THE GREENLINING INSTITUTE

ECONOMIC EQUITY

LOCKED OUT OF THE MARKET

POOR ACCESS TO HOME LOANS FOR CALIFORNIANS OF COLOR

Original Authors:
Sasha Werblin • Economic Equity Director
Zach Murray • Economic Equity Program Manager

Update Authors:
Vedika Ahuja • Economic Equity Program Manager
Hibba Meraay • Economic Equity Fellow

ORIGINALLY PUBLISHED FEBRUARY 2016 • UPDATED JUNE 2017

ECONOMIC EQUITY ORIGINALLY PUBLISHED FEBRUARY 2016 • UPDATED JUNE 2017

LOCKED OUT OF THE MARKET

POOR ACCESS TO HOME LOANS FOR CALIFORNIANS OF COLOR

Original Authors:
Sasha Werblin • Economic Equity Director
Zach Murray • Economic Equity Program Manager

Update Authors:
Vedika Ahuja • Economic Equity Program Manager
Hibba Meraay • Economic Equity Fellow

THE GREENLINING INSTITUTE

ACKNOWLEDGEMENTS

About the Greenlining Institute

Founded in 1993, The Greenlining Institute envisions a nation where communities of color thrive and race is never a barrier to economic opportunity. Because people of color will be the majority of our population by 2044, America will prosper only if communities of color prosper. Greenlining advances economic opportunity and empowerment for people of color through advocacy, community and coalition building, research, and leadership development. We work on a variety of major policy issues, from the economy to environmental policy, civic engagement and many others, because economic opportunity doesn't operate in a vacuum. Rather than seeing these issues as being in separate silos, Greenlining views them as interconnected threads in a web of opportunity.

The Greenlining Institute's Economic Equity Program works to overcome the lingering effects of redlining, help communities of color build wealth, and ensure that our financial system works for all.

Author Biographies

Sasha Werblin
Sasha is a proud Oakland native who brings extensive nonprofit, public sector and campaign experience to the Economic Equity team. As Economic Equity Director, she worked to build wealth, assets, and financial sustainability in communities of color. Her policy experience began as Greenlining's Sustainable Development Fellow. Between completion of her Academy fellowship and returning to Greenlining, Sasha ran Congresswoman Barbara Lee's successful 2008 reelection campaign. She has also worked in Mombasa, Kenya to ensure that underserved communities were at the vanguard of local development initiatives and to build fundraising capacity for local community-based organizations. She was assistant director at a progressive campaign consulting firm mobilizing activists, building membership and fundraising for organizations like Amnesty International, Equality California and Save the Children.

In her spare time, Sasha mentors two young women of color through the Berkeley Community Fund and the East Bay College Fund. Sasha serves on the boards of the East Bay AIDS Advocacy Foundation and Homeownership SF, and is a 2016 New Leaders Council Fellow in the Oakland Chapter. Sasha graduated from Smith College in 2007 with a B.A. in Sociology and Psychology.

Zach Murray
Zach joined The Greenlining Institute as the Leadership Academy coordinator in January 2015 and became Economic Equity Program Manager in August 2015. A native of Baltimore, Maryland, Zach brings several years of experience in leadership development, public policy, and advocacy with a focus on low-income communities and boys and men of color. Most recently, Zach was the coordinator of policy advocacy and knowledge leadership for Larkin Street Youth Services, a leading provider of services for homeless youth in San Francisco.

Previously, Zach served as a 2013 Bill Emerson Hunger Fellow. In this capacity he completed placements at the Center for American Progress where he made contributions to Progress 2050 and Policylink's recent book "All-In Nation: An America that Works for All," and at Just Harvest, where he completed research critical to the launch of Farm Truck Foods, Pittsburgh, Pennsylvania's first mobile grocery. Zach attended Cornell University completing B.A. and B.S. degrees in Africana studies and Urban and Regional Studies. While an undergraduate, Zach completed a year-long fellowship at the Urban Institute, conducting an analysis of food deserts in Washington, D.C.

Vedika Ahuja
As the Economic Equity Program Manager, Vedika works to build wealth and improve financial services in communities of color. Prior to joining The Greenlining Institute, Vedika spent two years at an economic consulting firm analyzing the impact of antitrust actions and anticompetitive practices on consumers. She graduated with a B.A. in Economics from UC Berkeley. While at Berkeley, Vedika conducted economic development research about the long term impacts of health and education interventions on Kenyan youth. Vedika has been in the Bay for almost 10 years, and now calls it home.

Hibba Meraay
Hibba Merray recently graduated from Boston University, where she double majored in Economics and International Relations. Her passion for economic equity and social justice stems from her experience as the daughter of immigrants. As an undergraduate, she pursued her passion for public policy outside of the classroom through internships with the Massachusetts State Legislature and the U.S. Department of State. Hibba is excited to join The Greenlining Institute in empowering communities of color.

Acknowledgements (cont.)

Contributors:
Robert Stahl, Housing and Economic Development Coordinator, Urban Strategies Council
Steve Spiker, Research and Technology Director, Urban Strategies Council

Editorial:
Bruce Mirken, Media Relations Director, The Greenlining Institute
Tram Nguyen

Design:
Vandy Ritter Design, San Francisco
Conrad Contreras, Communications Manager, The Greenlining Institute
Leonna Spilman, Communications Coordinator, The Greenlining Institute

The Greenlining Institute
@Greenlining
The Greenlining Institute

THE GREENLINING INSTITUTE
WWW.GREENLINING.ORG

TABLE OF CONTENTS

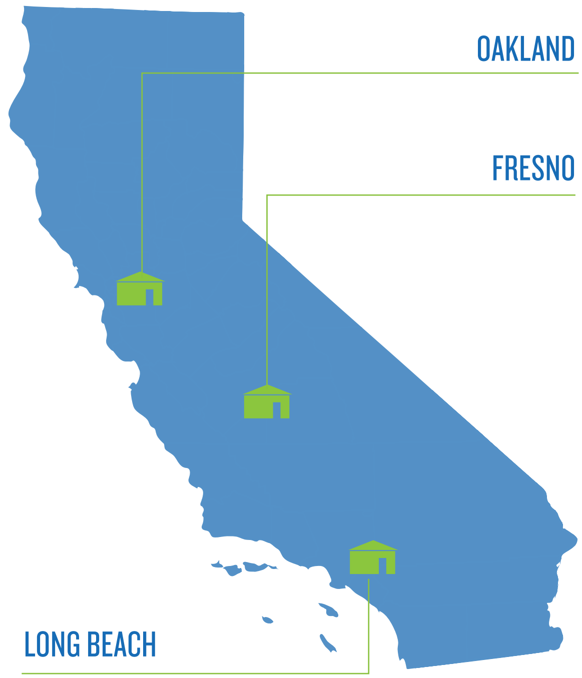
EXECUTIVE SUMMARY

1. The Greenlining Institute partnered with Urban Strategies Council to assess home lending across California and in three diverse cities: Oakland, Long Beach, and Fresno. We analyzed the state's top 12 lenders by mortgage volume using data reported under the federal Home Mortgage Disclosure Act. Data collected under the Home Mortgage Disclosure Act consists of information on loans for the purpose of purchasing, refinancing, and improving a home (home improvement).

2. Overall, Californians of color are not accessing the mortgage market at rates comparable to their white counterparts. In 2013, the 58 percent of Californians who are Asian, African American or Latino received only 28 percent of total mortgage dollars, less than half their share of the population. During this time, the lenders analyzed funded over $187 billion in mortgage credit in California, yet only $53 billion of this went to Asian, Black, and Latino borrowers. These numbers are incomplete, as over 15 percent of applications were missing race/ethnic data.

3. Disparities in lending were partially driven by a statewide dearth in mortgage loan applications, especially for Latinos and African Americans. Representing 38 percent and six percent of California residents, respectively, Latinos and African Americans submitted 16 percent and three percent of applications in 2013 and received 9 percent and two percent of total mortgage dollars lent.

4. Latinos and African Americans significantly lagged behind their population share in total mortage applications and originations in all three cities. Relative to each group's population size in the three cities, Oakland had the best record of applications and originations to African Americans, but the worst to Latinos. Fresno had the most lending to Latinos relative to population share.



5. Asians lagged slightly behind their population share in total mortgage applications and originations in Long Beach. In Oakland, Asians exceed their population share in mortgage applications and originations, and in Fresno, Asians applied and received almost the same share of mortgages as their percentage share of the population.

6. Anecdotal data suggest disparities between various Asian American groups. Unfortunately, HMDA does not disaggregate ethnic data by subgroups, making analysis of this issue impossible.

7. To better understand these discrepancies, officials and advocates need better data. In 2018, lenders will begin reporting data for subgroups of Asians and Latinos, but this reporting will be voluntary. It should be mandatory. In addition, race/ethnicity data should be collected for mortgages purchased by financial institutions. Adding race and ethnicity to reports made under the Community Reinvestment Act would also improve our knowledge.

8. While this report cannot fully explain reasons for ethnic and racial disparities, banks can take steps to bolster their connections with communities of color. These include hiring more diverse loan officers, marketing to diverse communities, better partnerships with housing counseling agencies, and developing specialized mortgage products tailored to low and moderate income buyers.

INTRODUCTION

The pace of recovery following the foreclosure and financial crises continues to differ across racial and ethnic groups. This is especially clear across mortgage lending in California. Banks, lenders, and policymakers must understand this phenomenon and create better products and policies to address this gaping problem.

Decades of discriminatory practices by mortgage lenders, known as "redlining," produced a shameful legacy that still all too frequently determines who gets access to America's central vehicle for wealth creation: homeownership.

The home lending market dramatically transformed following the crisis. The overall volume of loans, particularly home purchase loans, fell across the country, producing larger gaps in access to homeownership among those that suffered most from foreclosures. Black, Latino, and low-income communities that were steered into subprime loans at record numbers consequently endured an unprecedented wave of foreclosures and now face very limited access to sustainable mortgage opportunities.[1]

As a result, people of color continue to experience far lower rates of homeownership than whites and the benefits of homeownership rarely trickle down to our nation's fastest growing demographic. People of color will account for the vast majority of household growth in the U.S. for the next 40 years, yet our housing policy fails to accommodate this growth. Inadequate access to sustainable mortgage lending dims prospects of a bright economic future. Eliminating barriers to access these loans can ensure that our housing market nurtures wealth creation for all Americans.

Data collected under the Home Mortgage Disclosure Act provide a useful snapshot of mortgage lending patterns, including information on the race, ethnicity and income level of borrowers. We used HMDA data for mortgages made in 2013 to take the pulse of mortgage lending in California. We then looked in detail at three mid-sized California cities — Long Beach, Fresno and Oakland — chosen for both their geographic diversity and the diverse racial and ethnic makeup of their populations.

California is a critical housing market and a bellwether for national trends. Unfortunately, access to affordable and sustainable home loans remains elusive to many in California's new majority, particularly to black and Latino borrowers across the state.

And while California's housing market is leading the recovery nationally, so far little of this recovery has reached communities of color across the state.

[1] Zonta, M. "The Unequal Mortgage Market is not a Coincidence" Center for American Progress, 2014 https://www.americanprogress.org/issues/housing/news/2014/10/20/99320/the-unequal-mortgage-market-is-no-co-incidence/

METHODOLOGY

The Home Mortgage Disclosure Act of 1975 (HMDA) is a regulatory tool that makes available comprehensive home lending data. Under HMDA, the federal government collects and reports rich demographic data for every mortgage loan application, including the borrower's race, gender, and income level, in order to: a) offer the public information on the extent to which lending institutions provide home loans in particular communities; b) direct public spending and spur private investments in underinvested communities; and c) identify discriminatory and unfair lending practices.[2] For example, the Consumer Financial Protection Bureau (CFPB) and Department of Justice recently used HMDA to identify discriminatory practices used against black and Latino borrowers at Hudson City Savings Bank, resulting in a $33 million settlement.[3]

Lending data analyzed in this study reflect all mortgage loans made in California in 2013. The information can be accessed online at http://www.consumerfinance.gov/hmda/. For this analysis we only reviewed records associated with the top 13 banks, based on volume of individual loan records.

We further reviewed three geographic areas: Fresno, Oakland, and Long Beach. These cities were selected based on similar population size, geographic distribution in different regions of the state, and racial/ethnic diversity. To establish geographic boundaries and select appropriate records for study, a list of census tracts for each of the three cities was created using 2013 TIGER files in ArcGIS.

Corresponding census tract level Geodata from individual records in the statewide dataset were then selected to analyze. Records for each city were similarly reduced to activity from the top 13 banks with the largest lending volume in that area.

Records in the HMDA dataset consist of individual loan applications as well as loans purchased by an institution. Our analysis primarily focused on loan applications and their associated lending outcomes. This study excludes all purchased mortgages. Consequently, our study excluded one institution altogether, Citimortgage, as this bank only purchased loans and did not originate any. Thus, final analysis for each of the four jurisdictions included 12 banks in total.

The HMDA dataset includes fields for each applicant's race and ethnicity. Race and ethnicity were recorded in separate fields, allowing applicants to register multiple races and then separately indicate whether they identify as Hispanic. Only the four largest race/ethnic categories (Asian, black/African American, Hispanic, white) were considered. Due to the relatively small number of secondary applicants overall, and the small number of primary applicants who reported a second race, only the primary applicant's first listed race and first listed ethnicity were considered. The fact that applicants were able to select both a race and ethnicity led to some overlap when race and ethnicity were analyzed, causing some records to be considered twice. For example, an applicant who recorded their race as "white" and their ethnicity as "Hispanic" was counted as part of both groups. We refer to any applicants who identified as Hispanic as Latino/a.

In addition, lack of HMDA data on specific Asian ethnicities represents a significant obstacle, as rates of poverty and other economic indicators show great differences between subgroups of Asian Americans.

[2] Federal Financial Institutions Examination Council, "Background and Purpose of HMDA, obtained 2015 online, https://www.ffiec.gov/hmda/history.htm

[3] Consumer Financial Protection Bureau. "CFPB and DOJ Order Hudson City to Pay $27 Million to Increase Mortgage Credit Access in Communities Illegally Redlined". Sept, 2015
http://www.consumerfinance.gov/newsroom/cfpb-and-doj-order-hudson-city-savings-bank-to-pay-27-million-to-increase-mortgage-credit-access-in-communities-illegally-redlined/

While all fields in a record were considered, our analysis focused primarily on the following variables: lending institution ID; primary applicant race 1; primary applicant ethnicity 1; loan purpose (home improvement, refinance, home purchase); loan type (FHA, VA, Conventional); action taken (Application approved but not accepted, Application denied by financial institution, Application withdrawn by applicant, File closed for incompleteness, Loan originated); loan amount; and applicant income.

All demographic information for the state of California and the cities of Oakland, Fresno and Long Beach come from the 2013 American Community Survey 1-year demographic estimates. As in the HMDA dataset, the ACS collects race and ethnicity data in separate fields. We dealt with the race and ethnicity data from the ACS the same way in which we dealt with the HMDA race/ethnicity data. If an individual recorded their race as “white” and their ethnicity as “Hispanic or Latino,” we counted them as part of both groups.

CALIFORNIA PROFILE

African Americans and Latinos are badly underrepresented in California mortgage lending.

The share of loans going to African Americans and Latinos was much less than half their percentage of the population.

Home lending to Asians slightly exceeded their share of California's population.

Whites exceeded the combined total of all other groups in each category.

The low shares of total dollars lent to black and Latino borrowers as compared to whites perpetuate and exacerbate wealth disparities.

Table 1: California Race/Ethnicity Demographics in 2013

Total Population	White	Asian	Latino	Afr. American
38.33 Million	61.9%	13.6%	38.4%	5.9%

Race and ethnicity are collected in 2 separate fields. Hispanic/Latino is considered an ethnic group, so totals may exceed 100%. See Methodology.

Figure 1: California Home Mortgage Lending in 2013

	# Applications	# Originations	Total $ Lent
	818,947	522,979	$187,028,371,000
White	510, 992 (62.0%)	333,173 (63.7%)	$109.6B (58.6%)
Asian	132,507 (16.0%)	87,917 (14.4%)	$33.2B (17.7%)
Latino	126,614 (15.5%)	73,461 (14.0%)	$16.6 (8.9%)
African American	22,289 (2.7%)	12,562 (2.4%)	$3.2B (1.7%)

California: Median Loan and Income

Figure 2: Median Loan and Income Amount by Race/Ethnicity

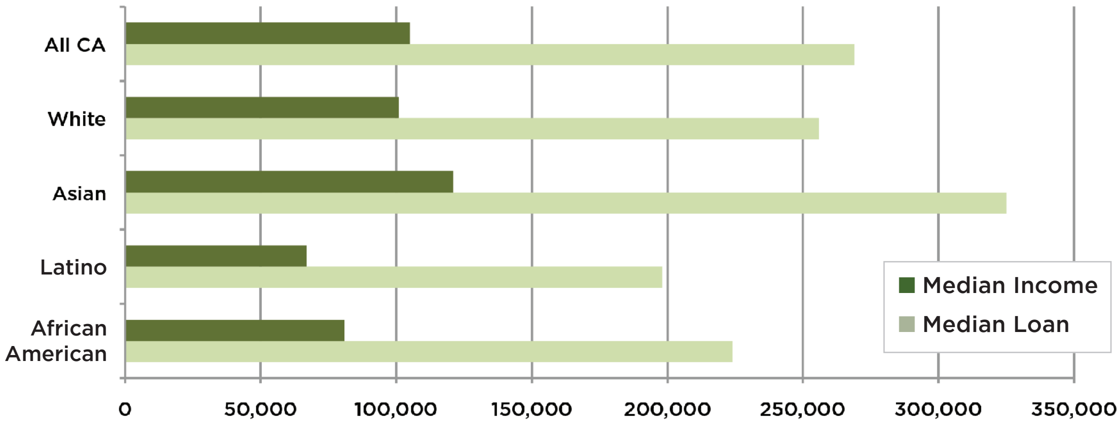


Table 2: Loan to Income (LTI) Ratio by Race/Ethnicity

California	White	Asian	Latino	Afr. American
2.56	2.53	2.69	2.96	2.77

In California, the median loan amount in 2013 was $269,000 while the median income of borrowers was $105,000. Asian borrowers had the highest median income and received the greatest loan amounts, reaching $125,000 and $325,000, respectively, and were the only group to exceed the statewide medians. White borrowers came in slightly lower, with median incomes of $101,000 and median loan amounts at $256,000, followed by African American borrowers ($81,000 median income and $224,000 median loan amount) and Latino borrowers ($61,000 median income and $198,000 median loan amount).

Loan-to-Income ratio (LTI) estimates the relative debt of a borrower. The figure compares loan amounts to reported income—a lower LTI ratio displays a lower debt burden.

Table 2 indicates that Latinos faced the highest LTI ratio, followed by blacks. Both groups had debt nearly three times greater than their reported incomes. Only whites had an LTI lower than the statewide LTI ratio.

Although Asians borrowers exceeded the statewide medians for loan amounts and income; their LTI exceeded that of whites as well as the statewide LTI.

California: Originations

Figure 3: Percent Originations by Race/Ethnicity

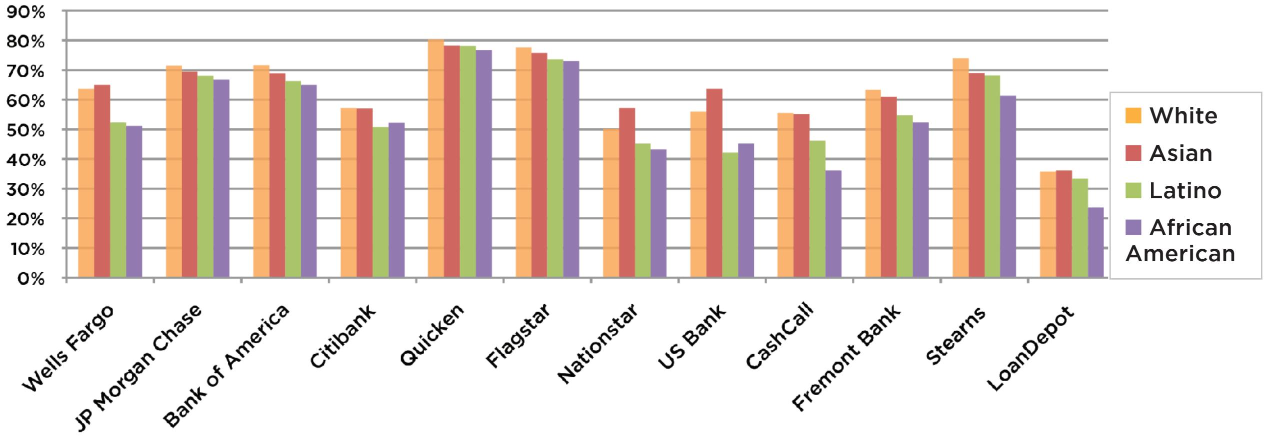


Table 3: Rate of Loans Funded by Race/Ethnicity

California	White	Asian	Latino	Afr. American
63.9%	65.2%	66.4%	58.0%	56.4%

Figure 3 shows the rate of loans funded at the top 12 lenders by race/ethnicity, revealing which banks achieved parity in lending across racial/ethnic groups.

Chase Bank, Bank of America, Quicken, and Flagstar Bank had more consistent originations across ethnicities. In contrast, Wells Fargo Bank, US Bank, and CashCall had great disparities between racial/ethnic groups. In particular, African Americans and Latinos had far lower origination rates compared to Asians and whites.

Table 3 displays the total statewide origination rate by race/ethnicity. African Americans had the lowest origination rate in the state (56 percent) followed by Latinos (58 percent). Both groups trailed behind the state average (64 percent), while Asians (66 percent) and whites (65 percent) slightly exceeded the statewide rate.

OAKLAND PROFILE

Oakland had profound racial disparities. African Americans make up one quarter of Oakland residents, but comprised 14 percent of applications, 12 percent of originations and 9 percent of total dollars lent. Similarly, Latinos — just over a quarter of residents — did not reach a tenth of applications, originations, or total dollars. Lending to Latinos relative to the group's share of the population is worst in Oakland as compared to lending in Long Beach and Fresno.

The shares of Asian applications (19.1 percent) and originations (19.3 percent) and dollars lent (17.5 percent) were slightly more than Asians' share of the population (16.2 percent). Whites significantly exceeded their share of the population (39.3 percent) in each category, reaching over half (55.3 percent) of all dollars lent in Oakland.

Nearly a sixth of Oakland applications and originations had race/ ethnicity information missing.

Table 4: Oakland Race/Ethnicity Demographics in 2013

Total Population	White	Asian	Latino	Afr. American
406,228	39.3%	16.2%	26.6%	25.4%

Race and ethnicity are collected in 2 separate fields. Hispanic/Latino is considered an ethnic group, so totals may exceed 100%. See Methodology.

Figure 4: Oakland Home Mortgage Lending in 2013

	# Applications	# Originations	Total $ Lent
	8,500	5,121	$1,683,090,000
White	3,985 (46.9%)	2,570 (50.2%)	$929.95 M (55.3%)
Asian	1,625 (19.1%)	988 (19.3%)	$294.84 M (17.5%)
Latino	774 (9.1%)	426 (8.3%)	$97.88 M (5.8%)
African American	1,176 (13.8%)	610 (11.9%)	$149.37 M (8.9%)

Missing Race/Ethnicity: Applications: 1367 (16.1%) Originations: 767 (15.0%)

Oakland: Loan Purpose

Refinance loan applications accounted for 82.9 percent of all mortgage loan applications at the top 12 banks. Home purchase loans represented 14.8 percent of mortgage applications.

African American and Latino borrowers were underrepresented in both home purchase and refinance lending. In 2013, the top 12 lenders helped African American borrowers purchase just 54 homes in the city, while Latino borrowers received only 79 home purchase loans.

Consistent with state averages, Asian borrowers received above their population share in home purchase originations (26.5 percent). Whites performed well in refinance originations (49.9 percent) relative to their proportion of Oakland's population and Asians received slightly below their share of the population in refinance loans (18.0 percent).

Figure 5: Oakland Home Purchase and Refinance Lending in 2013

Home Purchase		Refinance	
Applications	Originations	Applications	Originations
1,262	812	7,046	4,208
635 (50.3%)	416 (51.2%)	3,255 (46.2%)	2,100 (49.9%)
313 (24.8%)	215 (26.5%)	1276 (18.1%)	758 (18.0%)
141 (11.2%)	79 (9.7%)	615 (8.7%)	340 (8.1%)
113 (9.0%)	54 (6.7%)	1038 (14.7%)	542 (12.9%)

White
Asian
Latino
African American

Table 5: Originations by Area Median Income

AMI Group	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI
% Loans Originated	3.2%	7.6%	15.3%	11.2%	9.4%	49.4%
Origination Rate	46.7%	50.1%	54.7%	53.9%	60.2%	66.8%

Oakland: Income and Race/Ethnicity

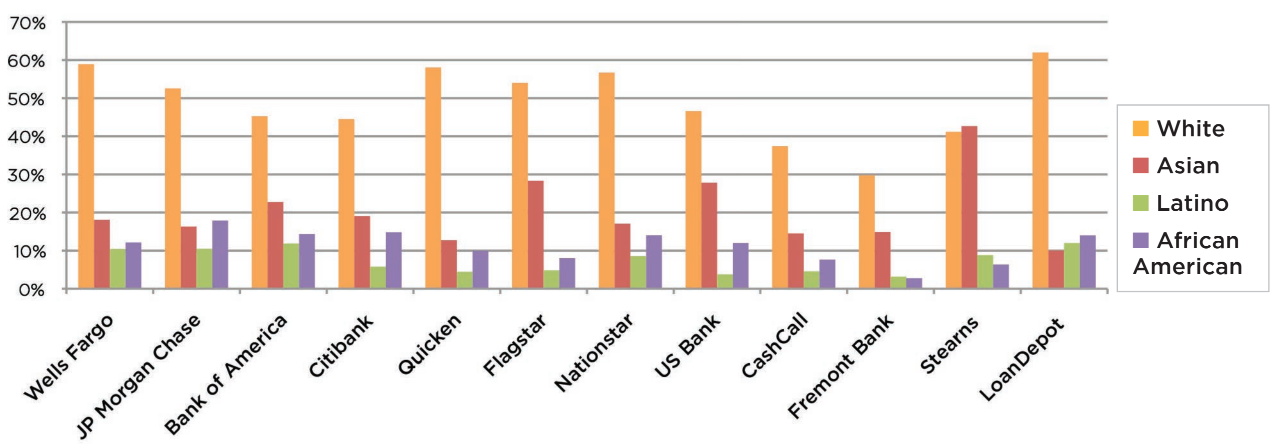
Income data were available for 96.2 percent of the 5,121 loans originated in Oakland

Individuals with incomes over 120 percent of the Area Median Income (AMI) account for more home purchase and refinance loans than all other groups combined (49.4 percent of loans). The top 12 lenders gave a higher share of total loans to individuals with incomes between 50-80 percent of the AMI (15.3 percent of loans) and 80-100 percent of the AMI (11.2 percent of loans) than to individuals with incomes between 100-120 percent of the AMI (9.4 percent of loans).

African Americans submitted fewer than 30 applications to five of the top 12 lenders; while Latinos submitted fewer than 30 applications to six of the top 12 lenders in Oakland.

Out of all the home purchase loans given by the top 12 lenders, only 6.7 percent went to blacks and 9.7 percent went to Latinos. US Bank received zero home purchase applications from blacks and two from Latinos out of the total 34 applications received. Bank of America received eight applications from blacks and 17 from Latinos, and only originated one to a black individual and 7 to Latinos.

Figure 6: Share of Loans at the Top 12 Banks in Oakland by Race/Ethnicity



LONG BEACH PROFILE

The top 12 lenders in Long Beach had the worst lending record to African Americans (5.2 percent) relative to their population share in the city (13.7 percent) as compared to lending in Oakland and Fresno.

Latino borrowers represented 18 percent of all mortgage applications, a figure higher than their Asian counterparts at 11 percent. African American borrowers represented 6 percent of total applications.

Whites accounted for a higher percentage of originations as compared to the percentage of applications submitted.

Overall, all racial/ethnic groups other than whites were underrepresented compared to their share of the population.

Table 6: Long Beach Race/Ethnicity Demographics in 2013

Total Population	White	Asian	Latino	Afr. American
469,384	52.7%	12.5%	42.1%	13.7%

Race and ethnicity are collected in 2 separate fields. Hispanic/Latino is considered an ethnic group, so totals may exceed 100%. See Methodology.

Figure 7: Long Beach Home Mortgage Lending in 2013

	# Applications	# Originations	Total $ Lent
Total	7,526	4,858	$1,462,066,000
White	4,757 (63.2%)	3,123 (66.1%)	$997.92 M (68.3%)
Asian	831 (11.0%)	534 (11.0%)	$145.67 M (10.0%)
Latino	1,385 (18.4%)	842 (17.3%)	$209.63 M (14.3%)
African American	434 (5.7%)	252 (5.2%)	$65.71 M (4.5%)

Missing Race/Ethnicity: Applications: 1,183 (15.7%) Originations: 662 (13.6%)

Long Beach: Loan Purpose

Refinance loan applications accounted for almost 84 percent of all mortgage applications. Home purchase applications represented almost 14 percent.

White borrowers were the only group to exceed their population share in both home purchase and refinance originations. Asians exceeded their population share in home purchase originations only.

African Americans only received 3.2 percent of loans originated, while Latinos received 17 percent of loans originated. In refinance, originations to both groups failed to reach half their population share, while Asians experienced slight underrepresentation.

Table 7: Originations by Area Median Income

AMI Group	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI
% Loans Originated	3.1%	6.6%	4.3%	8.9%	26.9%	46.5%
Origination Rate	55.4%	61.6%	61.4%	56.3%	65.3%	69.4%

Figure 8: Long Beach Home Purchase and Refinance Lending in 2013

Home Purchase		Refinance		
Applications	Originations	Applications	Originations	
1,028	714	6,304	4,027	
687 (66.8%)	489 (68.5%)	3,937 (62.5%)	2,635 (65.4%)	White
165 (16.1%)	112 (15.7%)	646 (10.2%)	413 (10.3%)	Asian
180 (17.5%)	120 (16.8%)	1,157 (18.4%)	705 (17.5%)	Latino
37 (3.6%)	23 (3.2%)	388 (6.2%)	225 (5.6%)	African American

Long Beach: Income and Race/Ethnicity

Income data were available for 96.3 percent of the 4,858 loans originated in Long Beach.

Long Beach trailed far behind Oakland and Fresno in the share of home purchase and refinance loans to low-income individuals (below 80 percent of the AMI). In Long Beach only 14 percent of loans went to low-income individuals, while in Oakland and Fresno 26.2 percent and 22.2 percent of loans went low-income individuals, respectively.

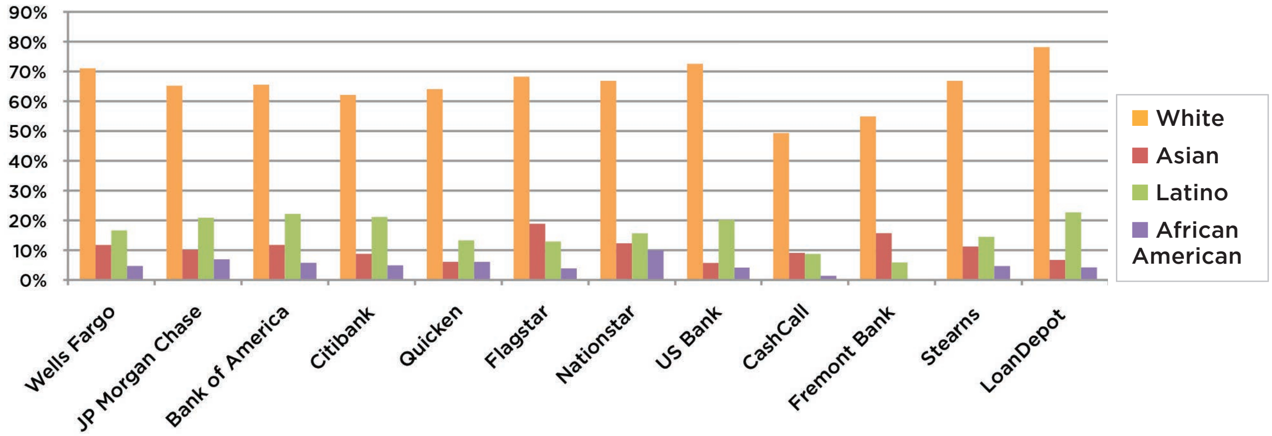
Applicants with incomes between 30 and 80 percent of the AMI had a higher loan origination rate (about 61 percent) than applicants at 80-100 percent of the AMI. Origination rates for individuals between 100-120 percent of the AMI and greater than 120 percent of the AMI had higher origination rates than the rest of the income brackets (65 percent and 69 percent respectively).

African Americans received five or fewer loans from three separate lenders in Long Beach, while Latinos received fewer than five from one lender. Fremont Bank did not receive a single application from an African American and received just five applications from Latinos.

Whites received a greater share of loan originations than their share of the population at 11 of the 12 top lenders. Asians received an equal or greater share of loan originations than their population share in Long Beach at only two lenders, and blacks and Latinos did not receive a share of originations equal to their population share at any of the lenders.

Racial disparities are more severe when looking at home purchase applications and originations specifically. Less than five Asians applied for home loans at four of the top 12 lenders, while zero blacks applied for home purchase loans at three of the top 12 lenders, and less than five Latinos applied at four of the top 12 lenders.

Figure 9: Share of Loans at the Top 12 Banks in Long Beach by Race/Ethnicity



FRESNO PROFILE

Although Latinos are still far underrepresented in mortgage applications and originations (24 percent and 23 percent respectively) in relation to their share of the population (48 percent), lending to Latinos in Fresno exceeds lending to Latinos in Oakland and Long Beach relative to Latinos' share of the population in each city.

Whites submitted the highest percentage of loan applications at 67 percent and consistently exceeded their population share in applications, originations, and total dollars lent.

Asians' shares of applications submitted and loans received were very similar to their population share in Fresno.

African Americans — representing eight percent of the city's population — were significantly underrepresented in the percentage of applications at just 3.2 percent and originations at 2.9 percent.

Table 8: Fresno Race/Ethnicity Demographics in 2013

Total Population	White	Asian	Latino	Afr. American
509,965	52.7%	13.4%	47.9%	8.4%

Race and ethnicity are collected in 2 separate fields. Hispanic/Latino is considered an ethnic group, so totals may exceed 100%. See Methodology.

Figure 10: Fresno Home Lending in 2013

	# Applications	# Originations	Total $ Lent
	8,684	5,766	$1,013,991,000
White	5,784 (66.6%)	3,977 (69.0%)	$692.26 M (68.3%)
Asian	1,178 (13.6%)	744 (12.9%)	$144.22 M (14.2%)
Latino	2,105 (24.2%)	1,305 (22.6%)	$194.80 M (19.2%)
African American	279 (3.2%)	167 (2.9%)	$26.67 M (2.6%)

Missing Race/Ethnicity: Applications: 867 (10.0%) Originations: 539 (9.3%)

Fresno: Loan Purpose

Refinance Loans accounted for 81 percent of all mortgage loan applications, while home purchase loans represented 18 percent of all loan applications in Fresno.

Similar to Long Beach, Asians have a much higher share of submitted applications and loans originated for home purchase loans than for refinance loans. Latinos have a slightly higher share of applications submitted and loans received for home purchase mortgages over refinance loans. Latinos had a higher share of originations than in the other two cities.

Out of the 1,560 home purchase applications submitted, African Americans only submitted 38 applications. Just 22 home purchase loans were obtained by African Americans, while Latinos obtained 281 loans, out of a total 1,099 home purchase loans originated by the top 12 lenders.

White borrowers were the only group to exceed their population share in both home purchase and refinance lending. Asians exceeded their population share in home purchase lending only.

Figure 11: Fresno Home Purchase and Refinance Lending in 2013

	Home Purchase		Refinance	
	Applications	Originations	Applications	Originations
	1,560	1,099	7,007	4,599
White	1,019 (65.3%)	760 (69.2%)	4,678 (66.8%)	3,162 (68.8%)
Asian	389 (24.9%)	250 (22.7%)	778 (11.1%)	490 (10.7%)
Latino	414 (26.5%)	281 (25.6%)	1,658 (23.7%)	1,008 (21.9%)
African American	38 (2.4%)	22 (2.0%)	239 (3.4%)	143 (3.1%)

Table 9: Originations by Area Median Income

AMI Group	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI
% Loans Originated	2.3%	6.1%	13.8%	10.1%	9.6%	51.0%
Origination Rate	50.4%	57.5%	62.9%	67.0%	71.7%	69.7%

Fresno: Income and Race/Ethnicity

Income data were available for 92.9 percent of the 5,766 loans originated in Fresno

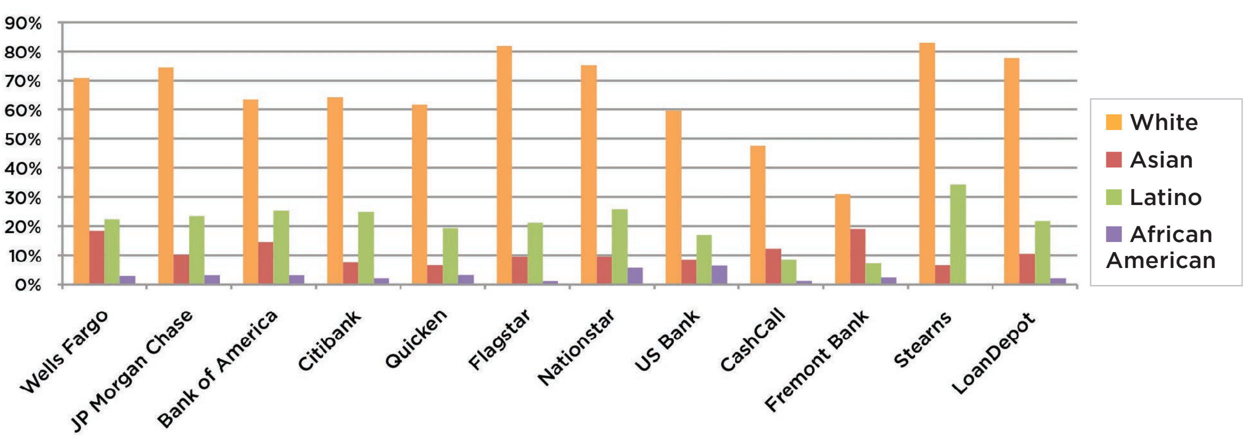
Applicants with incomes above 120 percent of the AMI received more loan originations than all groups combined, while low-income individuals (below 80 percent of the AMI) represented 22 percent of loans funded. Origination rates tracked far more closely with income than in Long Beach, with those at less than 30 percent of the AMI experiencing the lowest rate (50 percent) and those at 100-120 percent of the AMI receiving the highest rate (72 percent). The origination rate for individuals with income greater than 120 percent of the AMI actually had a slightly lower origination rate at 70 percent.

African Americans submitted fewer than five applications to a total of four lenders.

US Bank originated less than five loans to Asians while six lenders originated less than five loans to African Americans. Stearns originated zero loans to African Americans.

The share of loans to whites exceeds their share of the population at 10 of the 12 banks.

Figure 12: Share of Loans at the Top 12 Banks in Fresno by Race/Ethnicity



CONCLUSION

As the nation recovered from the recent economic crisis, the majority of Californians were locked out of the 2013 housing market — missing the most affordable time to buy a home. Forty-four percent of California's residents — the combined African American and Latino populations — obtained just 10.5 percent of total mortgage dollars lent by the top 12 lenders statewide.

Home purchase lending produced the largest gaps in access for African American and Latino borrowers. White borrowers maintained the highest access in applications and originations for both home purchase and refinances statewide and at the city level. Overall, African Americans and Latinos never reached greater than 15 percent and 27 percent of total applications, respectively, for any loan purpose, and no more than 12 percent and 26 percent of originations.

Given the foreclosure crisis' drastic hit to assets and wealth in these communities, these low rates of loan access and distribution represent a disturbing trend: In practical terms, the nation's recovery is redlining African American and Latino families across California.

This report clearly shows that for all practical purposes African Americans and Latinos are locked out of the homeownership market, beginning with the disturbingly low number of applications submitted by each ethnic group. These low numbers raise multiple questions, including whether banks are located in LMI and diverse communities and whether they are doing enough to reach untapped markets for wealth building opportunities.

RECOMMENDATIONS

HMDA data is intended to help regulators and the public assess how mortgage companies serve the community. Regulators must improve how this information is collected and reported to ensure HMDA lives up to its purpose.

Improved data collection is also essential to improving lending opportunities in California. More accurate and descriptive data can help regulators, policymakers and lenders better address homeownership needs and opportunities.

The following recommendations seek to enhance HMDA and ultimately boost access to homeownership:

Disaggregate ethnic data. Report findings showed a wide range in lending to Asians and Latinos in California. The broad categories, “Asian” and “Latino,” obscure the diversity of economic and immigrant experiences across Asian and Latino Americans. For example, within these broad categories, some groups suffer severely elevated poverty rates. CFPB’s new reporting rules will include the disaggregation of ethnic data beginning in 2018, but collection of this critical demographic data will remain voluntary. This information is too important to leave to the whims of financial institutions.

Report ethnicity for purchased mortgages. Many banks purchase packages of mortgage loans to increase their volume of lending and free up liquidity in the market. Unfortunately, reporting demographics for these mortgages is optional, making it impossible to evaluate them by ethnicity and other characteristics. We urge regulators to make reporting for these transactions mandatory.

Include race/ethnicity in Community Reinvestment Act (CRA) Performance Context. HMDA and CRA data are not consistent, as CRA only reports income of borrower and area median income based on property location. Including race/ethnicity can help regulators, banks, and the public more effectively determine how communities are being served by mortgage lenders.

Diversify bank loan officers. Banks can increase their reach in black and Latino neighborhoods by hiring more loan officers that understand these communities. This strategy can help increase the number of applications that these communities submit in pursuit of homeownership.

Enhance partnerships with housing counseling agencies. Counselors are effective messengers in the community. They can help get the word out about homeownership opportunities, and effectively prepare borrowers to become sustainable homeowners.

Create proprietary mortgage products for LMI borrowers. There are a large number of creditworthy borrowers in California. Banks must have the appropriate tools to reach them and products to serve them.

The Greenlining Institute   @Greenlining   The Greenlining Institute

THE GREENLINING INSTITUTE
360 14TH STREET, 2ND FLOOR
OAKLAND, CALIFORNIA 94618
WWW.GREENLINING.ORG

T: 510.926.4001 I F: 510.926.4010