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**Expanding
Homeownership
Opportunity**

The SoftSecond Loan Program

1991 – 2003

BY

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for Latino Community Development and Public Policy

University of Massachusetts/Boston

JULY 2004

A REPORT PREPARED FOR

M | C | B | C

MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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EXECUTIVE SUMMARY

The SoftSecond™ Loan Program was developed in 1991 by the Massachusetts Bankers Association, the Massachusetts Housing Partnership and the Massachusetts Affordable Housing Alliance to address community concerns highlighted in the 1989 Federal Reserve study citing racial disparities in mortgage lending. Launched in Boston, the program was expanded statewide in 1992 and is now available in 285 cities and towns throughout the Commonwealth through 38 participating banks. SoftSecond mortgages are funded by participating lenders with public subsidies from the state legislature, the Federal Home Loan Bank and participating communities. The program is administered by the Department of Housing and Community Development and the Massachusetts Housing Partnership.

The SoftSecond program was designed to reduce the substantial down payments and large monthly mortgage bills that often present insurmountable obstacles to lower-income homebuyers. The program requires only a three percent down payment and provides qualified homebuyers with two mortgage loans: the first for 77 percent of the price of the home, and the “soft second” mortgage for 20 percent of the sale price. The second mortgage is interest-only for the first ten years and, in some cases, monthly bills can be further reduced by public subsidies of these interest payments. SoftSecond loans have no points, no mortgage insurance fees and, in most cases, below-market interest rates.

This report is an expansion of the information included in *Changing Patterns*, the Massachusetts Community & Banking Council’s annual report on mortgage lending patterns in Greater Boston. This report looks at SoftSecond loan activity and performance statewide. The report finds:

- Since 1991, the SoftSecond Loan Program has provided mortgage loans to nearly seven thousand low- and moderate-income homebuyers. Almost two thousand of these loans were made in the 2001-2003 period that is the main focus of this report.
- SoftSecond loans have assisted families in over half of the cities and towns in Massachusetts. In recent years, the city of Boston and the western region of the state have each received about 30 percent of total loans, with the rest distributed throughout the state.
- Thirty-nine currently operating banks have made at least one SoftSecond loan since 1991, although a handful of large lenders account for the great majority of loans.
- The median household income of SoftSecond borrowers between 2001 and 2003 was \$36,600. During that period, over one-quarter (28.3 percent) of SoftSecond loans went to borrowers whose household incomes were less than half of the median income in their area. Almost all (97.2 percent) went to borrowers with incomes less than 80 percent of the area median.
- Statewide, between 2001 and 2003, 22.7 percent of SoftSecond loans went to Latinos (who account for just 5.0 percent of the state’s households); 15.3 percent of loans went to blacks (who account for 4.7 percent of total households) and 4.5 percent of loans went to Asians (who account for 3.1 percent of total households).
- Through the first quarter of 2003, the statewide SoftSecond delinquency rate was consistently below the delinquency rate for all mortgage loans in Massachusetts.
- Statewide, between 2001 and 2003, an average \$5,700 in public funds leveraged nearly \$200,000 in private mortgage financing per household. Since the program’s inception in 1991, \$35 million in public funds have been spent, leveraging \$875 million in private mortgage financing.

INTRODUCTION

The SoftSecond Loan Program emerged at the end of a tumultuous year of struggle over community reinvestment issues that began on January 11, 1989. The lead story in that day's *Boston Globe* reported that a draft study by researchers at the Federal Reserve Bank of Boston had found that there was a pattern of "racial bias" in Boston's mortgage lending, that the number of mortgage loans in the predominantly black neighborhoods of Roxbury and Mattapan would have been more than twice as great "if race was not a factor," and that "this racial bias is both statistically and economically significant."¹

In the aftermath of the *Boston Globe*'s story, the Massachusetts Affordable Housing Alliance (MAHA) joined with other community-based groups to form the Community Investment Coalition. While supporting the broad range of demands made by the coalition, MAHA's particular focus was on the need for affordable mortgages. As the year progressed, banks announced a series of plans to open more branches and ATMs, finance the construction of affordable rental housing, and increase lending to minority-owned businesses. By year-end, affordable mortgage lending was the only issue on which community groups and banks had not crafted an agreement. MAHA's members wouldn't drop the issue and continued to insist on a mortgage program with below-market interest rates; the banks continued to insist that such a program would not be sustainable. Finally, a full year after the *Globe*'s story, Mayor Ray Flynn facilitated an end to the impasse – an agreement to make \$30 million of below-market mortgage loans to low- and moderate-income Boston homebuyers.

It took six additional months before MAHA, together with city and state officials, had hammered out the details of agreements with three banks – Bank of Boston, BayBanks, and Shawmut Bank – that launched the SoftSecond Loan Program. The initial agreements called for \$12 million of loans within the city of Boston. The negotiations also resulted in commitments from the Massachusetts Housing Partnership (MHP)² to provide state funds to further reduce interest rates and establish a loan loss reserve and from the City of Boston to fund down payment and closing cost assistance. The program was strictly limited to low- and moderate-income buyers (those with incomes less than 80% of the median family income of the Boston MSA as determined annually by HUD). The first SoftSecond loans were made in early 1991.³

By the end of 2003, the SoftSecond Loan Program (SSLP) had enabled almost seven thousand lower-income households to purchase homes in 179 cities and towns throughout Massachusetts. Thirty-eight banks currently participate in the program. This report presents detailed information on the growth and current operation of the SSLP, with particular focus on the most recent three-year period. It is an outgrowth of the more limited information on lending in the city of Boston by the SSLP and three other targeted mortgage programs that has been provided in the annual *Changing Patterns* reports prepared for

¹ This draft study, leaked to reporters, was abandoned by the Fed and has never been publicly released. It should not be confused with two later Boston Fed studies that also found evidence of racial discrimination in mortgage lending in Boston – the first in lending to predominantly black *neighborhoods* (Bradbury, Case, and Dunham, "Geographic Patterns of Mortgage Lending in Boston, 1982-1987," *New England Economic Review*, Sept./Oct. 1989) and the second in higher denial rates experienced by black and Latino *individuals* (Munnell et al., "Mortgage Lending in Boston: Interpreting HMDA Data," *American Economic Review*, March 1996 [revised version of a Working Paper published by Boston Fed in October 1992]).

² The MHP is a quasi-public agency that developed the soft second structure and that was subsequently selected to administer the program in conjunction with what was then called the Executive Office of Community Development (now the state's Department of Housing and Community Development).

³ These three paragraphs are adapted from James T. Campen and Thomas M. Callahan, "Boston's Soft Second Program: Reaching Low Income and Minority Homebuyers in a Changing Financial Services Environment," a paper presented at the Federal Reserve System's Second Community Affairs Research Conference in Washington D.C., in April 2001 (available online at www.mahahome.org and at www.chicagofed.org/cedric/files/cfmacd_campen.pdf).

the Massachusetts Community & Banking Council (MCBC) by the present author.⁴ This report focuses on the SSLP not only because it is the sole program for which detailed information is available, but also because MCBC's Mortgage Lending Committee has for many years had a special interest in the program and has carefully monitored the performance of its loans.

The SoftSecond Loan Program gets its name from the fact that participating homebuyers receive two mortgages rather than one: a first mortgage for 77% of the purchase price and a second mortgage for 20%; the program requires a 3% down payment (until mid-2003, the required down payment was 5% and the first mortgage was for 75% of the purchase price). In the great majority of cases (including all loans in Boston and all loans by the biggest banks), the interest rate on both mortgages is one-half of a percentage point below the bank's two-point rate. The second mortgage is "soft" (for the first ten years) in two ways – payments are interest-only (there is no repayment of principal during this period) and payments may be further reduced for qualifying homebuyers by public subsidies. The state also funds loan loss reserves for each bank equal to ten percent of the total value of the second mortgages that the bank has originated. The existence of the reserve fund makes it possible for borrowers to avoid the costs of private mortgage insurance while banks are still protected from credit losses. Affordability is further increased by no payment of points (even though, as noted above, borrowers receive their loans at one-half of a percentage point below the *two*-point interest rate) and, in Boston and some other communities, by the provision of down payment and other financial assistance from local governments.⁵

The SoftSecond Loan Program's features combine to have a remarkable impact on affordability. For example, the monthly mortgage payment on a \$150,000 house purchased in early 2001 with a traditional loan from Citizens Bank would have been \$1,077. The monthly mortgage payment on the same house purchased on the same date with a SoftSecond loan from the same bank would have been \$837 for the first ten years for a borrower receiving no interest rate subsidy, and would have been only \$722 for the first five years for a borrower receiving the maximum interest rate subsidy (this subsidy is phased out between the fifth and tenth years); in any case, the monthly payment would rise to \$901 in the eleventh and all subsequent years.⁶

To be eligible for the SoftSecond Loan Program, a potential borrower must be a first-time homebuyer, must use the house as his or her primary residence for the life of the loan, must have a household income less than 80% of the median family income (MFI) in the metropolitan area where the home is located (as of mid-2003, the limit was increased to 100% in a small number of high-cost communities, including Boston), must complete a certified homebuyer education course, and must agree to complete a certified post-purchase homeowner education course.

The SoftSecond Loan Program has important features to make homeownership not only affordable, but also sustainable – that is, to ensure that *homebuyers* will be able to remain *homeowners*.

⁴ The most recent of these is Jim Campen, *Changing Patterns X: Mortgage Lending to Traditionally Underserved Borrowers & Neighborhoods in Greater Boston, 1990-2002* (MCBC, December 2003), available online at www.masscommunityandbanking.org.

⁵ This is a very brief overview of the program's features. The best source for detailed information is the "Homeownership" section of the Massachusetts Housing Partnership's website: www.mhp.net. The "SoftSecond Basics" brochure provides a three-page description and the extensive "Lender Operations Manual" provides complete and authoritative information. The website also has lists of the lenders and of the cities and towns that are currently "participating" in the program; it should be noted that some of the participating banks have made no SoftSecond loans and that many of the participating communities have received no loans (106 of 285 communities currently listed had not received any loans as of the end of 2003).

⁶ This example is explained in detail in the paper by Campen and Callahan cited in footnote 2 (pp. 366-67 and Table 1 of the version on the Chicago Fed website and pp. 3-4 of the version on the MAHA website). That paper also provides an example for early 2001 of how the SoftSecond program required substantially smaller monthly payments to purchase a given home than did the mortgage programs offered in Boston by ACORN and NACA.

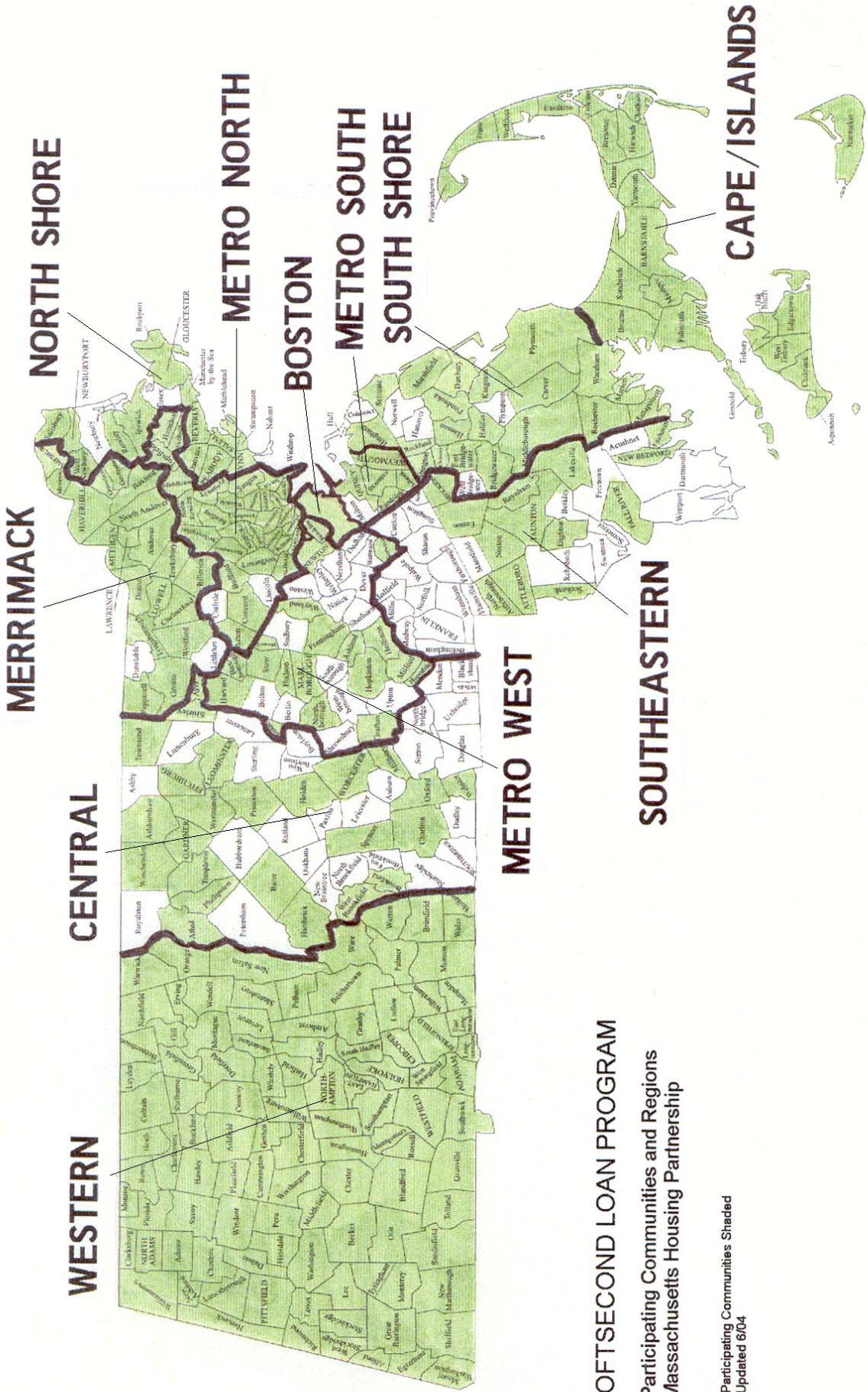
An agreement between the Massachusetts Housing Partnership (MHP) and participating banks specifies that a portion of the loan loss reserve for each second mortgage (currently \$500 per borrower)⁷ is used to fund comprehensive post-purchase homeowner education and counseling services. Post-purchase counseling includes foreclosure prevention services for borrowers who may experience difficulties in making their monthly payments as well as counseling for homeowners considering refinancing or undertaking home improvements. SoftSecond lenders are required to either service their own loans or to sell the servicing rights to another SoftSecond lender. This facilitates both the tracking of loan performance (MHP prepares a detailed quarterly report on delinquencies that is reviewed by MCBC's Mortgage Lending Committee) and resolution of any problems that develop with loan repayment. Participating lenders are required to notify MHP of borrowers whose loan payments become more than 30 days overdue; MHP then informs a counseling agency in the borrower's area so that it can contact the borrowers to offer assistance and provide one-on-one counseling.⁸

The body of this report provides information on many dimensions of the SoftSecond Loan Program, with particular focus on the most recent three-year period of 2001-2003. These include: the total number of loans per year; the distribution of these loans among eleven regions across the state and among 179 individual communities; the distribution of loans among different types of properties (condominiums and one-, two-, and three-family homes); the distribution of loans among lenders; the distribution of loans among borrowers at different income levels and of different races/ethnicities; the distribution of loans among neighborhoods, with particular emphasis on those traditionally underserved by local banks; the extent to which SoftSecond loans have provided a means for blacks and Latinos to purchase homes in predominantly white communities; the performance of SoftSecond loans as measured by delinquency rates and foreclosures; and the costs to the state budget of providing funds for interest rate subsidies and loan loss reserves, and the extent to which these costs have leveraged private mortgage funds.

In most cases, data is provided not only for the state as a whole, but also for the eleven program regions defined by the Massachusetts Housing Partnership. These regions are shown in the map on the following page. There is also a map on the "Homeownership" section of the MHP website (www.mhp.net) that provides pull-down lists of the participating communities in each of these regions. These eleven regions are actually called "micro-regions" by the MHP, which groups them into five "macro-regions"; in this report's tables, heavy lines are used to indicate how the eleven micro-regions are grouped into the five macro-regions. (The MHP's "Cape Cod & the Islands" region is referred to in this report as the "Cape Cod" region, since none of the participating communities on Martha's Vineyard or Nantucket had received any SoftSecond loans by the end of 2003.)

⁷ For the purchaser of a \$200,000 home, the loan loss reserve would be \$4,000 (the second mortgage would be 20% of the purchase price or \$40,000, and the loan loss reserve would be 10% of this). For only one of the 6,996 SoftSecond loans made by the end of 2003 was it necessary to use part of the loan loss reserve to reimburse a lender for an actual loan loss.

⁸ The post-purchase counseling agencies are MAHA in the Boston metropolitan area, the Hampden Hampshire Housing Partnership (HAP) in western Massachusetts, the Housing Assistance Corporation (HAC) on Cape Cod, and Pro-Home in the southeastern part of the state. Every SoftSecond borrower is now required to authorize his or her lender and the MHP to make this referral in the event of delinquency; in the early years of the program, such referrals were prevented by privacy considerations.



SOFTSECOND LOAN PROGRAM

Participating Communities and Regions
 Massachusetts Housing Partnership

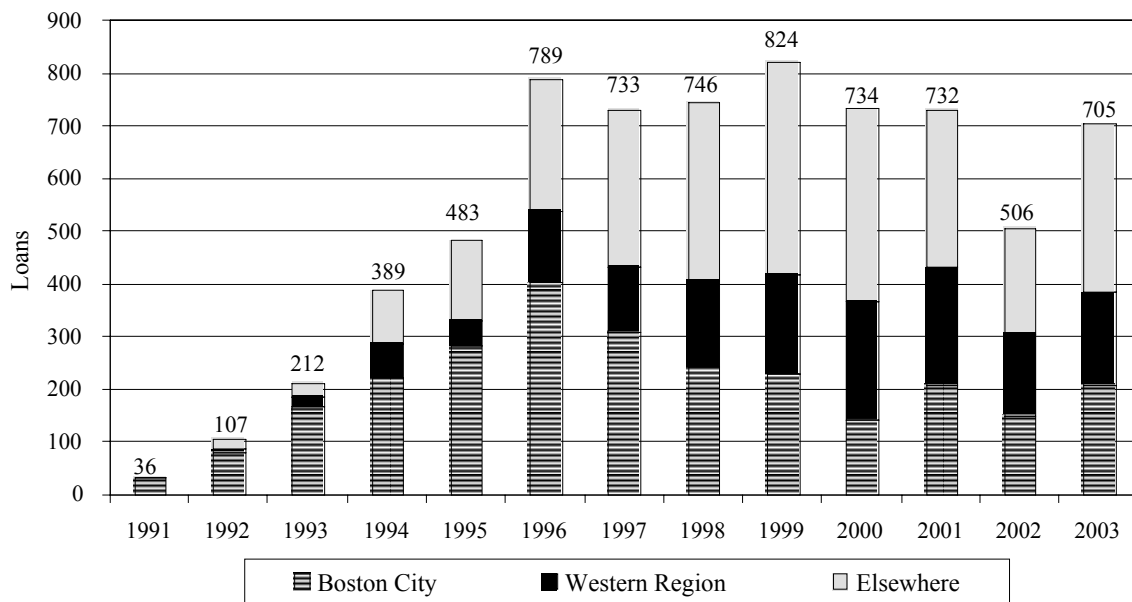
Participating Communities Shaded
 Updated 6/04

DIMENSIONS OF THE SOFTSECOND LOAN PROGRAM

- **Number of SoftSecond Loans, By Year**

As shown in Table 1 and Chart 1, the SoftSecond Loan Program began with 36 loans in 1991, grew rapidly to 789 loans in 1996, and then leveled off. There have been between 700 and 800 SoftSecond each year since 1996, with two exceptions: a rise to 824 loans in 1999, and a dip to 506 loans in 2002. By the end of 2003, a total of 6,996 SoftSecond loans had been made, with 1,943 of these coming during the 2001-2003 period. In recent years, statewide, SoftSecond loans have accounted for about 3.2% of all home-purchase loans to low- and moderate-income borrowers, and for about 0.7% of all home-purchase loans. In the city of Boston, SoftSecond loans have accounted for about 10.4% of all home-purchase loans to low- and moderate-income borrowers, and for about 2.2% of all home-purchase loans.⁹

Chart 1
SoftSecond Loans, 1991-2003



⁹ Author's calculations from Home Mortgage Disclosure Act (HMDA) data show that, statewide, the number of home-purchase loans to low- and moderate-income borrowers ranged from 19,999 to 20,801 per year during the 2000-2002 period (the most recent years for which data are available), while the total number of home-purchase loans ranged from 95,927 to 99,519. In the city of Boston during the same period, the number of loans to low- and moderate-income borrowers ranged from 1,532 to 1,692, while total loans ranged from 7,260 to 7,902.

Table 1
SoftSecond Loans By Region, 1991-2003*

Region	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total 1991-2003	Total 2001-2003
A. Number of Loans														
Boston City	83	167	222	283	404	312	244	229	144	208	150	210	2,689	568
Metro North	0	2	24	41	75	82	93	82	50	40	25	79	593	144
Metro South	12	2	31	25	47	44	31	33	24	16	13	26	307	55
Metro West	0	1	1	8	14	15	25	18	20	14	18	29	163	61
North Shore	0	3	3	1	17	11	20	46	87	40	17	45	290	102
Merrimack Valley	1	0	2	2	4	4	12	20	33	61	35	44	218	140
South Shore	0	3	2	5	7	6	1	3	13	9	12	13	74	34
Southeastern	1	2	2	6	19	41	38	61	48	47	40	40	345	127
Cape Cod	3	10	26	32	38	55	53	68	48	39	21	17	410	77
Central	2	1	8	30	29	40	63	73	42	34	17	27	366	78
Western	5	21	68	50	135	123	166	191	225	224	158	175	1,541	557
Mass. Total	107	212	389	483	789	733	746	824	734	732	506	705	6,996	1,943
B. Percent of Total Loans in State														
Boston City	77.6%	78.8%	57.1%	58.6%	51.2%	42.6%	32.7%	27.8%	19.6%	28.4%	29.6%	29.8%	38.4%	29.2%
Metro North	0.0%	0.9%	6.2%	8.5%	9.5%	11.2%	12.5%	10.0%	6.8%	5.5%	4.9%	11.2%	8.5%	7.4%
Metro South	11.2%	0.9%	8.0%	5.2%	6.0%	6.0%	4.2%	4.0%	3.3%	2.2%	2.6%	3.7%	4.4%	2.8%
Metro West	0.0%	0.5%	0.3%	1.7%	1.8%	2.0%	3.4%	2.2%	2.7%	1.9%	3.6%	4.1%	2.3%	3.1%
North Shore	0.0%	1.4%	0.8%	0.2%	2.2%	1.5%	2.7%	5.6%	11.9%	5.5%	3.4%	6.4%	4.1%	5.2%
Merrimack Valley	0.9%	0.0%	0.5%	0.4%	0.5%	0.5%	1.6%	2.4%	4.5%	8.3%	6.9%	6.2%	3.1%	7.2%
South Shore	0.0%	1.4%	0.5%	1.0%	0.9%	0.8%	0.1%	0.4%	1.8%	1.2%	2.4%	1.8%	1.1%	1.7%
Southeastern	0.9%	0.9%	0.5%	1.2%	2.4%	5.6%	5.1%	7.4%	6.5%	6.4%	7.9%	5.7%	4.9%	6.5%
Cape Cod	2.8%	4.7%	6.7%	6.6%	4.8%	7.5%	7.1%	8.3%	6.5%	5.3%	4.2%	2.4%	5.9%	4.0%
Central	1.9%	0.5%	2.1%	6.2%	3.7%	5.5%	8.4%	8.9%	5.7%	4.6%	3.4%	3.8%	5.2%	4.0%
Western	4.7%	9.9%	17.5%	10.4%	17.1%	16.8%	22.3%	23.2%	30.7%	30.6%	31.2%	24.8%	22.0%	28.7%
Mass. Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

* Column for 1991 is omitted from table but 1991 loans (33 in Boston, 3 in Metro South, 36 total) are included in totals.

- **Distribution of SoftSecond Loans among Regions**

During the 2001–2003 period, the city of Boston and the Western region (where 66 cities and towns have received at least one SoftSecond loan) each received approximately 29% of the total loans in the state, with more than 550 loans in each of the two regions. Boston’s share has stabilized at this level during the last three years, after accounting for more than three-quarters of all loans in 1991-1993, and over half of all loans from 1994-1996. In contrast, the Western region’s share trended strongly upwards during the 1990s. The Metro North region ranked a distant third during the 2001-2003 period, with a loan share of 7.4%. (See Table 1 and Chart 1.)

- **Distribution of SoftSecond Loans among Individual Cities and Towns**

Seven communities received at least fifty SoftSecond loans during the 2001-2003 period: Boston (568 loans), Springfield (168), Lynn (78), Lawrence (69), Chicopee (54), Holyoke (53), and Worcester (51); these seven communities accounted for approximately 54% of total loans in the state. Thirty-nine communities have received at least 25 loans since the beginning of the program, with 17 of these receiving at least 25 loans between 2001 and 2003. Altogether, 179 cities and towns, just over one-half of the 351 municipalities in Massachusetts, have received at least one SoftSecond loan during the life of the program, with 156 of these receiving at least one loan during the 2001-2003 period. An additional 106

communities participate in the SoftSecond Loan Program, but had not received any loans by the end of 2003. (Table 2 has data on the 39 communities with at least 25 total loans; Appendix Table 1 provides somewhat less detail for each of the 140 communities with between 1 and 24 SoftSecond loans.)

Table 2
The 39 Cities and Towns with at least 25 SoftSecond Loans Ever
(Sorted by number of loans in last three years)

City/Town	Region	1991 - 2000	2001	2002	2003	Three-Year Total	Total Since Inception
Boston	Boston City	2,121	208	150	210	568	2,689
Springfield	Western	259	69	54	45	168	427
Lynn	North Shore	146	37	14	27	78	224
Lawrence	Merrimack Valley	50	37	15	17	69	119
Chicopee	Western	151	18	11	25	54	205
Holyoke	Western	109	22	13	18	53	162
Worcester	Central	196	21	10	20	51	247
New Bedford	Southeastern	43	15	20	10	45	88
Brockton	Southeastern	86	22	4	12	38	124
Chelsea	Metro North	225	14	7	15	36	261
West Springfield	Western	47	11	15	6	32	79
Northampton	Western	94	13	5	12	30	124
Westfield	Western	53	11	10	9	30	83
Easthampton	Western	37	14	10	5	29	66
Malden	Metro North	8	10	7	9	26	34
Quincy	Metro South	133	10	6	10	26	159
Agawam	Western	33	6	11	8	25	58
Cambridge	Metro North	122	3	3	17	23	145
Greenfield	Western	9	11	5	7	23	32
Lowell	Merrimack Valley	8	7	3	13	23	31
Fall River	Southeastern	56	6	8	6	20	76
Revere	Metro North	29	6	3	11	20	49
Barnstable	Cape Cod	106	9	5	4	18	124
Weymouth	Metro South	84	4	3	9	16	100
Haverhill	Merrimack Valley	13	5	4	5	14	27
Framingham	Metro West	30	3	2	8	13	43
Taunton	Southeastern	15	3	2	6	11	26
Yarmouth	Cape Cod	65	1	5	5	11	76
Randolph	Metro South	25	1	4	5	10	35
Amherst	Western	36	2		6	8	44
Falmouth	Cape Cod	34	3	3	1	7	41
Belchertown	Western	21	3		3	6	27
Fitchburg	Central	50	5	1		6	56
Leominster	Central	33	5	1		6	39
Marlborough	Metro West	55	3	1	2	6	61
Dennis	Cape Cod	24	1	3	1	5	29
Somerville	Metro North	36	1	1	3	5	41
Ludlow	Western	25	3	1		4	29
Mashpee	Cape Cod	25		1		1	26

• **Distribution of SoftSecond Loans among Types of Properties**

Statewide, during the 2001-2003 period, 36.9% of SoftSecond borrowers purchased single-family homes, another 33.6% purchased condominiums, and the remaining 29.5% purchased two- or three-family homes. These percentages varied widely among regions, with the share of single-family homes ranging from 64.7% on the South Shore to 18.6% in the Merrimack Valley, the share of condominiums ranging from 61.8% in Metro South to 11.3% in the Western region, and the share of two- and three-family houses ranging from 49.3% in the Merrimack Valley to just 1.3% on Cape Cod. The percentages of different types of properties have also changed over time, with the share of condominiums statewide rising from 14.8% during the first ten years of the program to 33.6% during the most recent three-year period. (See Table 3.)

Table 3
SoftSecond Loans by Type of Property, 2001-2003 and 1991-2000

Region	Number of Loans					% of Loans		
	Total	1-Fam	Condo	2-Fam	3-Fam	1-Fam	Condo	2-Fam/3-Fam
A. Most Recent Three Year Period: 2001-2003								
Boston City	568	133	265	80	90	23.4%	46.7%	29.9%
Metro North	144	29	82	14	19	20.1%	56.9%	22.9%
Metro South	55	18	34	3	0	32.7%	61.8%	5.5%
Metro West	61	21	37	1	2	34.4%	60.7%	4.9%
North Shore	102	21	44	16	21	20.6%	43.1%	36.3%
Merrimack Valley	140	26	45	30	39	18.6%	32.1%	49.3%
South Shore	34	22	11	1	0	64.7%	32.4%	2.9%
Southeastern	127	47	19	34	27	37.0%	15.0%	48.0%
Cape Cod	77	40	36	1	0	51.9%	46.8%	1.3%
Central	78	31	17	9	21	39.7%	21.8%	38.5%
Western	557	328	63	143	23	58.9%	11.3%	29.8%
Mass. Total	1,943	716	653	332	242	36.9%	33.6%	29.5%
B. First Ten Years of Program: 1991-2000								
Boston City	2,121	632	357	587	544	29.8%	16.8%	53.3%
Metro North	449	68	133	144	104	15.1%	29.6%	55.2%
Metro South	252	165	65	17	5	65.5%	25.8%	8.7%
Metro West	102	50	21	29	2	49.0%	20.6%	30.4%
North Shore	188	69	13	57	49	36.7%	6.9%	56.4%
Merrimack Valley	78	19	6	28	25	24.4%	7.7%	67.9%
South Shore	40	31	5	4	0	77.5%	12.5%	10.0%
Southeastern	218	111	22	44	41	50.9%	10.1%	39.0%
Cape Cod	333	293	37	1	1	88.0%	11.1%	0.6%
Central	288	158	18	52	60	54.9%	6.3%	38.9%
Western	984	681	69	202	32	69.2%	7.0%	23.8%
Mass. Total	5,053	2,277	746	1,165	863	45.1%	14.8%	40.1%

Table 4
SoftSecond Loans by Lender and Year, 2001-2003 and Earlier
(The 29 Current Banks with Loans during 2001-2003 Period)

Lender	2001	2002	2003	Three-Year Total	Cumulative 2001-2003 Loan Share	1990 - 2000	Total Since Inception
Fleet	235	160	227	622	32.0%	3,083	3,705
Banknorth	161	130	114	405	52.9%	256	661
Citizens	119	73	108	300	68.3%	816	1,116
Boston Private	93	59	83	235	80.4%	186	421
Sovereign	8	23	84	115	86.3%	0	115
Eastern	11	13	28	52	89.0%	47	99
Florence SB	20	7	21	48	91.5%	67	115
Compass	21	13	5	39	93.5%	70	109
Mellon New England	28	4	0	32	95.1%	276	308
Rockland Trust	6	6	3	15	95.9%	58	73
Seamen's	9	0	0	9	96.3%	7	16
Cambridge SB	1	1	6	8	96.8%	28	36
Central Co-op	0	3	5	8	97.2%	6	14
Community Bank	0	5	3	8	97.6%	4	12
Wainwright	1	2	5	8	98.0%	1	9
Chelsea-Provident Co-op	3	1	1	5	98.3%	12	17
Country Bank	4	1	0	5	98.5%	9	14
Heritage Co-op	0	1	4	5	98.8%	1	6
Marlborough Co-op	3	2	0	5	99.0%	26	31
Cambridge Trust	0	1	3	4	99.2%	34	38
Hyde Park SB	4	0	0	4	99.4%	13	17
Bank of Canton	0	0	3	3	99.6%	0	3
Reading Co-op	2	0	0	2	99.7%	0	2
East Cambridge SB	0	0	1	1	99.7%	13	14
Lowell Five Cents SB	0	0	1	1	99.8%	0	1
Stoneham SB	1	0	0	1	99.8%	0	1
United Co-op	1	0	0	1	99.9%	4	5
Ware Co-op	1	0	0	1	99.9%	4	5
Winchester Co-op	0	1	0	1	100.0%	3	4
10 Other Lenders*	0	0	0	0	100.0%	29	29
All Lenders	732	506	705	1,943	100.0%	5,053	6,996

Note: Loans made by banks subsequently merged into other banks are assigned to the surviving bank.

* The ten currently operating banks that made loans during the 1990-2000 period but did not make any loans during the 2001-2003 period are: Colonial FSB (2 loans), Falmouth Coop (1); First NB of Ipswich (2); Hyde Park Co-op (13), Ipswich Co-op (3), Pentucket Bank (1), Randolph SB (1); Salem Five (1), Southbridge SB (1), & Winchester SB (4).

• **Distribution of SoftSecond Loans among Lenders**

Thirty-nine currently operating banks have made at least one SoftSecond loan since 1991.¹⁰ Table 4 lists the 29 of these that made at least one loan during the 2001-2003 period, and a footnote to the table lists ten additional current banks that made at least one loan during the program’s first ten years. SoftSecond loans have been highly concentrated among a few large lenders. During the 2001-2003 period, Fleet alone accounted for nearly one-third (32.0%) of all loans, Fleet plus Banknorth accounted for over one-half (52.9%), these two banks plus Citizens accounted for more than two-thirds (68.3%), and these three plus Boston Private accounted for more than four-fifths (80.4%) of all loans by all lenders. Just nine banks, each with 32 or more loans, accounted for 95.1% of all SoftSecond loans in the state.

• **Distribution of SoftSecond Loans among the Biggest Lenders in Each Region**

The state’s three biggest retail banks have all been active in SoftSecond lending across the state, with Fleet and Citizens making loans in all eleven regions and Sovereign lending in ten of the eleven. Fleet ranked first in six regions and second in three others, while Citizens ranked first in three regions and second in two others. Banknorth, second in statewide lending with 409 loans, was much more geographically focused, with 369 of its loans in the Western region, more than three times as many as that region’s second biggest lender. Boston Private, a relatively small bank, became the largest single lender in the city of Boston by making 224 of its 239 loans there. (See Table 5.)

Table 5
SoftSecond Loans by Biggest Lenders* in Program, by Region, 2001-2003

Lender	Total	Boston City	Metro North	Metro South	Metro West	North Shore	Merr. Valley	South Shore	South-eastern	Cape Cod	Central	Western
Banknorth	405	2			2	5	23				4	369
Boston Private	235	224	2		9							
Citizens	300	93	38	24	8	15	22	8	44	38	1	9
Compass	38							5	12	22		
Eastern	52	16	6	6	1	14	5		1		2	1
Fleet	622	<i>169</i>	44	<i>19</i>	19	58	85	9	26	6	65	<i>122</i>
Florence SB	48											48
Rockland Trust	15							9	4	2		
Seamen's	9									9		
Sovereign	115	38	18	3	8	3	4	3	<i>34</i>		3	1
All Others	104	26	36	3	<i>14</i>	7	1	0	6	0	3	7
Total	1,943	568	144	55	61	102	140	34	127	77	78	557

* Includes all lenders that were among top 3 lenders in any region.

The only lender with more than 10 total loans that is not in this table is Mellon New England (32 loans).

Note: The biggest lender in each region is indicated by numbers in **boldface**; the second biggest lender by numbers in *italics*.

¹⁰ SoftSecond loans have also been made by many banks that no longer exist as a result of mergers, but the only former banks that can be identified in the MHP database are those that were merged out of existence after about 1999. Appendix Table 2 shows loans each year, from 1991 through 2003, for each of the 52 lenders included in the MHP database. See “Notes on Data and Methods,” at the end of this report, for a more detailed explanation.

- **Income Levels of SoftSecond Borrowers**

Table 6 presents information about the income levels of SoftSecond borrowers during the 2001-2003 period, statewide and in each of the regions. Borrowers are categorized as low-income if their household income was no more than 50% of the level of the median family income (MFI) in the Metropolitan Statistical Area (MSA) in which the home they were buying was located, and as moderate-income if their household income was between 50% and 80% of the MFI in the MSA.

Statewide, low-income borrowers received 28.3% of all SoftSecond loans during this three-year period. The percentage of low-income borrowers was highest (at 42.9%) in the Merrimack Valley region and lowest (at 22.0%) in the Southeastern region. The percentage of low- and moderate-income (LMI) borrowers, as estimated by this standard method, was 97.2% statewide, and above 96.0% every region. In fact, however, even this very high percentage is an underestimate of the percentage of LMI borrowers.¹¹

Table 6
SoftSecond Loans by Income of Borrowers, 2001-2003

Region	Number of Loans			% of Loans		Median Borrower Income	Lowest Borrower Income
	Total	Low-Income*	Moderate-Income*	Low-Income*	Low+Mod-Income*		
Boston City	568	168	378	29.6%	96.1%	\$42,296	\$15,492
Metro North	144	38	103	26.4%	97.9%	\$43,722	\$19,200
Metro South	55	13	42	23.6%	100.0%	\$43,680	\$21,710
Metro West	61	16	43	26.2%	96.7%	\$46,088	\$16,800
North Shore	102	38	62	37.3%	98.0%	\$41,400	\$17,084
Merrimack Valley	140	60	80	42.9%	100.0%	\$35,356	\$18,888
South Shore	34	10	24	29.4%	100.0%	\$41,118	\$22,958
Southeastern	127	28	94	22.0%	96.1%	\$34,584	\$15,807
Cape Cod	77	18	57	23.4%	97.4%	\$33,276	\$20,088
Central	78	21	55	26.9%	97.4%	\$35,304	\$15,341
Western	557	139	401	25.0%	96.9%	\$31,536	\$14,844
Mass. Total	1,943	549	1,339	28.3%	97.2%	\$36,600	\$14,844

* Borrowers were placed into categories by comparing their household incomes to that year's median family income (MFI) in the Metropolitan Statistical Area (MSA) in which the home being purchased was located. *Low-income* borrowers are those with incomes below 50% of the MFI in the MSA; *moderate-income* borrowers are those with incomes between 50% and 80% of the MFI in the MSA. MFIs for each MSA are determined annually by HUD. Some of the regions defined by the SoftSecond Program include communities from more than one MSA and/or communities outside of any MSA. These latter communities were assigned, for the purposes of this analysis, to the nearest MSA. See "Notes on Data & Methods" for details.

¹¹ Until mid-2003, eligibility for the SoftSecond Loan Program was limited to LMI borrowers, and, accordingly, *all* SoftSecond loans went to low- and moderate-income borrowers. The explanation of the apparent discrepancy is that HUD in fact publishes a number of MFIs for each MSA, depending on family size; the single number usually referred to as "the" MFI is actually the MFI for a four-person family. Thus, it is possible for a family with five or more members to qualify as moderate-income even if its income is greater than 80% of what is usually referred to as "the" MFI for its MSA. However, beginning in mid-2003 borrowers in a small number of communities with particularly high housing prices and with local matching funds were allowed to qualify for the program with up to 100% of the MFI in their MSA (these currently include Boston, nine others in the Boston metro area, and all those on Cape Cod). Accordingly, the percentage of loans above the cutoff point of 80% of "the" MFI in the relevant MSA rose from 1.6% in 2001 and 2.0% in 2002, to 4.7% in 2003, and can be expected rise further in 2004.

The median income of SoftSecond borrowers during the 2001-2003 period was \$36,600. Median borrower incomes varied substantially among regions, from \$31,536 in the Western region to \$46,088 in the Metro West region. The lowest-income SoftSecond borrower during the 2001-2003 period bought a home in the Western region with an income of \$14,844. In three other regions – Boston, Southeastern, and Central – borrowers with incomes of less than \$16,000 purchased homes with SoftSecond loans.

• **Race/Ethnicity of SoftSecond Borrowers**

Statewide, during the 2001-2003 period, the shares of total SoftSecond loans that were received by black, Latino, and Asian borrowers exceeded these groups’ shares of total households in the state.¹² Latinos, who accounted for 5.0% of the state’s households, received 22.7% of the SoftSecond loans; Blacks, who accounted for 4.7% of the state’s households, received 15.3% of the SoftSecond loans; and Asians, who accounted for 3.1% of households, received 4.5% of the SoftSecond loans. White borrowers received the majority (56.8%) of total loans, although this loan share was substantially lower than their 86.0% share of total households. (See Table 7.)

The loan shares of these four racial/ethnic groups varied considerably among the eleven regions. The black loan share was highest (at 35.4%) in the city of Boston, the Latino loan share was highest (at 50.4%) in the Merrimack Valley region; the Asian loan share was highest (at 14.0%) in the Metro South region. White borrowers received 100% of the loans in the South Shore region (where there were only 30 loans altogether). The white share was smallest (at 36.1%) in the city of Boston.

Table 7
SoftSecond Loans by Race/Ethnicity of Borrower, 2001-2003

Region	Number of Loans					Percent of Loans			
	Total*	Asian	Black	Latino	White	Asian	Black	Latino	White
	Number of Loans					Percent of Loans			
City of Boston	443	37	157	85	160	8.4%	35.4%	19.2%	36.1%
Metro North	112	5	8	33	63	4.5%	7.1%	29.5%	56.3%
Metro South	50	7	8	3	32	14.0%	16.0%	6.0%	64.0%
Metro West	53	3	3	8	37	5.7%	5.7%	15.1%	69.8%
North Shore	86	6	5	29	46	7.0%	5.8%	33.7%	53.5%
Merrimack Valley	123	3	9	62	48	2.4%	7.3%	50.4%	39.0%
South Shore	30	0	0	0	30	0.0%	0.0%	0.0%	100.0%
Southeastern	90	2	20	9	59	2.2%	22.2%	10.0%	65.6%
Cape Cod	60	0	2	2	55	0.0%	3.3%	3.3%	91.7%
Central	65	5	4	25	31	7.7%	6.2%	38.5%	47.7%
Western	499	4	30	109	354	0.8%	6.0%	21.8%	70.9%
Mass. Total	1,611	72	246	365	915	4.5%	15.3%	22.7%	56.8%
						Percent of Households			
						for comparison:			
						6.8%	21.4%	10.8%	58.8%
						3.1%	4.7%	5.0%	86.0%

Total* excludes the 332 loans (17.1% of all loans) for which information on race/ethnicity was not reported.

Total* includes 13 loans (0.7% all loans with race information) to Native Americans, in addition to categories shown.

¹² Throughout this report, the terms “Asian,” “black,” and “white,” are used as shorthand for “non-Latino Asian,” “non-Latino black,” and “non-Latino white.” Loan shares in this section are defined as shares of only those loans for which data on borrower race/ethnicity were available.

• **SoftSecond Loans in Traditionally Underserved Neighborhoods**

The Community Investment Coalition (CIC), whose advocacy throughout 1989 led to the establishment of the SoftSecond Loan Program, identified at that time a “target area” of nine Boston ZIP code areas that had been traditionally underserved by local banks. MCBC’s *Changing Patterns* reports have tracked the distribution of SoftSecond loans among Boston ZIP code areas, including the percentages that have gone to these nine ZIP code areas, as well as to a core set of five of the nine where blacks and Latinos made up a majority of the population.¹³

Table 8 shows the distribution of SoftSecond loans in the 2001-2003 period among Boston ZIP code areas. Almost two-thirds (65.8%) of the loans went to the nine ZIP code areas in the CIC “target area,” and 37.3% went to the five majority black and Latino ZIP code areas. Loans to black borrowers were even more concentrated in these sets of ZIP codes (88.5% were in the nine-ZIP target area and 64.5% were in the five majority black and Latino ZIPs). However, loans to Latino borrowers were not concentrated in these areas; ZIP 02128 (East Boston) – which is outside of the nine-ZIP target area – received 30.6% of the total loans to Latino borrowers in Boston, more than twice as many loans as any other ZIP code area.

Table 8
SoftSecond Loans in City of Boston by ZIP Code Area, 2001-2003

ZIP Code Area	Number of Loans			Percent of City Total		
	Total	Blacks	Latinos	Total	Blacks	Latinos
02115 -- Fenway	4	0	0	0.7%	0.0%	0.0%
02116 -- Back Bay	6	1	2	1.1%	0.6%	2.4%
02118 -- South End	60	12	3	10.6%	7.6%	3.5%
02119 -- Roxbury	56	23	12	9.9%	14.6%	14.1%
02120 -- Roxbury Crossing	13	5	1	2.3%	3.2%	1.2%
02121 -- Grove Hall	36	18	4	6.3%	11.5%	4.7%
02122 -- Fields Corner	25	6	4	4.4%	3.8%	4.7%
02124 -- Codman Square	77	36	8	13.6%	22.9%	9.4%
02125 -- Uphams Corner	50	18	4	8.8%	11.5%	4.7%
02126 -- Mattapan	30	19	3	5.3%	12.1%	3.5%
02127 -- South Boston	14	0	2	2.5%	0.0%	2.4%
02128 -- East Boston	55	1	26	9.7%	0.6%	30.6%
02129 -- Charlestown	11	0	2	1.9%	0.0%	2.4%
02130 -- Jamaica Plain	27	2	3	4.8%	1.3%	3.5%
02131 -- Roslindale	22	4	4	3.9%	2.5%	4.7%
02132 -- West Roxbury	12	2	1	2.1%	1.3%	1.2%
02134 -- Allston	3	0	0	0.5%	0.0%	0.0%
02135 -- Brighton	22	0	1	3.9%	0.0%	1.2%
02136 -- Hyde Park	23	8	4	4.0%	5.1%	4.7%
Other or Unknown	22	2	1	3.9%	1.3%	1.2%
Total Boston	568	157	85	100.0%	100.0%	100.0%
Five Majority B+L ZIPs*	212	101	28	37.3%	64.3%	32.9%
Nine CIC Target ZIPs*	374	139	42	65.8%	88.5%	49.4%

* The 5 majority black and Latino ZIP code areas are 02119, 02120, 02121, 02124 & 02126; the 9 ZIPs that the Community Investment Coalition identified as a "target area" in 1989 are these five plus 02118, 02122, 02125, & 02130.

¹³ These ZIP code areas are identified in the notes to Table 8. The five ZIPs that were majority black and Latino in the 1990 census were also the only five majority black and Latino ZIPs in the 2000 census.

- **SoftSecond Loans to Blacks and Latinos Buying Homes in Predominantly White Communities**

Earlier this year the Civil Rights Project at Harvard University released a study by the present author that demonstrated the extent to which mortgage lending in the Greater Boston area has operated to reproduce the area's highly segregated residential patterns.¹⁴ This raises the question of whether and to what extent the SoftSecond Loan Program has provided a means for blacks and Latinos to purchase homes in predominantly white communities. The answer is that very few SoftSecond loans have been used for this purpose, either in Boston's whitest neighborhoods or in other cities and towns.¹⁵

In the city of Boston, three of the sixteen Planning Districts defined by the Boston Redevelopment Authority have over 80% non-Latino white residents: Back Bay/Beacon Hill, South Boston, and West Roxbury. The three ZIP code areas that best correspond to these three Planning Districts received just 1.9% of the total loans received by blacks in the city of Boston (3 loans out of 157) and just 5.9% of loans to Latinos (5 loans out of 85).¹⁶ (See Table 8.)

Table 9 presents data on the distribution among municipalities of all SoftSecond loans to blacks and Latinos during the 2001-2003 period, sorted according to the number of loans to black and Latino homebuyers in each community. These data show clearly that blacks and Latinos purchasing homes with SoftSecond loans overwhelmingly do so in the communities that already have the highest percentages of black and Latino households. All eight of the communities in which blacks and Latinos received more than 10 SoftSecond loans were among the top nine communities (among the 351 cities and towns in Massachusetts) in terms of the percentage of black plus Latino households. Of the 23 communities where blacks and Latinos received three or more SoftSecond loans during this three-year period, all except one were among the top 31 communities in terms of black plus Latino households; the exception was Weymouth, which received five loans and ranked 81st in terms of its percentage of black plus Latino households.

At the same time, the communities with the highest percentages of white households are not receiving SoftSecond loans. About one-third of the cities and towns in the state (114 communities out of 351, or 32.5%) have white household percentages of 98.0% or higher; there were no SoftSecond loans to black or Latino borrowers in any of these communities. Over half of the state's cities and towns (196 communities, constituting 55.8% of the total) have white household percentages of at least 97.0%; in these 196 communities there was just one SoftSecond loan to a black homebuyer (in Ashburnham) and one SoftSecond loan to a Latino (in Grafton).

¹⁴ Jim Campen, *The Color of Money in Greater Boston: Patterns of Mortgage Lending and Residential Segregation at the Beginning of the New Century*, Jan. 2004 (www.civilrightsproject.harvard.edu/research/metro/Campen.pdf).

¹⁵ As noted earlier, the originators of the SoftSecond Loan Program sought to reverse a history of mortgage redlining that had limited lending in inner-city neighborhoods; the identification of the "target area" of underserved Boston ZIP code areas discussed in the previous section reflects this concern. However, even though providing an opportunity for blacks and Latinos to move to predominantly white neighborhoods was not one of the original goals of the SoftSecond Loan Program, the program never placed restrictions (other than the municipal boundaries of participating communities) on where borrowers could purchase homes.

¹⁶ It should be noted, however, that substantial numbers of blacks and Latinos used SoftSecond loans during the 1990s to purchase homes in Hyde Park and Roslindale, two of the six Planning Districts that had between 70% and 80% white non-Latino residents in 1990. Analysis of HMDA data for the 1991-1998 period indicates that 26.5% of total SoftSecond loans to blacks in the city of Boston (260 loans out of 981) and 34.9% of total SoftSecond loans to Latinos (166 loans out of 475) were in these two Planning Districts.

Table 9
SoftSecond Loans to Black and Latino Borrowers by City/Town, 2001-2003

City/Town	Number of Loans				% of loans to Blk+Lat	% of Households				Rank of Household % Among 351 MA Cities/Towns			
	Total*	Blacks	Latinos	Blk+Lat		Black	Latino	Blk+Lat	White	Black	Latino	Blk+Lat	White
Boston	443	157	85	242	54.6%	21.4%	10.8%	32.1%	58.7%	1	10	5	347
Springfield	157	21	68	89	56.7%	19.4%	21.8%	41.2%	56.4%	2	4	3	348
Lawrence	59	3	50	53	89.8%	2.0%	50.6%	52.6%	44.5%	48	1	1	351
Lynn	68	5	28	33	48.5%	9.0%	13.2%	22.2%	72.3%	7	6	7	343
Holyoke	50	4	26	30	60.0%	2.6%	32.2%	34.9%	63.8%	34	3	4	346
Chelsea	27	2	19	21	77.8%	6.0%	37.7%	43.7%	51.1%	9	2	2	350
Worcester	43	4	16	20	46.5%	5.9%	11.8%	17.7%	77.2%	10	7	9	339
Brockton	23	15	2	17	73.9%	16.9%	6.4%	23.2%	67.0%	4	18	6	345
New Bedford	30	2	6	8	26.7%	4.5%	7.4%	11.9%	80.1%	18	15	15	338
Methuen	11	1	6	7	63.6%	0.8%	7.1%	8.0%	89.7%	123	16	27	312
Cambridge	19	4	2	6	31.6%	10.5%	5.2%	15.7%	73.1%	5	24	10	341
Chicopee	48	1	5	6	12.5%	1.7%	6.1%	7.8%	90.9%	56	21	29	305
Haverhill	14	2	4	6	42.9%	1.8%	6.1%	8.0%	90.2%	51	20	28	310
Framingham	10	1	4	5	50.0%	4.2%	7.8%	12.0%	80.8%	20	13	14	337
Malden	19	1	4	5	26.3%	7.4%	3.6%	11.1%	77.1%	8	30	19	340
Randolph	7	5	0	5	71.4%	18.7%	2.4%	21.1%	69.2%	3	38	8	344
West Springfield	32	1	4	5	15.6%	2.2%	4.8%	6.9%	90.6%	44	26	31	307
Weymouth	16	2	3	5	31.3%	1.5%	1.1%	2.6%	95.2%	68	105	81	257
Leominster	6	0	4	4	66.7%	3.1%	8.7%	11.8%	85.6%	28	11	16	328
Lowell	19	3	1	4	21.1%	3.4%	11.4%	14.7%	72.4%	23	8	12	342
Revere	16	0	4	4	25.0%	2.6%	6.3%	8.9%	85.8%	35	19	25	327
Everett	7	0	3	3	42.9%	5.4%	6.4%	11.8%	82.7%	14	17	17	332
Fitchburg	5	0	3	3	60.0%	2.6%	11.2%	13.8%	82.8%	33	9	13	331
Acton	4	0	2	2	50.0%	0.7%	1.3%	2.0%	89.6%	146	86	112	313
Amherst	7	0	2	2	28.6%	4.5%	5.2%	9.7%	80.9%	19	25	22	335
Barnstable	16	2	0	2	12.5%	2.4%	1.1%	3.4%	93.9%	42	106	63	279
Fall River	18	2	0	2	11.1%	2.1%	2.3%	4.4%	93.0%	46	42	47	286
Northampton	26	0	2	2	7.7%	1.6%	3.8%	5.4%	91.8%	59	28	37	301
Somerville	4	1	1	2	50.0%	5.4%	5.7%	11.2%	80.9%	11	23	18	336
Yarmouth	10	0	2	2	20.0%	0.9%	0.8%	1.7%	96.9%	113	156	131	199
Agawam	23	0	1	1	4.3%	0.9%	1.3%	2.2%	96.7%	110	85	105	211
Ashburnham	1	1	0	1	100.0%	0.2%	1.2%	1.5%	97.9%	290	87	157	116
Ashland	2	1	0	1	50.0%	1.8%	2.4%	4.1%	92.4%	55	40	50	293
Attleboro	4	0	1	1	25.0%	1.6%	3.1%	4.6%	92.2%	66	32	42	296
Ayer	3	0	1	1	33.3%	5.2%	2.9%	8.1%	88.3%	16	35	26	321
Brookline	7	0	1	1	14.3%	2.4%	2.8%	5.2%	82.4%	39	36	40	334
Easthampton	27	0	1	1	3.7%	0.5%	1.4%	1.9%	96.5%	209	69	117	221
Easton	1	1	0	1	100.0%	1.8%	0.9%	2.7%	95.6%	53	125	79	249
Grafton	2	0	1	1	50.0%	0.6%	1.0%	1.7%	97.0%	163	113	136	196
Greenfield	16	1	0	1	6.3%	1.1%	2.1%	3.2%	94.9%	87	45	67	262
Newton	7	1	0	1	14.3%	1.4%	1.6%	3.0%	90.5%	72	63	71	308
North Andover	3	0	1	1	33.3%	0.7%	1.5%	2.2%	94.2%	153	65	102	275
Pittsfield	3	1	0	1	33.3%	3.1%	1.3%	4.4%	94.0%	27	80	46	277
Quincy	25	1	0	1	4.0%	2.2%	1.6%	3.8%	84.7%	45	59	54	329
Salem	5	0	1	1	20.0%	2.1%	7.4%	9.5%	88.1%	47	14	23	324
Southbridge	1	0	1	1	100.0%	0.6%	14.7%	15.3%	82.7%	174	5	11	333
Mass. Total #	1,611	246	365	611	37.9%								

* Total loans in this table include only those with data on race/ethnicity of borrower; this information was missing for another 332 loans.

The 46 communities listed received all of the loans to blacks and Latinos and 1,344 of the 1,611 total loans with data on race/ethnicity.

- **Delinquency Rates on SoftSecond Loans**

The MHP carefully tracks the delinquency status of outstanding SoftSecond loans and reports the results to MCBC's Mortgage Lending Committee on a quarterly basis. Tables 10 and 11 present summary information on delinquency rates during the 2001-2003 period from MHP's delinquency report for December 31, 2003. As of that date, 4.1% of the outstanding SoftSecond loans statewide were delinquent for thirty days or longer, although only about one-third of these (1.5% of the total) were delinquent for sixty days or longer.

Through the first quarter of 2003, the statewide SoftSecond delinquency rate was consistently below the delinquency rate for all mortgage loans in Massachusetts, as estimated by the Mortgage Bankers Association of America (MBAA) – indeed, they were below not only the MBAA delinquency rate for all loans, but below the MBAA rate for conventional loans only. (The rate for all loans includes government-backed – VA and FHA – loans, which have substantially higher delinquency rates than conventional loans.) During the second quarter of 2003, the SoftSecond rate edged higher than the MBAA delinquency rate for conventional loans, and during the third and fourth quarters the SoftSecond delinquency rate rose above the MBAA overall delinquency rate as well.

The sharp increase in the overall statewide SoftSecond delinquency rate in the last two quarters of 2003, bringing the rate above 3.0% for the first time in the 2001-2003 period (in fact, for the first time since 1998), suggests the possibility of a negative trend. However, the most recent MHP quarterly delinquency report indicates that this is not the case: the overall statewide SoftSecond delinquency rate fell to 2.6% as of March 31, 2004.

The above discussion is based on the overall, statewide SoftSecond delinquency rates. Table 10 also provides information on rates in each of the MHP's five macro-regions (each of these consists of one, two or three of the eleven regions used in most of this report), showing that rates tend to be lowest in the Boston Metro region (which does *not* include the city of Boston), and to be highest in the Western/Central region. Table 11 provides information on statewide SoftSecond delinquency rates for different types of property, showing that delinquencies tend to be lowest for condominiums, second lowest for three-family houses, and highest for single-family houses.

Foreclosures on SoftSecond loans have been very rare. Of the 6,996 SoftSecond loans originated by the end of 2003, just 25 (0.36% of the total) had resulted in foreclosures.

Table 10
SoftSecond Loan Delinquency Rates, 2001-2003
(With Delinquency Rates on All Massachusetts Loans for Comparison)

Date	Soft Second Loans						All Mass. Loans	
	Total Mass.	Boston	Boston Metro	N. Shore/ M. Valley	S Shore, SE, Cape	Western/ Central	Conven- tional*	Total*
A. Number of Active Loans as of 12/31/03 #								
12/31/03	4,378	1,633	648	323	457	1,317	NA	NA
B. Loans Delinquent 30, 60, 90, or 120 Days								
03/31/01	1.9%	1.7%					2.6%	3.3%
06/30/01	2.1%	1.4%	(these rates not available before 12/31/01)				2.6%	3.3%
09/30/01	3.0%	2.7%					3.3%	4.2%
12/31/01	2.8%	1.7%	2.8%	2.5%	3.9%	4.2%	3.2%	4.1%
03/31/02	1.5%	1.3%	1.1%	1.8%	2.2%	1.6%	2.8%	3.5%
06/30/02	1.8%	1.5%	1.3%	1.2%	2.6%	2.3%	2.9%	3.8%
09/30/02	2.3%	1.7%	1.1%	2.4%	2.7%	3.4%	2.6%	3.8%
12/31/02	2.8%	2.1%	1.2%	3.4%	3.2%	4.5%	2.8%	4.0%
03/31/03	2.5%	2.2%	1.0%	2.8%	1.9%	3.8%	2.7%	3.4%
06/30/03	2.9%	2.5%	1.1%	2.3%	3.3%	4.5%	2.8%	3.4%
09/30/03	3.9%	3.6%	1.9%	4.8%	3.6%	5.2%	2.8%	3.4%
12/31/03	4.1%	3.1%	1.7%	3.4%	5.9%	6.1%	2.6%	3.1%
C. Loans Delinquent 60, 90, or 120 Days								
03/31/01	0.8%	0.5%						
06/30/01	0.9%	0.7%	(these rates not available before 12/31/01)					
09/30/01	1.0%	0.9%						
12/31/01	0.8%	0.6%	0.3%	1.2%	0.8%	1.4%		
03/31/02	0.5%	0.3%	0.3%	0.6%	0.5%	0.8%		
06/30/02	0.5%	0.3%	0.1%	0.3%	1.0%	0.7%		
09/30/02	0.6%	0.5%	0.3%	0.3%	1.0%	0.9%		
12/31/02	0.8%	0.5%	0.3%	0.3%	1.4%	1.1%		
03/31/03	1.1%	0.9%	0.3%	0.9%	0.7%	1.9%		
06/30/03	1.1%	1.0%	0.5%	1.0%	0.8%	1.8%		
09/30/03	1.9%	1.7%	1.0%	2.5%	2.1%	2.5%		
12/31/03	1.5%	1.5%	0.5%	1.2%	2.4%	1.8%		

* Total loans include government-backed loans (VA and FHA loans) as well as conventional loans.

Of the 6,996 loans originated during 1990-2003, 2,618 were no longer active because the property was sold, the loan was refinanced or prepaid, or the loan was foreclosed.

Sources: SoftSecond delinquency data from Mass. Housing Partnership.

Delinquency data for all Massachusetts loans from Mortgage Bankers Assn. of America.

Table 11
SoftSecond Loan Delinquency Rates, by Property Type, 2001-2003

Date	Single-Family	Condo	Two-Family	Three-Family	All Types
A. Number of Active Loans as of 12/31/03 #					
12/31/03	1,743	990	953	692	4,378
B. Loans Delinquent 30, 60, 90, or 120 Days					
03/31/01	1.9%	(see note)	2.2%	1.1%	1.9%
06/30/01	2.4%		1.9%	1.2%	2.1%
09/30/01	3.2%		3.5%	1.9%	3.0%
12/31/01	3.9%	1.3%	2.9%	1.3%	2.8%
03/31/02	3.1%	1.0%	1.8%	1.1%	1.5%
06/30/02	2.5%	1.0%	1.7%	1.0%	1.8%
09/30/02	2.9%	1.1%	2.7%	1.6%	2.3%
12/31/02	4.0%	1.5%	2.7%	1.5%	2.8%
03/31/03	3.6%	1.1%	2.6%	1.5%	2.5%
06/30/03	4.0%	0.8%	3.9%	1.6%	2.9%
09/30/03	5.4%	1.5%	5.0%	1.9%	3.9%
12/31/03	6.5%	0.6%	4.5%	1.9%	4.1%
C. Loans Delinquent 60, 90, or 120 Days					
03/31/01	(these rates not available before 3/31/02)				0.8%
06/30/01	(these rates not available before 3/31/02)				0.9%
09/30/01	(these rates not available before 3/31/02)				1.0%
12/31/01	(these rates not available before 3/31/02)				0.8%
03/31/02	1.0%	0.1%	0.4%	0.2%	0.5%
06/30/02	0.6%	0.4%	0.6%	0.0%	0.5%
09/30/02	0.6%	0.4%	0.6%	0.5%	0.6%
12/31/02	1.2%	0.2%	0.8%	0.3%	0.8%
03/31/03	1.5%	0.1%	1.4%	0.6%	1.1%
06/30/03	1.3%	0.2%	1.9%	0.6%	1.1%
09/30/03	2.3%	0.4%	3.1%	1.4%	1.9%
12/31/03	2.3%	0.2%	2.1%	0.7%	1.5%

Source: Mass. Housing Partnership.

Note: Before 12/31/01, condos were included with single-family homes.

Of the 6,996 loans originated during 1990-2003, 2,618 were no longer active because the property was sold, the loan was refinanced or prepaid, or the loan was foreclosed.

- **Funding the SoftSecond Loan Program: State Costs and Private Mortgages**

The SoftSecond Loan Program involves two types of direct of state funding. For every loan, the state contributes an amount equal to ten percent of the second mortgage to a loan loss reserve fund that protects the lender from possible credit losses in the event that the loan is not fully repaid by the borrower. In addition, the state subsidizes second mortgage interest payments for the first nine years for borrowers whose monthly payments for principal, interest, insurance, condo fees and property taxes would otherwise exceed 28% of their monthly household income (25% in the case of three-family properties); during the 2001-2003 period, public funds were used to provide these interest subsidies to 46.3% of SoftSecond borrowers.

For the average SoftSecond borrower during the 2001-2003 period, who received private mortgage loans (first and second mortgages combined) totaling \$196,978, state costs were \$5,726,. For all SoftSecond borrowers combined, state costs of \$11.1 million leveraged \$382.7 million in private mortgage lending. Table 12 provides information on state costs and private mortgage amounts during this period in each region as well as statewide. Calculations not reported in that table indicate that over the entire lifetime of the SoftSecond Loan Program, \$35 million in state funds have leveraged \$875 million in private mortgage financing.

Table 12
SoftSecond Loan Program, 2001-2003
State Costs and Private Mortgage Amounts

Region	Number of Loans	Average Per Loan		Total (nearest \$000)	
		State Costs [^]	Private Mortgages [*]	State Costs [^]	Private Mortgages [*]
Boston City	568	\$7,040	\$256,278	\$3,999,000	\$145,566,000
Metro North	144	\$7,361	\$297,778	\$1,060,000	\$42,880,000
Metro South	55	\$7,673	\$208,545	\$422,000	\$11,470,000
Metro West	61	\$7,574	\$231,820	\$462,000	\$14,141,000
North Shore	102	\$5,618	\$231,078	\$573,000	\$23,570,000
Merrimack Valley	140	\$4,714	\$192,993	\$660,000	\$27,019,000
South Shore	34	\$7,618	\$188,853	\$259,000	\$6,421,000
Southeastern	127	\$4,835	\$219,315	\$614,000	\$27,853,000
Cape Cod	77	\$7,208	\$133,961	\$555,000	\$10,315,000
Central	78	\$4,256	\$182,936	\$332,000	\$14,269,000
Western	557	\$3,935	\$106,330	\$2,192,000	\$59,226,000
Mass. Total	1,943	\$5,726	\$196,978	\$11,126,000	\$382,729,000

[^] Total of payments for loan loss reserves and second-mortgage interest rate subsidies.

^{*} Total of first and second mortgages.

Appendix Table 1
The 140 Cities & Towns with Between 1 and 24 SoftSecond Loans

City/Town	Region	Through 2000	2001 - 2003	Total
Abington	South Shore	0	1	1
Acton	Metro West	0	4	4
Amesbury	Merr. Valley	0	5	5
Andover	Merr. Valley	0	2	2
Arlington	Metro North	0	4	4
Ashburnham	Western	0	1	1
Ashfield	Western	2	1	3
Ashland	Metro West	1	2	3
Athol	Central	0	2	2
Attleboro	Southeastern	17	5	22
Aburn	Western	0	1	1
Ayer	Central	3	4	7
Bedford	Metro North	1	0	1
Bernardston	Western	1	2	3
Beverly	North Shore	5	4	9
Billerica	Merr. Valley	1	1	2
Blandford	Western	1	0	1
Bolton	Metro West	0	1	1
Bourne	Cape Cod	8	8	16
Boxborough	Metro West	0	3	3
Braintree	Metro South	10	3	13
Brewster	Cape Cod	14	2	16
Brimfield	Western	1	0	1
Brookline	Metro West	4	7	11
Buckland	Western	3	3	6
Burlington	Metro North	0	1	1
Carver	South Shore	1	0	1
Charlton	Central	3	0	3
Chatham	Cape Cod	3	1	4
Chelmsford	Merr. Valley	0	2	2
Chesterfield	Western	3	2	5
Clinton	Metro West	0	1	1
Colrain	Western	0	1	1
Conway	Western	0	2	2
Cummington	Western	1	0	1
Dalton	Western	1	2	3
Danvers	North Shore	2	1	3
Deerfield	Western	2	5	7
Dracut	Merr. Valley	0	5	5
Bridgewater	South Shore	0	1	1
Longmeadow	Western	13	3	16
Eastham	Cape Cod	11	0	11
Easton	Southeastern	0	1	1
Erving	Western	2	1	3
Everett	Metro North	15	8	23
Gardner	Central	1	3	4
Gill	Western	1	0	1
Gloucester	North Shore	13	6	19
Goshen	Western	0	3	3
Grafton	Metro West	0	2	2
Granby	Western	3	2	5
Hadley	Western	3	1	4
Halifax	South Shore	1	2	3
Hamilton	North Shore	0	1	1
Hampden	Western	2	1	3
Harwich	Cape Cod	14	3	17
Hatfield	Western	2	2	4
Heath	Western	0	1	1
Holland	Western	3	0	3
Holliston	Metro West	0	2	2
Hodsdale	Metro West	0	2	2
Hopkinton	Metro West	1	0	1
Hudson	Metro West	0	4	4
Huntington	Western	2	3	5
Ipswich	North Shore	9	1	10
Kingston	South Shore	0	1	1
Lakeville	Southeastern	0	1	1
Lee	Western	0	1	1
Longmeadow	Western	3	0	3
Lunenburg	Central	0	1	1

City/Town	Region	Through 2000	2001 - 2003	Total
Mansfield	Southeastern	0	2	2
Marblehead	North Shore	0	1	1
Marion	South Shore	9	1	10
Medford	Metro North	2	3	5
Melrose	Metro North	1	1	2
Methuen	Merr. Valley	6	11	17
Middleborough	South Shore	0	3	3
Milford	Metro West	11	4	15
Millbury	Central	0	1	1
Monson	Western	2	0	2
Montague	Western	6	13	19
New Salem	Western	3	0	3
Newburyport	North Shore	0	3	3
Newton	Metro West	0	7	7
North Adams	Western	0	2	2
North Andover	Merr. Valley	0	3	3
North Reading	Metro North	0	2	2
Northfield	Western	1	2	3
Norton	Southeastern	0	3	3
Orange	Western	1	1	2
Orleans	Cape Cod	2	0	2
Oxford	Western	0	1	1
Palmer	Western	10	8	18
Peabody	North Shore	0	1	1
Pelham	Western	1	0	1
Pepperell	Merr. Valley	0	1	1
Pittsfield	Western	0	3	3
Plainfield	Western	0	4	4
Plymouth	South Shore	6	14	20
Provincetown	Cape Cod	8	15	23
Reading	Metro North	0	2	2
Rochester	Southeastern	1	0	1
Rockland	South Shore	9	2	11
Russell	Western	1	0	1
Salem	North Shore	13	6	19
Salisbury	Merr. Valley	0	1	1
Sandwich	Cape Cod	16	2	18
Savoy	Western	0	1	1
Seekonk	Southeastern	0	1	1
Shelburne	Western	1	0	1
Shutesbury	Western	0	1	1
South Hadley	Western	6	8	14
Southampton	Western	0	1	1
Southbridge	Central	0	1	1
Southwick	Western	7	1	8
Stoneham	Metro North	0	1	1
Sunderland	Western	0	1	1
Templeton	Central	2	0	2
Tewksbury	Merr. Valley	0	1	1
Wakefield	Metro North	0	2	2
Waltham	Metro North	0	2	2
Ware	Western	5	1	6
Wareham	South Shore	13	8	21
Warren	Western	1	0	1
Watertown	Metro West	0	3	3
Wellfleet	Cape Cod	3	4	7
Wendell	Western	1	0	1
West Stockbridge	Western	0	1	1
Westford	Merr. Valley	0	2	2
Westhampton	Western	2	0	2
Whately	Western	1	0	1
Whitman	South Shore	1	1	2
Wilbraham	Western	5	2	7
Williamsburg	Western	6	4	10
Wilmington	Metro North	0	2	2
Winchendon	Central	0	3	3
Winchester	Metro North	7	1	8
Winthrop	Metro North	0	3	3
Woburn	Metro North	3	2	5
Worthington	Western	1	2	3

Note: Of these 140 cities/towns: 78 had loans in period through 2000; 117 had loans in 2001-2003 period; & 55 had loans in both periods.

Appendix Table 2
SoftSecond Loans in Massachusetts, by Bank and Year, 1991 - 2003
(All Lenders Included in Current Mass Housing Partnership SSP Database)

Lender	City/Town	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
Fleet	Boston	20	47	74	168	212	241	188	179	208	266	235	160	227	2,225
BankBoston^	Boston	12	37	58	112	114	206	252	328	320	31				1,470
Citizens	Boston			3		49	189	98	68	132	166	119	73	107	1,004
Banknorth	Portland		2	12	29	17	17	15	12	21	129	161	130	114	659
Boston Private	Boston						8	33	44	49	52	93	59	83	421
Mellon New England	Boston	1	4	55	17	29	38	43	33	34	22	28	4		308
Florence SB	Florence							8	24	20	15	20	7	21	115
Sovereign	Boston											8	23	84	115
Eastern	Boston						9	7	10	3	11	11	13	28	92
Rockland Trust	Rockland					5	13	24	6	6	4	6	6	3	73
Compass	New Bedford					1		1		10	11	21	13	5	62
Sandwich Co-op&	Sandwich				15	6	11	7	8						47
Cambridge Trust	Cambridge					7	11	13	1		2		1	3	38
Cambridge SB	Cambridge						11	4	7	2	4	1	1	6	36
Co-op Bank of Concord#	Concord	3	10	1	9	11	1	1							35
Marlborough Co-op	Marlborough					4	7	5	4	4	2	3	2		31
US Trust#	Boston		1		12	9	3				1				26
Quincy SB#	Quincy		1	2	18										21
Chelsea-Provident Co-op	Chelsea				2	5	1		1		3	3	1	1	17
HydePark SB	Boston							6	2	3	2	4			17
Cambridgeport Bank#	Cambridge				1	3	2	5	4					1	16
Seamen's	Provincetown							2	1	3	1	9			16
Central Co-op	Somerville								3	3			3	5	14
Country Bank	Ware							3	4	1	1	4	1		14
East Cambridge SB	Cambridge					1	1	6	1		4			1	14
Hyde Park Co-op	Boston					5	4	1	2	1					13
Community Bank	Brockton							2	1	1			5	3	12
Braintree SB#	Braintree						11								11
Wainwright	Boston										1	1	2	5	9
Hibernia SB"	Boston			1		2	1	3							7
New Bedford IfS^	New Bedford		1	3	3										7
Heritage Co-op	Salem										1		1	4	6
United Co-op	W. Springfield						1	2			1	1			5
Ware Co-op	Ware						1	1			2	1			5
Winchester Co-op	Winchester									2	1		1		4
Winchester SB	Winchester							2	1	1					4
Bank of Canton	Canton													3	3
Ipswich Co-op	Ipswich			2	1										3
Worcester County IfS^	Worcester		3												3
1st NB of Ipswich	Ipswich				1		1								2
Colonial Federal SB	Quincy					2									2
Ipswich SB@	Ipswich				1	1									2
Medford SB#	Medford								2						2
Reading Co-op	Reading											2			2
Falmouth Co-op	Falmouth										1				1
Lowell Five	Lowell													1	1
Pentucket Bank	Haverhill		1												1
Randolph SB	Randolph							1							1
Salem Five	Salem			1											1
Southbridge SB	Southbridge						1								1
Stoneham SB	Stoneham											1			1
Woburn NB#	Woburn							1							1
Total Loans		36	107	212	389	483	789	733	746	824	734	732	506	705	6,996
Number of Lenders		4	10	11	14	19	24	27	24	20	25	21	20	20	52

Note: Loans of banks that disappeared through mergers before 1999 are shown as loans by the acquiring banks. Loans by banks that disappeared through mergers after that date are shown as loans by the originating bank. Among the banks not shown above is Shawmut, which was the largest single lender in the early years of the program (it made 238 loans in Boston between 1991 and 1995, a period when Bank of Boston ranked second with 164 loans, and Fleet ranked third with 147 loans).

^: merged into Fleet; #: merged into Citizens; @: merged into Banknorth; ": merged into Eastern; &: merged into Compass

Notes on Data and Methods

The main data source for this report was the Massachusetts Housing Partnership (MHP) database on the SoftSecond Loan Program. I was provided with the following information from that database for each of the 6,996 loans originated by yearend 2003: year that loan was closed; municipality, ZIP code area, micro-region and macro-region of property purchased; property type (single-family, condo, two-family, or three-family); lender; household income and race/ethnicity of borrower; and amount of interest rate subsidy, if any.)

Regions. The MHP has divided the state into five macro-regions, containing a total of eleven micro-regions. In this report, the term “region” is generally used to refer to the eleven micro-regions; in the tables, heavy lines are used to indicate how these micro-regions are grouped into macro-regions. An exception is provided by Table 10, where the macro-regions are used for reporting delinquency rates.

Lenders. In Table 4 all loans made by banks that subsequently disappeared as a result of mergers are assigned to the surviving bank. In about 1999, the MHP changed the way that its database dealt with loans by banks that disappeared through mergers. Before that date, these loans were re-coded so that the acquiring bank became listed as the lender. After that date, a bank that originated a loan continued to be listed as the lender, even after it had ceased to exist. Cambridgeport Bank is the only such bank that made a loan during the 2001-2003 period. (It made just one loan, in 2003, attributed in Table 4 to Citizens.) Appendix Table 2, which gives annual data on loans for each lender still in the MHP database, shows loans during the first ten years of the program for Cambridgeport and twelve other banks merged out of existence since approximately 1999 that had made SoftSecond loans in earlier years. However, there is no ready source of information on loans made by banks that disappeared before that date; these banks include Shawmut which was the largest single lender during the early years of the program (see note to Appendix Table 2).

Income. Estimates of the median family income (MFI) in each Metropolitan Statistical Area (MSA) are published each year by HUD. While HUD publishes estimates for the MFI for families of different sizes, the estimate for a four-person family is generally regarded as *the* MFI for an area. In analyses of mortgage lending, standard practice is to regard borrowers with incomes at or below 50% of the MFI as low-income borrowers and those with incomes between 50% and 80% of the MFI as moderate-income borrowers. For this study, each borrower was assigned to an income category by comparing his or her household income (the SoftSecond Loan Program uses the combined income of all household members) with the MFI of the MSA within which the home being purchased is located. A complication is that thirty-five of the towns that have received SoftSecond loans are not located in any MSA; these towns were assigned to the nearest MSA: towns on Cape Cod were assigned to the Barnstable MSA; towns in Berkshire County were assigned to the Pittsfield MSA; towns in Worcester County were assigned to the Worcester MSA; and towns in Franklin, Hampden, and Hampshire Counties were assigned to the Springfield MSA. Data on the MFIs for the SoftSecond Lending Program regions as defined by the MHP are not available. The boundaries of these regions do not correspond to MSA boundaries; indeed, nine of the eleven regions fall at least partially within the Boston MSA, and six of the eleven regions include communities from more than one MSA.

Delinquency rates. The data included in Tables 10 and 11 were selected from the MHP’s quarterly report on SoftSecond Loan Program delinquency rates for the period ending December 31, 2003. Information on the number of SoftSecond loans that ended in foreclosures was taken from the same report.

Population data. These are from the 2000 Census, as provided to the author by the Massachusetts Institute for Social and Economic Research (MISER). In the 2000 Census, each person is classified as either Latino or Non-Latino (the terms Latino and Hispanic are regarded as equivalent) in addition to being classified as a member of one or more races; Latinos may be of any race. In this report, “Asian” is used as shorthand for “non-Latino Asian”; “black” is used as shorthand for “non-Latino black”; and “white” is used as shorthand for “non-Latino white.” Because persons may choose to be classified as a member of more than one race, there are alternative possible ways of calculating the percentage share of any single race. In this report, as in the other reports that I have prepared for MCBC, I calculate the percentage share of a single race as the average of (1) the percentage share of persons who choose that race alone and (2) the percentage share of persons who chose that race together with any combination of one or more other races. In characterizing the racial/ethnic shares in individual cities and towns, I have used households rather than total population, because households seem a better indicator of potential homebuyers. Because the average household sizes for blacks and Latinos are larger than the average household size for whites, black and Latino household shares are smaller than their population shares. Households are classified according to the race/ethnicity of the individual identified as the “householder.”