

Case Study 1: Home Mortgage Applications In a Large Northeastern City in 2009 and 2016: Is the Great Recession Over for Black Borrowers?

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August 13, 2018

The Great Recession started with the failure of Bear Stearns in September of 2008 and ended in the summer of 2010. By all measures, this period was the deepest economic downturn since the Great Depression. Like the Great Depression, the Great Recession was fueled by speculation. Unlike the Great Depression, the speculation of Great Recession involved simple and complex assets in the housing market not corporate stocks and bonds. The toll of the Great Recession took the form of homeowners losing their properties, banks closing, corporations closing their doors and significant increases in unemployment.

In this memo - and in a series of memos we are currently conducting - we explore the impact of the Great Recession had on African Americans seeking mortgage loans from financial institutions. We investigate two periods; 2009, a year in the depth of the Great Recession, and 2016 a period of significant recovery.

We investigate owner-occupied mortgage applications for purchase and refinancing of the property. Not included in this analysis are loans for home improvements, or loans for investment purposes.

The data used is the Home Mortgage Disclosure Act database of all applications to financial institutions (banks, savings and loans, mortgage finance companies, etc.) for mortgages. The data is submitted by financial institutions to the Federal Financial Institution Examination Council (FFIEC). The FFIEC is a federal interagency body composed of five banking regulators, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Consumer Financial Protection Board, and Office of the Controller of the Currency.

Findings

In 2009 in this large Northeastern Metropolitan Statistical Area (MSA) there were almost 69,000 applications submitted for owner occupied home mortgages. By 2016, the number of similar applications had declined to slightly over 31,000. Black applicants experienced a denial rate (number denied/total applications submitted) of 14 percent compared to 6.3 percent for White applicants in 2009. In 2016, denial rates for Black applicants increased to 15.8 percent. Denial rates for White applicants in 2016 remained constant at 6.3 percent in 2016.

When controlling for income, and affordability, black applicants with incomes between \$100,000 and \$125,000 still had denial rates almost twice the denial rates of whites. In 2009, the denial rates for blacks was 10.5 percent compared to 5.5 percent for Whites that same year. By 2016, things had improved for both Blacks (7.3 percent) and Whites (3.2 percent), but Blacks continued to suffer from denials at twice the rate as Whites.

BJM Solutions, LLC can conduct more in-depth analysis in any major city and for any financial institution that wants to better understand their markets and implications of their decision on communities. For more information, contact Fred McKinney at DrFredMcKinney@gmail.com.

Table 1: 2009 Bank Decision/Action and Applicant Race Crosstabulation

Action	LoanOrg		AppRace						NA	Total
			NativeAmer	Asian	Black	Hawaiian	White	InfoNotProv		
Action	LoanOrg	Count	175	1939	3003	104	23614	3571	5	32411
		% within Action	0.5%	6.0%	9.3%	0.3%	72.9%	11.0%	0.0%	100.0%
		% within AppRace	65.3%	57.1%	48.4%	57.1%	58.1%	52.7%	0.1%	48.5%
		% of Total	0.3%	2.9%	4.5%	0.2%	35.3%	5.3%	0.0%	48.5%
AprNotAct	AprNotAct	Count	2	158	222	9	1437	326	0	2154
		% within Action	0.1%	7.3%	10.3%	0.4%	66.7%	15.1%	0.0%	100.0%
		% within AppRace	0.7%	4.7%	3.6%	4.9%	3.5%	4.8%	0.0%	3.2%
		% of Total	0.0%	0.2%	0.3%	0.0%	2.1%	0.5%	0.0%	3.2%
Denied	Denied	Count	23	408	866	19	2554	891	3	4764
		% within Action	0.5%	8.6%	18.2%	0.4%	53.6%	18.7%	0.1%	100.0%
		% within AppRace	8.6%	12.0%	14.0%	10.4%	6.3%	13.1%	0.0%	7.1%
		% of Total	0.0%	0.6%	1.3%	0.0%	3.8%	1.3%	0.0%	7.1%
AppWithd	AppWithd	Count	28	278	425	11	2386	848	0	3976
		% within Action	0.7%	7.0%	10.7%	0.3%	60.0%	21.3%	0.0%	100.0%
		% within AppRace	10.4%	8.2%	6.9%	6.0%	5.9%	12.5%	0.0%	5.9%
		% of Total	0.0%	0.4%	0.6%	0.0%	3.6%	1.3%	0.0%	5.9%
FileClosed	FileClosed	Count	15	82	113	4	615	176	0	1005
		% within Action	1.5%	8.2%	11.2%	0.4%	61.2%	17.5%	0.0%	100.0%
		% within AppRace	5.6%	2.4%	1.8%	2.2%	1.5%	2.6%	0.0%	1.5%
		% of Total	0.0%	0.1%	0.2%	0.0%	0.9%	0.3%	0.0%	1.5%
LoanPurc	LoanPurc	Count	25	525	1566	35	10045	961	9348	22505
		% within Action	0.1%	2.3%	7.0%	0.2%	44.6%	4.3%	41.5%	100.0%
		% within AppRace	9.3%	15.5%	25.2%	19.2%	24.7%	14.2%	99.9%	33.7%
		% of Total	0.0%	0.8%	2.3%	0.1%	15.0%	1.4%	14.0%	33.7%
PreAprDen	PreAprDen	Count	0	4	7	0	21	6	0	38
		% within Action	0.0%	10.5%	18.4%	0.0%	55.3%	15.8%	0.0%	100.0%
		% within AppRace	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%
		% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total	Total	Count	268	3394	6202	182	40672	6779	9356	66853
		% within Action	0.4%	5.1%	9.3%	0.3%	60.8%	10.1%	14.0%	100.0%
		% within AppRace	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	0.4%	5.1%	9.3%	0.3%	60.8%	10.1%	14.0%	100.0%

Table 2: 2009 Bank Action/Decision and Applicant Race Crosstabulation for Borrowers with Incomes Between \$100,000 and \$125,000 and where the loan is no more than Twice their Income

Action	LoanOrg		AppRace						NA	Total
			NativeAmer	Asian	Black	Hawaiian	White	InfoNotProv		
Action	LoanOrg	Count	8	54	44	3	746	131	0	986
		% within Action	0.8%	5.5%	4.5%	0.3%	75.7%	13.3%	0.0%	100.0%
		% within AppRace	80.0%	56.3%	52.4%	42.9%	61.3%	59.5%	0.0%	51.2%
		% of Total	0.4%	2.8%	2.3%	0.2%	38.8%	6.8%	0.0%	51.2%
AprNotAct	AprNotAct	Count	0	6	3	0	45	5	0	59
		% within Action	0.0%	10.2%	5.1%	0.0%	76.3%	8.5%	0.0%	100.0%
		% within AppRace	0.0%	6.3%	3.6%	0.0%	3.7%	2.3%	0.0%	3.1%
		% of Total	0.0%	0.3%	0.2%	0.0%	2.3%	0.3%	0.0%	3.1%
Denied	Denied	Count	0	6	9	3	67	28	0	113
		% within Action	0.0%	5.3%	8.0%	2.7%	59.3%	24.8%	0.0%	100.0%
		% within AppRace	0.0%	6.3%	10.7%	42.9%	5.5%	12.7%	0.0%	5.9%
		% of Total	0.0%	0.3%	0.5%	0.2%	3.5%	1.5%	0.0%	5.9%
AppWithd	AppWithd	Count	1	6	7	0	71	31	0	116
		% within Action	0.9%	5.2%	6.0%	0.0%	61.2%	26.7%	0.0%	100.0%
		% within AppRace	10.0%	6.3%	8.3%	0.0%	5.8%	14.1%	0.0%	6.0%
		% of Total	0.1%	0.3%	0.4%	0.0%	3.7%	1.6%	0.0%	6.0%
FileClosd	FileClosd	Count	1	3	4	0	17	3	0	28
		% within Action	3.6%	10.7%	14.3%	0.0%	60.7%	10.7%	0.0%	100.0%
		% within AppRace	10.0%	3.1%	4.8%	0.0%	1.4%	1.4%	0.0%	1.5%

	% of Total	0.1%	0.2%	0.2%	0.0%	0.9%	0.2%	0.0%	1.5%
LoanPurc	Count	0	21	17	1	269	22	292	622
	% within Action	0.0%	3.4%	2.7%	0.2%	43.2%	3.5%	46.9%	100.0%
	% within AppRace	0.0%	21.9%	20.2%	14.3%	22.1%	10.0%	100.0%	32.3%
	% of Total	0.0%	1.1%	0.9%	0.1%	14.0%	1.1%	15.2%	32.3%
PreAprDen	Count	0	0	0	0	1	0	0	1
	% within Action	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
	% within AppRace	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
	% of Total	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
Total	Count	10	96	84	7	1216	220	292	1925
	% within Action	0.5%	5.0%	4.4%	0.4%	63.2%	11.4%	15.2%	100.0%
	% within AppRace	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	0.5%	5.0%	4.4%	0.4%	63.2%	11.4%	15.2%	100.0%

Table 3: 2016 Bank Action/Decision and Applicant Race Crosstabulation

			NativeAmer	Asian	Black	Hawaiian	White	InfoNotPro	NA	Total
Action	LoanOrig	Count	29	1243	2770	37	10605	1843	9	16536
		% within Action	0.2%	7.5%	16.8%	0.2%	64.1%	11.1%	0.1%	100.0%
		% within AppRace	49.2%	64.5%	57.9%	57.8%	65.9%	58.8%	0.2%	53.3%
		% of Total	0.1%	4.0%	8.9%	0.1%	34.2%	5.9%	0.0%	53.3%
AppAprNAct	Count	Count	0	34	119	1	267	58	0	479
		% within Action	0.0%	7.1%	24.8%	0.2%	55.7%	12.1%	0.0%	100.0%
		% within AppRace	0.0%	1.8%	2.5%	1.6%	1.7%	1.9%	0.0%	1.5%
		% of Total	0.0%	0.1%	0.4%	0.0%	0.9%	0.2%	0.0%	1.5%
Denied	Count	Count	16	194	756	12	1021	422	0	2421
		% within Action	0.7%	8.0%	31.2%	0.5%	42.2%	17.4%	0.0%	100.0%
		% within AppRace	27.1%	10.1%	15.8%	18.8%	6.3%	13.5%	0.0%	7.8%
		% of Total	0.1%	0.6%	2.4%	0.0%	3.3%	1.4%	0.0%	7.8%
Withdrawn	Count	Count	5	213	539	8	1633	406	2	2806
		% within Action	0.2%	7.6%	19.2%	0.3%	58.2%	14.5%	0.1%	100.0%
		% within AppRace	8.5%	11.1%	11.3%	12.5%	10.2%	13.0%	0.0%	9.0%
		% of Total	0.0%	0.7%	1.7%	0.0%	5.3%	1.3%	0.0%	9.0%
ClosedIncp	Count	Count	3	47	142	1	271	81	0	545
		% within Action	0.6%	8.6%	26.1%	0.2%	49.7%	14.9%	0.0%	100.0%
		% within AppRace	5.1%	2.4%	3.0%	1.6%	1.7%	2.6%	0.0%	1.8%
		% of Total	0.0%	0.2%	0.5%	0.0%	0.9%	0.3%	0.0%	1.8%
LoanPurch	Count	6	196	459	5	2289	324	4972	8251	

	% within Action	0.1%	2.4%	5.6%	0.1%	27.7%	3.9%	60.3%	100.0%
	% within AppRace	10.2%	10.2%	9.6%	7.8%	14.2%	10.3%	99.8%	26.6%
	% of Total	0.0%	0.6%	1.5%	0.0%	7.4%	1.0%	16.0%	26.6%
Total	Count	59	1927	4785	64	16086	3134	4983	31038
	% within Action	0.2%	6.2%	15.4%	0.2%	51.8%	10.1%	16.1%	100.0%
	% within AppRace	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	0.2%	6.2%	15.4%	0.2%	51.8%	10.1%	16.1%	100.0%

Table 4: 2016 Bank Action/Decision and Applicant Race Crosstabulation for Borrowers with Incomes between \$100,000 and \$125,000 and Affordability Ratio Less than 2

Action	LoanOrig		AppRace							Total
			NativeAmer	Asian	Black	Hawaiian	White	InfoNotPro	NA	
		Count	0	31	61	1	384	57	0	534
		% within Action	0.0%	5.8%	11.4%	0.2%	71.9%	10.7%	0.0%	100.0%
		% within AppRace	0.0%	67.4%	63.5%	50.0%	65.4%	58.8%	0.0%	63.0%
		% of Total	0.0%	3.7%	7.2%	0.1%	45.3%	6.7%	0.0%	63.0%
AppAprNAct		Count	0	0	2	0	16	3	0	21
		% within Action	0.0%	0.0%	9.5%	0.0%	76.2%	14.3%	0.0%	100.0%
		% within AppRace	0.0%	0.0%	2.1%	0.0%	2.7%	3.1%	0.0%	2.5%
		% of Total	0.0%	0.0%	0.2%	0.0%	1.9%	0.4%	0.0%	2.5%
Denied		Count	1	4	7	0	19	9	0	40
		% within Action	2.5%	10.0%	17.5%	0.0%	47.5%	22.5%	0.0%	100.0%
		% within AppRace	50.0%	8.7%	7.3%	0.0%	3.2%	9.3%	0.0%	4.7%
		% of Total	0.1%	0.5%	0.8%	0.0%	2.2%	1.1%	0.0%	4.7%
Withdrawn		Count	0	6	15	1	53	18	0	93
		% within Action	0.0%	6.5%	16.1%	1.1%	57.0%	19.4%	0.0%	100.0%
		% within AppRace	0.0%	13.0%	15.6%	50.0%	9.0%	18.6%	0.0%	11.0%
		% of Total	0.0%	0.7%	1.8%	0.1%	6.3%	2.1%	0.0%	11.0%
ClosedIncp		Count	1	0	0	0	14	3	0	18
		% within Action	5.6%	0.0%	0.0%	0.0%	77.8%	16.7%	0.0%	100.0%
		% within AppRace	50.0%	0.0%	0.0%	0.0%	2.4%	3.1%	0.0%	2.1%
		% of Total	0.1%	0.0%	0.0%	0.0%	1.7%	0.4%	0.0%	2.1%
LoanPurch		Count	0	5	11	0	101	7	18	142
		% within Action	0.0%	3.5%	7.7%	0.0%	71.1%	4.9%	12.7%	100.0%

	% within AppRace	0.0%	10.9%	11.5%	0.0%	17.2%	7.2%	100.0%	16.7%
	% of Total	0.0%	0.6%	1.3%	0.0%	11.9%	0.8%	2.1%	16.7%
Total	Count	2	46	96	2	587	97	18	848
	% within Action	0.2%	5.4%	11.3%	0.2%	69.2%	11.4%	2.1%	100.0%
	% within AppRace	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	0.2%	5.4%	11.3%	0.2%	69.2%	11.4%	2.1%	100.0%