2017 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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Acknowledgements

The authors thank Ron Cooper, the immediate Past President of the National Association of Real Estate Brokers (NAREB) and Jeffrey Hicks, NAREB's new President, for the opportunity to prepare the *2017 State of Housing In Black America*. We also thank Mark Alston for his exceptional advice throughout the development of this report on many critical, on-the-ground lending realities that are beyond the ability to glean thoroughly through current housing market data. We offer a special thank you to the Urban Institute for its many studies and policy briefs on the current state of the U.S. housing market; the Harvard University Joint Center for Housing Studies for its comprehensive overview of the housing markets that are drawn upon in this report; and CoreLogic and RealtyTrac for the exceptional range of data on housing market conditions that is referenced in this report. We are further grateful to Antoine Thompson for his contribution to the report's outline and useful reports and studies, highlights of which have been incorporated in the 2017 SHIBA report. Finally, we thank Mary Anne Mulligan for her exceptional editorial contributions that make this publication easily accessible and understandable to housing experts as well to a broader public.

Disclaimers

About the National Association of Real Estate Brokers

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

President's Message

Jeffrey Hicks | NAREB President

As NAREB's 30th president, I am proud to present the *2017 State of 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 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 shows a slight increase in Black homeownership rates over those reported in the 2016 SHIBA. Even with that move upward, which indeed serves as a hopeful sign of increased economic and community strength, NAREB understands that building Black wealth through homeownership continues as a long-term goal, one that will be reached when the rate of Black American homeownership is on par with America's White homeownership rate.

Achieving parity requires that NAREB 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 them in the struggle to elevate economic outcomes that can increase the number of Black homeowners. Moreover, the strategy requires that we all believe and convey the message that owning and sustaining a home of one's choice positively changes financial futures now and for generations to come.

We must have markers, accurate information, and approaches based upon the actualities of our time, and focused strategies that support NAREB and other stakeholders to move closer to our goal of 2 million new Black homeowners. The *2017 State of Housing in Black America* is such a marker.

I extend 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 America.

Contents

Foreword

Ron Cooper | NAREB President 2015–2017

Changing the direction of a large ocean liner is a daunting and tedious task, imperceptible in the short term.

A senior financial regulator used this old adage in a meeting with NAREB's leadership early in my tenure as the 29th President of the National Association of Real Estate Brokers. We interpreted it as an attempt to placate us, but now I see its wisdom. It is the thought I will most remember from my term.

We came to understand the power of that metaphor.

In our naïveté about housing policy and the sheer gumption of believing that we were out to change the world in two years, we didn't think the speaker had any desire to fix what we at NAREB felt were the most critical issues facing Black Americans: The horrendous, disproportionate and unequal loss of wealth during the economic downturn of 2008 and the continuing and consistent decline of Black homeownership rates, all of which have suppressed Black Americans' ability to regain and build wealth.

We see now that incremental change can be powerful change.

The *2016 State of Housing in Black America*, authored by James H. Carr, Michela Zonta, Fred McKinney, and Gerald Jaynes, clearly and concisely put forth NAREB's premise and justification for action on the effects of the 2008 economic downturn on Black wealth and declining Black homeownership rates. The authors wrote the 2016 SHIBA report eloquently, and supported it with empirical and indisputable data that set forth NAREB's premise: There are a range of housing policies that disproportionately impede Black homeownership.

This report set NAREB's leadership on a course of advocacy for the next two years. We focused on three key policy issues: 1) unequal access to credit, 2) unfair fees and cost equivalences of mortgage products, and 3) mortgage loan disposition. Being armed with this indisputable data gave NAREB voice and audience publicly, privately, and legislatively. With Mark Alston, the chairman of NAREB's Public Affair Committee, I traveled the country for two years. Mark has a deep understanding of housing policy, and he clearly articulated NAREB's policy positions to educate NAREB's leadership and membership.

James H. Carr and Michela Zonta have spent their professional careers promoting equality within government housing policy. *Democracy in Housing*, NAREB's guiding principle, is at their core, and is the very essence of a "Realtist." Jim and Michela began their relationship with NAREB in 2012 when then-NAREB President Julius Cartwright commissioned them to author NAREB's *2013 State of Housing in Black America*. That report covered the severity of the devastation the foreclosure crisis and Hurricane Katrina caused America's underserved communities.

More importantly, this relationship began the transition of NAREB back to its appointed creed of advocacy, *Democracy in Housing*. In 1947, NAREB was charged by our founders to be the voice championing the ideals of equal and fair housing for all. I thank Jim and Michela for their friendship and insight that prompted NAREB to develop new relationships with organizations like ComplianceTech directed by Maurice Jourdain-Earl, the organization that compiled the empirical and indisputable data that showed the truth about the dire state of housing for Black Americans. Black homeownership had been in decline since its peak of 49.1 percent in 2004, compounded by the incalculable loss of Black wealth following the subprime debacle. This bleak situation served as the impetus for the commissioning of NAREB's 2016 SHIBA.

The 2017 SHIBA report that follows, authored by James H. Carr, Michela Zonta, and Steven P. Hornburg, is a must-read. It chronicles NAREB's return to its decades-old advocacy journey. The report clearly points out the accomplishments achieved to date, and sets the path of continuation to reach the goal of full equality of homeownership. First, Black homeownership rates appear to be ticking up from Recession-era lows. Black Americans are applying for mortgages at higher rates, for both conventional and nonconventional mortgages.

Second, significant policy changes have been made. NAREB believes these will further enhance mortgage accessibility for low- to moderate-income borrowers. These policy changes include: 1) the creation of new mortgage products by Fannie Mae and Freddie Mac; 2) the capping of the Loan Level Price Adjustment fees for these new mortgages; 3) the changing of the debt-to-income ratios from 45 to 50 percent; and 4) the GSEs' incorporation of trended data in their underwriting platforms.

NAREB interprets these changes as accomplishments that are the result of two years of diligent advocacy by NAREB and other stakeholders seeking equality in mortgage access.

But we must remain vigilant. We must continue to advocate that the GSEs stay true to their intended mission to promote homeownership and adhere to the housing goals and Duty to Serve Clause, which are not reflected in their current Non-Performing Loans (NPL) liquidation policies. Further, NAREB and other stakeholders must continue to seek up-to-date credit scoring models that are inclusive of all income levels.

The wealth gap between the top 1 percent and the remaining 99 percent continues to grow, as does the wealth gap between Black and White America. America is growing more and more socially and economically segregated. This situation beckons all of us to remain focused on the goal of full equality for all Americans.

For all of us who have chosen the path of advocacy, we must be mindful of the fact that the captain of the ship does not change its direction alone. If this great ship is to change course, it must be done with the help of all of us, the hands on deck. And even though the change is imperceptible, it is happening.

Executive Summary

The past year has been an important and promising period for Black prospective homeowners. The Black homeownership rate rose from its near 50-year low of 41.3 in the third quarter of 2016 to above 42 percent in the first two quarters of 2017.[1] Although this is an insufficient time period to determine whether we are observing a rising trend in Black homeownership, the recent increase is the most hopeful sign for the prospect of growing homeownership for Blacks since the start of the economic recovery in 2009.

The analysis that follows is largely based on 2015 HMDA data, the most recent year of Home Mortgage Disclosure Act data available. The referenced tables may be viewed in the Appendix.

HMDA Highlights

Black applications for home mortgage credit rose 19 percent from 2014 to 2015, while loan originations over that period increased 26 percent. Black applications for FHA loans rose 26 percent over 2014 levels, with a corresponding increase of 36 percent in FHA originations. Lesser but still significant increases between 2014 and 2015 were seen the numbers of Black applications for conventional loans applications (13 percent) and originations (19 percent).

Taking a longer view, in 2015, 69 percent of applications coming from Black prospective borrowers were for nonconventional loans, compared to just 19 percent in 2004.[2] Only 3 percent of all originated conventional loans went to Black borrowers in 2015, well below the 6 percent share recorded in 2004. Despite an increase in the number of Black applicants for nonconventional loans since 2004, the share of all nonconventional loans originated to Black borrowers was 10 percent in 2015, down from 13 percent in 2004.

Non-Hispanic White borrowers have not been immune to the impact of the Great Recession and foreclosure crisis. Non-Hispanic White applications decreased from 2.9 million in 2004 to 2.4 million in 2015. Yet despite their losses, non-Hispanic Whites increased their share of total originations in the mortgage market. Loan originations to non-Hispanic White borrowers represented 68 percent of all loans in 2015, up from 58 percent in 2004.

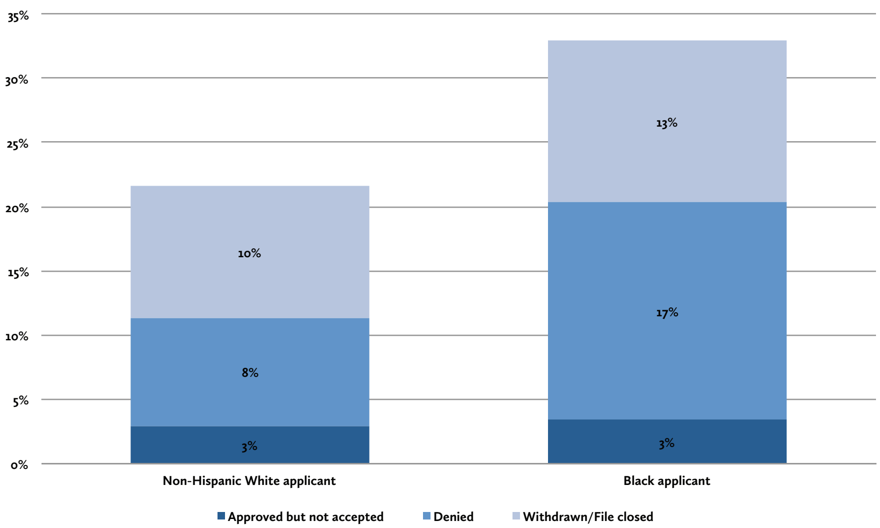
Blacks have lower median household incomes compared with non-Hispanic Whites, further contributing to fewer loan applications and originations for Black households. Blacks are overrepresented in the low- and moderate-income bracket.[3] In 2015, 43 percent of Black applicants had incomes at or below 80 percent of the local Area Median Income (AMI), compared with 29 percent of non-Hispanic White applicants.

Conversely, 45 percent of White applicants had very high incomes—more than 120 percent of AMI—while just 29 percent of Black applicants fell into this income bracket. Median income for Black applicants is $61,000, compared with $75,000 for non-Hispanic White applicants. The median income of Black and non-Hispanic White borrowers was $63,000 and $76,000, respectively.

In a continuation of historic trends, Black applicants in 2015 had higher loan denial rates than non-Hispanic Whites. For Blacks, overall denial rates for home-purchase loans were more than double those for non-Hispanic White applicants—17 percent versus 8 percent—a slight decline for both groups from 2014.

Comparing originations with approved loans provides another meaningful understanding of the experience of Blacks applying for home loans. In addition to being rejected for a loan, borrowers, loan applications can fail for three other major causes that include withdrawn and incomplete applications, as well as approved loans that are nevertheless declined by the prospective borrowers.

Loan Origination Failure Rate, Non-Hispanic White and Black Applicants, 2015



Source: Authors' calculations of 2015 HMDA data

While withdrawals are higher among Blacks, the margin between Blacks and non-Hispanic Whites is much smaller than rejection rates, at 10 percent and 13 percent for Blacks and non-Hispanic Whites respectively. Moreover, rejection rates have remained relatively constant for both groups, fluctuating within a 3-percentage-point range, even during the Great Recession.

Not fully understood is why Black borrowers withdraw, or fail to complete their applications, at higher rates than non-Hispanic Whites. Blacks may experience greater difficulties in providing the documentation they need to be approved or may be more intimated by the loan application process. It is also possible that Blacks may be discouraged from completing the process or encouraged to withdraw an application to avoid being rejected.

Gaining an understanding of why Blacks fail to complete their applications is important, and could contribute importantly to improved homeownership for Blacks. NAREB members, in particular, are well positioned to provide an enhanced, supportive, and hands-on borrower experience in the loan application process. Increased homebuyer counseling could also address the disparity in loan application failure rates.

Finally, applicants sometimes decline to accept a loan from a successful loan application. There are many reasons for this: The financial circumstances of the borrower may have changed after the loan application was complete, or the applicant no longer views the purchase of a home as in a positive light. Interestingly, the rate of failure to accept an approved loan is one of the few measures that are the same for Blacks and non-Hispanic Whites at a modest 3 percent.

NAREB's oft-repeated goal is to attain 2 million new Black homeowners in a five-year period. This goal is aspirational; it is a measure that NAREB uses as a benchmark for federal agencies and private and government lending institutions as a reasonable goal for the industry to embrace. NAREB recognizes, however, that meeting that goal requires that Blacks both apply and remain with the process through completion. NAREB will increasingly promote its role in helping Blacks to better understand their mortgage loan options, provide the requisite underwriting documentation, and remain motivated and engaged about achieving homeownership.

Policy Changes Since 2016

NAREB's 2016 State of Housing in Black America (2016 SHIBA) discussed a range of issues disproportionately impeding Black homeownership that subsequently have been addressed by Fannie Mae (the Federal National Mortgage Association) and Freddie Mac (the Federal Home Loan Mortgage Corporation) over the past 12 months. Last year's report argued for lower guarantee fees (G-fees) and the elimination of Loan Level Price Adjustments (LLPAs) that base origination fees on each individual borrower's risk characteristics. LLPAs were imposed during the housing crisis; due to lower average downpayment amounts and credit scores, they disproportionately impact Blacks borrowers in the conventional market.

The 2016 SHIBA report highlighted how LLPAs compound the unfairness of years of housing, credit, and labor market discrimination against Blacks that has left them with lower average credit scores and fewer savings to allocate to downpayments. The use of LLPAs by these government-sponsored enterprises (GSEs) compounds the unfairness of the continuing GSE reliance on outdated credit-scoring models.

Although the GSEs continue to charge unnecessarily high G-fees and have maintained LLPAs, both Fannie Mae and Freddie have attempted to redress some of the negative impacts of that policy. Both agencies have developed special policies for households earning less than 100 percent of area median income or 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, both introduced in 2015.

Home Possible and HomeReady permit low downpayment loans (with required mortgage insurance), 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.

In spite of recent gains in homeownership, the mortgage market remains unnecessarily restrictive. According to a study by the Board of Governors of the Federal Reserve System, ". . . mortgage lenders have introduced progressively higher minimum thresholds for acceptable credit scores." [4] The Urban Institute's recent Housing Credit Availability Index ". . . shows that the mortgage market is taking less

than half of the risk it was taking in 2001, and less than a third of the risk it was taking in 2006. *Credit is tightest in the credit score dimension* [emphasis added]."[5] Using CoreLogic data, the Joint Center for Housing Studies estimates the median credit score for owner-occupied home purchase loan originations increased from 700 in 2005 to 732 in 2016.

The 2016 SHIBA report explained that the negative and disproportionate impact of high credit score thresholds is compounded for Black prospective borrowers by the continued use of outdated credit-scoring models by Fannie Mae, Freddie Mac, and FHA. In spite of the fact that both FICO and VantageScore have scoring tools that are more predictive than the models currently required by all three major federal mortgage agencies, Federal Housing Finance Agency Director Mel Watt has announced that no action on credit score modernization will occur before 2019.[6]

Given the fact that nearly 30 percent of denials for a loan to Blacks are due to credit history, the delay in making changes to GSE credit-scoring policy until 2019 is unnecessary and unfair. As stated in the 2016 SHIBA report, continued use of these outdated scoring models potentially could be challenged on adverse impact discrimination grounds on behalf of Black home loan seekers.

In place of allowing the use of more predictive credit-scoring models and competition within the credit-scoring arena, the GSEs have announced the use of trended data to help to offset the deficiencies in their current credit-scoring practices. Trended data seeks to provide a better understanding of a consumer's credit behavior than can be gleaned from a single snapshot in time with up to two years of credit history. To date, however, no public information is available on the extent to which trended data will enhance the accuracy of credit behavior related to Black prospective borrowers.

Perhaps the most important drawback to trended data is that lenders still are required to use outdated credit scores and make their decision on whether to submit loans to Fannie Mae and Freddie Mac based on those potentially inaccurate assessments. NAREB will continue to push for the use of more predictive credit-scoring models by all federal housing agencies.

The GSEs have recently announced an important change in their underwriting requirements. Both Fannie Mae and Freddie Mac will raise their debt-to-income ratio (DTI) ceiling from 45 percent to 50 percent. In 2015,DTI was the stated reason for 30 percent of loan denials to Blacks, and more than two-fifths of Black applicants had incomes at or below 80 percent of the local AMI. Raising the DTI threshold could provide further momentum toward higher Black homeownership rates in the coming years.

Distressed asset sales by the GSEs continue to favor investors who are turning formerly owner-occupied housing into rental stock. The distressed asset inventory represents a critical supply of housing stock that could be provided to nonprofit housing agencies to promote affordable homeownership. Because the GSEs are required to deplete their capital reserves by the end of this year, [7]however, moving properties off their books as quickly as possible is logical from a regulatory compliance perspective.

The SHIBA 2016 report criticized the practice of favoring investors over potential homeowners in the disposition of distressed assets. A major rationale given by the GSEs for favoring Wall Street investors is that transferring distressed assets to nonprofits is challenging, in part, because nonprofits typically lack sufficient capital to purchase and return these properties to stable homeownership in a timely manner.

From a public policy perspective, pressuring the GSEs to choose Wall Street over Main Street worsens the growing affordable housing crisis. Furthermore, an important share of distressed loan sales includes properties in less stable neighborhoods. This investor bias in distressed asset disposition worsens the instability of these lower-income communities. Yet Fannie Mae and Freddie Mac have recently initiated new rental securitizations to better enable Wall Street to buy distressed assets. NAREB will continue to urge Fannie Mae and Freddie Mac to develop innovative financing approaches to increase household wealth rather than Wall Street earnings.

The challenge in accessing affordable homeownership further denies Blacks the ability to participate equitably in the recovery of many of the nation's largest cities. Rather than sharing appropriately in the benefits flowing from the rebirth taking place in cities such as Detroit, Cleveland, Chicago, and Philadelphia, Blacks have been left on the sidelines, unable to access housing or jobs.

Erol Ahmed/unsplash.com

Washington, D.C., for example, has undergone a renaissance over the past 20 years. But this has exacerbated rather than closed the racial wealth gap. Now, the median non-Hispanic White household in the District of Columbia has 80 times the median wealth of the median Black household.[8] This disparity stands in stark comparison with the 13-to-1 wealth gap between non-Hispanics Whites and Blacks nationally. [9]

In fact, the recovery of cities often is accompanied by an increase in concentrated poverty and continued high levels of segregation. These developments further reinforce the need for federal housing policy to address the overwhelming lack of access to affordable credit as well as to more effectively manage the large stock of distressed assets to promote homeownership, particularly in communities that have historically lacked adequate homeownership opportunities. The 2018 SHIBA report will focus on this issue as a key policy priority for NAREB in the years ahead.

Homeownership and Net Wealth

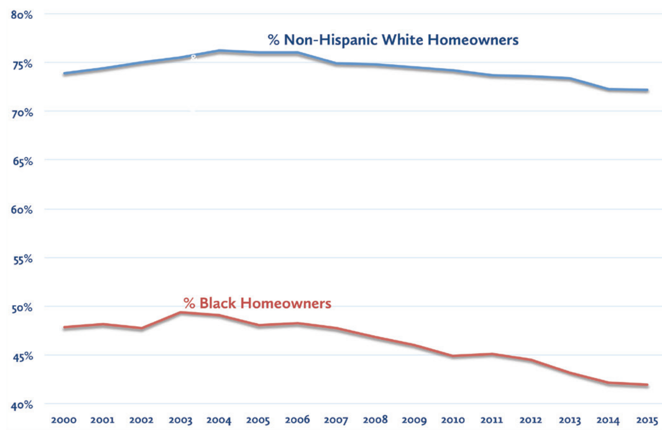
Homeownership is the key vehicle for wealth accumulation in American society. According to the United States Census Bureau, 69 percent of an American household's net worth is attributable the net equity in their home.[10] Access to homeownership, however, has historically been limited among people of color and low-income households.

The Black homeownership rate rose from its near 50-year low of 41.3 in the third quarter of 2016 to above 42 percent in the first two quarters of 2017.[11] Although this is an insufficient time period to determine whether we are observing a rising trend in Black homeownership, the recent increase is the most hopeful sign for the prospects of growing homeownership for Blacks since the start of the economic recovery in 2009.

Still, the Black homeownership rate remains far below its peak of 49.1 in 2004 and is dwarfed by the current 72 percent homeownership rate for non-Hispanic Whites.[12] This stark disparity in homeownership between Blacks and non-Hispanic Whites is reflected in the wealth gap between these two groups: In 2013, the median wealth of non-Hispanic Whites was 13 times greater than that of Blacks.[13]

Equal access to mortgage credit is essential to achieving homeownership, the prime generator of the largest share of the median U.S. household wealth. Mortgage-lending data and analysis, however, consistently point to persistent racial inequality in the mortgage market. People of color, especially Black home loan applicants, represent a small fraction of the mortgage market. Even where successful in obtaining a home loan, Black borrowers routinely receive higher-cost loans than non-Hispanic White borrowers. Higher fees and interest rates unfairly restrain potential gains in Black homeownership and further diminish the wealth of Black households. Higher-cost loans also increase the likelihood of default by Black borrowers.[14]

Figure 1. Homeownership Rates 2000–2015



Source: Authors' calculations of 2015 HMDA data

Loan Applications and Originations by Race and Ethnicity

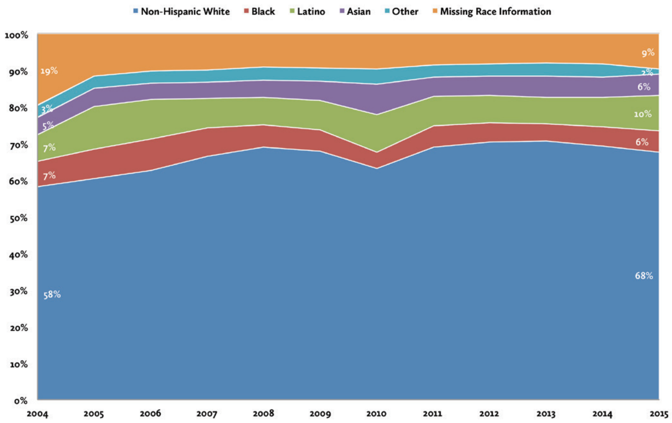
Consistently limited access to safe and affordable mortgage credit traps Black families at the bottom of the economic opportunity ladder. The following analysis is based on Home Mortgage Disclosure Act (HMDA) data from 2004 to 2015[15] (the most recent HMDA data available) and focuses on first-lien loans for the purchase of one- to four-family owner-occupied homes.[16] The referenced tables may be viewed in the Appendix.

In particular, this section compares the mortgage market performance of Black and non-Hispanic White applicants. When comparisons are made, the earlier numbers are from the *2016 State of Housing in Black America*.

The past 11 years have been a critical period for the mortgage market. The foreclosure crisis and Great Recession have forced many homeowners and prospective home buyers out of the market despite historically low interest rates and the longest jobs recovery in U.S. history.[17] The 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 to 3.7 million in 2015, applications remain more than 30 percent below pre-Great Recession levels.

Similarly, loan originations dropped from 3.7 million in 2004 to a 2010 low of 1.6 million, slowly rebounding to 2.8 million in 2015. In 2015, about half as many applications and loans were recorded as in 2004 (458,354 applications in 2004 versus 245,425 applications in 2015, and

Figure 2. Share of Loan Originations by Race and Ethnicity



Source: Authors' calculations of 2015 HMDA data

originations are 37 percent below their 2004 level (261,743 loan originations in 2004 versus 164,585 originations in 2015). The share of all applications loans going to Black borrowers decreased from 7 percent in 2004 to 6 percent in 2015, after a peak of 9 percent in 2006 (see Figure 2).

The total number of applications by Blacks rose in 2015 by 19 percent, while total loan originations increased by 26 percent (see Table 1). Black applications for FHA loans rose 28 percent over 2014 levels, with a corresponding increase of 36 percent in FHA originations. Lesser but still significant increases over 2014 were seen in the number of Black applications for conventional loans (13 percent) and loan originations (19 percent) (see Table 4).

Conventional loans, however, remain out of reach for many Black borrowers. The vast majority of Black borrowers rely on nonconventional loans, particularly FHA loans, which continue to serve as a critical source of credit for borrowers of color (see Figure 3).

While the number of applications from Blacks for conventional loans decreased by 80 percent from 2004 to 2015, applications for nonconventional loans over the same period increased by 93 percent (Tables 2 and 3). In 2015, 69 percent of applications coming from Black prospective borrowers were for nonconventional loans, compared with just 19 percent in 2004.

This lopsided distribution of FHA loans relative to conventional loans contributes greatly to the racial wealth gap between non-Hispanic Whites as FHA loans are, on average, higher-cost loans than those securitized by Fannie Mae and Freddie Mac. The share of all applications for conventional loans coming from Black applicants decreased from 8 percent in 2004 to 3 percent in 2015. Only 3 percent of all originated conventional loans went to Black borrowers in 2015, well below the 6 percent share recorded in 2004.

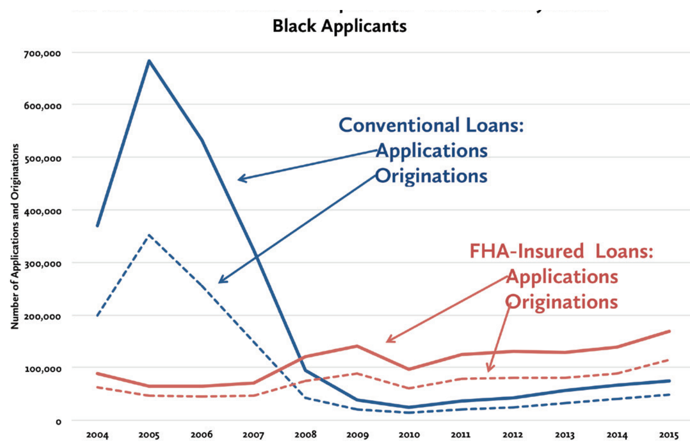
Despite an increase in the number of Black applicants for nonconventional loans since 2004—from 87,869 to 169,959—the share of all nonconventional loans originated to Black borrowers was 10 percent in 2015, down from 13 percent in 2004.

Non-Hispanic White borrowers have not been immune to the impact of the Great Recession and foreclosure crisis. Applications by non-Hispanic Whites decreased from 2.9 million in 2004 to 2.4 million in 2015. Sixty-four percent of applications in 2015 were for conventional loans, down from 88 percent in 2004. Despite a 24 percent decrease in loan originations since 2004, non-Hispanic White borrowers have greatly increased their share of total mortgage originations (see Figure 2).

Loan originations to non-Hispanic White borrowers represented 68 percent of all loans in 2015, up from 58 percent in 2004. In 2015, loans to non-Hispanic White borrowers represented 72 percent of all conventional loans and 62 percent of all nonconventional loans.

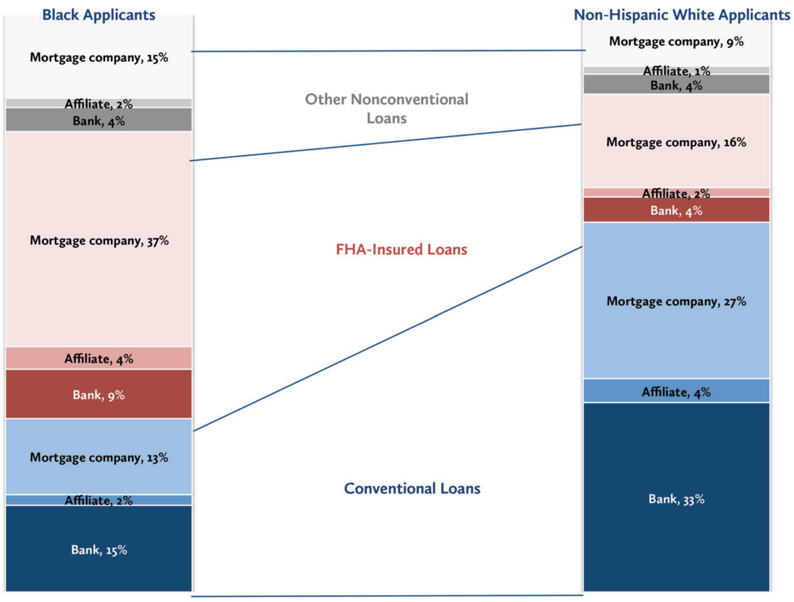
Lower median household income of Blacks compared with non-Hispanic Whites further contributes to lower originations for Black households. Like Latinos, Blacks are overrepresented in the low- and moderate-income bracket.[18] Median income for Black applicants is $61,000, compared with $75,000 for non-Hispanic White applicants.[19] In 2015, 43 percent of Black applicants had incomes at or below 80 percent of the local

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



Source: Authors' calculations of 2015 HMDA data

Figure 4. Mortgage Loan Applications by Type of Loan and Lender, Black and Non-Hispanic White Applicants, 2015



Source: Authors' calculations of 2015 HMDA data

Area Median Income (AMI), compared with 29 percent of non-Hispanic White applicants. Conversely, 47 percent of White applicants had very high incomes—more than 120 percent of AMI—while just 29 percent of Black applicants fell into this income bracket.[20]

Table 6 shows that striking racial disparities continue to exist in FHA loans compared with those sold to Fannie Mae or Freddie Mac. Overall GSE shares remained stable for Blacks and non-Hispanic Whites, while both increased their reliance on FHA loans by 4 percentage points.

Black borrowers, however, continue to use FHA loans at a rate more than double that of non-Hispanic Whites (50 percent versus 22 percent), while the rate of non-Hispanic Whites receiving loans sold to GSEs is more than double that of Black borrowers (12 percent versus 28 percent). Table 6 shows that the magnitude of these disparities does not disappear even among borrowers with income below 50 percent of AMI, where presumably low income might force a tilt toward FHA loans. Table 6 reveals no notable difference in these patterns at the regional level.

Applications by Loan and Lender Type and Race/Ethnicity

In a continuation of historic trends, Black applicants in 2015 had higher loan denial rates than non-Hispanic Whites. For Black applicants, overall denial rates for home-purchase loans were more than double those of non-Hispanic White applicants—19 percent versus 9 percent (Table 4), a slight decline from 2014 rates for each group.[21]

The denial rate for Black applicants continued to be highest among all people of color.[22] In 2015, the Black denial rate was 21 percent for conventional loans and 19 percent for nonconventional loans, although each rate dropped 2 percentage points from 2014 levels. Black denial rates for conventional loans peaked at 36 percent in 2008, at the height of the foreclosure crisis, after a precipitous 70 percent drop in the number of Black applications from 2007 levels.

Table 7 illustrates the distribution of denied applications from Black and non-Hispanic White applicants by reason for denial, further broken down by applicant income level. Debt-to-income ratios and credit history are the most common reported reasons for denial for both Black and White applicants. Debt-to-income ratio was reported as the reason for 30 percent of denials among Black prospective borrowers and 27 percent for White applicants, a gap that declined by 2 percentage points from 2014 levels.

Similarly, credit history was reported as the reason for 28 percent of denied applications among Blacks, compared with 22 percent among Whites, with both rates showing a 2 percentage point decline compared with 2014 data. Similar gaps remain across income levels. The largest denial gap by far between Blacks and non-Hispanic Whites is in conventional loans denied due to credit history, with Blacks experiencing a 50 percent higher denial rate in this category—30 percent versus 20 percent, respectively.

Looking at the specific reasons for denials by income levels shown in Table 7, debt-to-income denials tend to decrease as income increases, a tendency repeated in conventional and nonconventional shares. Overall credit history denials for Blacks increase as incomes rise, while remaining relatively flat as income grows for non-Hispanic White applicants. However, for Blacks and non-Hispanic Whites, increases in credit history denials with rising income are pronounced patterns in nonconventional loans.

Among Black applicants with incomes greater than 120 percent of AMI, 35 percent of denied applications were due to credit history. Insufficient collateral is a more common reason for denial among non-Hispanic White applicants than Black applicants—20 percent versus 14 percent, respectively. Interestingly, for both applicant groups and overall, conventional and nonconventional markets, collateral denials were the lowest of all income groups within each category for applicants with incomes at 50 percent or lower of AMI.

Figure 4 provides a snapshot of Black and non-Hispanic White applicants' loan and lender channels. Non-Hispanic White applicants rely much more significantly on bank loan than Black applicants. In 2015, the largest share of Black applicants applied for a loan at a mortgage company (65 percent), while non-Hispanic Whites relied most heavily on bank loans (52 percent).[23] Black and non-Hispanic White prospective borrowers applied less frequently to banks and more frequently to mortgage companies than they did in 2014.

Independent lenders play a vital role in serving the needs of people of color, particularly to the extent they are filling a void left by major banks, which are abandoning mortgage lending for lower- and moderate-income households and people of color. On balance, however, the trend to independents increasingly meeting the needs of Black borrowers may be a negative trend to the extent they disproportionately serve the FHA market.

The share of Black applications to mortgage companies increased 5 percentage points over 2014, while non-Hispanic Whites' applications to mortgage companies increased by 2 percentage points. Both non-Hispanic Whites and Blacks in 2015 reduced their relative shares of applications to banks by 4 and 2 percentage points respectively.

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

Figure 5 examines Black and non-Hispanic White applicants by income and lender type.[24] 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. The reverse happened for both racial groups with applications to banks, savings institutions, or credit unions. Applications decreased from the lowest income on up until spiking above 120 percent of AMI.

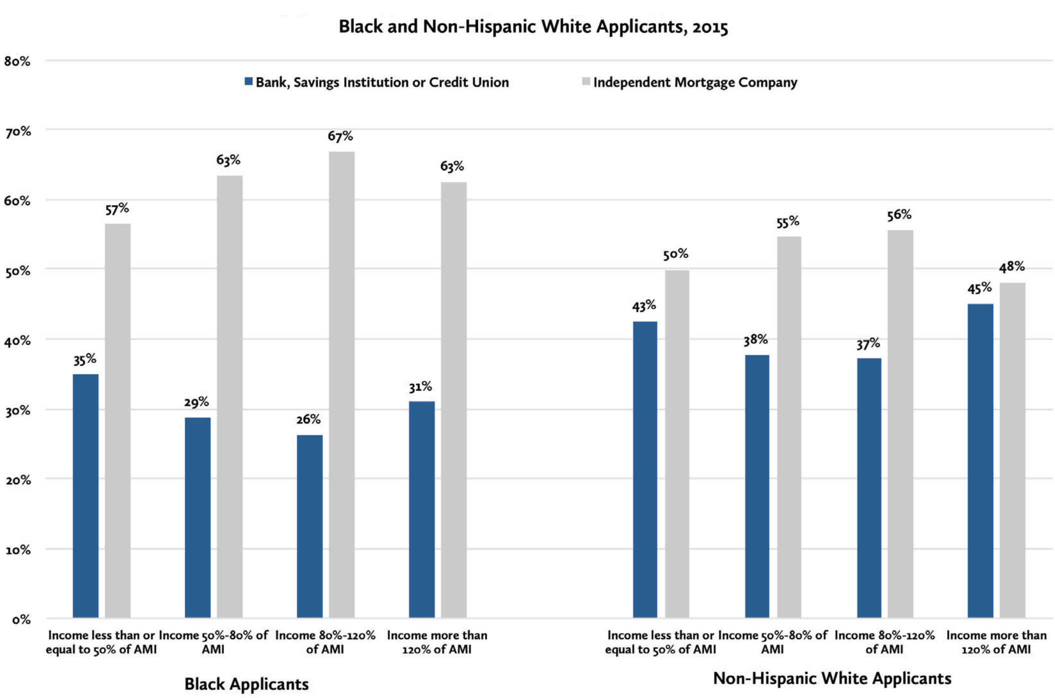
Overall, all income groups for both races increased their application rates to independent mortgage companies compared with 2014. The biggest increase for Black applications occurred in the lowest income category (6 percentage points for incomes below 50 percent of AMI), while all non-Hispanic White income categories except the highest increased their reliance on independent mortgage companies by 3 percentage points. For applications to banks, savings institutions, and credit unions, the bottom three income categories for both racial groups declined, with all three Black categories registering a 4 percentage point drop and the lowest three income groups for non-White Hispanics seeing a smaller 2 percentage point drop.

Table 8 presents data on loan application dispositions by lender type for 2015.[25] Overall, origination rates have gone up for both lender types and applicant racial types. Segmenting by income, origination rates for both Black and non-Hispanic White applicants increased from 2014 by 2 to 6 percentage points. However, origination rates for Black applicants were significantly lower than non-Hispanic White applications to both types of lenders, with gaps of 13 and 12 percentage points for banks, savings institutions, and credit unions versus independent mortgage companies, respectively. These gaps are comparable in magnitude to the gaps seen in 2014.

Origination rates were higher among independent mortgage companies than for banks, savings institutions, and credit unions for both Black and non-Hispanic White applicants—5 and 2 percentage points respectively, up from comparable 2014 differences of 3 and 1 percentage points. Loan origination rates increased from 2014 to 2015 for both racial groups among both lender types, with the biggest increase—5 percentage points—seen for Black applicants at independent mortgage companies.

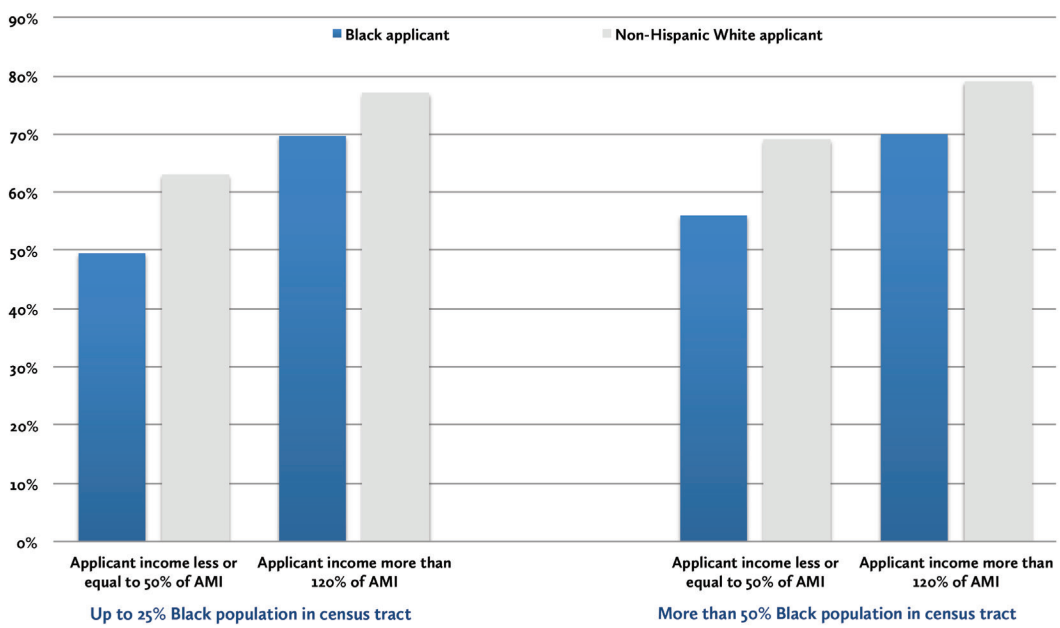
For both Blacks and non-Hispanic Whites, origination rates for the three higher income categories shown in Table 8 in each racial group tend to cluster around similar values, while rates for applicants with incomes

Figure 5. Mortgage Loan Applications by Lender Type and Applicant Income Level



Source: Authors' calculations of 2015 HMDA data

Figure 6: Loan Originations by Percentage of Black Population in Census Tract and Applicant Income, 2015



Source: Authors' calculations of 2015 HMDA data

less than 50 percent of AMI are significantly lower than for the three higher income categories. Origination rates increased by 2 to 6 percentage points in 2015 across all four income categories for both racial groups at both lender types.

However, origination rates by income for Black applicants were uniformly lower than those of non-Hispanic White applicants across different institutions at each income level. Double-digit gaps are present in all income and lender type categories except one—71 percent of high-income Black applicants applying at a bank received a loan, compared with 80 percent of similarly situated non-Hispanic White applicants.

Tables 9 and 10 examine conventional and FHA lending by lender type through the lens of race, income, and racial geography. Conventional loan originations grew by 19 percent from 2014 to 2015, while FHA loan originations grew by 36 percent.[26] Half of the conventional loans going to Black and non-Hispanic White borrowers were originated by banks, savings institutions and credit unions, whereas three-quarters of FHA-insured loans were originated by independent mortgage companies for both racial categories. However, within these numbers, Figure 6 shows Black applicants receive loans at far lower rates than non-Hispanic White applicants, regardless of applicant income and neighborhood racial composition.

Moreover, across lender types, Tables 9 and 10 clearly show that the overwhelming majority of both conventional and FHA-insured loans going to non-Hispanic White applicants are concentrated in census tracts with a small 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 tracts.

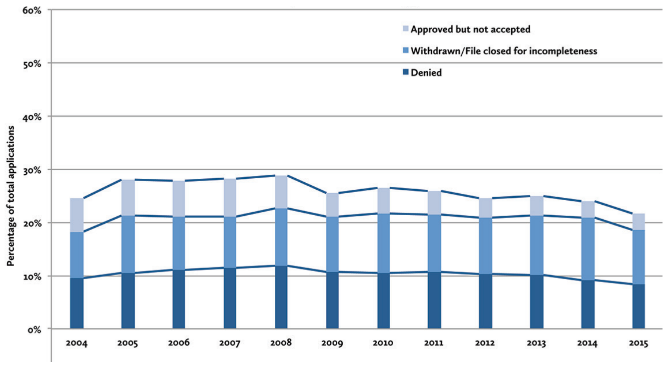
Loan Application Failure Rate (LAFR)

In a continuation of historic trends, Black applicants in 2015 had higher loan denial rates than non-Hispanic Whites. For Blacks, overall denial rates for home-purchase loans were more than double those for non-Hispanic White applicants—17 percent versus 8 percent—a slight decline for both groups from 2014.

Comparing originations with approved loans provides another meaningful understanding of the experience of Blacks applying for home loans. In addition to being rejected for a loan, borrowers, loan applications can fail for three other major causes that include withdrawn and incomplete applications, as well as approved loans that are nevertheless declined by the prospective borrowers.

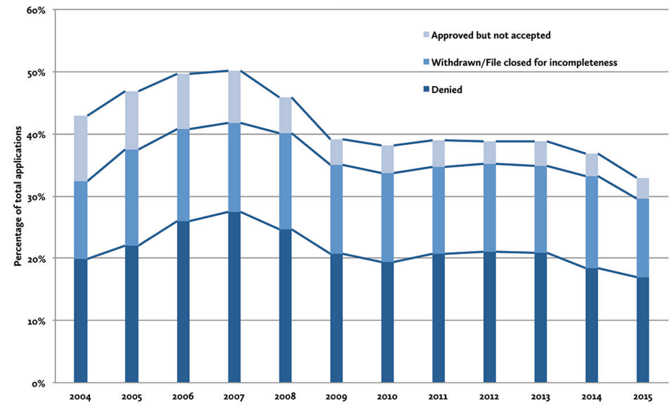
While withdrawals are higher among Blacks, the margin between Blacks and non-Hispanic Whites is much smaller than rejection rates, at 10 percent and 13 percent for

Figure 7a. Loan Origination Failure Rate Non-Hispanic White Applicants



Source: Authors' calculations of 2015 HMDA data

Figure 7b. Loan Origination Failure Rate Black Applicants



Blacks and non-Hispanic Whites respectively. Moreover, rejection rates have remained relatively constant for both groups, fluctuating within a 3-percentage-point range, even during the Great Recession.

Not fully understood is why Black borrowers withdraw, or fail to complete their applications, at higher rates than non-Hispanic Whites. Blacks may experience greater difficulties in providing the documentation they need to be approved or may be more intimated by the loan application process. It is also possible that Blacks may be discouraged from completing the process or encouraged to withdraw an application to avoid being rejected.

Gaining an understanding of why Blacks fail to complete their applications is important, and could contribute importantly to improved homeownership for Blacks. NAREB members, in particular, are well positioned to provide an enhanced, supportive, and hands-on borrower experience in the loan application process. Increased homebuyer counseling could also address the disparity in loan application failure rates.

Finally, applicants sometimes decline to accept a loan from a successful loan application. There are many reasons for this: The financial circumstances of the borrower may have changed after the loan application was complete, or the applicant no longer views the purchase of a home as in a positive light. Interestingly, the rate of failure to accept an approved loan is one of the few measures that are the same for Blacks and non-Hispanic Whites at a modest 3 percent.

NAREB's oft-repeated goal is to attain 2 million new Black homeowners in a five-year period. This goal is aspirational; it is a measure that NAREB uses as a benchmark for federal agencies and private and government lending institutions as a reasonable goal for the industry to embrace. NAREB recognizes, however, that meeting that goal requires that Blacks both apply and remain with the process through completion. NAREB will increasingly promote its role in helping Blacks to better understand their mortgage loan options, provide the requisite underwriting documentation, and remain motivated and engaged about achieving homeownership.

Loan Type, Geographic Patterns, and Race

Nationally, the percentage of originations for higher-income Black applicants—those with incomes over 120 percent of AMI—is lower than for comparable non-Hispanic White applicants, (70 percent versus 79 percent).[27] Similar disparities are seen when total loans are broken down into conventional and nonconventional shares, with gaps of 13 and 9 percent respectively.[28]

Black borrowers continued to receive high-cost loans at a higher rate (see Table 4). Sixteen percent of Black borrowers received high-cost loans compared with 6 percent of non-Hispanic White borrowers. Here again, though, the disparity between Black and non-Hispanic White rate is lower than in 2014, dropping 7 percentage points.

In addition, the high-cost loan rates for each applicant category dropped between 2014 and 2015. For Blacks, the share of high-cost loan originations dropped from 27 to 16 percent (on a similar volume), while the share among non-Hispanic Whites dropped from 10 to 6 percent (on an increased volume).

As Table 5 illustrates, disparities are seen at a finer geographic resolution across regions. Most applications by Blacks and non-Hispanic Whites are submitted in the South. However, Black applicants are far more concentrated in this region (64 percent) than are non-Hispanic Whites (38 percent). Origination rates were up from 2014 across all regions as well as for Black and non-Hispanic White applicants.[29]

Christopher Harris/unsplash.com

However, all four regions experienced lower Black and higher non-White Hispanic origination-to-loan ratios, with the Northeast and Midwest having 13 percentage point disparities and the West having the lowest at 8 percentage points. However, these disparities all decreased in each region from the 2014 range of 10-15 percentage points.

Important disparities also persist between Black and non-Hispanic White applicants at the neighborhood level. While spatial patterns continue to change and evolve, America ". . . remains starkly segregated by race and income."[30] Evidence of this can be seen in the considerable variation in neighborhood income and racial characteristics where borrowers' homes are located.

In 2015, 24 percent of Black borrowers obtained loans for properties located in low- and moderate-income neighborhoods, compared with only 11 percent of non-Hispanic White borrowers, virtually unchanged from the 2014 distribution. Further, 46 percent of Black borrowers in 2015 obtained loans for homes in majority minority neighborhoods, compared with only 9 percent of non-Hispanic White borrowers, again virtually unchanged from the previous year (Table 4).

Figure 4 reveals stark racial differences in loan and lender types for 2015 mortgage applicants. Half of Black applicants applied for FHA-insured mortgages in 2015, up 4 percentage points from 2014, while only 22 percent of non-Hispanic Whites selected that option, up 3 percentage points from 2014. Non-Hispanic Whites were far more likely—64 percent of applicants—in 2015 (up 20 percentage points from 2014) to apply for a conventional loan than the 30 percent of Black applicants seeking that loan type (down 2 percentage points from 2014).

Finally, a racial divide exists with institutions where loans are sought. Blacks seek loans from mortgage companies far more often than from banks (65 to 28 percent, respectively) versus non-Hispanic Whites (52 to 41 percent).

Cities with Largest Black Populations and Segregation

Examining the mortgage market performance in the 10 U.S. cities with the largest Black populations can help

Figure 8. Ten Cities with the Largest Black Populations, 2015

City	Black Population	Percent of Total Population	Dissimilarity Index
New York, New York	2,055,137	24%	0.82
Chicago, Illinois	844,768	31%	0.83
Philadelphia, Pennsylvania	664,062	42%	0.74
Detroit, Michigan	538,304	79%	0.60
Houston, Texas	512,039	22%	0.68
Memphis, Tennessee	415,300	63%	0.67
Baltimore, Maryland	382,922	62%	0.69
Los Angeles, California	364,740	9%	0.69
Washington, D.C.	318,831	47%	0.71
Dallas, Texas	308,787	24%	0.65

Source: Authors' calculations of 2015 HMDA data

us understand aggregate national patterns of lending to Blacks. Figure 8 shows these cities, along with a measure of segregated living patterns—the dissimilarity index. This 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 segregated living patterns in these cities forms a critical backdrop for assessing mortgage market performance.

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 (2,055,137) to a low in Dallas (308,787). Although New York has the largest population of Blacks, they represent just less than one quarter of the city's total population.

The Black share of total population ranges from Detroit, with a high of 79 percent, to Los Angeles, with a low of 9 percent. The Black percentage of total population is down from 2014 in all 10 cities, with the biggest share loss (3 percentage points) occurring in Washington. The three cities with the highest percentage of Black populations are all majority minority: Detroit (79 percent), Memphis (63 percent), and Baltimore (62 percent). Notably, Blacks as a share of total population declined in all 10 cities from 2014 to 2015, ranging from a 1 percentage point drop in three cities (Chicago, Los Angeles, and Dallas) to a 3 percentage point decline in Washington.

In all of these cities, Blacks are highly segregated from non-Hispanic Whites. All these cities have indices of 60 percent or more, 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.[31]

Segregation increased in eight of these 10 cities from 2014 to 2015. Notably, Houston's and Los Angeles's indices increased by 12 percentage points, while Dallas's and New York's increased by 9 and 8 percentage points, respectively. Only in Detroit did segregation decline from 2014 to 2015—a drop of 4 percentage points—even though the city remains highly segregated, with an index of .60.

GSEs' Sluggish Response to Outdated Credit Scores

The 2016 SHIBA examined the current credit-scoring methodology used by the GSEs, and found the current approach presents unfair and unnecessary obstacles to Black homeownership. Last year's report pointed out the shortcomings in the current FICO models mandated by the GSEs for both application purposes and loan level pricing adjustments.[32]

NAREB's 2016 SHIBA report's call for a major updating of credit-scoring models used by the GSEs and FHA has been strongly reinforced since its release with insightful reports published by several influential housing research institutions. In July 2017, the Urban Institute released *In Need of an Update: Credit Scoring in the Mortgage Market*.[33] That policy paper highlights the many weaknesses of FICO 4, the current credit score model of choice by the GSEs.

The credit score model used by the GSEs needs to be updated

FICO 4, the credit score model the GSEs essentially require mortgage originators to use for mortgage lending is outdated. It is based on models estimated in the late 1990s. Both FICO and VantageScore have much more recent models, including FICO 9 and VantageScore 3. VantageScore is also rolling out VantageScore 4.0 this fall. These models have the following advantages over FICO 4:

More granular data: In the late 1990s, credit bureau data was much less granular than it is now. For example, there was no differentiation between first and second mortgages.

Better information on student loans: There is much better information in the newer models on the performance of student loans, and how this performance impacts the performance of other types of debt.

More consumer-friendly treatment of collections data: Paid collections were included in the FICO 4 family of models but are ignored in more recent FICO and VantageScore models in recognition of the limited probative value of paid collections . . . [and] unpaid medical collections are weighted less heavily.

More consistent, robust information: FICO 4 is actually three different models, one for each credit bureau, estimated during slightly different time periods between 1995 and 2000. More recent FICO and VantageScore models use identical time periods for the estimation, and more closely align the models. In the case of VantageScore, the models are completely aligned.

Source: Urban Institute

That report criticized the continued use of FICO 4 group of models, stating those models are outdated and highlighted four major improvements that have been made in the updated and more predictive scoring models by both FICO and VantageScore (see Figure 9).

The 2016 SHIBA report discussed a stark reality: Millions of American consumers are classified by the credit rating bureaus as credit "unscorables" and "invisibles." In brief, those are individuals who lack a relationship with a mainstream financial institution sufficient for scoring. Blacks are disproportionately represented in the ranks of those with a lack of or limited credit history as measured by the nationwide credit reporting agencies. Why is this? There are a number of reasons, but many of these individuals don't trust mainstream financial institutions, not surprising given decades of redlining and the continued scarcity of depository institutions in many Black communities.

The Urban Institute report further reinforces the significance of using more appropriate credit-scoring models given the continuing, excessively rigid underwriting standards that predominate in the conventional loan market. According to a study by Board of Governors of the Federal Reserve System, ". . . mortgage lenders have introduced progressively higher minimum thresholds for acceptable credit scores."[34] The Urban Institute's Housing Credit Availability Index ". . . shows that the mortgage market is taking less than half of the risk it was taking in 2001, and less than a third of the risk it was taking in 2006. Credit is tightest in the credit score dimension [emphasis added]."[35]

Corinne Kutz/unsplash.com

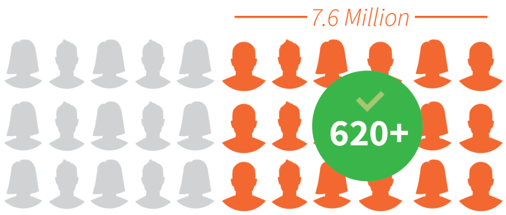
Figure 9. Example of Potential Impact of New Credit-Scoring Models

Opening the Door: How Adopting New Scoring Models Expands Homeownership and Pays for Itself

Currently, through their seller-service guidelines, the GSEs (Fannie Mae and Freddie Mac) "lock-in" models based on outdated data from the 1990s – needlessly excluding millions of creditworthy borrowers from the mortgage market. Current models, such as the VantageScore 3.0 model, can generate a score for 98% of consumers with credit files at the three credit reporting companies, including 30-35 million consumers typically not scored by conventional models.

By amending their guidelines to allow lenders to use newer and more inclusive models, the GSEs could…

Extend homeownership to more than 72,000 new households each year

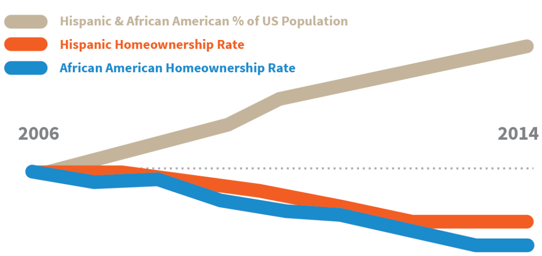


7.6 million consumers that are "unscoreable" using older models score 620+ using newer models, **potentially qualifying them for a mortgage**

Generate annual net revenues of $272 million

With 72,000 new homeowners each year, **any implementation costs would be offset.** Based on conservative assumptions, new scoring models in the mortgage market could lead to a revenue opportunity of $272 million for the GSEs

Expand mortgage lending to Hispanics and African Americans to purchase homes by 16%



As the U.S. minority population has grown in recent years, **minority homeownership has declined**

New models could expand annual mortgage lending to Hispanics and African Americans to purchase homes by 16% as compared to 2013 levels

Behind the Numbers

Assumptions	Math
Increase in population of consumers with score 620+	**7,589,899**
Number of adults in the average household	÷1.95
Estimated preference to own (rather than rent)	x65%
Conservatively assume 1 in 5 meet income, down payment, and other requirements	x20%
Average life of a mortgage loan	÷7
Number of creditworthy households not being served every year	**= 72,285**
Average principal balance	x $175,000
Increase in annual loan volume	= 12.65 billion
Up-front fees	0.75%
Present value of 60bps guarantee fees	2.40%
Present value of 25bps credit losses	(1.00%)
Annual revenues, net of credit losses	**= $272 million**

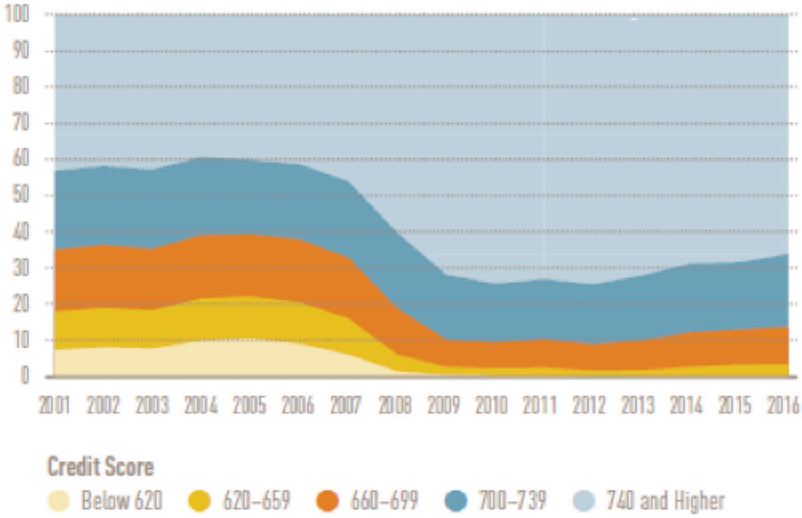
Upside to the estimate

This conservative assumption frames the bottom of the range. Multiple, respected mortgage sources indicate a 40% rate (rather than 20%) is a more historically accurate number. If we assume 40% meet income, down payment, and other requirements, the impact becomes **144,570 households served every year, $544 million in net revenues, and a 32% increase in minority purchase lending.**

Source: VantageScore Impact Assessment Infographic

Figure 10. Tight Lending Standards Limit Mortgage Access for Households with Lower Credit Scores

Share of Home Purchase Mortgage Originations, Percent



Note: Date include only conventional first-lien purchase mortgage originations.
Source: 2017 State of the Nation's Housing, Joint Center for Housing Studies at Harvard; JDHS tabulations of CoreLogic data

The **Single Security** is a joint initiative between the Enterprises—Fannie Mae and Freddie Mac, under the direction of FHFA—to develop a single mortgage-backed security that will be issued by the Enterprises to finance fixed-rate mortgage loans backed by one- to four-unit single-family properties.

As shown in Figure 10, this credit tightness has severely limited lending to applicants with lower credit scores.

Finally, the 2016 SHIBA report pointed out the two-fold damaging impact of the foreclosure crisis on Black Americans. Having limited access to conventional market credit, Blacks disproportionately relied on high-cost and irresponsible subprime and other predatory lending practices. In addition to the excessive financial distress caused to Blacks due to the Great Recession and housing market collapse, Black households carry the additional weight of negative credit score consequences from the experience.

In light of these developments, the Federal Housing Finance Agency (FHFA)—the GSE regulator—directed the GSEs in its 2015 Scorecard[36] to "assess the feasibility of alternate credit score models and credit history in loan-decision models, including the operational and system implications."

Despite continuing tight mortgage credit, FHFA's 2016 and 2017 Scorecard contained virtually the exact language granting more time for the assessment, directing the GSEs to "conclude assessment of updated credit score models for underwriting, pricing, and investor disclosures, and, as appropriate, plan for implementation."

More recently, FHFA Director Mel Watt stated at NAREB's 70th Annual Convention on August 1, 2017, that no action on credit score modernization would occur before 2019.[37]

Director Watt gave two reasons for the continuing delay in concluding the GSE assessment of these newer scoring models: "First . . . it is clear that it would be a serious mistake to change credit-scoring models before mid-2019 when the Common Securitization Platform is fully operational and the Enterprises implement the Single Security. . . . Second, the short-term impact on access to credit will not be nearly as significant as was first imagined or as the public discourse on this issue has suggested."

Director Watt indicated that, this fall, FHFA will issue a request for input on ". . . the impact of alternative credit-scoring models on access to credit, costs and operational considerations, and including questions around competition and using competing credit-scoring models to make mortgage credit decisions."

FHFA has been requesting input on the movement to updated credit scores for the past three years. Given the fact that nearly one out three denials for a loan to Blacks

is due to a failure to meet lender-imposed credit score minimums, the delay in making changes to GSE credit-scoring policy until 2019 is unnecessary and unfair. As stated in the 2016 SHIBA report, this delay could potentially be challenged on adverse impact discrimination impact grounds on behalf of Black home loan seekers.

Other consumer lending channels have already embraced a new generation of credit-scoring models such as FICO 9 and VantageScore 3.0 (with version 4.0 expected to roll out in September). This new wave of credit-scoring products promise to expand the universe of scoreable borrowers, are more predictive and accurate, incorporate more recent and granular data, and use an expanded suite of alternative data points.

For instance, VantageScore reports: "VantageScore 3.0 scores 30–35 million more people than conventional models. 10 million newly-scored consumers are prime or near-prime and thus potentially eligible for mortgages. According to VantageScore, VantageScore 3.0 could increase annual mortgage lending to Hispanics and African-Americans by as much as 16% as compared to 2013 levels." [38]

In place of allowing the use of more predictive credit-scoring models and competition within the credit-scoring arena, the GSEs have announced the use of trended data to help offset deficiencies in their current credit-scoring practices. Trended data seeks to provide more enhanced understanding of a consumer's credit behavior than can be gleaned from a single snapshot in time with up to two years of credit history. To date, however, no data is publicly available on whether trended data will enhance the accuracy of credit behavior related to Black prospective borrowers.

Perhaps the most important drawback to trended data is that lenders are required to use outdated credit scores and make their decision on whether to submit loans to Fannie Mae and Freddie Mac based on those potentially inaccurate assessments. NAREB will continue to push for the use of more predictive credit-scoring models by all federal housing agencies.

Fannie Mae and Freddie Mac Pricing

The *2016 State of Housing in Black America* examined the pricing policies for Fannie Mae and Freddie Mac to compensate for the cost of insuring the credit risk associated with single-family loans. 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. However, the 2016 report detailed the evolution of these fees post-Great Recession, tracking both increases in the base guarantee fee as well as the imposition of new fees (see Figure 11).

Before 2008, the GSEs charged similar guarantee fees, or "G-fees," across credit scores, with variations mainly due to differing product types (principally loan-to-value ratios). These ongoing fees are either charged up front for loans exchanged for MBS, or embedded in the price for loans sold to the GSEs for cash. However, faced with deteriorating market conditions, both Fannie Mae and Freddie Mac increased their guarantee fees in 2008 and added two new fees, replacing the relatively low upfront, average-cost G-fee with substantially higher loan-level (or risk-based) pricing based on a borrower's LTV and credit score,[39] and a 25-basis-point "adverse market delivery charge" on <u>all</u> loans designed to further protect against losses in weak housing markets.

The costly and controversial adverse market charge was eliminated in 2015, but high LLPA fees remain. Despite a 167 percent increase in G-fees from 2011 to 2014, FHFA—the GSE regulator—found ". . . no compelling economic reason to change the overall level of fees"[40] in its 2015 review of guarantee fees.

While dramatic action was required eight years ago, mortgage credit quality has dramatically increased, regulation has improved the industry's risk management practices, and GSE profitability has returned, leading to widespread calls to lower G-fees. In fact, Fannie Mae and Freddie Mac today are holding arguably the highest quality loan portfolio in their history.[41]

Figure 11: 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 enactment of 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 accrues 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 / January 2014	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, 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 and add targeted increases for specific loan groups effective with September 2015 deliveries. The set of changes was approximately revenue neutral with little or no impact for most borrowers.

Source: "Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2015." FHFA, August 2016.

Even if the current level of fees was justified for adequate capital reserves, the current terms of the conservatorship dictates no capital by 2018. Instead of funding adequate capital reserves, any net profits are siphoned off for federal deficit reduction. According to the Congressional Budget Office (CBO), as of September 2016,[42] Fannie Mae and Freddie Mac had paid $250 billion in dividends on the government's purchase of senior preferred stock of $187 billion, $63 billion more repaid to the Treasury than was borrowed. Ongoing quarterly payments—called "net worth sweeps"—are designed to wind down Fannie Mae and Freddie Mac capital reserves, and will produce an ad-

Figure 12: Fannie Mae LLPAA by Credit Score/LTV Ratio (All Eligible Mortgages)

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%	SFC
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	N/A
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	N/A
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	N/A
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	N/A
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	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%	N/A
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	N/A
< 620(1)	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	N/A

(1) A minimum required credit score of 620 generally applies to all mortgage loans delivered to Frannie Mac.
Source: Fannie Mae Loan-Level Price Adjustment (LLPAA) Matrix. July 25, 2017.

Figure 13: Fannie Mae HomeReady Mortgage Lender and Borrower Benefits

Lender Benefits

- Certainty. Underwrite with confidence – DU automatically identifies potential HomeReady-eligible loans and provides a credit risk assessment.
- Affordability. Get pricing that's better than or equal to Fannie Mae's standard loan pricing. Take advantage of risk-based pricing waivers for LTV ratios >80% with a credit score >= 680.
- Simplicity. Combine standard and HomeReady loans into MBS pools and whole loan commitments.
- Sustainability. Expand access to credit responsibly with homeownership education and housing counseling options for borrowers.

Borrower Benefits

- Low down payment. As low as 3% down payment for home purchase and refinance transactions.
- Flexible sources of funds. Can be used for the down payment and closing costs with no minimum contribution required from the borrower's own funds (1-unit).
- Affordable and cancellable monthly MI. Reduced MI coverage requirement above 90% LTV; cancellable MI per *Servicing Guide* policy.
- Homeownership education. The online Framework® course prepares borrowers for sustainable homeownership; other education and housing counseling options are available.

Source: Fannie Mae HomeReady Lender Fact Sheet. July 31, 2017

ditional $180 billion in payments to the U.S. Treasury from 2017 to 2026, according to CBO projections. In federal budget terms, any profits from GSE fees go to reduce the federal deficit and do not contribute to a healthy and sound housing finance system.

Arguing 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 that was levied in 2011[43] and accrues 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.

SHIBA's *2016 State of Housing in Black America* also criticized the upfront risk-based pricing aspect of fees imposed on borrowers (and typically reflected as a higher interest rate), that assesses credit access for individual borrower loan characteristics such as credit scores and LTV (see Figure 12). The difference in G-fees assessed by Fannie Mae can vary more than 3 percentage points depending on borrower credit score and downpayment amount. These higher fees are disproportionately borne by Blacks, and they compound 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. LLPA by the GSEs also highlights the unfairness of continuing GSE reliance on the less predictive credit-scoring models currently in use.

Furthermore, since higher pricing leads to higher loan failure rates, loan-level pricing violates the spirit of the GSEs' mission to increase access to mortgage credit in a safe and sustainable manner.

Although the GSEs continue to use an LLPA model, both Fannie Mae and Freddie Mac have attempted to redress the negative impact of that policy to a limited extent. Both GSEs have developed special policies for households earning less than 100 percent of area median income 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, both introduced in 2015 (see Figure 13).

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.

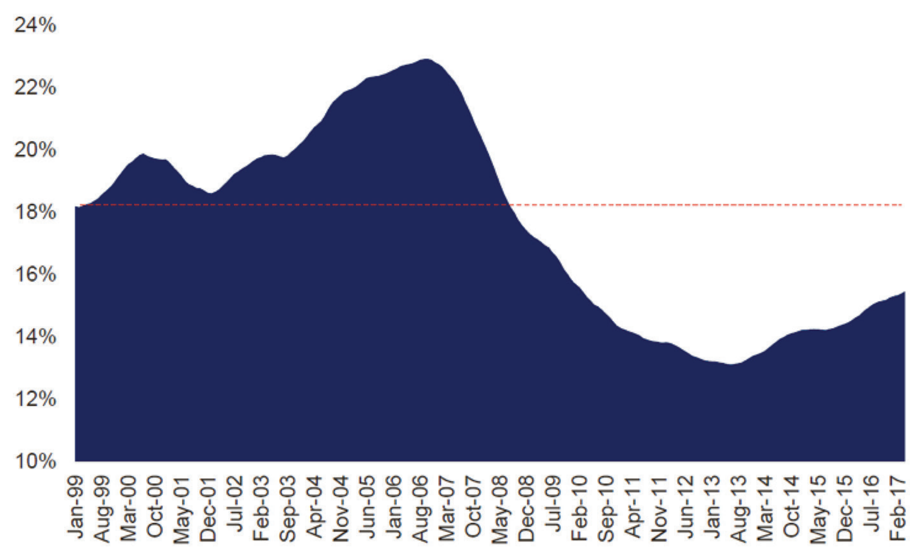
Rental vs. Ownership Affordability

A decade after the onset of the collapse of the U.S. housing market, owner-occupied homes appear to be on a path toward steady and sustainable price gains.[44] Nominal house prices rose 5.6 percent in 2016, and have surpassed their pre-Great Recession highs, although real prices still lag their previous peak in 2006 by 15 percent. The number of homeowners who owed more than their homes were worth dropped to 3.2 million in 2016, 7.5 million fewer homeowners than during the 2011 peak.[45]

These 2016 gains are widespread, occurring in virtually all of the top 100 metro areas in the United States. However, they mask significant individual metro market variations, with only two-fifths exceeding prior price peaks and 30 percent still at least 15 percent below prior highs. Price appreciation in lower-income neighborhoods significantly lags that in moderate- and high-income neighborhoods, and purchase loans in those areas still have not recovered from pre-Recession levels (see Figure 14).

Figure 14: Low-Income Areas' Share of Purchase Loans Remains Below Where It Was Years Ago

Share of 1st-Lien Conventional Conforming Purchase Loans in Low-Income Area Tracts, 12-Month Moving Average



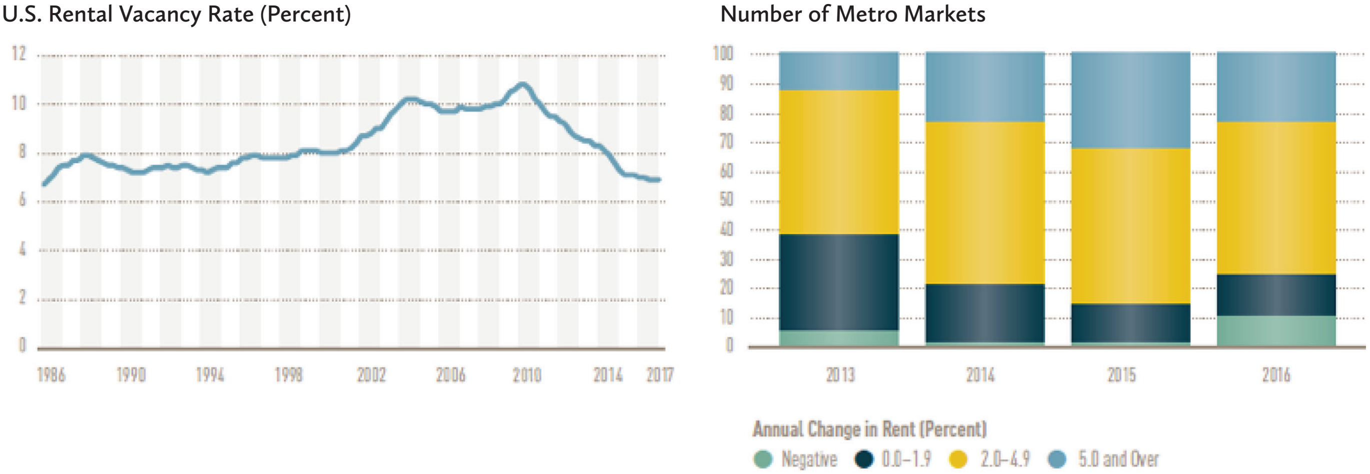
Source: Sam Khater, CoreLogic. Presentation slides from Urban Institute's "Are We Serving the Underserved? A Look at Challenges, Opportunities, and Expectations of GSE Duty to Serve Plans."

New construction also increased by 5.6 percent, adding more than a million new housing units nationally in 2016. But this increased annual production still lags the annual averages of the two decades leading up to the new millennium by almost one-third. In addition, the past 10 years saw completion of only 9 million total units, the worst 10-year span since the 1970s. In part, lagging construction rates reflect reduced demand from the delayed household formation of millennials, as well as the abrupt post-Recession drop in immigration.

Historically low production contributed to a tight purchase supply in the 2016 market, reflected in both national time-to-sale (3.3 months) and national existing home inventory (1.65 million, lowest in 16 years) measures. This tight supply is accentuated at the lower end of the market due to lagging price growth and lower construction volumes compared to other market segments.

Despite expected future interest rate hikes and rising home price appreciation, continued low interest rates mean a favorable environment for homeownership. The Joint Center for Housing Studies estimates that, in 2015,

Figure 15. With the U.S. Rental Vacancy Rate at a 30-Year Low, Rents Are Still Increasing in the Majority of Apartment Markets



Source: *The State of the Nation's Housing 2017*, Joint Center for Housing Studies at Harvard

almost three-fifths of metropolitan households nationally could afford the monthly carrying costs of a median-priced home in their market. These national estimates vary by region and metro areas, but the share of renters able to afford such a home (45 percent) is systematically less compared with homeowners. Despite these favorable conditions, homeownership growth remains sluggish, particularly for Blacks. This disconnect points to other barriers to a more robust rebound in homeownership levels. For instance, using CoreLogic data, the Joint Center for Housing Studies estimates the median credit score for owner-occupied home purchase loan originations increased from 700 in 2005 to 732 in 2016.

While annual multifamily construction starts have been higher than single family starts since the end of the Great Recession, 2016 single-family unit starts surged past a flattening multifamily unit construction rate. Construction of multifamily units has been concentrated at the upper end of the market, while strong demand was expressed across all rents, contributing to tight rental market conditions.

The renter share of American households is now at a 50-year high of 37 percent. In particular, families with children now are more likely to rent than own. This change in tenure choice in part reflects the foreclosure crisis as well as dampened home buying following the Great Recession. This shift exacerbates the already extreme tightness in the rental market.

The Housing Vacancy Survey reported a 2016 vacancy rate of 6.9 percent, declining for the seventh straight year to its lowest point in three decades. Not surprisingly, rents were up nationally and in most major markets, with annual rent increases far outstripping non-housing inflation. The result is a major mismatch between affordable rents and renters, particularly among low-income households (see Figure 15).

Distressed Asset Disposition

The *2016 State of Housing in Black America* provided an in-depth view of the distressed sales practices at the GSEs and FHA. The report revealed a particularly troubling clash of public policy priorities influencing the GSE process of resolving distressed assets, where value recovery and quick disposition are prioritized over borrower and community concerns. Moving these properties off their books is logical from a regulatory compliance perspective that can be traced back to the terms of the GSE conservatorship.

The original federal assistance to the GSEs came in the form of stock purchases by the Treasury Department. In addition to the net worth sweep requirement discussed previously, the current terms of the Treasury senior preferred stock agreements require the GSEs' net worth to decline to zero by 2018. This requirement creates an unavoidable and extreme imperative for GSEs to quickly divest of any assets on their books, without regard to the GSEs' affordability mission.

Distressed asset sales by the GSEs continue to favor investors that are turning formerly owner-occupied housing into rental stock (see Figure 16, following page). The distressed asset inventory represents a critical supply of housing stock that could be provided to nonprofit housing agencies to promote affordable homeownership. With the GSEs required to deplete their capital reserves by the end of this year, however, moving properties off their books as quickly as possible is logical from a regulatory compliance perspective.

SHIBA's 2016 report criticized the practice of favoring investors over potential homeowners in the disposition of distressed assets. A major rationale given by the GSEs for favoring Wall Street investors is that transferring distressed assets to nonprofits is challenging due, in part, to a lack of capital by those institutions to purchase and return the properties to stable homeownership in a timely manner.

CoreLogic estimates the inventory of distressed housing units was about 1 million nationally in February 2017.[46] As a result, despite the millions of properties recently transferred to large private investor groups, a substantial supply of additional properties remains that could be used to promote affordable homeownership, increased household wealth, and improved stabilization in lower-income neighborhoods.

From a public policy perspective, pressuring the GSEs to choose Wall Street over Main Street worsens the growing affordable housing crisis. Furthermore, an important share of distressed loan sales contains properties in less stable neighborhoods. This investor bias in distressed asset disposition worsens the instability of these lower-income communities. Yet Fannie Mae and Freddie Mac have recently initiated new rental securitizations to better enable Wall Street to buy distressed assets. NAREB will continue to urge Fannie Mae and Freddie Mac to develop innovative financing approaches to increase household wealth rather than Wall Street earnings.

Figure 16: GSE Nonperforming Loan Sales

Freddie Mac

Sale Name	Pool	Pool Type*	Settle Date	Loan Count at Settle	UPB ($M) at Settle	Average Delin-quency in Years	Average Loan-to-Value
SPO 2014 [Pilot]	1	SPO	8/28/14	2,432	533.1	3.7	114%
	2	SPO	8/28/14	289	62.9	3.6	114%
SPO 2015#1**	1	SPO	3/19/15	668	122.5	2.3	72%
	2	SPO	3/19/15	425	93.6	2.8	100%
	3	SPO	3/16/15	644	133.3	3.0	145%
SPO 2015#2**	1	SPO	5/14/15	3,092	553.4	2.8	82%
	2	SPO	5/15/15	1,185	212.4	2.9	100%
	3	SPO	5/15/15	427	104.1	4.0	82%
SPO 2015#3**	1	SPO	7/23/15	853	164.0	2.8	108%
EXPO 2015#1**	1	EXPO	8/6/15	119	23.6	3.6	84%
SPO 2015#4**	1	SPO	9/25/15	1,879	343.1	2.9	95%
	2	SPO	9/24/15	272	62.1	3.8	89%
	3	SPO	9/24/15	484	49.9	3.0	35%
SPO 2015#5**	1	SPO	11/12/15	1,697	378.7	3.1	85%
	2	SPO	10/30/15	508	114.5	2.9	85%
	3	SPO	11/12/15	933	218.8	3.7	150%
	4	SPO	10/29/15	438	101.1	3.8	155%
	5	SPO	11/12/15	359	36.7	2.7	34%
SPO 2015#6**	1	SPO	12/11/15	878	159.1	1.8	79%
	2	SPO	12/17/15	309	69.2	2.0	149%
SPO 2015#7**	1	SPO	2/19/16	1,153	220.3	2.6	72%
	2	SPO	2/19/16	612	138.4	2.7	99%
	3	SPO	2/18/16	625	128.4	2.5	146%
	4	SPO	2/10/16	794	176.2	3.1	102%
	5	SPO	2/19/16	426	80.5	2.5	117%

Freddie Mac (continued)

Sale Name	Pool	Pool Type*	Settle Date	Loan Count at Settle	UPB ($M) at Settle	Average Delin-quency in Years	Average Loan-to-Value
EXPO 2015#3**	1	EXPO	2/25/16	56	9.6	2.6	100%
SPO 2016#1**	1	SPO	5/12/16	496	100.5	3.4	73%
	2	SPO	5/12/16	1,216	244.8	3.5	73%
	3	SPO	5/12/16	1,090	258.2	3.7	100%
	4	SPO	4/28/16	1,270	280.0	3.8	152%
	5	SPO	4/28/16	638	130.4	3.3	144%
EXPO 2016#1**	1	EXPO	5/6/16	64	16.1	4.6	112%
	2	EXPO	5/6/16	105	22.7	3.9	107%
SWLO 2016#1***	4	SWLO	8/29/16	326	86.6	3.0	99%
SPO 2016#2	1	SPO	8/24/16	358	92.0	5.4	122%
	2	SPO	8/31/16	514	156.1	5.3	94%
	3	SPO	8/24/16	573	119.6	3.9	69%
	4	SPO	8/24/16	260	64.8	4.3	99%
	5	SPO	8/24/16	359	87.8	4.0	151%
EXPO 2016#2	1	EXPO	8/31/16	72	16.6	5.1	99%
	2	EXPO	8/31/16	56	10.8	4.4	113%
SPO 2016#3	1	SPO	12/13/16	1,093	175.8	1.8	71%
	2	SPO	12/13/16	738	127.2	1.4	70%
	3	SPO	12/6/16	821	168.4	2.1	99%
	4	SPO	12/6/16	842	166.9	2.1	147%
Total Freddie Mac				**32,448**	**$ 6,615**	**3.1**	**100%**

* Pool Type: SPO: Freddie Mac Standard Pool Offering, EXPO: Freddie Mac Extended Timeline Pool Offering, SWLO: Seasoned Whole Loan Offering.
** The outcomes of these deals are provided in this report.
*** In August 2016, Freddie Mac sold loans from a securitization trust in which Freddie Mac owns and guarantees all securities issued from such trust.

Fannie Mae

Sale Name	Pool	Pool Type*	Settle Date	Loan Count at Settle	UPB ($M) at Settle	Average Delin-quency in Years	Average Loan-to-Value
FNMA 2015-NPL1**	1	NAT	6/19/15	606	151.5	5.0	142%
	2	NAT	6/19/15	1,871	481.4	5.0	136%
FNMA 2015-NPL2**	1	NAT	9/25/15	627	133.1	3.2	148%
	2	NAT	9/26/15	2,479	484.0	3.1	71%
FNMA 2015-NPL2-CIP**	1	CIP	10/26/15	38	5.3	3.2	81%
FNMA 2015-NPL3**	1	NAT	12/17/15	1,246	272.2	4.1	102%
	2	NAT	12/17/15	2,703	424.3	2.7	64%
	3	NAT	12/17/15	872	177.4	3.0	138%
FNMA 2016-NPL1**	1	NAT	3/30/16	2,308	478.6	5.0	90%
	2	NAT	3/29/16	1,022	207.6	5.0	86%
	3	NAT	3/30/16	785	158.7	5.1	92%
	4	NAT	3/30/16	609	128.4	5.1	99%
FNMA 2016-NPL1-5-CIP**	1	CIP	4/21/16	47	12.1	6.2	141%
FNMA 2016-NPL2	1**	NAT	6/28/16	2,912	556.5	3.9	94%
	2**	NAT	6/28/16	1,940	370.2	4.0	91%
	3**	NAT	6/28/16	992	192.5	4.1	93%
	4**	NAT	6/28/16	674	123.6	4.0	96%
	1A	NAT	7/26/16	1,281	246.8	4.1	91%

Fannie Mae (continued)

Sale Name	Pool	Pool Type*	Settle Date	Loan Count at Settle	UPB ($M) at Settle	Average Delin-quency in Years	Average Loan-to-Value
FNMA 2016-NPL2-CIP	1	CIP	7/25/16	71	17.9	4.4	111%
FNMA 2016-NPL3-1	A	NAT	8/24/16	1,267	212.0	2.9	77%
	B	NAT	8/24/16	1,257	209.1	2.9	77%
	C	NAT	8/24/16	1,269	215.2	2.9	77%
FNMA 2016-NPL3-2	A	NAT	8/24/16	1,229	204.7	2.3	99%
	B	NAT	8/24/16	1,259	206.0	2.3	98%
	C	NAT	8/24/16	1,311	210.5	2.4	96%
FNMA 2016-NPL3-CIP	1	CIP	9/21/16	50	11.7	3.4	98%
FNMA 2016-NPL4	1	NAT	10/25/16	1,825	303.7	3.7	103%
	2	NAT	10/25/16	924	144.2	3.8	92%
	3	NAT	10/25/16	1,199	177.9	2.9	108%
	4	NAT	10/27/16	526	89.8	3.4	122%
FNMA 2016-NPL4-CIP	1	CIP	11/22/16	77	13.0	4.5	112%
FNMA 2016-NPL5	1	NAT	12/22/16	1,246	244.6	3.4	90%
	2	NAT	12/22/16	1,274	243.5	3.4	91%
	3	NAT	12/22/16	1,406	253.2	3.3	67%
	4	NAT	12/22/16	640	142.6	3.5	133%
	5	NAT	12/22/16	212	40.6	2.9	127%
Total Fannie Mae				**40,054**	**$ 7,545**	**3.6**	**94%**

* Pool Type NAT: Fannie Mae National Pool, CIP: Fannie Mae Community Impact Pool.
** The outcomes of these deals are provided in this report.

Source: "Enterprise Non-Performing Loan Sales Report." December 2016. FHFA.

Reshaping Metropolitan Opportunities: Prelude to SHIBA 2018

Chris Benson/unsplash.com

Barriers to accessing affordable homeownership are increasing concentrated poverty and continuing segregation. This phenomenon is particularly acute in the nation's older, formerly industrial cities with the largest Black populations. Rather than benefiting from the renaissance of cities such as Detroit, Cleveland, Chicago, or Philadelphia, Blacks are being left on the sidelines, unable to access housing or jobs.

Although the wealth gap nationally between Blacks and non-Hispanic Whites is 13 to 1,[47] an Urban Institute report finds that the wealth of the median non-Hispanic White household in Washington, D.C., is 80 times the median wealth of the median Black household in that city.[48] This report highlights more than 100 years of discrimination against Blacks that have left that population with little wealth and relatively poor labor market participation.

During the post-war era from the late 1940s through the 1970s, African Americas were shut out of the growing wealth of middle class America most significantly through housing discrimination that prevented Blacks from accessing homeownership opportunities or living in White neighborhoods. Much of the reversal in metropolitan growth patterns has been driven by an influx of affluent and/or highly educated non-Hispanic Whites attracted by jobs and amenities in downtown areas,[49] while many longtime, lower-income, and minority residents are forced to leave.[50]

Stated otherwise, the return-to-the-cities movement favors higher-income households and compounds the financial damage to Blacks by forcing them out of the neighborhoods where they have lived and suffered during the many years of city decline.

A 2012 Brookings Institution's study showed that in 2011, for the first time in more than nine decades, the core cities of the nation's largest metropolitan areas grew faster than their combined suburbs.[51] Many older industrial cities, including those that experienced the greatest population losses during the second half of the 20th Century, have experienced a reversal of out-migration.[52]

The literature indicates further that the patterns of urban disinvestment experienced by several cities between 1960 and 1990 has been reversed, resulting in an influx of population and capital investments.[53] [54]

After the decline in concentrated poverty between 1990 and 2000, there has been a dramatic increase in the number of high-poverty neighborhoods. The number of people living in high-poverty neighborhoods has nearly doubled

since 2000, rising from 7.2 million to 13.8 million. Poverty is particularly severe in neighborhoods of color; more than one in four African-American poor live in a neighborhood of extreme poverty.[55 56 57]

Further, high-poverty neighborhoods have spilled out from the central cities into adjacent inner- and outer-ring suburbs, which have become new pockets of poverty.[58] This relocation of greater poverty to the suburbs corresponds with an increase in the number of African Americans moving from central cities to the suburbs over the past few decades.

Since the end of the Great Recession, African American wealth levels have continued to decline, with important implications for African Americans and the opportunity for them to close the racial wealth gap in the foreseeable future. Restricted in their choice of where to live—combined with inadequate access to employment, credit, and homeownership opportunities—has greatly contributed to this trend.[59 60]

These developments further reinforce the need for federal housing policy to address two challenges:

- the overwhelming lack of access to affordable credit, and
- the need to more effectively manage the large stock of distressed assets in a manner promoting homeownership, particularly in communities historically lacking adequate ownership opportunities.

The 2018 SHIBA report will focus on this issue as a key policy priority for NAREB in the years ahead.

Conclusion

The past 12 months have been a positive period for the prospects for further homeownership among Black Americans. Federal regulatory agencies and U.S. housing finance institutions appear to be responding to the concerns being raised by NAREB on key issues such as loan pricing, credit scoring, and other key matters discussed in this report. Much work, however, remains to be done. NAREB will continue to meet with federal policymakers and regulators to help them understand the unique challenges faced by Blacks with respect to qualifying for a loan. NAREB will also continue to encourage those institutions to understand the value and real potential of achieving its goal of 2 million new Black homeowners in five years.

In addition, NAREB will continue to pursue its mission to work directly with prospective borrowers to better assist them to understand the value of homeownership, the complexities of the loan application process, and the challenges in, and opportunities from, sustaining homeownership.

NAREB will continue to serve prospective borrower needs in three ways:

1) **Prospective homebuyer education.** NAREB recognizes that because most new Black homeowners are not raises in owner-occupied housing, they may lack important insight on how best to prepare for a mortgage. This includes preparing a budget to effectively save for downpayment, being aware of the significance of having a good credit score, the relationship between credit scores and loan pricing, ways to improve borrower credit scores prior to applying for a mortgage, and understanding how to make the most optimal trade-offs between a home's location and the structural characteristics of an individual property.

2) **Successfully applying for a loan.** The loan application process can be daunting for any first-time borrower, regardless of their educational attainment. Blacks, however, face unique challenges in the application process to the extent that they continue to face discrimination by real estate agents and predatory financial practices by lenders.

3) **Sustaining and effectively leveraging homeownership.** Receiving a loan is the first step in the homeownership life cycle. Sustaining homeownership, leveraging it wisely as a financial asset, and selling the home to downsize, purchase a larger or better-located property, or rejoining the rental market, are other important junctures in the homeownership cycle.

NAREB members are uniquely positioned to serve as trusted advisers throughout the home-buying process, from preparing to own to sustaining and leveraging that asset. NAREB members are the among the most knowledgeable real estate professionals in the housing industry, particularly pertaining to the obstacles faced by Blacks in securing a mortgage. Maintaining and strengthening this role will also be key to NAREB helping Blacks to successfully and equitably achieve the American Dream of Homeownership.

Endnotes

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2 In 2004, the peak year for Black homeownership, 49.1 percent of all Black households owned homes.

3 The median income of Latino applicants is $56,000. Low- and moderate-income includes those with an income equal to or less than 80 percent of the Area Median Income (AMI).

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14 Carr, J., and M. Zonta. *2016 State of Housing in Black America*. National Association of Real Estate Brokers.

15 See Appendix.

16 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.

17 Davis, W. February 3, 2017. *U.S. Enjoying Its Longest-Lasting Streak of Job Growth*. MarketWatch. Retrieved from http://www.marketwatch.com/story/us-enjoying-its-longest-lasting-streak-of-jobs-growth-2017-02-03.

18 The median income of Latino applicants is $56,000. Low- and moderate-income individuals include those with an income equal to or less than 80 percent of the Area Median Income (AMI).

19 The median income of Black and non-Hispanic White borrowers was $61,000 and $75,000, respectively.

20 Carr 2016.

21 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.

22 Table 1 shows that respective 2015 denial rates for Latino and Asian applicants are 15 and 12 percent, for example.

23 Part of this difference is due to a higher propensity among Black prospective borrowers to apply for FHA-insured loans. Thirty-seven percent of applications coming from Black applicants were for FHA-insured loans through mortgage companies. However, non-Hispanic White conventional-loan applicants showed a major shift away from banks to mortgage companies.

24 Figure 5 excludes "Mortgage Companies Affiliated with Depositories."

25 This discussion focuses on the two largest lender categories.

26 This differential increase occurred along with the previously discussed striking increase in mortgage company market share.

27 This disparity has shrunk by 3 percentage points from the 2014 gap of 12 percent.

28 A 2 percentage point reduction (15 to 13 percentage points) in the conventional loan origination rate disparity partially explains the reduction in the overall origination-to-application rate disparity from 2014.

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Appendix

Methodological Note and Tables

The analysis presented in this section is based on Home Mortgage Disclosure Act (HMDA) data from 2004 to 2015, and focuses on first lien loans for the purchase of one- to four-family owner-occupied homes. Data are for the United States, excluding Puerto Rico. Records for which no state information was reported were omitted. Only records with no quality or validity edit failures are included in the analysis. In addition, omitted are the records for loans purchased by the institution, as well as those reporting that a preapproval request was denied by the financial institution and those reporting that a preapproval request was approved but not accepted. Following the Federal Reserve's practice, applications are placed in one category for race and ethnicity. HMDA data contain the following race and ethnicity variables for applicants and co-applicants:

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

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

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

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

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

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

Table 1. Disposition of applications for first lien purchase loans of occupied 1- to 4-family homes by year and race/ethnicity

Total Applications	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
Originated	53,043	66,743	39,218	25,704	17,868	19,337	20,865	14,917	16,115	17,894	19,974	21436
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
Denied	13,463	19,202	13,921	10,451	6,531	5,182	5,454	3,685	3,970	4,715	4,398	3664
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	3535
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**
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
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
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
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
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**
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
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
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
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

Table 2. Disposition of applications for conventional first lien purchase loans of occupied 1- to 4-family homes by year, race and ethnicity (2004–2015)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
Approved but not accepted	6,994	9,989	6,197	3,999	1,639	666	582	453	477	609	552	519
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
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
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**
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
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
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
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
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**
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
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
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
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

Table 3. Disposition of applications for nonconventional first lien purchase loans of occupied 1- to 4-family homes by year, race and ethnicity (2004–2015)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
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
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
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
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**
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
Approved but not accepted	369	239	219	195	865	1,993	2,774	1,698	1,456	1,344	1,114	1,461
Denied	845	515	404	611	2,608	6,134	8,149	5,793	6,153	5,818	4,614	5,690
Withdrawn/File closed	1,003	577	518	584	2,149	5,448	7,198	4,845	4,733	4,518	4,353	4,986
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**
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
Approved but not accepted	472	266	210	264	605	821	1,167	669	581	586	522	449
Denied	1,440	778	689	901	2,136	3,022	3,401	2,112	2,184	2,498	2,235	1,859
Withdrawn/File closed	1,424	787	626	563	1,477	2,391	3,290	1,695	1,694	1,966	2,156	1,853
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**
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
Approved but not accepted	529	555	513	582	1,260	1,536	1,547	1,179	986	1,116	1,107	331
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
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
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**
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
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
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
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

Table 4. Distribution of applications for first lien purchase loans of occupied 1- to 4-family homes by disposition and selected applicant and loan characteristics, 2015

	Applications	Originated	Approved but not accepted	Denied	Withdrawn/ File closed
BLACK APPLICANTS					
TOTAL APPLICATIONS	**245,425**	**164,585**	**8,289**	**41,653**	**30,898**
Applicant income					
Less or equal to 50% of AMI	31,234	17,370	1,006	8,846	4,012
50% - 80% of AMI	73,490	49,083	2,379	12,904	9,124
80% - 120% of AMI	69,523	48,308	2,301	10,407	8,507
More than 120% of AMI	71,178	49,824	2,603	9,496	9,255
Loan type					
Conventional	75,466	49,482	2,849	13,858	9,277
Nonconventional	169,959	115,103	5,440	27,795	21,621
GSE/FHA					
GSE-purchased*		19,232			
FHA-insured	122,166	81,533	3,938	20,787	15,908
Loan cost					
High cost*		27,139			
Property location					
Low-moderate income neighborhood	62,167	38,870	2,237	12,662	8,398
Higher income neighborhood	183,258	125,715	6,052	28,991	22,500
Majority minority neighborhood	119,409	76,334	4,430	22,411	16,234
Northeast	27,124	17,867	939	4,837	3,481
Midwest	36,052	24,021	1,159	6,565	4,307
South	157,813	105,662	5,246	27,051	19,854
West	24,436	17,035	945	3,200	3,256
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	186,202	128,999	5,483	32,681	19,039
50% - 80% of AMI	531,453	414,081	14,830	51,178	51,364
80% - 120% of AMI	636,633	508,435	17,913	48,769	61,516
More than 120% of AMI	1,091,944	866,092	34,025	72,688	119,139
Loan type					
Conventional	1,553,704	1,228,571	48,782	116,171	160,180
Nonconventional	892,528	689,036	23,469	89,145	90,878
GSE/FHA					
GSE-purchased*		544,861			
FHA-insured	546,820	421,832	13,833	55,666	55,489
Loan cost					
High cost*		124,224			
Property location					
Low-moderate income neighborhood	283,883	214,395	8,753	29,666	31,069
Higher income neighborhood	2,162,349	1,703,212	63,498	175,650	219,989
Majority minority neighborhood	225,809	164,326	7,683	23,498	30,302
Northeast	339,314	266,432	8,987	29,276	34,619
Midwest	650,361	519,558	19,181	54,568	57,054
South	917,424	710,749	27,332	81,345	97,998
West	539,133	420,868	16,751	40,127	61,387

*Information applicable only to originated loans

Table 5. Disposition of applications for first lien purchase loans of occupied 1- to 4-family homes by region and applicant income, conventional and nonconventional loans, Black and non-Hispanic White applicants, 2015

	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	245,425	164,585	8,289	41,653	30,898	2,446,232	1,917,607	72,251	205,316	251,058
Northeast	36,052	24,021	1,159	6,565	4,307	339,314	266,432	8,987	29,276	34,619
Less or equal to 50% of AMI	6,863	1,880	119	975	430	26,383	18,389	689	4,712	2,593
50%-80% of AMI	12,341	5,626	265	1,550	1,127	79,573	62,078	2,046	8,005	7,444
80%-120% of AMI	9,234	5,382	270	1,311	1,008	90,320	72,042	2,315	7,138	8,825
More than 120% of AMI	7,614	4,979	285	1,001	916	143,038	113,923	3,937	9,421	15,757
Midwest	27,124	17,867	939	4,837	3,481	650,361	519,558	19,181	54,568	57,054
Less or equal to 50% of AMI	3,404	3,994	194	1,866	809	74,039	53,272	2,234	11,957	6,576
50%-80% of AMI	8,568	8,211	411	2,262	1,457	169,601	135,094	4,774	15,618	14,115
80%-120% of AMI	7,971	6,452	279	1,422	1,081	169,924	138,701	4,738	12,439	14,046
More than 120% of AMI	7,181	5,364	275	1,015	960	236,797	192,491	7,435	14,554	22,317
South	157,813	105,662	5,246	27,051	19,854	917,424	710,749	27,332	81,345	97,998
Less or equal to 50% of AMI	19,740	10,832	654	5,669	2,585	58,776	38,813	1,743	11,728	6,492
50%-80% of AMI	47,847	32,034	1,575	8,382	5,856	183,773	140,461	5,111	19,295	18,906
80%-120% of AMI	44,937	31,210	1,471	6,826	5,430	233,820	184,117	6,633	19,615	23,455
More than 120% of AMI	45,289	31,586	1,546	6,174	5,983	441,055	347,358	13,845	30,707	49,145
West	24,436	17,035	945	3,200	3,256	539,133	420,868	16,751	40,127	61,387
Less or equal to 50% of AMI	1,227	664	39	336	188	27,004	18,525	817	4,284	3,378
50%-80% of AMI	4,734	3,212	128	710	684	98,506	76,448	2,899	8,260	10,899
80%-120% of AMI	7,381	5,264	281	848	988	142,569	113,575	4,227	9,577	15,190
More than 120% of AMI	11,094	7,895	497	1,306	1,396	271,054	212,320	8,808	18,006	31,920
CONVENTIONAL LOANS	75,466	49,482	2,849	13,858	9,277	1,553,704	1,228,571	48,782	116,171	160,180
Northeast	9,819	6,578	286	1,830	1,125	236,960	188,135	6,413	18,219	24,193
Less or equal to 50% of AMI	1,056	596	25	339	96	14,976	10,595	383	2,602	1,396
50%-80% of AMI	2,468	1,626	63	503	276	44,430	34,986	1,155	4,171	4,118
80%-120% of AMI	2,741	1,839	84	496	322	57,606	46,433	1,513	4,142	5,518
More than 120% of AMI	3,554	2,517	114	492	431	119,948	96,121	3,362	7,304	13,161
Midwest	12,186	8,193	434	2,178	1,381	425,386	345,279	13,516	30,110	36,481
Less or equal to 50% of AMI	1,955	1,143	56	553	203	37,908	27,763	1,226	5,769	3,150
50%-80% of AMI	3,280	2,126	114	688	352	89,378	72,251	2,684	7,330	7,113
80%-120% of AMI	2,824	1,968	108	436	312	104,647	86,445	3,175	6,580	8,447
More than 120% of AMI	4,127	2,956	156	501	514	193,453	158,820	6,431	10,431	17,771
South	44,995	28,941	1,750	8,731	5,573	552,055	429,810	17,672	44,615	59,958
Less or equal to 50% of AMI	5,089	2,468	184	1,890	547	28,127	18,586	893	5,742	2,906
50%-80% of AMI	10,623	6,709	401	2,292	1,221	83,048	63,633	2,451	8,465	8,499
80%-120% of AMI	10,736	7,101	417	1,895	1,323	117,963	92,926	3,648	9,314	12,075
More than 120% of AMI	18,547	12,663	748	2,654	2,482	322,917	254,665	10,680	21,094	36,478
West	8,466	5,770	379	1,119	1,198	339,303	265,347	11,181	23,227	39,548
Less or equal to 50% of AMI	469	248	18	134	69	14,825	10,401	471	2,168	1,785
50%-80% of AMI	1,430	955	51	236	188	48,737	38,081	1,539	3,722	5,395
80%-120% of AMI	2,129	1,460	92	258	319	76,541	61,140	2,428	4,625	8,348
More than 120% of AMI	4,438	3,107	218	491	622	199,200	155,725	6,743	12,712	24,020
NONCONVENTIONAL LOANS	139,486	88,698	4,796	25,048	20,944	762,579	563,713	21,381	86,252	91,233
Northeast	17,305	11,289	653	3,007	2,356	102,354	78,297	2,574	11,057	10,426
Less or equal to 50% of AMI	2,348	1,284	94	636	334	11,407	7,794	306	2,110	1,197
50%-80% of AMI	6,100	4,000	202	1,047	851	35,143	27,092	891	3,834	3,326
80%-120% of AMI	5,230	3,543	186	815	686	32,714	25,609	802	2,996	3,307
More than 120% of AMI	3,627	2,462	171	509	485	23,090	17,802	575	2,117	2,596
Midwest	23,866	15,828	725	4,387	2,926	224,975	174,279	5,665	24,458	20,573
Less or equal to 50% of AMI	4,908	2,851	138	1,313	606	36,131	25,509	1,008	6,188	3,426
50%-80% of AMI	9,061	6,085	297	1,574	1,105	80,223	62,843	2,090	8,288	7,002
80%-120% of AMI	6,410	4,484	171	986	769	65,277	52,256	1,563	5,859	5,599
More than 120% of AMI	3,487	2,408	119	514	446	43,344	33,671	1,004	4,123	4,546
South	112,818	76,721	3,496	18,320	14,281	365,369	280,939	9,660	36,730	38,040
Less or equal to 50% of AMI	14,651	8,364	470	3,779	2,038	30,649	20,227	850	5,986	3,586
50%-80% of AMI	37,224	25,325	1,174	6,090	4,635	100,725	76,828	2,660	10,830	10,407
80%-120% of AMI	34,201	24,109	1,054	4,931	4,107	115,857	91,191	2,985	10,301	11,380
More than 120% of AMI	26,742	18,923	798	3,520	3,501	118,138	92,693	3,165	9,613	12,667
West	15,970	11,265	566	2,081	2,058	199,830	155,521	5,570	16,900	21,839
Less or equal to 50% of AMI	758	416	21	202	119	12,179	8,124	346	2,116	1,593
50%-80% of AMI	3,304	2,257	77	474	496	49,769	38,367	1,360	4,538	5,504
80%-120% of AMI	5,252	3,804	189	590	669	66,028	52,435	1,799	4,952	6,842
More than 120% of AMI	6,656	4,788	279	815	774	71,854	56,595	2,065	5,294	7,900

Table 6. Distribution of originations of first lien purchase loans of occupied 1- to 4-family homes by region and applicant income, GSE-purchased and FHA-insured, Black and non-Hispanic White applicants, 2015

	BLACK APPLICANT					NON-HISPANIC WHITE APPLICANT				
	Total	Income less or equal to 50% of AMI	Income 50%-80% of AMI	Income 80%-120% of AMI	Income more than 120% of AMI	Total	Income less or equal to 50% of AMI	Income 50%-80% of AMI	Income 80%-120% of AMI	Income more than 120% of AMI
Total Loans	164,585	17,370	49,083	48,308	49,824	1,917,607	128,999	414,081	508,435	866,092
GSE-Purchased	10%	8%	8%	11%	18%	28%	23%	23%	28%	32%
FHA-Insured	36%	66%	60%	50%	33%	22%	35%	31%	25%	14%
Northeast										
Total Loans	17,867	1,880	5,626	5,382	4,979	266,432	18,389	62,078	72,042	113,923
GSE-Purchased	15%	10%	10%	15%	21%	27%	22%	23%	28%	30%
FHA-Insured	56%	64%	64%	57%	43%	4%	7%	6%	4%	2%
Midwest										
Total Loans	24,021	3,994	8,211	6,452	5,364	519,558	53,272	135,094	138,701	192,491
GSE-Purchased	14%	9%	10%	14%	24%	30%	23%	25%	30%	35%
FHA-Insured	55%	66%	64%	55%	31%	3%	5%	4%	3%	1%
South										
Total Loans	105,662	10,832	32,034	31,210	31,586	710,749	38,813	140,461	184,117	347,358
GSE-Purchased	10%	7%	6%	9%	16%	26%	20%	20%	23%	30%
FHA-Insured	49%	67%	60%	49%	31%	7%	19%	14%	8%	3%
West										
Total Loans	17,035	664	3,212	5,264	7,895	420,868	18,525	76,448	113,575	212,320
GSE-Purchased	17%	20%	14%	14%	20%	32%	31%	27%	31%	34%
FHA-Insured	40%	51%	51%	44%	33%	2%	2%	2%	2%	1%

Table 7. Distribution of denial reasons of first lien purchase loans of occupied 1- to 4-family homes by applicant income, conventional and nonconventional loan applications, Black and non-Hispanic White applicants, 2015

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	29,142	6,263	9,050	7,261	6,568	144,913	22,808	35,412	34,004	52,689
Debt-to-income ratio	30%	44%	32%	26%	21%	27%	43%	29%	24%	20%
Employment history	2%	3%	2%	2%	2%	3%	5%	4%	3%	2%
Credit history	28%	22%	25%	29%	35%	22%	19%	22%	23%	22%
Collateral	14%	11%	15%	14%	14%	20%	13%	19%	21%	22%
Insufficient cash	5%	5%	5%	5%	5%	5%	4%	5%	5%	5%
Unverifiable information	5%	4%	5%	5%	5%	4%	3%	4%	4%	5%
Credit application incomplete	7%	5%	7%	8%	9%	10%	6%	9%	10%	14%
Mortgage insurance denied	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	9%	6%	9%	10%	10%	9%	6%	8%	10%	9%
Conventional	10,420	2,205	2,828	2,338	3,049	85,001	11,671	17,059	17,896	38,375
Debt-to-income ratio	29%	39%	30%	26%	23%	28%	46%	32%	27%	21%
Employment history	2%	2%	2%	1%	1%	3%	4%	3%	2%	2%
Credit history	30%	30%	27%	29%	32%	20%	20%	21%	20%	19%
Collateral	16%	12%	19%	17%	16%	22%	13%	20%	23%	24%
Insufficient cash	5%	4%	5%	5%	5%	5%	4%	4%	5%	5%
Unverifiable information	3%	2%	3%	4%	4%	4%	3%	4%	4%	5%
Credit application incomplete	6%	3%	5%	7%	9%	11%	5%	8%	10%	14%
Mortgage insurance denied	1%	1%	0%	1%	0%	0%	0%	1%	0%	0%
Other	9%	7%	9%	10%	9%	8%	5%	7%	8%	8%
Nonconventional	18,722	4,058	6,222	4,923	3,519	59,912	11,137	18,353	16,108	14,314
Debt-to-income ratio	31%	46%	33%	25%	20%	25%	40%	27%	20%	15%
Employment history	3%	4%	3%	2%	2%	4%	6%	4%	4%	3%
Credit history	26%	18%	24%	30%	37%	25%	19%	23%	26%	30%
Collateral	12%	11%	13%	13%	12%	17%	13%	18%	18%	18%
Insufficient cash	5%	5%	6%	5%	4%	5%	5%	5%	5%	4%
Unverifiable information	5%	4%	5%	6%	6%	4%	3%	4%	4%	5%
Credit application incomplete	8%	6%	8%	9%	9%	9%	7%	9%	10%	12%
Mortgage insurance denied	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	9%	6%	9%	10%	11%	11%	7%	10%	13%	13%

Table 8. Disposition of applications for first lien purchase loans of occupied 1- to 4-family homes by type of lender and applicant income, Black and non-Hispanic White applicants, 2015

	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	**245,425**	**31,234**	**73,490**	**69,523**	**71,178**	**2,446,232**	**186,202**	**531,453**	**636,633**	**1,091,944**
Bank, Savings Institution, or Credit Union										
Applications	72,326	10,912	21,142	18,241	22,031	1,009,404	79,383	200,319	236,580	493,122
Originated	64%	51%	63%	66%	68%	77%	66%	76%	78%	79%
Approved but not accepted	4%	3%	3%	4%	4%	3%	3%	3%	3%	3%
Denied	22%	37%	23%	19%	16%	10%	22%	12%	9%	8%
Withdrawn/File Closed	11%	10%	11%	11%	12%	10%	9%	9%	9%	10%
Mortgage Companies Affiliated with Depositories										
Applications	17,906	2,670	5,753	4,823	4,660	173,906	13,744	40,634	46,314	73,214
Originated	68%	59%	68%	70%	71%	80%	73%	80%	81%	81%
Approved but not accepted	6%	5%	6%	5%	6%	5%	5%	5%	5%	5%
Denied	16%	26%	17%	15%	12%	7%	15%	9%	6%	5%
Withdrawn/File Closed	10%	10%	9%	9%	11%	8%	7%	7%	7%	9%
Independent Mortgage Companies										
Applications	155,193	17,652	46,595	46,459	44,487	1,262,922	93,075	290,500	353,739	525,608
Originated	69%	58%	68%	71%	71%	79%	72%	79%	81%	80%
Approved but not accepted	3%	3%	3%	3%	3%	2%	3%	2%	2%	3%
Denied	15%	23%	15%	13%	12%	7%	14%	8%	7%	6%
Withdrawn/File Closed	14%	15%	14%	13%	14%	11%	12%	11%	10%	12%

Table 9. Disposition of applications for conventional first lien purchase loans of occupied 1- to 4-family homes by lender type, percentage of Black population in census tract and applicant income, 2015

	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 CONVENTIONAL LOANS	75,466	49,482	2,849	13,858	9,277	1,553,704	1,228,571	48,782	116,171	160,180
Bank, Savings Institution, or Credit Union	39,841	24,849	1,529	9,133	4,330	807,053	627,719	26,725	74,221	78,388
Up to 25% Black census tract	20,779	13,947	759	3,787	2,286	759,940	595,702	24,853	67,579	71,806
Applicant income										
Less or equal to 50% of AMI	1,857	936	52	705	164	52,129	34,968	1,740	10,874	4,547
50% - 80% of AMI	4,347	2,800	139	953	455	130,576	100,298	4,192	14,689	11,397
80% - 120% of AMI	4,711	3,156	177	853	525	165,724	131,098	5,416	14,249	14,961
More than 120% of AMI	9,864	7,055	391	1,276	1,142	411,511	329,338	13,505	27,767	40,901
26% - 50% Black census tract	8,411	5,161	308	2,015	927	32,308	24,499	905	3,557	3,347
Applicant income										
Less or equal to 50% of AMI	1,349	656	38	530	125	3,310	2,170	73	745	322
50% - 80% of AMI	2,540	1,564	92	594	290	7,125	5,321	190	879	735
80% - 120% of AMI	2,129	1,379	84	453	213	7,465	5,671	220	818	756
More than 120% of AMI	2,393	1,562	94	438	299	14,408	11,337	422	1,115	1,534
51% - 100% Black census tract	10,651	5,741	462	3,331	1,117	14,805	7,518	967	3,085	3,235
Applicant income										
Less or equal to 50% of AMI	2,439	1,146	93	997	203	1,045	652	27	257	109
50% - 80% of AMI	3,493	2,022	144	1,012	315	1,980	1,390	82	293	215
80% - 120% of AMI	2,400	1,401	110	633	256	2,084	1,532	80	240	232
More than 120% of AMI	2,319	1,172	115	689	343	9,696	3,944	778	2,295	2,679
Mortgage Companies Affiliated with Depositories	4,462	3,144	252	527	539	101,259	82,189	5,417	5,052	8,601
Up to 25% Black census tract	2,766	2,041	154	287	284	94,490	76,873	5,092	4,635	7,890
Applicant income										
Less or equal to 50% of AMI	149	104	3	27	15	5,391	4,132	267	585	407
50% - 80% of AMI	516	367	22	77	50	16,247	13,281	814	941	1,211
80% - 120% of AMI	628	470	43	54	61	22,054	18,150	1,144	1,021	1,739
More than 120% of AMI	1,473	1,100	86	129	158	50,798	41,310	2,867	2,088	4,533
		76	12	15	7					
26% - 50% Black census tract	844	592	39	98	115	5,287	4,253	249	289	496
Applicant income										
Less or equal to 50% of AMI	103	67	3	20	13	477	367	25	51	34
50% - 80% of AMI	214	149	10	22	33	1,140	921	51	61	107
80% - 120% of AMI	215	150	7	28	30	1,263	1,021	63	68	111
More than 120% of AMI	312	226	19	28	39	2,407	1,944	110	109	244
51% - 100% Black census tract	852	511	59	142	140	1,482	1,063	76	128	215
Applicant income										
Less or equal to 50% of AMI	147	76	13	36	22	146	106	7	22	11
50% - 80% of AMI	271	180	9	48	34	326	246	21	27	32
80% - 120% of AMI	204	125	20	32	27	351	270	24	23	34
More than 120% of AMI	230	130	17	26	57	659	441	24	56	138
Independent Mortgage Companies	31,163	21,489	1,068	4,198	4,408	645,392	518,663	16,640	36,898	73,191
Up to 25% Black census tract	20,038	14,228	684	2,464	2,662	610,901	492,612	15,692	34,360	68,237
Applicant income										
Less or equal to 50% of AMI	1,114	656	35	269	154	30,649	23,006	751	3,406	3,486
50% - 80% of AMI	3,416	2,389	103	485	439	101,179	81,902	2,306	6,358	10,613
80% - 120% of AMI	5,021	3,571	155	605	690	149,433	122,545	3,626	7,719	15,543
More than 120% of AMI	10,487	7,612	391	1,105	1,379	329,640	265,159	9,009	16,877	38,595
26% - 50% Black census tract	5,490	3,768	164	782	776	25,336	20,146	627	1,571	2,992
Applicant income										
Less or equal to 50% of AMI	594	354	14	138	88	2,107	1,551	54	244	258
50% - 80% of AMI	1,457	954	51	252	200	5,575	4,460	134	345	636
80% - 120% of AMI	1,538	1,093	43	181	221	6,641	5,332	142	389	778
More than 120% of AMI	1,901	1,367	56	211	267	11,013	8,803	297	593	1,320
51% - 100% Black census tract	5,635	3,493	220	952	970	9,155	5,905	321	967	1,962
Applicant income										
Less or equal to 50% of AMI	817	460	32	194	131	582	393	29	97	63
50% - 80% of AMI	1,547	991	59	276	221	1,445	1,132	39	95	179
80% - 120% of AMI	1,584	1,023	62	246	253	1,742	1,325	49	134	234
More than 120% of AMI	1,687	1,019	67	236	365	5,386	3,055	204	641	1,486

Table 10. Disposition of applications for FHA-insured first lien purchase loans of occupied 1- to 4-family homes by lender type, percentage of Black population in census tract and applicant income, 2015

	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	122,166	81,533	3,938	20,787	15,908	546,820	421,832	13,833	55,666	55,489
Bank, Savings Institution, or Credit Union	22,303	14,188	537	4,976	2,602	109,396	81,591	2,571	15,043	10,191
Up to 25% Black census tract	9,027	6,056	198	1,804	969	99,448	74,570	2,365	13,421	9,092
Applicant income										
Less or equal to 50% of AMI	1,271	702	24	434	111	13,103	8,726	299	2,926	1,152
50% - 80% of AMI	3,092	2,081	65	613	333	31,016	23,391	770	4,133	2,722
80% - 120% of AMI	2,632	1,845	58	441	288	28,889	22,223	678	3,373	2,615
More than 120% of AMI	2,032	1,428	51	316	237	26,440	20,230	618	2,989	2,603
26% - 50% Black census tract	5,374	3,426	113	1,223	612	7,415	5,459	127	1,064	765
Applicant income										
Less or equal to 50% of AMI	1,042	580	11	333	118	1,396	917	25	310	144
50% - 80% of AMI	2,080	1,355	48	450	227	2,470	1,854	41	327	248
80% - 120% of AMI	1,443	949	38	296	160	1,867	1,419	34	234	180
More than 120% of AMI	809	542	16	144	107	1,682	1,269	27	193	193
51% - 100% Black census tract	7,902	4,706	226	1,949	1,021	2,533	1,562	79	558	334
Applicant income										
Less or equal to 50% of AMI	2,217	1,163	47	727	280	527	329	16	122	60
50% - 80% of AMI	3,115	1,972	96	680	367	726	524	20	123	59
80% - 120% of AMI	1,686	1,070	53	346	217	522	374	17	75	56
More than 120% of AMI	884	501	30	196	157	758	335	26	238	159
Mortgage Companies Affiliated with Depositories	9,644	6,325	551	1,832	936	41,814	32,293	2,072	4,436	3,013
Up to 25% Black census tract	3,856	2,637	221	667	331	37,567	29,142	1,879	3,941	2,605
Applicant income										
Less or equal to 50% of AMI	487	297	19	133	38	4,470	3,155	251	764	300
50% - 80% of AMI	1,283	860	75	231	117	11,749	9,112	577	1,250	810
80% - 120% of AMI	1,213	856	61	179	117	11,232	8,924	556	995	757
More than 120% of AMI	873	624	66	124	59	10,116	7,951	495	932	738
26% - 50% Black census tract	2,492	1,683	131	440	238	3,239	2,480	141	334	284
Applicant income										
Less or equal to 50% of AMI	502	299	26	131	46	623	445	23	104	51
50% - 80% of AMI	1,038	732	54	161	91	1,153	890	53	109	101
80% - 120% of AMI	616	428	32	92	64	820	629	35	80	76
More than 120% of AMI	336	224	19	56	37	643	516	30	41	56
51% - 100% Black census tract	3,296	2,005	199	725	367	1,008	671	52	161	124
Applicant income										
Less or equal to 50% of AMI	989	556	52	266	115	226	156	6	41	23
50% - 80% of AMI	1,358	861	88	269	140	360	257	20	45	38
80% - 120% of AMI	643	417	30	130	66	196	149	14	18	15
More than 120% of AMI	306	171	29	60	46	226	109	12	57	48
Independent Mortgage Companies	90,219	61,020	2,850	13,979	12,370	395,610	307,948	9,190	36,187	42,285
Up to 25% Black census tract	42,266	29,459	1,198	6,187	5,422	365,570	286,049	8,378	32,967	38,176
Applicant income										
Less or equal to 50% of AMI	4,156	2,456	120	989	591	39,429	27,983	970	5,881	4,595
50% - 80% of AMI	13,213	9,125	347	2,000	1,741	109,142	85,346	2,519	10,005	11,272
80% - 120% of AMI	13,765	9,862	412	1,770	1,721	112,431	89,705	2,473	8,933	11,320
More than 120% of AMI	11,132	8,016	319	1,428	1,369	104,568	83,015	2,416	8,148	10,989
26% - 50% Black census tract	20,761	14,221	631	3,238	2,671	21,878	16,855	539	2,073	2,411
Applicant income										
Less or equal to 50% of AMI	3,298	2,005	114	750	429	3,650	2,591	105	522	432
50% - 80% of AMI	8,031	5,582	250	1,154	1,045	7,731	5,943	206	707	875
80% - 120% of AMI	6,168	4,337	173	883	775	5,979	4,743	125	508	603
More than 120% of AMI	3,264	2,297	94	451	422	4,518	3,578	103	336	501
51% - 100% Black census tract	27,192	17,340	1,021	4,554	4,277	8,162	5,044	273	1,147	1,698
Applicant income										
Less or equal to 50% of AMI	5,784	3,383	228	1,218	955	1,281	878	41	207	155
50% - 80% of AMI	10,674	7,086	369	1,656	1,563	2,297	1,637	72	275	313
80% - 120% of AMI	6,608	4,372	228	1,027	981	1,615	1,204	49	164	198
More than 120% of AMI	4,126	2,499	196	653	778	2,969	1,325	111	501	1,032

Table 11. Disposition of applications for first lien purchase loans of occupied 1- to 4-family homes by city and applicant income, Black applicants, 2015

	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	1,423	2,976	815	467	1,376	941	1,297	3,481	2,334	1,259
Disposition										
Originated	927	1,809	474	243	847	603	830	2,175	1,545	818
Approved but not accepted	66	92	34	18	52	61	51	199	54	40
Denied	254	677	141	144	252	135	267	659	426	188
Withdrawn/File closed	176	398	166	62	225	142	149	448	309	213
Income										
Less or equal to 50% of AMI	581	446	156	65	130	10	252	48	339	256
50%-80% of AMI	545	1,096	271	143	387	61	449	353	877	429
80%-120% of AMI	226	868	166	130	324	238	339	1,168	691	305
More than 120% of AMI	71	566	222	129	535	632	257	1,912	427	269
Income less or equal to 50% of AMI										
Applications	581	446	156	65	130	10	252	48	339	256
Originated	351	230	74	21	55	2	125	15	190	147
Approved but not accepted	24	17	7	4	7	0	9	2	9	5
Denied	131	149	43	33	44	4	82	28	107	64
Withdrawn/File closed	75	50	32	7	24	4	36	3	33	40
Income 50%-80% of AMI										
Applications	545	1096	271	143	387	61	449	353	877	429
Originated	369	656	162	75	225	34	304	196	591	282
Approved but not accepted	28	34	6	6	17	4	25	19	19	14
Denied	85	275	39	43	76	9	79	101	147	61
Withdrawn/File closed	63	131	64	19	69	14	41	37	120	72
Income 80%-120% of AMI										
Applications	226	868	166	130	324	238	339	1168	691	305
Originated	150	524	95	66	209	156	231	735	474	207
Approved but not accepted	13	22	8	2	12	17	10	61	19	10
Denied	32	179	29	44	56	32	52	229	106	37
Withdrawn/File closed	31	143	34	18	47	33	46	143	92	51
Income more than 120% of AMI										
Applications	71	566	222	129	535	632	257	1912	427	269
Originated	57	399	143	81	358	411	170	1,229	290	182
Approved but not accepted	1	19	13	6	16	40	7	117	7	11
Denied	6	74	30	24	76	90	54	301	66	26
Withdrawn/File closed	7	74	36	18	85	91	26	265	64	50

Table 12. Disposition of applications for first lien purchase loans of occupied 1- to 4-family homes by city and applicant income, Non-Hispanic White applicants, 2015

	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	2,328	13,749	7,075	388	8,550	10,066	2,184	13,506	5,363	3,533
Disposition										
Originated	1,857	11,048	5,347	270	6,503	7,207	1,860	9,875	4,197	2,914
Approved but not accepted	65	291	250	20	346	452	25	546	128	59
Denied	154	955	510	67	562	971	128	1,564	410	158
Withdrawn/File closed	252	1,455	968	31	1,139	1,436	171	1,521	628	402
Income										
Less or equal to 50% of AMI	256	403	181	22	147	33	129	130	178	107
50%-80% of AMI	664	1,821	714	37	702	214	423	941	723	591
80%-120% of AMI	641	3,226	1,192	96	1,260	961	523	2,412	1,394	949
More than 120% of AMI	767	8,299	4,988	233	6,441	8,858	1,109	10,023	3,068	1,886
Income less or equal to 50% of AMI										
Applications	**256**	**403**	**181**	**22**	**147**	**33**	**129**	**130**	**178**	**107**
Originated	183	265	106	10	79	10	93	60	108	84
Approved but not accepted	4	14	8	4	8	3	3	1	3	3
Denied	44	82	47	4	27	14	20	55	42	12
Withdrawn/File closed	25	42	20	4	33	6	13	14	25	8
Income 50%-80% of AMI										
Applications	**664**	**1,821**	**714**	**37**	**702**	**214**	**423**	**941**	**723**	**591**
Originated	527	1,424	528	21	492	135	356	625	566	478
Approved but not accepted	23	30	17	0	28	3	5	39	13	11
Denied	45	188	70	11	61	46	28	182	77	32
Withdrawn/File closed	69	179	99	5	121	30	34	95	67	70
Income 80%-120% of AMI										
Applications	**641**	**3,226**	**1,192**	**96**	**1,260**	**961**	**523**	**2,412**	**1,394**	**949**
Originated	516	2,608	904	66	934	690	454	1,764	1,120	791
Approved but not accepted	20	58	39	3	44	55	5	87	33	18
Denied	36	226	91	20	98	102	31	336	97	38
Withdrawn/File closed	69	334	158	7	184	114	33	225	144	102
Income more than 120% of AMI										
Applications	**767**	**8,299**	**4,988**	**233**	**6,441**	**8,858**	**1,109**	**10,023**	**3,068**	**1,886**
Originated	631	6,751	3,809	173	4,998	6,372	957	7,426	2,403	1,561
Approved but not accepted	18	189	186	13	266	391	12	419	79	27
Denied	29	459	302	32	376	809	49	991	194	76
Withdrawn/File closed	89	900	691	15	801	1,286	91	1,187	392	222

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