



2013 Home Mortgage Disclosure Act: Data Show People of Color Being Left Behind in Slowly Recovering Mortgage Market

CRL Policy Brief

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The 2013 mortgage data submitted by lenders under the Home Mortgage Disclosure Act (HMDA) reflects a slowly recovering mortgage market that troublingly continues to under-serve important market

segments. People of color and low and moderate-income families continue to receive a far lower share of mortgage loans than they have historically and than would be expected based on the composition of the population. These borrowers also are more likely to be served by government-backed loan programs¹ than by the conventional market. The persistent failure of the private mortgage market to serve these borrowers is a troubling sign as it has been projected that nearly half of first-time homebuyers in 2025 will be households of color².

	2013	2012
Total originations	7,065,000	8,276,000
Purchase mortgages	2,680,000	2,344,000
Conventional (site built)	1,622,000	1,251,000
to African-Americans	36,903	26,453
to Hispanic-whites	71,013	51,728
to Non-Hispanic whites	1,187,717	923,190
Low and moderate income	354,249	306,802
Non-conventional (site built)	993,000	1,034,000
FHA	622,611	703,120
to African-Americans	88,617	90,082
to Hispanic-whites	119,882	124,217
to Non-Hispanic whites	648,013	674,025
Low and moderate income	388,411	456,388

Highlights from the 2013 HMDA data include³:

- African-Americans received just 4.8% of all purchase mortgage originations, a slight decrease from their share of 5.1% in 2012 and still well below pre-crisis levels when the share averaged around 7%. Hispanic white borrowers received just 7.3% of all purchase mortgage originations down from 7.7% in 2012⁴.
- Low and moderate income borrowers received fewer home purchase loans in 2013 (742,660) than in 2012 (763,190).
- African-Americans, Latinos and low and moderate income borrowers continue to be predominantly served by government-backed loan programs rather than by the private market.

¹ These include loans backed by Federal insurance and guarantee programs including: the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Farm Service Agency (FSA) and the Rural Housing Service (RHS).

² Harvard's Joint Center for Housing Studies. (2014). *State of the Nation's Housing 2014*. Available at: http://www.jchs.harvard.edu/research/state_nations_housing

³ The cited data are in or can be derived from data presented in: Federal Reserve. (2014). *The 2013 Home Mortgage Disclosure Act Data*. Available at: http://www.federalreserve.gov/pubs/bulletin/2014/pdf/2013_HMDA.pdf. All data are for first-lien, owner-occupied, 1-4 family unit mortgage loans.

⁴ In contrast, African-American's made up 13.2% and Latinos 17.1% of the US population in 2013 according to the US Census Bureau. See: <http://quickfacts.census.gov/qfd/states/00000.html>

- Only 36,903 conventional purchase loans were made to African-Americans and 71,013 loans made to Hispanic white borrowers in 2013.
- Government-backed loan programs composed 70.6% of purchase loans made to African-Americans, 62.8% of loans made to Latinos and 52.3% of loans made to low or moderate income borrowers. They also comprised more than a third of loans made to white homebuyers.

Overall, the data reflect a slowly recovering private mortgage market in addition to highlighting widening disparities across race and ethnicity. Purchase mortgages increased slightly, even though overall lending declined from 2012 to 2013, driven by a reduction in refinances (a result of increasing interest rates). The market's reliance on government-backed loan programs also declined slightly in 2013. The share of government-backed purchase loans fell to 38% in 2013 from 45% in 2012 and a high of 54% in 2009. With African-Americans and Latinos overwhelmingly receiving government-backed loans and such loans decreasing as a share of the overall purchase loan market, borrowers of color received a declining market share of the total purchase market compared to 2012.

While the overall data shows that FHA and the GSEs continue to play an important role in making credit available, the data also shed light on the troubling trend of rising prices for those served the least well by the market. Increases in FHA pricing, including increases on annual premiums and requiring that the premium be paid for the life of the loan, in mid-2013 (which came on top of previous price increases) increased the price of many FHA loans above the high-price threshold (an APR 1.5 percent above the average prime offer rate). These changes resulted in approximately 22% of FHA home-purchase loans overall and 40% of those originated after May 2013 being considered high-cost. Additionally, the Federal Housing Finance Agency (FHFA) recently proposed change to the pricing structure of conventional loans purchased by Fannie Mae and Freddie Mac. Fannie Mae, Freddie Mac, FHA and other government-backed loan programs receive taxpayer support in return for, in part, ensuring broad access to mortgage credit. The tendency to increase prices by these entities threatens to further reduce credit options for borrowers who are already not well served by the private market.

The 2013 HMDA data also show that the rate at which borrowers were denied loans continued to vary significantly by race and ethnicity. Denial rates are based on a number of factors – from who chooses to apply for a loan to the credit characteristics of the borrower. The HMDA data has shown a persistent difference in denial rates by race and ethnicity and the 2013 data is no exception. The CFPB is currently accepting public comments on changes to HMDA that would incorporate credit score and other lending factors into the data lenders are required to report⁵. Adding to the public data in this way would shed needed light on the persistent and troubling reality that borrowers of color are more often denied a home loan than white borrowers.

⁵ The proposal is available at: http://files.consumerfinance.gov/f/201407_cfpb_proposed-rule_home-mortgage-disclosure_regulation-c.pdf