Applications	**54,817**	**46,019**	**39,523**	**42,645**	**112,181**	**181,263**	**209,009**	**157,863**	**161,427**	**160,607**	**169,851**	**229,952**	**264,338**
Originated	38,984	32,652	28,511	28,942	72,112	118,733	134,328	105,489	109,300	107,247	115,868	165,961	187,023
Approved but not accepted	2,086	1,955	1,670	1,760	5,479	8,865	10,938	7,214	6,282	5,907	5,552	6,947	7,494
Denied	7,814	6,215	4,746	7,065	20,166	29,969	35,150	24,407	25,229	25,784	24,269	29,275	31,366
Withdrawn/File closed	5,933	5,197	4,596	4,878	14,424	23,696	28,593	20,753	20,616	21,669	24,162	27,769	38,455
Asian Applicant													
Applications	**7,975**	**5,323**	**4,736**	**4,658**	**16,631**	**41,849**	**54,416**	**36,549**	**36,410**	**33,535**	**30,007**	**43,085**	**46,993**
Originated	5,758	3,992	3,595	3,268	11,009	28,274	36,295	24,213	24,068	21,855	19,926	30,948	33,008
Approved but not accepted	369	239	219	195	865	1,993	2,774	1,698	1,456	1,344	1,114	1,461	1,429
Denied	845	515	404	611	2,608	6,134	8,149	5,793	6,153	5,818	4,614	5,690	5,695
Withdrawn/File closed	1,003	577	518	584	2,149	5,448	7,198	4,845	4,733	4,518	4,353	4,986	6,861
Other Race/Ethnicity Applicant													
Applications	**11,193**	**6,526**	**5,402**	**5,740**	**12,559**	**19,208**	**22,856**	**14,290**	**14,513**	**14,988**	**15,797**	**15,242**	**18,519**
Originated	7,857	4,695	3,877	4,012	8,341	12,974	14,998	9,814	10,054	9,938	10,884	11,081	13,051
Approved but not accepted	472	266	210	264	605	821	1,167	669	581	586	522	449	520
Denied	1,440	778	689	901	2,136	3,022	3,401	2,112	2,184	2,498	2,235	1,859	2,246
Withdrawn/File closed	1,424	787	626	563	1,477	2,391	3,290	1,695	1,694	1,966	2,156	1,853	2,702
Joint Applicants													
Applications	**14,496**	**13,831**	**13,648**	**13,535**	**27,434**	**37,639**	**35,225**	**30,403**	**33,189**	**36,004**	**38,338**	**10,885**	**12,982**
Originated	11,462	10,972	10,942	10,408	20,528	28,376	26,068	22,826	25,108	26,646	28,657	8,412	9,734
Approved but not accepted	529	555	513	582	1,260	1,536	1,547	1,179	986	1,116	1,107	331	340
Denied	1,401	1,139	1,073	1,370	3,156	4,108	3,994	3,340	3,781	4,285	3,855	1,006	1,198
Withdrawn/File closed	1,104	1,165	1,120	1,175	2,490	3,619	3,616	3,058	3,314	3,957	4,719	1,136	1,710
Missing Race/Ethnicity													
Applications	**136,295**	**38,647**	**36,319**	**39,215**	**89,746**	**144,230**	**126,016**	**115,060**	**108,131**	**102,461**	**106,242**	**139,331**	**163,886**
Originated	90,223	24,390	22,693	24,312	53,179	92,128	78,308	69,367	66,449	60,660	63,695	94,977	109,916
Approved but not accepted	6,948	1,877	1,606	1,903	5,181	7,133	5,914	5,566	4,490	4,689	3,830	4,134	4,233
Denied	16,582	5,407	4,975	7,106	16,321	22,356	20,595	19,949	18,204	18,625	19,072	21,052	23,213
Withdrawn/File closed	22,542	6,973	7,045	5,894	15,065	22,613	21,199	20,178	18,988	18,487	19,645	19,168	26,524

Table 4. Distribution of applications for first lien purchase loans of occupied one- to four-family homes by disposition and selected applicant and loan characteristics, 2016

	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ File closed
BLACK APPLICANTS					
TOTAL APPLICATIONS	**300,503**	**198,217**	**9,318**	**47,032**	**45,936**
Applicant income					
Less or equal to 50% of AMI	31,652	17,161	944	8,573	4,974
50% - 80% of AMI	85,945	55,979	2,692	14,283	12,991
80% - 120% of AMI	89,107	60,571	2,663	12,503	13,370
More than 120% of AMI	93,799	64,506	3,019	11,673	14,601
Loan type					
Conventional	96,285	62,481	3,204	16,097	14,503
Nonconventional	204,218	135,736	6,114	30,935	31,433
GSE/FHA					
GSE-purchased*		25,141			
FHA-insured	147,163	96,375	4,644	23,082	23,062
Loan cost					
High cost*		31,769			
Property location					
Low-moderate income neighborhood	77,476	47,644	2,643	14,476	12,713
Higher income neighborhood	223,027	150,573	6,675	32,556	33,223
Majority minority neighborhood	143,517	90,278	4,865	24,614	23,760
Northeast	33,264	21,553	1,065	5,486	5,160
Midwest	43,996	29,138	1,374	7,517	5,967
South	193,557	127,330	5,837	30,554	29,836
West	29,686	20,196	1,042	3,475	4,973
NON-HISPANIC WHITE APPLICANTS					
TOTAL APPLICATIONS	**2,446,232**	**1,917,607**	**72,251**	**205,316**	**251,058**
Applicant income					
Less or equal to 50% of AMI	179,132	121,892	5,021	30,233	21,986
50% - 80% of AMI	553,389	426,045	14,554	50,389	62,401
80% - 120% of AMI	699,600	551,857	18,353	50,090	79,300
More than 120% of AMI	1,227,061	961,694	35,946	74,859	154,562
Loan type					
Conventional	1,701,123	1,331,315	51,025	115,667	203,116
Nonconventional	958,059	730,173	22,849	89,904	115,133
GSE/FHA					
GSE-purchased*		616,441			
FHA-insured	588,842	447,981	14,034	56,778	70,049
Loan cost					
High cost*		133,628			
Property location					
Low-moderate income neighborhood	321,588	240,111	9,231	30,695	41,551
Higher income neighborhood	2,337,594	1,821,377	64,643	174,876	276,698
Majority minority neighborhood	244,503	175,922	7,594	22,948	38,039
Northeast	368,108	292,264	8,462	29,460	37,922
Midwest	709,065	559,815	19,773	54,852	74,625
South	980,748	760,476	28,939	81,197	110,136
West	562,457	448,933	16,700	40,062	56,762

*Information applicable only to originated loans

Table 5. Disposition of applications for first lien purchase loans of occupied one- to four-family homes by region and applicant income, conventional and nonconventional loans, Black and non-Hispanic White applicants, 2016

	BLACK APPLICANT					NON-HISPANIC WHITE APPLICANT				
	TOTAL APPLICATIONS	Originated	Approved but not accepted	Denied	Withdrawn/ File closed	TOTAL APPLICATIONS	Originated	Approved but not accepted	Denied	Withdrawn /File closed
ALL APPLICATIONS	300,503	198,217	9,318	47,032	45,936	2,659,182	2,061,488	73,874	205,571	318,249
Northeast	33,264	29,138	1,374	7,517	5,967	374,584	292,264	8,462	29,460	44,398
Less or equal to 50% of AMI	3,893	2,117	106	1,075	595	27,065	18,558	583	4,725	3,199
50%-80% of AMI	10,041	6,429	321	1,723	1,568	84,126	65,094	1,852	7,855	9,325
80%-120% of AMI	10,354	6,931	337	1,535	1,551	101,250	80,341	2,104	7,418	11,387
More than 120% of AMI	8,976	6,076	301	1,153	1,446	162,143	**128,271**	**3,923**	**9,462**	**20,487**
Midwest	43,996	21,553	1,065	5,486	5,160	703,918	559,815	19,773	54,852	69,478
Less or equal to 50% of AMI	7,112	4,128	212	1,792	980	71,219	50,871	2,081	10,942	7,325
50%-80% of AMI	14,716	9,781	492	2,512	1,931	178,400	141,450	4,850	15,553	16,547
80%-120% of AMI	11,889	8,146	357	1,783	1,603	185,378	150,381	5,082	12,813	17,102
More than 120% of AMI	10,279	7,083	313	1,430	1,453	268,921	**217,113**	**7,760**	**15,544**	**28,504**
South	193,557	127,330	5,837	30,554	29,836	994,434	760,476	28,939	81,197	123,822
Less or equal to 50% of AMI	19,467	10,297	592	5,423	3,155	55,601	35,746	1,639	10,703	7,513
50%-80% of AMI	55,571	36,131	1,706	9,260	8,474	190,703	143,308	5,260	19,132	23,003
80%-120% of AMI	57,894	39,293	1,653	8,198	8,750	257,633	199,830	7,074	20,091	30,638
More than 120% of AMI	60,625	41,609	1,886	7,673	9,457	490,497	**381,592**	**14,966**	**31,271**	**62,668**
West	29,686	20,196	1,042	3,475	4,973	586,246	448,933	16,700	40,062	80,551
Less or equal to 50% of AMI	1,180	619	34	283	244	25,247	16,717	718	3,863	3,949
50%-80% of AMI	5,617	3,638	173	788	1,018	100,160	76,193	2,592	7,849	13,526
80%-120% of AMI	8,970	6,201	316	987	1,466	155,339	121,305	4,093	9,768	20,173
More than 120% of AMI	13,919	9,738	519	1,417	2,245	305,500	**234,718**	**9,297**	**18,582**	**42,903**
CONVENTIONAL LOANS	96,285	62,481	3,204	16,097	14,503	1,701,123	1,331,315	51,025	115,667	203,116
Northeast	12,184	7,994	340	2,077	1,773	258,966	204,594	6,153	17,493	30,726
Less or equal to 50% of AMI	1,226	649	30	396	151	15,015	10,423	340	2,564	1,688
50%-80% of AMI	3,001	1,903	77	591	430	46,019	36,148	1,068	3,843	4,960
80%-120% of AMI	3,454	2,321	103	526	504	63,447	50,915	1,422	4,010	7,100
More than 120% of AMI	4,503	3,121	130	564	688	134,485	107,108	3,323	7,076	16,978
Midwest	15,206	10,231	520	2,509	1,946	463,783	374,894	14,185	30,426	44,278
Less or equal to 50% of AMI	2,162	1,247	75	597	243	37,753	27,629	1,202	5,384	3,538
50%-80% of AMI	4,048	2,696	151	709	492	95,178	76,781	2,835	7,307	8,255
80%-120% of AMI	3,690	2,537	130	555	468	113,568	93,344	3,477	6,676	10,071
More than 120% of AMI	5,306	3,751	164	648	743	217,284	177,140	6,671	11,059	22,414
South	57,804	36,786	1,933	10,210	8,875	597,400	459,410	19,082	43,773	75,135
Less or equal to 50% of AMI	5,662	2,792	164	1,916	790	27,561	18,000	870	5,270	3,421
50%-80% of AMI	13,501	8,366	403	2,712	2,020	88,081	66,443	2,660	8,419	10,559
80%-120% of AMI	14,368	9,283	479	2,415	2,191	129,400	100,459	3,949	9,439	15,553
More than 120% of AMI	24,273	16,345	887	3,167	3,874	352,358	274,508	11,603	20,645	45,602
West	11,091	7,470	411	1,301	1,909	380,974	292,417	11,605	23,975	52,977
Less or equal to 50% of AMI	501	270	13	125	93	14,435	9,860	451	2,062	2,062
50%-80% of AMI	1,816	1,187	58	258	313	52,175	40,199	1,440	3,653	6,883
80%-120% of AMI	2,697	1,841	95	305	456	85,632	67,173	2,407	4,790	11,262
More than 120% of AMI	6,077	4,172	245	613	1,047	228,732	175,185	7,307	13,470	32,770
NONCONVENTIONAL LOANS	139,486	88,698	4,796	25,048	20,944	762,579	563,713	21,381	86,252	91,233
Northeast	21,080	13,559	725	3,409	3,387	115,618	87,670	2,309	11,967	13,672
Less or equal to 50% of AMI	2,667	1,468	76	679	444	12,050	8,135	243	2,161	1,511
50%-80% of AMI	7,040	4,526	244	1,132	1,138	38,107	28,946	784	4,012	4,365
80%-120% of AMI	6,900	4,610	234	1,009	1,047	37,803	29,426	682	3,408	4,287
More than 120% of AMI	4,473	2,955	171	589	758	27,658	21,163	600	2,386	3,509
Midwest	28,790	18,907	854	5,008	4,021	240,135	184,921	5,588	24,426	25,200
Less or equal to 50% of AMI	4,950	2,881	137	1,195	737	33,466	23,242	879	5,558	3,787
50%-80% of AMI	10,668	7,085	341	1,803	1,439	83,222	64,669	2,015	8,246	8,292
80%-120% of AMI	8,199	5,609	227	1,228	1,135	71,810	57,037	1,605	6,137	7,031
More than 120% of AMI	4,973	3,332	149	782	710	51,637	39,973	1,089	4,485	6,090
South	135,753	90,544	3,904	20,344	20,961	397,034	301,066	9,857	37,424	48,687

Table 6. Distribution of originations of first lien purchase loans of occupied one- to four-family homes by region and applicant income, GSE-purchased and FHA-insured, Black and non-Hispanic White applicants, 2016

	BLACK APPLICANT					NIC 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	198,217	17,161	55,979	60,571	64,506	2,061,488	121,892	426,045	551,857	961,694
GSE-Purchased	13%	10%	9%	11%	18%	30%	26%	25%	28%	33%
FHA-Insured	49%	63%	59%	51%	34%	22%	34%	31%	26%	14%
Northeast										
Total Loans	21,553	2,117	6,429	6,931	6,076	292,264	18,558	65,094	80,341	128,271
GSE-Purchased	16%	10%	11%	15%	22%	29%	24%	25%	29%	32%
FHA-Insured	56%	65%	64%	58%	41%	22%	36%	32%	26%	12%
Midwest										
Total Loans	29,138	4,128	9,781	8,146	7,083	559,815	50,871	141,450	150,381	217,113
GSE-Purchased	15%	11%	11%	15%	25%	32%	27%	27%	32%	37%
FHA-Insured	54%	64%	63%	55%	33%	21%	33%	29%	24%	12%
South										
Total Loans	127,330	10,297	36,131	39,293	41,609	760,476	35,746	143,308	199,830	381,592
GSE-Purchased	11%	9%	7%	9%	16%	27%	23%	21%	24%	31%
FHA-Insured	48%	63%	59%	49%	33%	22%	35%	32%	27%	15%
West										
Total Loans	20,196	619	3,638	6,201	9,738	448,933	16,717	76,193	121,305	234,718
GSE-Purchased	18%	22%	16%	15%	20%	32%	33%	29%	31%	34%
FHA-Insured	39%	44%	46%	44%	32%	21%	31%	31%	26%	15%

Table 7. Distribution of denial reasons of first lien purchase loans of occupied one- to four-family homes by applicant income, conventional and nonconventional loan applications, Black and non-Hispanic White applicants, 2016

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	32,397	5,919	9,786	8,610	8,082	143,088	20,621	34,032	34,292	54,143
Debt-to-income ratio	31%	44%	32%	26%	21%	26%	43%	29%	23%	19%
Employment history	3%	3%	2%	2%	2%	3%	5%	4%	3%	2%
Credit history	25%	22%	25%	29%	35%	20%	18%	20%	22%	21%
Collateral	13%	11%	15%	14%	14%	20%	13%	20%	21%	22%
Insufficient cash	5%	5%	5%	5%	5%	5%	4%	5%	5%	5%
Unverifiable information	5%	4%	5%	5%	5%	5%	4%	5%	5%	6%
Credit application incomplete	8%	5%	7%	8%	9%	10%	6%	8%	10%	13%
Mortgage insurance denied	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	9%	6%	9%	10%	10%	9%	6%	9%	11%	10%
Conventional	12,198	2,300	3,237	2,903	3,758	84,520	10,838	16,536	17,885	39,261
Debt-to-income ratio	32%	46%	31%	26%	21%	27%	46%	31%	26%	21%
Employment history	3%	4%	3%	3%	2%	3%	4%	3%	3%	2%
Credit history	25%	19%	19%	19%	18%	19%	19%	19%	19%	18%
Collateral	12%	13%	22%	23%	24%	22%	13%	22%	23%	24%
Insufficient cash	5%	4%	5%	5%	6%	5%	4%	5%	5%	6%
Unverifiable information	5%	4%	4%	5%	7%	5%	4%	4%	5%	7%
Credit application incomplete	7%	5%	8%	10%	14%	11%	5%	8%	10%	14%
Mortgage insurance denied	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	10%	5%	7%	8%	9%	8%	5%	7%	8%	9%
Nonconventional	20,199	3,619	6,549	5,707	4,324	58,568	9,783	17,496	16,407	14,882
Debt-to-income ratio	31%	47%	34%	28%	21%	25%	41%	27%	20%	16%
Employment history	2%	4%	3%	3%	3%	4%	6%	5%	4%	3%
Credit history	26%	17%	22%	27%	33%	23%	17%	21%	24%	27%
Collateral	15%	11%	13%	12%	12%	18%	14%	18%	19%	19%
Insufficient cash	5%	5%	6%	5%	4%	5%	5%	5%	5%	4%
Unverifiable information	4%	4%	5%	5%	6%	5%	4%	5%	5%	6%
Credit application incomplete	8%	5%	7%	8%	9%	9%	6%	8%	9%	11%
Mortgage insurance denied	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	9%	6%	9%	11%	11%	11%	7%	10%	13%	14%

Table 8. Disposition of applications for first lien purchase loans of occupied one- to four-family homes by type of lender and applicant income,Black and non-Hispanic White applicants, 2016

	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	**300,503**	**31,652**	**85,945**	**89,107**	**93,799**	**2,659,182**	**179,132**	**553,389**	**699,600**	**1,227,061**
Bank, Savings Institution, or Credit Union										
Applications	78,281	10,021	22,261	20,555	25,444	1,015,181	70,461	191,853	236,985	515,882
Originated	63%	50%	62%	65%	66%	76%	65%	75%	77%	78%
Approved but not accepted	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Denied	21%	35%	22%	19%	15%	9%	21%	11%	9%	7%
Withdrawn/File Closed	14%	12%	13%	14%	15%	11%	11%	10%	11%	12%
Mortgage Companies Affiliated with Depositories										
Applications	20,526	2,395	6,413	5,872	5,846	181,441	13,033	41,128	48,738	78,542
Originated	67%	56%	67%	70%	70%	80%	72%	79%	81%	80%
Approved but not accepted	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%
Denied	14%	24%	15%	13%	11%	6%	13%	8%	6%	5%
Withdrawn/File Closed	12%	14%	12%	12%	13%	9%	10%	9%	9%	10%
Independent Mortgage Companies										
Applications	201,696	19,236	57,271	62,680	62,509	1,462,560	95,638	320,408	413,877	632,637
Originated	67%	56%	66%	69%	70%	78%	70%	78%	80%	79%
Approved but not accepted	3%	3%	3%	3%	3%	2%	2%	2%	2%	2%
Denied	14%	23%	15%	13%	11%	7%	14%	8%	6%	6%
Withdrawn/File Closed	16%	18%	16%	16%	16%	13%	14%	12%	12%	13%

Table 9. Disposition of applications for conventional first lien purchase loans of occupied one- to four-family homes by lender type, percentage of Black population in census tract and applicant income, 2016

	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ File closed	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ File closed
	BLACK APPLICANTS					NON-HISPANIC WHITE APPLICANTS				
TOTAL CONVENTIONAL LOANS	**96,285**	**61,805**	**3,127**	**16,010**	**14,313**	**1,701,123**	**1,331,315**	**51,025**	**115,667**	**203,116**
Bank, Savings Institution, or Credit Union	**47,483**	**29,375**	**1,485**	**9,993**	**6,630**	**829,385**	**638,382**	**27,348**	**69,199**	**94,456**
Up to 25% Black census tract	**24,779**	**16,329**	**753**	**4,330**	**3,367**	**781,090**	**605,520**	**25,477**	**63,053**	**87,040**
Applicant income										
Less or equal to 50% of AMI	2,068	1,040	62	727	239	48,438	32,079	1,624	9,675	5,060
50% - 80% of AMI	5,229	3,312	150	1,127	640	129,718	98,846	4,205	13,441	13,226
80% - 120% of AMI	5,792	3,786	171	1,046	789	169,361	132,252	5,712	13,211	18,186
More than 120% of AMI	11,690	8,191	370	1,430	1,699	433,573	342,343	13,936	26,726	50,568
26% - 50% Black census tract	**10,213**	**6,245**	**310**	**2,270**	**1,388**	**34,201**	**25,617**	**996**	**3,520**	**4,068**
Applicant income										
Less or equal to 50% of AMI	1,455	728	35	535	157	3,152	1,997	110	683	362
50% - 80% of AMI	3,077	1,895	93	708	381	7,100	5,177	210	892	821
80% - 120% of AMI	2,706	1,667	91	536	412	7,992	5,975	237	804	976
More than 120% of AMI	2,975	1,955	91	491	438	15,957	12,468	439	1,141	1,909
51% - 100% Black census tract	**12,491**	**6,801**	**422**	**3,393**	**1,875**	**14,094**	**7,245**	**875**	**2,626**	**3,348**
Applicant income										
Less or equal to 50% of AMI	2,437	1,174	71	889	303	981	583	22	247	129
50% - 80% of AMI	4,254	2,407	145	1,093	609	1,898	1,301	66	260	271
80% - 120% of AMI	3,009	1,759	92	703	455	2,063	1,485	58	252	268
More than 120% of AMI	2,791	1,461	114	708	508	9,152	3,876	729	1,867	2,680
Mortgage Companies Affiliated with Depos	**5,492**	**3,144**	**252**	**527**	**539**	**106,839**	**86,633**	**5,412**	**4,944**	**9,850**
Up to 25% Black census tract	**3,328**	**2,405**	**197**	**317**	**409**	**99,307**	**80,823**	**5,064**	**4,522**	**8,898**
Applicant income										
Less or equal to 50% of AMI	219	132	10	49	28	5,193	3,993	284	481	435
50% - 80% of AMI	645	459	33	74	79	17,028	13,885	842	912	1,389
80% - 120% of AMI	770	576	47	64	83	23,306	19,187	1,145	1,014	1,960
More than 120% of AMI	1,694	1,238	107	130	219	53,780	43,758	2,793	2,115	5,114
26% - 50% Black census tract	**1,118**	**783**	**62**	**127**	**146**	**5,821**	**4,632**	**267**	**315**	**607**
Applicant income										
Less or equal to 50% of AMI	112	62	13	19	18	491	367	23	46	55
50% - 80% of AMI	305	216	16	39	34	1,266	1,014	69	71	112
80% - 120% of AMI	304	227	11	25	41	1,373	1,087	62	75	149
More than 120% of AMI	397	278	22	44	53	2,691	2,164	113	123	291
51% - 100% Black census tract	**1,046**	**632**	**70**	**170**	**174**	**1,711**	**1,178**	**81**	**107**	**345**
Applicant income										
Less or equal to 50% of AMI	178	104	11	41	22	179	116	13	21	29
50% - 80% of AMI	331	197	14	66	54	354	276	13	21	44
80% - 120% of AMI	265	165	25	38	37	380	286	21	25	48
More than 120% of AMI	272	166	20	25	61	798	500	34	40	224
Independent Mortgage Companies	**43,310**	**29,286**	**1,390**	**5,490**	**7,144**	**764,899**	**606,300**	**18,265**	**41,524**	**98,810**
Up to 25% Black census tract	**27,731**	**19,353**	**825**	**3,164**	**4,389**	**724,176**	**576,021**	**17,107**	**38,777**	**92,271**
Applicant income										
Less or equal to 50% of AMI	1,371	793	31	334	213	33,340	24,622	703	3,777	4,238
50% - 80% of AMI	4,537	3,138	101	570	728	115,897	92,643	2,403	7,081	13,770
80% - 120% of AMI	6,827	4,844	198	756	1,029	177,539	143,827	3,747	8,935	21,030
More than 120% of AMI	14,996	10,578	495	1,504	2,419	397,400	314,929	10,254	18,984	53,233
26% - 50% Black census tract	**7,716**	**5,148**	**277**	**1,057**	**1,234**	**30,132**	**23,714**	**799**	**1,727**	**3,892**
Applicant income										

Table 10. Disposition of applications for FHA-insured first lien purchase loans of occupied one- to four-family homes by lender type, percentage of Black population in census tract and applicant income, 2016

	BLACK APPLICANTS					NON-HISPANIC WHITE APPLICANTS				
	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ File closed	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ File closed
TOTAL FHA-INSURED LOANS	**147,163**	**96,375**	**4,644**	**23,082**	**23,062**	**588,842**	**447,981**	**14,034**	**56,778**	**70,049**
Bank, Savings Institution, or Credit Union	**20,563**	**12,837**	**506**	**4,396**	**2,824**	**97,130**	**71,714**	**2,534**	**12,644**	**10,238**
Up to 25% Black census tract	**8,310**	**5,461**	**203**	**1,582**	**1,064**	**88,253**	**65,463**	**2,342**	**11,290**	**9,158**
Applicant income										
Less or equal to 50% of AMI	984	541	19	297	127	10,218	6,501	285	2,358	1,074
50% - 80% of AMI	2,663	1,780	59	513	311	26,918	20,052	736	3,501	2,629
80% - 120% of AMI	2,514	1,727	71	406	310	26,362	20,190	660	2,795	2,717
More than 120% of AMI	2,149	1,413	54	366	316	24,755	18,720	661	2,636	2,738
26% - 50% Black census tract	**4,939**	**3,143**	**123**	**1,008**	**665**	**6,668**	**4,903**	**149**	**892**	**724**
Applicant income										
Less or equal to 50% of AMI	816	436	21	270	89	1,039	677	32	210	120
50% - 80% of AMI	1,916	1,233	49	372	262	2,172	1,581	48	294	249
80% - 120% of AMI	1,377	914	34	229	200	1,812	1,373	42	213	184
More than 120% of AMI	830	560	19	137	114	1,645	1,272	27	175	171
51% - 100% Black census tract	**7,314**	**4,233**	**180**	**1,806**	**1,095**	**2,209**	**1,348**	**43**	**462**	**356**
Applicant income										
Less or equal to 50% of AMI	1,673	854	33	542	244	385	224	10	95	56
50% - 80% of AMI	2,839	1,758	73	614	394	634	448	8	98	80
80% - 120% of AMI	1,841	1,124	35	413	269	476	347	6	68	55
More than 120% of AMI	961	497	39	237	188	714	329	19	201	165
Mortgage Companies Affiliated with Depos	**10,831**	**7,034**	**646**	**1,768**	**1,383**	**44,053**	**33,640**	**2,009**	**4,195**	**4,209**
Up to 25% Black census tract	**4,743**	**3,216**	**259**	**716**	**552**	**39,824**	**30,447**	**1,837**	**3,788**	**3,752**
Applicant income										
Less or equal to 50% of AMI	509	293	25	114	77	4,361	2,983	220	698	460
50% - 80% of AMI	1,487	1,019	76	217	175	11,980	9,111	554	1,207	1,108
80% - 120% of AMI	1,506	1,045	86	207	168	12,140	9,523	544	1,003	1,070
More than 120% of AMI	1,241	859	72	178	132	11,343	8,830	519	880	1,114
26% - 50% Black census tract	**2,614**	**1,723**	**143**	**412**	**336**	**3,232**	**2,485**	**125**	**310**	**312**
Applicant income										
Less or equal to 50% of AMI	372	208	23	88	53	481	335	23	72	51
50% - 80% of AMI	1,087	723	70	174	120	1,177	901	45	118	113
80% - 120% of AMI	753	514	32	104	103	859	679	31	76	73
More than 120% of AMI	402	278	18	46	60	715	570	26	44	75
51% - 100% Black census tract	**3,474**	**2,095**	**244**	**640**	**495**	**997**	**708**	**47**	**97**	**145**
Applicant income										
Less or equal to 50% of AMI	755	425	41	182	107	179	127	4	28	20
50% - 80% of AMI	1,486	933	105	253	195	344	264	20	28	32
80% - 120% of AMI	817	515	65	131	106	255	187	17	16	35
More than 120% of AMI	416	222	33	74	87	219	130	6	25	58
Independent Mortgage Companies	**115,769**	**76,504**	**3,492**	**16,918**	**18,855**	**447,659**	**342,627**	**9,491**	**39,939**	**55,602**
Up to 25% Black census tract	**54,943**	**37,444**	**1,544**	**7,646**	**8,309**	**413,117**	**317,976**	**8,637**	**36,213**	**50,291**
Applicant income										
Less or equal to 50% of AMI	4,623	2,584	125	1,124	790	39,386	27,111	815	5,908	5,552
50% - 80% of AMI	15,926	10,684	446	2,346	2,450	118,489	90,812	2,444	10,806	14,427
80% - 120% of AMI	18,520	12,968	524	2,287	2,741	130,567	102,266	2,620	10,275	15,406
More than 120% of AMI	15,874	11,208	449	1,889	2,328	124,675	97,787	2,758	9,224	14,906
26% - 50% Black census tract	**26,477**	**17,728**	**779**	**3,809**	**4,161**	**25,444**	**19,093**	**607**	**2,396**	**3,348**
Applicant income										

Table 11. Disposition of applications for first lien purchase loans of occupied one- to four-family homes by city and applicant income, Black applicants, 2016

	Baltimore, MD	Chicago, IL	Dallas, TX	Detroit, MI	Houston, TX	Los Angeles, CA	Memphis, TN	New York City, N.Y.	Philadelphia, PA
Total Applications	1,961	3,491	1,020	650	1,811	1,080	1,422	3,436	2,818
Disposition									
Originated	1,221	2,114	630	337	1,115	659	927	2,031	1,805
Approved but not accepted	52	119	47	30	68	62	52	152	82
Denied	333	659	138	206	296	141	276	617	489
Withdrawn/File closed	355	599	205	77	332	218	167	636	442
Income									
Less or equal to 50% of AMI	695	421	176	70	157	3	227	56	376
50%-80% of AMI	809	1,095	315	216	456	59	457	365	976
80%-120% of AMI	315	1,135	230	183	420	234	400	1,239	859
More than 120% of AMI	142	840	299	181	778	784	338	1,776	607
Income less or equal to 50% of AMI									
Applications	695	421	176	70	157	3	227	56	376
Originated	417	198	92	37	69	2	110	13	194
Approved but not accepted	19	3	8	3	6	0	10	2	13
Denied	139	146	37	24	46	1	77	32	114
Withdrawn/File closed	120	74	39	6	36	0	30	9	55
Income 50%-80% of AMI									
Applications	809	1095	315	216	456	59	457	365	976
Originated	531	673	194	103	264	25	293	176	620
Approved but not accepted	21	47	19	9	23	1	12	18	26
Denied	122	197	40	83	80	16	94	102	167
Withdrawn/File closed	135	178	62	21	89	17	58	69	163
Income 80%-120% of AMI									
Applications	315	1135	230	183	420	234	400	1239	859
Originated	187	700	141	96	264	137	261	731	584
Approved but not accepted	10	39	8	9	9	15	22	45	20
Denied	52	185	36	50	79	35	69	244	130
Withdrawn/File closed	66	211	45	28	68	47	48	219	125
Income more than 120% of AMI									
Applications	142	840	299	181	778	784	338	1776	607
Originated	86	543	203	101	518	495	263	1,111	407
Approved but not accepted	2	30	12	9	30	46	8	87	23
Denied	20	131	25	49	91	89	36	239	78
Withdrawn/File closed	34	136	59	22	139	154	31	339	99

Table 12. Disposition of applications for first lien purchase loans of occupied one- to four-family homes by city and applicant income, Non-Hispanic White applicants, 2016

	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	2,616	14,431	6,992	415	8,183	10,696	2,417	13,570	6,324	3,688
Disposition										
Originated	2,099	11,400	5,288	278	6,160	7,533	2,027	9,898	4,947	2,894
Approved but not accepted	47	263	256	19	291	422	38	470	104	59
Denied	139	958	374	70	484	1,020	139	1,284	420	172
Withdrawn/File closed	331	1,810	1,074	48	1,248	1,721	213	1,918	853	563
Income										
Less or equal to 50% of AMI	261	366	147	31	114	52	105	126	193	103
50%-80% of AMI	713	1,562	664	49	636	176	404	864	823	584
80%-120% of AMI	701	3,334	1,249	86	1,278	896	630	2,399	1,571	896
More than 120% of AMI	941	9,169	4,932	249	6,155	9,572	1,278	10,181	3,737	2,105
Income less or equal to 50% of AMI										
Applications	**261**	**366**	**147**	**31**	**114**	**52**	**105**	**126**	**193**	**103**
Originated	162	220	82	14	54	14	74	51	116	63
Approved but not accepted	5	8	9	1	2	1	2	5	1	3
Denied	42	78	26	9	34	27	21	57	46	15
Withdrawn/File closed	52	60	30	7	24	10	8	13	30	22
Income 50%-80% of AMI										
Applications	**713**	**1,562**	**664**	**49**	**636**	**176**	**404**	**864**	**823**	**584**
Originated	579	1,198	480	34	438	97	337	575	623	459
Approved but not accepted	20	29	30	2	21	7	6	41	13	11
Denied	36	149	54	7	71	43	31	149	93	30
Withdrawn/File closed	78	186	100	6	106	29	30	99	94	84
Income 80%-120% of AMI										
Applications	**701**	**3,334**	**1,249**	**86**	**1,278**	**896**	**630**	**2,399**	**1,571**	**896**
Originated	576	2,642	933	56	940	641	520	1,773	1,257	684
Approved but not accepted	9	71	50	5	37	29	15	80	22	20
Denied	30	223	82	18	87	99	41	246	92	48
Withdrawn/File closed	86	398	184	7	214	127	54	300	200	144
Income more than 120% of AMI										
Applications	**941**	**9,169**	**4,932**	**249**	**6,155**	**9,572**	**1,278**	**10,181**	**3,737**	**2,105**
Originated	782	7,340	3,793	174	4,728	6,781	1,096	7,499	2,951	1,688
Approved but not accepted	13	155	167	11	231	385	15	344	68	25
Denied	31	508	212	36	292	851	46	832	189	79
Withdrawn/File closed	115	1,166	760	28	904	1,555	121	1,506	529	313

Table 13. Distribution of applications and originations first lien purchase of occupied one- to four-family homes by region, 2015-2016

	Applications			Originations		
BLACK APPLICANTS	**2015**	**2016**	**% Change**	**2015**	**2016**	**% Change**
TOTAL APPLICATIONS	**245,425**	**300,503**	**22%**	**164,585**	**198,217**	**20%**
Northeast	27,124	33,264	23%	17,867	21,553	21%
Midwest	36,052	43,996	22%	24,021	29,138	21%
South	157,813	193,557	23%	105,662	127,330	21%
West	24,436	29,686	21%	17,035	20,196	19%
NON-HISPANIC WHITE APPLICANTS						
TOTAL APPLICATIONS	**2,446,232**	**2,620,378**	**7%**	**1,917,607**	**2,061,488**	**8%**
Northeast	339,314	368,108	8%	266,432	292,264	10%
Midwest	650,361	709,065	9%	519,558	559,815	8%
South	917,424	980,748	7%	710,749	760,476	7%
West	539,133	562,457	4%	420,868	448,933	7%

Table 14. Distribution of high-cost loans by neighborhood income level, 2016

	Originated	High-cost	%
BLACK APPLICANTS			
TOTAL LOANS	**198,217**	**31,769**	**16%**
Neighborhood income			
Low-moderate income neighborhood	47,644	10,170	21%
Higher income neighborhood	150,573	21,599	14%
NON-HISPANIC WHITE APPLICANTS			
TOTAL LOANS	**2,061,488**	**133,628**	**6%**
Neighborhood income			
Low-moderate income neighborhood	240,111	24,973	10%
Higher income neighborhood	1,821,377	108,655	6%

National Association of Real Estate Brokers (NAREB)
9831 Greenbelt Road
Suite 309
Lanham, MD 20706
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