Paying More for the American Dream III

Promoting Responsible Lending to Lower-Income Communities and Communities of Color

April 2009

A Joint Report By:

California Reinvestment Coalition
Community Reinvestment Association of North Carolina
Empire Justice Center
Massachusetts Affordable Housing Alliance
Neighborhood Economic Development Advocacy Project
Ohio Fair Lending Coalition
Woodstock Institute

California Reinvestment Coalition (CRC) advocates for the right of low-income communities and communities of color to have fair and equal access to banking and other financial services. CRC has a membership of 275 nonprofit organizations and public agencies across the State.

Community Reinvestment Association of North Carolina is a nonprofit, nonpartisan research and advocacy organization whose mission is to promote and protect community wealth. We advocate for change in the lending practices of financial institutions to promote wealth building for underserved communities and to end predatory lending practices that strip wealth.

Empire Justice Center is a nonprofit legal services organization in New York that provides support and training to legal services offices statewide, undertakes policy research and analysis, and engages in legislative and administrative advocacy. Empire Justice also represents low-income individuals, as well as other classes of New Yorkers, in a range of poverty law areas including consumer law.

Massachusetts Affordable Housing Alliance's mission is to organize for increases in public and private sector investment in affordable housing and to break down the barriers facing minority and low- to moderate-income first-time homebuyers as they seek affordable and sustainable homeownership opportunities. Our grassroots Homebuyers Union organizing, in both urban and suburban communities, has been effective in engaging banks, insurance companies, and elected officials around the issues of affordable homeownership and responsible mortgage lending.

Neighborhood Economic Development Advocacy Project (NEDAP) is a resource and advocacy center that works with community groups in New York. NEDAP's mission is to promote community economic justice, and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

Ohio Fair Lending Coalition is composed of The Toledo Fair Housing Center, Empowering & Strengthening Ohio's People, formerly known as East Side Organizing Project, SEIU local 3 and fair lending advocates, Paul Bellamy and Charles Bromley. The Coalition challenged the merger of Sky and Huntington Banks in 2007 and it continues to be Ohio's Fair Lending Organization.

Woodstock Institute is a 36-year old Chicago-based policy and advocacy nonprofit that works locally, nationally, and internationally to promote community reinvestment and economic development in lower-income and minority communities. The Institute engages in applied research, policy analysis, technical assistance, coalition building, public education, program design, and evaluation and works with community organizations, financial institutions, foundations, government agencies including regulatory bodies, the media, and others to promote its goals.

Preface

The *Paying More for the American Dream* series is a collaborative effort of seven state and regional research, policy, and advocacy organizations. This is the third annual report focused on examining systematic inequalities in the housing finance system and the impact of these inequalities on lower-income and minority families and communities. The first report examined mortgage pricing disparities seen in a group of the country's largest mortgage lenders who offered both prime and subprime loans. It found that African American and Latino borrowers were much more likely to pay more for their home purchase loans than white borrowers, and that the pricing disparities found for this group of lenders were greater than the overall disparities found in the metropolitan areas examined. The second report looked at the geographic lending patterns of a set of defunct subprime lenders whose loans largely fueled the foreclosure wave that is currently devastating communities across the country and found that these loans were highly concentrated in minority and lower-income communities.

The current report examines the impact that the Community Reinvestment Act (CRA) has on the higher-cost lending patterns of different types of financial institutions. It shows that where lenders are covered by the CRA, they are far less likely to originate risky higher-cost loans to lower-income borrowers and communities than lenders not covered by the CRA.

The authors hope these reports inform the debate around fair lending policy and access to responsible mortgage credit for lower-income and minority families and communities.

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Executive Summary

This report examines the impact of the Community Reinvestment Act (CRA) on the higher-cost lending patterns of different types of financial institutions. It considers the mortgage lending patterns of CRA-obligated lenders and lenders not covered by the CRA in seven large metropolitan areas: Boston, Charlotte, Chicago, Cleveland, Los Angeles, New York City, and Rochester, NY.

For each metropolitan area, lenders were grouped into three categories: depositories and their affiliates that are CRA-obligated; depositories and their affiliates that are not CRA-obligated; and independent mortgage companies that are not covered by the CRA. For each group, 2007 higher-cost mortgage lending patterns were analyzed in different geographies, including low- and moderate-income neighborhoods and communities of color.

Key Findings Include:

- In the seven large metropolitan areas examined, depository financial institutions covered by the CRA were found to have a much larger presence in the overall lending market than in the higher-cost lending market. Conversely, lenders not covered by the CRA made the vast majority of higher-cost loans in all metropolitan areas examined.

- Lenders covered by the CRA were far less likely to make higher-cost loans than lenders (both depositories and independent mortgage companies) not covered by the CRA.

- Institutions regulated by the CRA performed differently inside and outside of their assessment areas. In all seven MSAs, CRA-regulated institutions lending outside of their CRA assessment areas had a much higher percentage of higher-cost loans than they did when lending within their assessment areas. In five of the MSAs, higher-cost loans originated in low- and moderate-income tracts by depositories acting outside of their assessment areas exceeded the higher-cost rates from independent mortgage firms.

- In lower-income communities, depositories with CRA obligations made higher-cost loans less often than non-CRA-obligated lenders.

- Higher-cost lending remains concentrated in communities of color. Although CRA-obligated depositories were less likely to make higher-cost loans in communities of color than lenders not covered by CRA, banks covered by the CRA still made a disproportionate share of their higher-cost loans in communities with large minority populations.

Key Policy Recommendations Include:

- **Modify how CRA assessment areas are defined to reflect the true areas where banks conduct business**. Currently, CRA assessment areas are self-defined by financial institutions and largely based on the communities where an institution has brick and mortar branches. Changes in the delivery channels for financial services products, particularly mortgages, have made the way that CRA assessment areas are currently defined outdated.

- **Require that the lending activities of all holding company affiliates be included on CRA examinations and expand the CRA to cover all institutions making mortgages**. Currently, the CRA covers only depository financial institutions and selected affiliates. However, a substantial share of higher-cost loans was originated by largely unregulated independent mortgage companies and bank affiliates. This higher-cost lending not covered by the CRA has harmed borrowers, destabilized low- and moderate-income communities and communities of color, and was a major force in fueling the subprime lending crisis.

- **Expand the CRA to cover borrowers and communities of color**. African American and Latino borrowers and communities have long been subject to disproportionately high shares of subprime lending when compared to white borrowers and communities. Extending CRA coverage to consider borrower and community race and ethnicity will be a significant step in reducing these disparities.

- **Increase transparency by expanding data collection to give communities the tools to better understand the lending occurring in their neighborhoods**. Improving HMDA data disclosure to include risky loan features such as adjustable rates, negative amortization, interest-only payments, prepayment penalties, yield spread premiums, and no income documentation will improve the quality of lending in low- and moderate-income communities and communities of color. Additionally, expanding data collection would give communities the tools to better understand the lending occurring in their neighborhoods.

Introduction

The current economic crisis had its origins in the proliferation of unsound, high cost, largely unregulated subprime mortgage loans that were often made to modest-income households and communities, and to borrowers and communities of color. As pundits and politicians search for scapegoats to blame for the spread of these toxic mortgages, the Community Reinvestment Act (CRA) has become a popular target. The CRA, enacted in 1977, imposes on banks an affirmative obligation to serve the lending needs of all the communities from which they take deposits, including low- and moderate-income neighborhoods. Although the primary intent of the law was to prevent the practice of redlining (where banks would avoid lending based on certain neighborhood characteristics), the CRA has evolved to become one of the key public policy mechanisms for promoting economic inclusion and bank investment in underserved markets.

Under the CRA, bank regulators examine financial institutions for their provision of different types of loans, investments, and services to low- and moderate-income households and communities. Under current "large bank" CRA examination procedures, each of these three components is given its own test, with each test getting a specific weight on a bank's final evaluation results.[1] The lending test is the most important of the three tests in that the results are worth 50 percent of an institution's final CRA rating. The lending test considers a bank's mortgage, small business, and community development lending activity within the institution's designated assessment area.[2] For mortgage lending, regulators rely on publicly available data reported under the Home Mortgage Disclosure Act (HMDA). Banks are given credit for the number of mortgage loans made in low- and moderate-income census tracts regardless of a borrower's income and for mortgage loans made to low- and moderate-income borrowers who live in higher-income census tracts. Banks also get credit on the lending test for purchasing such CRA-eligible loans from third party originators.

Critics of the CRA have argued that this method of evaluating bank lending provided incentives for banks to originate irresponsible mortgages to lower-income borrowers and communities. The argument holds that regulators and community organizations, who had access to publicly available mortgage lending data, applied pressure on banks to earn strong, or "outstanding," CRA ratings. In response to this pressure, banks are said to have focused on originating a large volume of loans to low- and moderate-income borrowers and communities and to have ignored traditional safety and soundness standards when underwriting mortgages. The result, according to the critics, was to flood the market, particularly lower-income communities, with unsound, unaffordable, high-risk loans.[3] It was these loans, critics say, that fueled the current foreclosure crisis.

These attacks on the CRA are groundless, and have been persuasively debunked many times over. There are three broad reasons to reject the claims that the CRA is the cause of the ongoing mortgage crisis. First, the vast majority of problematic subprime loans were not covered by the CRA. An analysis by the Federal Reserve showed that only six percent of higher-cost loans originated in 2005 and 2006 to lower-income borrowers or communities were originated by CRA-covered institutions. Additionally, only two percent

[1]For CRA purposes, "large" banks and thrifts are considered any with over $1 billion in assets. Institutions with less than $1 billion in assets are examined using different procedures, although mortgage lending is still heavily emphasized.

[2]A bank's CRA assessment area is the geography within which a bank's activities are evaluated for CRA purposes. A bank's assessment area is self defined and typically tied to the area where a bank has brick and mortar branches and from which it takes deposits.

[3]For example see Howard Husock. October 2008. "The Financial Crisis and the CRA." *City Journal*. http://www.city-journal.org/2008/eon1030hh.html.

of the higher-cost loans made to low- and moderate-income borrowers and communities originated over that period were subsequently purchased by CRA-covered institutions for CRA credit.[4]

Second, loans originated by CRA-covered institutions have performed much better than loans originated by institutions not covered by the CRA. One report examined borrowers with similar risk characteristics and found that those receiving "community reinvestment" loans were much less likely to default than those receiving subprime loans. Key attributes that led to subprime loans having higher default rates included the likelihood of those loans being originated through the broker channel and the frequent presence of features such as adjustable rates and prepayment penalties which were much less common in community reinvestment loans.[5] Similarly, a study released by the Federal Reserve Bank of San Francisco examining mortgage lending in California showed that loans originated by CRA-covered lenders within their assessment areas were only one-half as likely to enter into foreclosure as loans originated by independent mortgage companies who are not covered by the CRA.[6]

Third, there is also evidence that CRA coverage has a positive effect on the lending behavior of depository institutions. Currently, banks are only examined for CRA compliance within their CRA assessment areas. Many banks and their affiliates, however, also make loans outside of their assessment areas. These loans are typically not considered on CRA examinations. Researchers at the Federal Reserve have released a number of reports analyzing annual Home Mortgage Disclosure Act (HMDA) data indicating that depository financial institutions and their affiliates are less likely to originate higher-cost loans within their CRA assessment areas.[7]

The recent collapse of the financial services sector presents an opportunity to rethink the country's financial services regulatory system. The future of the CRA is a key part of the regulatory reform discussion, and it will be vital that the spirit and purpose of the law remain intact. This report considers the connection between CRA coverage and higher-cost mortgage lending. It also makes recommendations for expanding the content and reach of the CRA, or any new CRA-like policy.

In each of the seven metropolitan areas (MSAs) covered by this report, patterns of 2007 higher-cost lending were examined to see what types of loans CRA-covered lenders originated compared to lenders with no CRA obligation. Additionally, lending patterns were broken down to the neighborhood level within each MSA to examine the lending patterns of these different types of lending institutions in low- and moderate-income communities and in communities with high concentrations of African American and Latino households.

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[4]Kroszner, Randall. February 2009. "The Community Reinvestment Act and the Recent Mortgage Crisis." *Revisiting the CRA: Perspectives on the Future of the Community Reinvestment Act*. A Joint Publication of the Federal Reserve Banks of Boston and San Francisco, p. 9. http://www.frbsf.org/publications/community/cra/index.html

[5]Ding, Lei, Roberto G. Quercia, Wei Li, and Janneke Ratcliffe. 2008. *Risky Borrowers or Risky Mortgages? Disaggregating Effects Using Propensity Score Models.* University of North Carolina at Chapel Hill, Center for Community Capital. In this report, a "community reinvestment loan" is defined as a CRA-type loan originated though the Community Advantage Program loan pool.

[6]Laderman, Elizabeth and Carolina Reid. November 2008. "Lending in Low- and Moderate-Income Neighborhoods in California: The Performance of CRA Lending During the Subprime Meltdown." *Working Paper 2008-05*. Federal Reserve Bank of San Francisco. http://www.frbsf.org/publications/community/wpapers/2008/wp08-05.pdf

[7]The four reports by Robert B. Avery, Kenneth P. Brevoort (except 2005), and Glenn B.Canner and published in the Federal Reserve Bulletin, are as follows:

"The 2007 HMDA Data," http://www.federalreserve.gov/pubs/bulletin/2008/pdf/hmda07final.pdf
"The 2006 HMDA Data," http://www.federalreserve.gov/pubs/bulletin/2007/pdf/hmda06final.pdf
"Higher-Priced Home Lending and the 2005 HMDA Data," http://www.federalreserve.gov/pubs/bulletin/2006/hmda/bull06hmda.pdf
"New Information Reported under HMDA and Its Application in Fair Lending Enforcement," http://www.federalreserve.gov/pubs/bulletin/2005/summer05_hmda.pdf

Methodology

This report examines lending in seven metropolitan areas: Boston, MA; Charlotte, NC; Chicago, IL; Cleveland, OH; Los Angeles, CA; New York, NY; and Rochester, NY. These areas were selected because the authors of the report represent organizations in each city. These regions represent both larger (New York, Chicago, Los Angeles, Boston) and smaller (Cleveland, Charlotte, Rochester) urban areas in a number of different regions of the country.

For each metropolitan area, lenders were divided into three categories:[8]

- Depository institutions and affiliates with a CRA obligation – Depositories that have a branch presence in the MSA and all corporate affiliates of these depository institutions. The only credit unions included in this category are in Massachusetts, where that state's Community Reinvestment Act imposes CRA obligations on state-chartered credit unions.

- Depository institutions and affiliates with no CRA obligation – Depository institutions that do not have a branch presence in the MSA and all corporate affiliates, together with all credit unions except state-chartered credit unions in Massachusetts.

- Independent mortgage companies – Mortgage companies that do not have a corporate affiliation with any depository.

For example, in 2007, JP Morgan Chase had brick and mortar branches in Chicago, Cleveland, New York, and Rochester. In each of these markets, lending by Chase and all of its affiliates would be considered CRA-obligated. However, Chase did not have branches in Boston, Charlotte, or Los Angeles in 2007. In these cities, Chase and its affiliates would be classified as lenders without CRA obligations.[9]

The report examines patterns of higher-cost lending for each type of lender in each MSA, as reported under the Home Mortgage Disclosure Act (HMDA) for 2007. A higher-cost loan is one in which a rate spread was reported under HMDA. On first lien mortgages, the rate spread is reported when the loan's annual percentage rate is at least three percentage points greater than the interest rate on Treasury securities of comparable maturity. Higher-cost lending is a reasonable proxy for subprime lending. [10]

The report only considers direct originations of conventional, first lien home-purchase or refinance mortgages on owner-occupied, 1-4 unit, site-built properties. Additionally, the report at times focuses on mortgages for which CRA credit can be given. These include all loans to low- or moderate-income census tracts plus all loans to low- or moderate-income borrowers residing in middle- or upper-income census tracts.[11] Throughout the report, we refer to these as loans to "lower-income borrowers and communities." The report also compares the higher-cost lending of different types of institutions in communities of color. Detailed tables of the data for each metropolitan area can be found in Appendix II.

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[8]See Appendix I for more detailed discussion of how this was done.

[9]This method of classification is likely over-inclusive of CRA-reporting bank affiliates as many depositories will not include all affiliates active in a market for consideration on their CRA examinations.

[10]Limitations of HMDA data make it impossible to identify subprime loans precisely. For example, the data do not include information on key loan characteristics such as whether a mortgage has an adjustable rate or offers payment options.

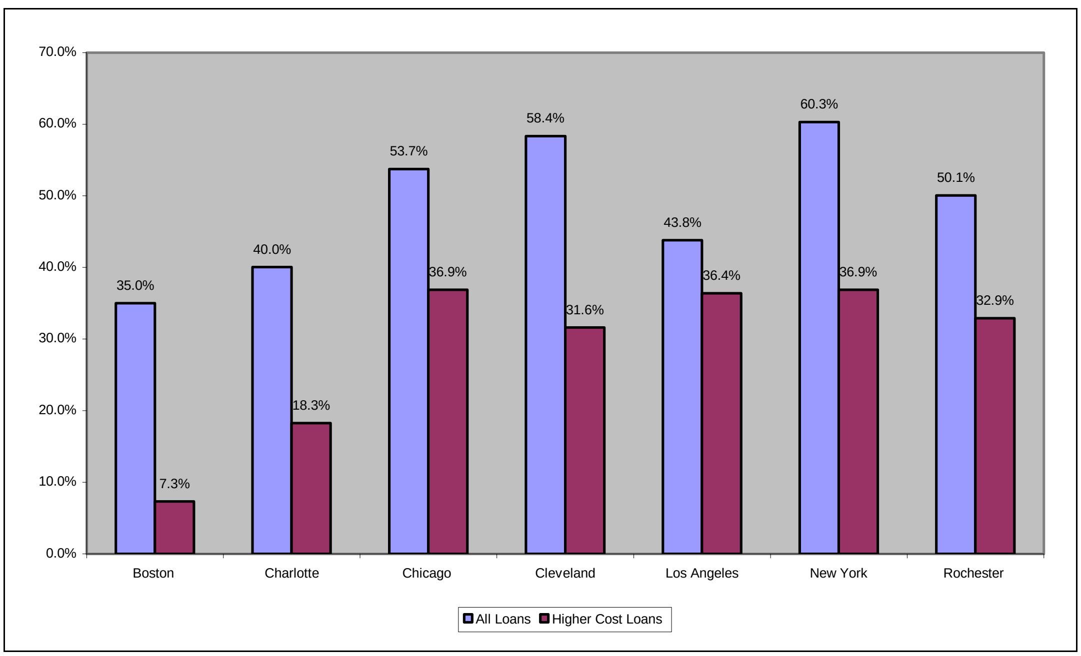
[11] For CRA purposes, low- and moderate-income is considered any borrower or census tract whose income is less than 80 percent of the area median income.

Findings

In the seven metropolitan areas examined, depository financial institutions covered by the CRA were found to have a much larger presence in the overall lending market to lower-income borrowers and communities than in the higher-cost segment of that market. CRA-covered lenders captured a far larger share of the overall market for loans to lower-income borrowers and communities than of the higher-cost portion of that market. For example, Chart 1 shows that in Cleveland, CRA-covered lenders made 58.4 percent loans to lower-income borrowers and communities in 2007, but only 31.6 percent of the higher-cost lending to this market. This finding counters the allegations that the CRA provided significant incentives for banks to make unsound higher-cost loans to lower-income markets.

An examination of Chart 1 shows that in the metropolitan areas examined, CRA-covered lenders had a larger share of the CRA-eligible higher-cost lending market in 2007 than indicated in the previously-cited Federal Reserve research showing that CRA-covered lenders made only six percent of all CRA-eligible higher-cost loans originated nationally in 2005 and 2006. This is not because CRA-covered lenders made more higher-cost loans in 2007 than in previous years, but because the collapse of the overall subprime lending industry (consisting primarily of independent mortgage companies) during that year meant that the total number of higher-cost loans was much lower than in previous years.[12] Banks, therefore, while not making more higher-cost loans, controlled a larger share of the shrunken higher-cost market.

Chart 1. Overall Market Share Compared to Higher-Cost Lending Market Share for Loans to Lower-Income Borrowers and Communities Originated by CRA-Obligated Lenders, 2007



[12]As noted by the Federal Reserve in its report on the 2007 HMDA data, 169 institutions that reported HMDA lending in 2006 ceased operations in 2007 and did not report 2007 data. Of these 169 reporters, 167 were independent mortgage companies. In addition, the Federal Reserve notes that the remaining independent mortgage companies curtailed their lending and all types of institutions curtailed their higher priced lending. As higher-cost lending by independent mortgage companies fell dramatically in 2007, the shares of higher-cost loans accounted for by depositories – both those covered by CRA and those not covered – necessarily rose.

Lenders that are required to comply with the CRA made a far smaller share of higher-cost loans to lower-income borrowers and neighborhoods than lenders not obligated by the CRA. Taking the Charlotte metropolitan area as an example, Chart 1 shows that CRA-obligated lenders originated 40 percent of all loans to lower-income borrowers and communities in 2007, but only originated 18.3 percent of all higher-cost loans to this segment of the market in 2007. This means that non-CRA-obligated depositories and independent mortgage companies originated 81.7 percent of Charlotte's higher-cost loans in 2007 while they originated 60 percent of all loans to lower-income borrowers and communties, thus capturing much less of the total market than of the higher-cost portion of the market.

Being covered by the CRA clearly affects the likelihood of a lender making a higher-cost loan. Table 1 shows that within each metropolitan area, the share of the loans to lower-income borrowers and communities originated by CRA-obligated lenders that were higher-cost was much smaller than the share of loans to these borrowers and communities by other lenders that were higher-cost. In New York, for example, just over 12 percent of the loans to lower-income borrowers and communities originated by CRA-obligated depositories were higher-cost compared to over 32 percent of the loans originated by non-CRA-obligated depositories and 31 percent of the loans originated by independent mortgage companies.

Table 1. Percent of Loans to Lower-Income Borrowers and Communities That Are Higher-Cost by Lender Type, 2007

	Depositories		Independent		Ratio Not-
	CRA Obligated	Not CRA Obligated	Mortgage Companies	All Lenders	CRA-Obligated Dep./ CRA Obligated Dep.
Boston	2.8%	21.0%	15.7%	13.4%	7.5
Charlotte	7.4%	24.6%	18.0%	16.3%	3.3
Chicago	13.0%	31.1%	19.3%	18.9%	2.4
Cleveland	9.1%	33.5%	18.6%	16.7%	3.7
Los Angeles	19.7%	24.7%	30.0%	23.7%	1.3
New York	12.2%	32.3%	31.0%	19.9%	2.6
Rochester	14.3%	27.3%	34.5%	21.7%	1.9

CRA assessment area has a significant impact on depository institutions' lending practices. Chart 2 shows the ratio of the share of higher-cost loans among the loans to lower-income borrowers and communities by non-CRA-obligated depositories and the corresponding share for CRA-obligated depositories. In New York, for example, this ratio is 2.6 (32.3 percent / 12.2 percent), meaning that non-CRA-obligated depositories were 2.6 times more likely to make a higher-cost loan than were CRA-obligated depositories. Boston was the metropolitan area with the largest difference between the higher-cost lending of CRA-obligated and non-CRA-obligated depositories. Non-CRA-obligated depositories in Boston were 7.5 times more likely to originate higher-cost loans than were their CRA-obligated counterparts. This finding suggests that CRA assessment area has a significant impact on the lending behavior of depository institutions.

Lenders covered by the CRA were less likely to make higher-cost loans in low- and moderate-income census tracts. Table 2 shows that a much smaller share of the loans CRA-obligated depositories originated in low- or moderate-income census tracts were higher-cost than those originated by non-CRA-obligated depositories or independent mortgage companies. For example, in Cleveland, 39.6 percent of all loans made in low- and moderate-income census tracts were higher-cost in 2007. However, roughly 25 percent of the loans made by CRA-obligated depositories were higher-cost compared to nearly 60 percent of the loans originated by non-CRA-obligated depositories and 50 percent of the loans originated by independent mortgage companies. This shows that lenders not covered by the CRA act differently than lenders covered by the CRA. In 2007, this was particularly true of depositories and their affiliates lending outside of their assessment areas.

Chart 2. Ratio of Shares of Loans to Lower-Income Borrowers and Communities That Are Higher-Cost, Non-CRA-Obligated Depositories versus CRA-Obligated Depositories, 2007

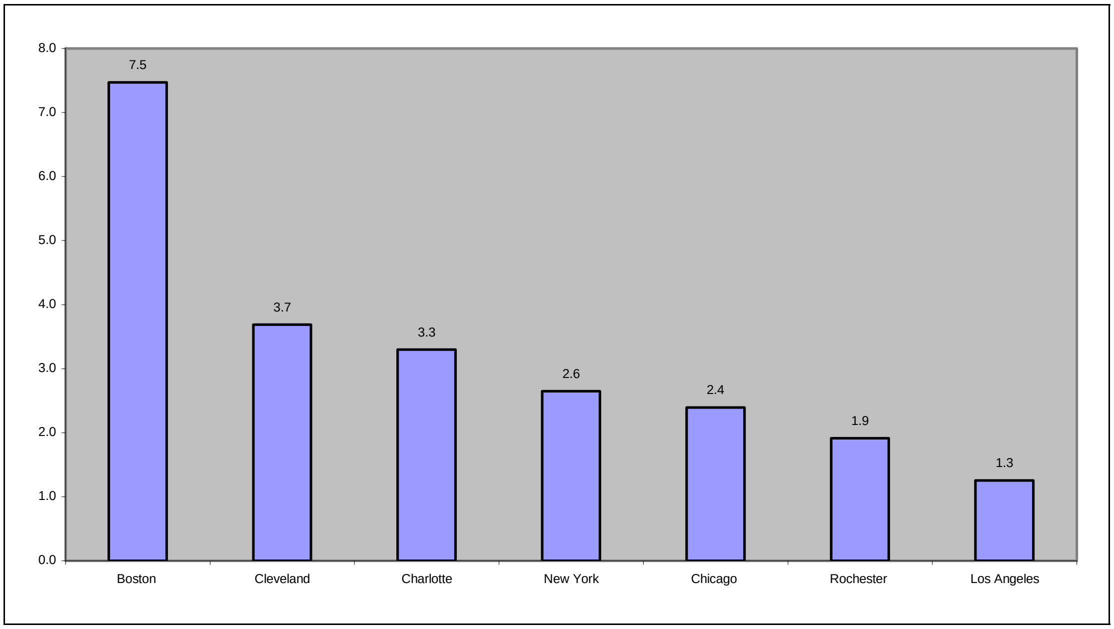
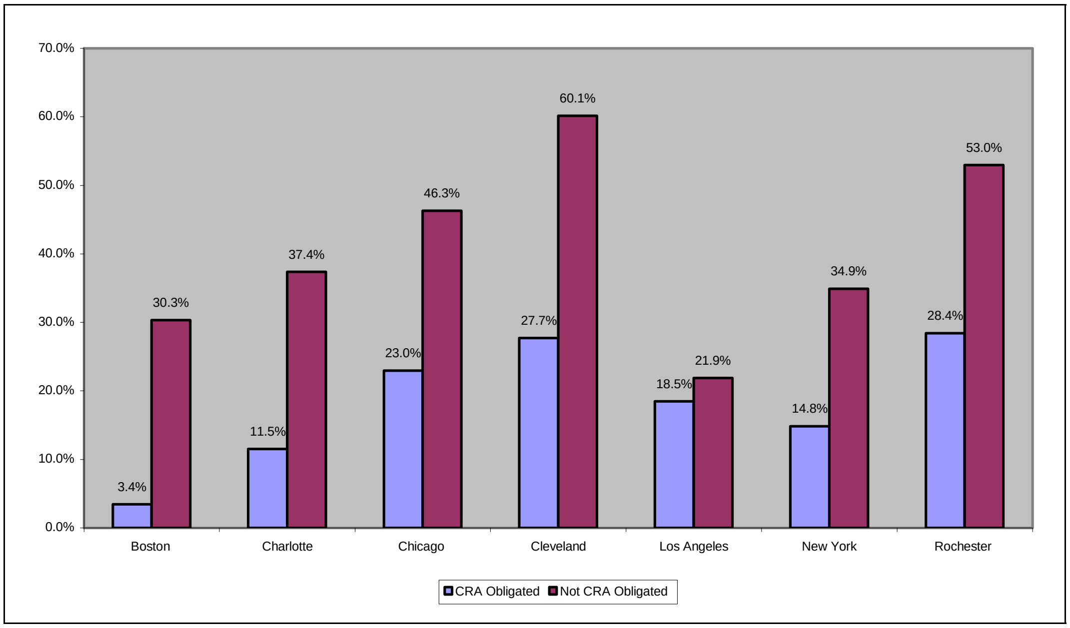


Table 2. Percent of Loans in Low- or Moderate-Income Census Tracts That Are Higher-cost By Lender Type, 2007

	Depositories CRA Obligated	Depositories Not CRA Obligated	Independent Mortgage Companies	All Lenders	Ratio Not-CRA-Obligated Dep./ CRA Obligated Dep.
Boston	3.7%	25.6%	20.9%	17.7%	6.9
Charlotte	11.4%	33.3%	28.0%	24.3%	2.9
Chicago	22.5%	46.0%	34.2%	31.5%	2.0
Cleveland	25.2%	59.9%	50.0%	39.6%	2.4
Los Angeles	21.1%	26.5%	32.4%	25.5%	1.3
New York	12.7%	34.1%	32.7%	21.1%	2.7
Rochester	21.1%	39.5%	44.3%	30.3%	1.9

CRA-obligated depositories were less likely to make higher-cost loans in communities of color than lenders not covered by the CRA, but banks and affiliates covered by the CRA still made a disproportionate share of their higher-cost loans in communities of color. Analysis of lending in census tracts that are greater than 50 percent people of color shows that lower proportions of the loans originated by depository institutions and affiliates with CRA obligations were higher-cost loans than those originated by non-CRA-obligated depositories and affiliates. For example, Chart 3 shows that in Chicago, 23 percent of the loans by CRA-obligated depositories in tracts where 50 percent or more of the population were people of color were higher-cost compared to 46 percent of the loans by non-CRA-obligated depositories.

Chart 3. Percent of Loans in Census Tracts Greater Than 50 Percent People of Color that Are Higher-Cost by CRA-Obligated and Non-CRA-Obligated Lenders, 2007



Higher-cost lending by all categories of lenders is disproportionately concentrated in communities of color. Figures 1 and 2 illustrate that in Chicago, higher-cost loans comprise a smaller share of loans made by CRA-obligated depositories in neighborhoods where at least 50 percent of the residents were people of color than for their non-CRA-obligated counterparts[13]. These maps also illustrate that higher cost lending by CRA-obligated institutions was nevertheless highly concentrated in communities of color. Although higher-cost loans in Chicago made up only 12 percent of lending by depositories with CRA obligations, these loans were largely concentrated in the regions' communities of color. This pattern holds across all seven metropolitan areas examined in the report, and reveals a weakness of the CRA, which is focused on income and imposes no explicit obligation to serve communities of color.

The still-growing foreclosure epidemic is providing painful evidence of the geographic targeting of higher-cost mortgages. Last year's *Paying More for the American Dream* report is part of a large body of research showing that the highest risk mortgages tended to be concentrated in lower-income communities and communities of color. [14] These loans are at higher risk of default and foreclosure and concentrated patterns of such lending are likely to lead to negative externalities in these neighborhoods such as declining property values, increases in crime, displacement of renters, and increased burdens on municipal governments. Additionally, going forward, access to responsible mortgage credit will be critical to the economic recovery of communities devastated by foreclosures. Therefore, it is important to understand the role that CRA-obligated lenders play in these mortgage markets.

[13] Appendix III contains maps for the six other metropolitan areas examined in this report.

[14] See Paying More for the American Dream II: Promoting Responsible Lending to Lower-Income Communities and Communities of Color. http://www.woodstockinst.org/publications/download/paying-more-for-the-american-dream-%11-the-subprime-shakeout-and-its-impact-on lower %11income-and-minority-communities/

Chicago MSA, Illinois

Figure 1.

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007

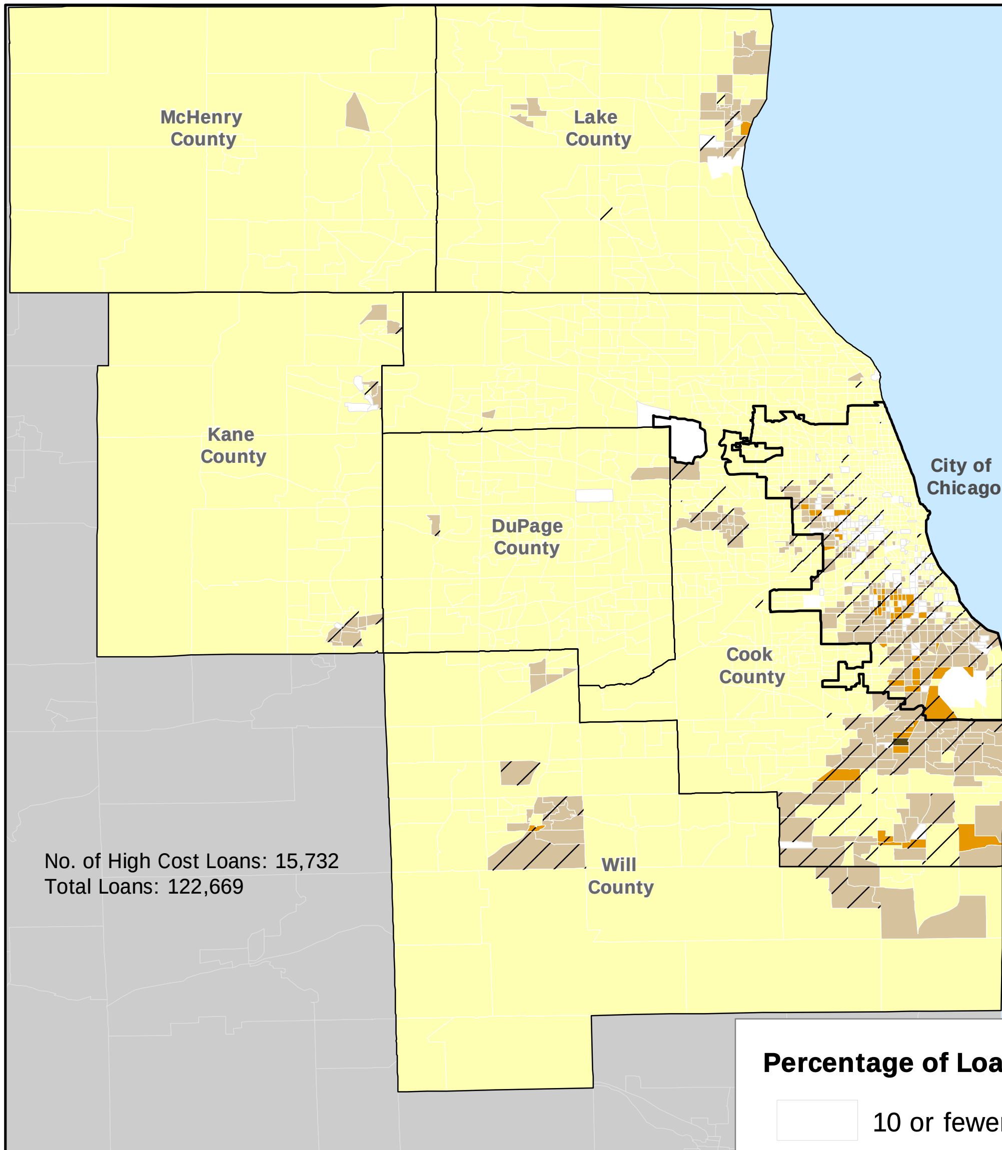
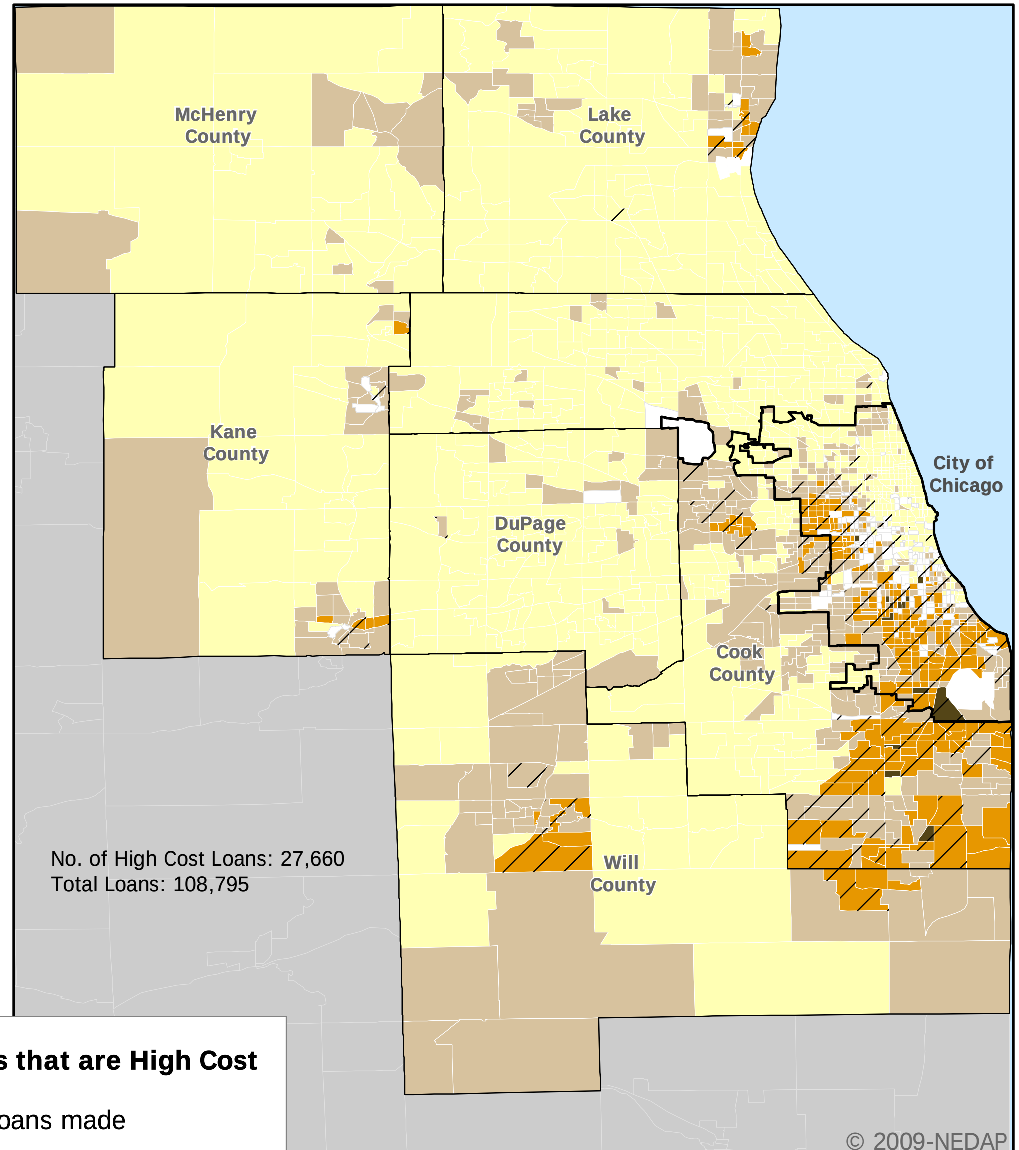


Figure 2.

Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



Percentage of Loans that are High Cost

- 10 or fewer loans made
- 0% to 25%
- 25% to 50%
- 50% to 75%
- 75% to 100%
- Population > 50% Black or Latino

Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org

Data provided by Woodstock Institute - www.woodstockinst.org

Sources: HMDA (2007), Census (2000)

Lenders not obligated by CRA include banks with no depositories within the MSA, credit unions, and independent mortgage companies.
*1st lien home purchase or refinance loans originated for owner-occupied 1-4 family site-built properties.

Conclusions

This report demonstrates that the Community Reinvestment Act has been effective in ensuring access to fairly priced credit for low- and moderate-income borrowers and communities as lenders covered by the CRA are far less likely to make higher-cost loans than lenders not covered by the CRA. In the seven large metropolitan areas examined, depository financial institutions with CRA obligations have a much smaller share of the higher-cost lending market and a smaller proportion of their loans are higher-cost than lenders without CRA obligations. These findings are consistent with findings from Federal Reserve research showing that banks make fewer high cost loans when they have CRA obligations. Additionally, this analysis shows that in lower-income communities, CRA-obligated depositories and affiliates made higher-cost loans less often than non-CRA-obligated depositories and affiliates and independent mortgage companies. This supports findings from other studies refuting assertions that the CRA compelled lenders to make risky and unaffordable high-cost loans to lower-income borrowers and communities.

This study also sheds light on some weaknesses in the Community Reinvestment Act. One key weakness is that the CRA does not currently examine an institution’s lending based on race or ethnicity of borrowers or communities, even though a substantial proportion of the lending in communities of color is higher-cost. Although the CRA-obligated depositories studied were less likely to make higher-cost loans in communities of color than lenders not covered by CRA, a disproportionate share of the loans made by these institutions in communities with large African American or Latino populations were higher-cost.

Another key weakness of the CRA is that a depository’s CRA obligations are typically determined by where that institution has a deposit accepting brick and mortar branch. This report shows that in all seven of the metropolitan areas studied, banks made a much larger percentage of higher-cost loans when lending outside their assessment areas than banks with CRA obligations. Finally, the report shows that non-bank mortgage companies, which are not covered by the CRA, made a far higher proportion of higher-cost loans than CRA-obligated lenders.

Recommendations

The findings in this report suggest that while the Community Reinvestment Act has been effective at encouraging covered lenders to provide responsible, sustainable, affordable loans to low- and moderate-income borrowers and communities, it needs to be modified and expanded in several ways to fill clear gaps in the CRA that have been exposed by the recent subprime lending and foreclosure crisis. We suggest the following changes to significantly strengthen the CRA:

Modify how CRA assessment areas are defined to reflect all geographies where banks do business – Currently, CRA assessment areas are self-defined by financial institutions and based on the communities where an institution has brick and mortar branches. At one time, this definition may have adequately reflected the area where most of a bank’s lending was done. However, changes in financial services product delivery channels have made the way that CRA assessment areas are defined outdated. Today, lenders have the ability to originate loans over the internet or through vast networks of brokers and loan offices in addition to their retail branches. As this report shows, when a depository institution originates a loan outside of its assessment area, it is much more likely to be higher-cost. CRA assessment area designations should be changed to reflect the true areas where banks conduct business. For example, if a bank has at least one percent of the lending market in an MSA, then that MSA should be part of the bank’s assessment area, regardless of whether or not it has brick and mortar branches there.

Require the lending activities of all holding company affiliates to be included on CRA examinations – Currently, banks have the option of including or excluding the lending activities of various affiliates in their CRA performance evaluations. This option has allowed banks to exclude from consideration lending affiliates that make higher risk, subprime mortgages. At the peak of the subprime lending era, many large bank holding companies had both national banks specializing in prime lending and affiliates specializing in higher-cost, risky subprime lending. As this report illustrates, CRA coverage affects lender behavior and indicates that it leads to fewer higher-cost loans. Extending CRA coverage to all holding company affiliates will lead to an improvement in the quality of loans originated by all entities within a bank holding company.

Expand the CRA to cover all institutions making mortgages – Currently, the CRA covers only depository financial institutions and selected affiliates. As this report illustrates, however, a substantial share of higher-cost loans have been originated by largely unregulated independent mortgage companies, and it was largely the lending by these institutions that fueled the subprime mortgage crisis. Bringing their lending activities under the CRA, or some CRA-like regulation, would increase the direct oversight of their lending and should lead to improved lending outcomes.

Expand the CRA to cover borrowers and communities of color – As this report indicates, while a lower share of loans in communities of color are higher-cost when originated by financial institutions covered by the CRA, this share is still much higher than that seen in all other communities. African American and Latino borrowers and communities have long seen disproportionately high shares of subprime lending when compared to white borrowers and communities. Extending CRA coverage to consider borrower and community race and ethnicity will be a significant step in reducing these disparities.

Emphasize a shift from merely tracking the quantity of lending into a new focus that also considers the quality of lending – Banks making quality prime loans to underserved markets should be given credit. However, banks should not be given equal credit when originating or funding high-risk loans, and banks should be penalized in cases where these loans are shown to be abusive. Higher-cost lending represents the extension of credit, but in many cases it is less desirable, unnecessary, and frequently damaging. Monitoring abusive lending through CRA lending examinations is a simple and appropriate way to ensure that underserved markets are not being targeted for abusive loans.

Increase transparency by expanding data collection to give communities the tools to better understand the lending occurring in their neighborhoods – Improving HMDA data disclosure to include risky loan features such as adjustable rates, negative amortization, interest-only payments, prepayment penalties, yield spread premiums, and no income documentation will improve the quality of lending in low- and moderate-income communities and communities of color. Additionally, expanding data collection would give communities the tools to better understand the lending occurring in their neighborhoods.

Appendix I: Notes on Data and Definitions

HMDA Data: The primary data source for this report is the Home Mortgage Disclosure Act Loan Application Register data (HMDA data), as collected, processed, and released each year by the federal government. (For more information, visit: www.ffiec.gov/hmda). Among the HMDA data provided for each loan are: the identity of the lending institution; whether the loan is government-backed (by the VA or FHA) or "conventional" (not government-backed); whether or not the home is owner-occupied; whether the home is a site-built home or a manufactured home; the census tract, county, and metropolitan area in which the property is located; the race and ethnicity of the borrower; the purpose of the loan (home-purchase, refinancing of existing mortgage, or home improvement); the lien status of the loan (first lien or junior lien); and pricing information for loans with annual percentage rates above threshold levels (see below). The FFIEC makes raw HMDA Loan Application Register data available on CD-ROM; the data may also be downloaded from www.ffiec.gov.

Lender Typology: This report identifies three types of lending institutions in each MSA: depository institutions and affiliates with a CRA obligation; depository institutions and affiliates with no CRA obligation; and independent mortgage companies, none of which have CRA obligations. To categorize the institutions into these three types, we used the HMDA Lender File created by Robert Avery of the Board of Governors of the Federal Reserve System for the Federal Reserve's 2007 HMDA report,[15] as well as the files in the HMDA data listing (1) all of the reporting institutions and (2) the MSAs or MDs in which a reporting institution had a home or branch office. A lender was considered to have a CRA obligation in a metropolitan area only when either (1) the lender is both (a) a depository, and (b) has a physical branch in the respective MSA; or (2) the lender is an affiliate of (1)--a depository that has a physical branch in the respective MSA.

Because credit unions are not covered by the federal CRA, they are--with one exception--categorized as depositories without CRA obligations. The exception is in the Boston MSA, where Massachusetts-chartered credit unions are covered by the state's Community Reinvestment Act and so are categorized as depositories with CRA obligations.

Loans Included: This report examines only a particular portion of all loans included in HMDA data – those that are: 1) for a home purchase or refinance; 2) conventional (rather than government-backed); 3) first-lien; 4) for a home that will be occupied by the borrower; and 5) for a site-built one- to four-family home.

Higher-Cost Loans: This report also examines patterns of higher-cost lending by each type of lender. A higher-cost loan is one in which a rate spread was reported under HMDA. On a first lien mortgage, this is a loan with an annual percentage rate of three percentage points or greater above the interest rate on a U.S. Treasury security of comparable maturity.

Neighborhood Composition: Much of the analysis in this report focuses on the racial/ethnic and income makeup of communities. HMDA data makes it possible to classify loans by neighborhoods along racial/ethnic and income categories. For this report, census tracts are divided into those where people of color comprise 80-100 percent; 50-79 percent; 20-49 percent; 10-19 percent; or less than 10 percent of the total number of residents in the tract. Census tracts where people of color comprise 50-100 percent of the residents are considered "minority tracts," "minority neighborhoods," or "communities of color." Similarly, census tracts are divided into those where the average median household income is less than 50 percent of area median income ("low-income"); between 50 percent and 80 percent of area median

[15] This report can be found at: http://www.federalreserve.gov/pubs/bulletin/2008/pdf/hmda07final.pdf

income (“moderate-income”); between 80 percent and 120 percent of area median income (“middle-income”); and over 120 percent of area median income (“upper-income”).

<u>CRA-eligible Loans</u>: These are mortgages for which CRA credit can be given. These include any loan to a low- or moderate-income census tract or any loan to a low- or moderate-income borrower for a home located in a middle- or upper-income census tract.

<u>Cities</u>: Metropolitan areas can be, and are, defined in many different ways for many different purposes. Each of the seven groups that participated in preparing this report defined its own metropolitan area in the way that it has found to be most useful for its own work. The notes to the individual metropolitan area tables in Appendix II provide information on the precise definitions of each city or metropolitan area included in this report.

Boston Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	569	2.1%	27,451
Depositories without CRA Obligations	6,128	15.8%	38,856
Independent Mortgage Companies	2,464	10.4%	23,715
All Loans	**9,161**	**10.2%**	**90,022**

Boston Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	313	2.8%	11,127
Depositories without CRA Obligations	2,809	21.0%	13,364
Independent Mortgage Companies	1,144	15.7%	7,306
All Loans	**4,266**	**13.4%**	**31,797**

Boston Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	Census Tract Income Level: Low-Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	960	35	3.6%	4,278	160	3.7%	13,586	274	2.0%	8,626	100	1.2%
Depositories without CRA Obligations	1,487	442	29.7%	6,308	1,552	24.6%	18,832	2,998	15.9%	12,215	1,136	9.3%
Independent Mortgage Companies	626	184	29.4%	3,095	594	19.2%	11,611	1,217	10.5%	8,376	466	5.6%
All Loans	**3,073**	**661**	**21.5%**	**13,681**	**2,306**	**16.9%**	**44,029**	**4,489**	**10.2%**	**29,217**	**1,702**	**5.8%**

Boston Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	Census Tract Minority Level: <= 80 %			79.9-50			49.9-20			19.9-10			Less Than 10		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	676	30	4.4%	1,299	38	2.9%	4,330	109	2.5%	5,636	109	1.9%	15,510	283	1.8%
Depositories without CRA Obligations	1,091	409	37.5%	1,882	493	26.2%	6,476	1,294	20.0%	8,255	1,096	13.3%	21,152	2,836	13.4%
Independent Mortgage Companies	483	203	42.0%	918	202	22.0%	3,521	454	12.9%	5,109	423	8.3%	13,684	1,182	8.6%
All Loans	**2,250**	**642**	**28.5%**	**4,099**	**733**	**17.9%**	**14,327**	**1,857**	**13.0%**	**19,000**	**1,628**	**8.6%**	**50,346**	**4,301**	**8.5%**

Note: "Boston" is the Boston metropolitan area as defined by the federal government in 2003. This area consists of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

Charlotte Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	1,194	7.0%	17,135
Depositories without CRA Obligations	4,663	19.9%	23,421
Independent Mortgage Companies	1,989	15.9%	12,483
All Loans	**7,846**	**14.8%**	**53,039**

Charlotte Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	343	7.4%	4,624
Depositories without CRA Obligations	1,077	24.6%	4,372
Independent Mortgage Companies	459	18.0%	2,553
All Loans	**1,879**	**16.3%**	**11,549**

Charlotte Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	Census Tract Income Level: Low Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	204	18	8.8%	1,998	233	11.7%	8,141	671	8.2%	6,792	272	4.0%
Depositories without CRA Obligations	195	56	28.7%	2,484	836	33.7%	10,868	2,508	23.1%	9,874	1,263	12.8%
Independent Mortgage Companies	93	24	25.8%	1,021	288	28.2%	5,771	1,050	18.2%	5,598	627	11.2%
All Loans	**492**	**98**	**19.9%**	**5,503**	**1,357**	**24.7%**	**24,780**	**4,229**	**17.1%**	**22,264**	**2,162**	**9.7%**

Charlotte Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	Census Tract Minority Level: <= 80 %			79.9-50			49.9-20			19.9-10			Less Than 10		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	460	51	11.1%	1,451	169	11.6%	5,046	432	8.6%	5,905	327	5.5%	4,273	215	5.0%
Depositories without CRA Obligations	452	190	42.0%	1,683	608	36.1%	6,139	1,545	25.2%	8,876	1,500	16.9%	6,271	820	13.1%
Independent Mortgage Companies	185	73	39.5%	772	230	29.8%	3,313	635	19.2%	4,708	653	13.9%	3,505	398	11.4%
All Loans	**1,097**	**314**	**28.6%**	**3,906**	**1,007**	**25.8%**	**14,498**	**2,612**	**18.0%**	**19,489**	**2,480**	**13.3%**	**14,049**	**1,433**	**10.2%**

Note: "Charlotte" is the Charlotte-Gastonia-Concord N.C.-S.C. Metropolitan Statistical Area as defined by the federal government in 2003. This area consists of five counties in N.C. (Anson, Cabarrus, Gaston, Mecklenburg, & Union plus York County in S.C.

Chicago Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	122,669	15,732	12.8%
Depositories without CRA Obligations	60,798	18,595	30.6%
Independent Mortgage Companies	47,997	9,065	18.9%
All Loans	**231,464**	**43,392**	**18.7%**

Chicago Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	84,696	11,008	13.0%
Depositories without CRA Obligations	40,250	12,532	31.1%
Independent Mortgage Companies	32,678	6,316	19.3%
All Loans	**157,624**	**29,856**	**18.9%**

Chicago Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	Census Tract Income Level: Low-Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	4,454	1,144	25.7%	18,998	4,144	21.8%	48,942	7,031	14.4%	50,188	3,407	6.8%
Depositories without CRA Obligations	2,487	1,300	52.3%	10,553	4,693	44.5%	25,998	8,393	32.3%	21,719	4,197	19.3%
Independent Mortgage Companies	1,705	594	34.8%	6,685	2,274	34.0%	20,038	4,037	20.1%	19,541	2,158	11.0%
All Loans	**8,646**	**3,038**	**35.1%**	**36,236**	**11,111**	**30.7%**	**94,978**	**19,461**	**20.5%**	**91,448**	**9,762**	**10.7%**

Chicago Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	Census Tract Minority Level: <= 80 %			79.9-50			49.9-20			19.9-10			Less Than 10		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	14,242	4,394	30.9%	16,312	2,624	16.1%	34,262	3,980	11.6%	30,406	2,624	8.6%	27,446	2,110	7.7%
Depositories without CRA Obligations	9,344	5,200	55.7%	8,501	3,057	36.0%	17,569	4,770	27.2%	13,816	3,065	22.2%	11,566	2,503	21.6%
Independent Mortgage Companies	5,665	2,541	44.9%	5,528	1,411	25.5%	13,589	2,254	16.6%	12,017	1,527	12.7%	11,198	1,332	11.9%
All Loans	**29,251**	**12,135**	**41.5%**	**30,341**	**7,092**	**23.4%**	**65,420**	**11,004**	**16.8%**	**56,239**	**7,216**	**12.8%**	**50,210**	**5,945**	**11.8%**

Note: "Chicago" is the Chicago metropolitan area which is defined here as consisting of six counties: Cook, DuPage, Kane, Lake, McHenry, and Will. Woodstock Institute views this as the most meaningful definition of metropolitan Chicago, even though it does not correspond to any of the Chicago-area metropolitan regions defined by the federal government.

Cleveland Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	1,762	9.0%	19,491
Depositories without CRA Obligations	2,855	33.3%	8,586
Independent Mortgage Companies	1,060	18.9%	5,609
All Loans	**5,677**	**16.9%**	**33,686**

Cleveland Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	1,294	9.1%	14,269
Depositories without CRA Obligations	2,040	33.5%	6,096
Independent Mortgage Companies	761	18.6%	4,089
All Loans	**4,095**	**16.7%**	**24,454**

Cleveland Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	Census Tract Income Level: Low-Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	573	165	28.8%	1,504	358	23.8%	8,855	844	9.5%	8,557	395	4.6%
Depositories without CRA Obligations	338	223	66.0%	910	524	57.6%	4,257	1,473	34.6%	3,081	635	20.6%
Independent Mortgage Companies	104	72	69.2%	356	158	44.4%	2,639	573	21.7%	2,510	257	10.2%
All Loans	**1,015**	**460**	**45.3%**	**2,770**	**1,040**	**37.5%**	**15,751**	**2,890**	**18.3%**	**14,148**	**1,287**	**9.1%**

Cleveland Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	Census Tract Minority Level: <= 80 %			79.9-50			49.9-20			19.9-10			Less Than 10		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	797	266	33.4%	784	172	21.9%	1,734	239	13.8%	2,505	217	8.7%	13,665	868	6.4%
Depositories without CRA Obligations	643	424	65.9%	526	279	53.0%	914	404	44.2%	1,182	388	32.8%	5,321	1,360	25.6%
Independent Mortgage Companies	196	121	61.7%	285	112	39.3%	531	141	26.6%	737	138	18.7%	3,858	546	14.2%
All Loans	**1,636**	**811**	**49.6%**	**1,595**	**563**	**35.3%**	**3,179**	**784**	**24.7%**	**4,424**	**743**	**16.8%**	**22,844**	**2,774**	**12.1%**

Note: "Cleveland" is the Cleveland Metropolitan Statistical Area, which consists of five counties: Cuyahoga, Geauga, Lake, Loraine, and Medina

Los Angeles Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	**All Loans**
Depositories with CRA Obligations	12,559	14.9%	84,286
Depositories without CRA Obligations	11,350	17.8%	63,745
Independent Mortgage Companies	9,091	22.4%	40,627
All Loans	**33,000**	**17.5%**	**188,658**

Los Angeles Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	**All Loans**
Depositories with CRA Obligations	4,037	19.7%	20,491
Depositories without CRA Obligations	3,836	24.7%	15,510
Independent Mortgage Companies	3,221	30.0%	10,739
All Loans	**11,094**	**23.7%**	**46,740**

Los Angeles Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	**Census Tract Income Level** Low-Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	2,708	614	22.7%	15,569	3,240	20.8%	25,839	4,645	18.0%	40,071	4,057	10.1%
Depositories without CRA Obligations	2,144	577	26.9%	11,637	3,072	26.4%	21,556	4,379	20.3%	28,304	3,315	11.7%
Independent Mortgage Companies	1,393	495	35.5%	8,090	2,576	31.8%	14,526	3,505	24.1%	16,578	2,507	15.1%
All Loans	**6,245**	**1,686**	**27.0%**	**35,296**	**8,888**	**25.2%**	**61,921**	**12,529**	**20.2%**	**84,953**	**9,879**	**11.6%**

Los Angeles Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	**Census Tract Minority Level** <= 80 %			79.9-50			49.9-20			19.9-10			Less Than 10		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	29,596	6,232	21.1%	20,876	3,083	14.8%	24,286	2,454	10.1%	8,971	751	8.4%	459	35	7.6%
Depositories without CRA Obligations	22,222	5,645	25.4%	17,008	2,948	17.3%	19,130	2,284	11.9%	5,078	452	8.9%	208	14	6.7%
Independent Mortgage Companies	15,922	4,835	30.4%	10,998	2,286	20.8%	11,571	1,719	14.9%	2,034	235	11.6%	66	8	12.1%
All Loans	**67,740**	**16,712**	**24.7%**	**48,882**	**8,317**	**17.0%**	**54,987**	**6,457**	**11.7%**	**16,083**	**1,438**	**8.9%**	**733**	**57**	**7.8%**

Note: "Los Angeles" is defined as the metro area consisting of Los Angeles County

New York Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	4,497	9.0%	50,014
Depositories without CRA Obligations	4,487	27.6%	16,243
Independent Mortgage Companies	3,422	26.1%	13,094
All Loans	**12,406**	**15.6%**	**79,351**

New York Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	1,676	12.2%	13,764
Depositories without CRA Obligations	1,529	32.3%	4,739
Independent Mortgage Companies	1,341	31.0%	4,325
All Loans	**4,546**	**19.9%**	**22,828**

New York Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	Census Tract Income Level: Low-Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	2,421	337	13.9%	9,673	1,203	12.4%	15,486	1,799	11.6%	22,412	1,157	5.2%
Depositories without CRA Obligations	929	343	36.9%	3,384	1,129	33.4%	6,041	1,860	30.8%	5,883	1,154	19.6%
Independent Mortgage Companies	797	326	40.9%	3,059	936	30.6%	4,877	1,385	28.4%	4,350	775	17.8%
All Loans	**4,147**	**1,006**	**24.3%**	**16,116**	**3,268**	**20.3%**	**264,04**	**5,044**	**19.1%**	**32,645**	**3,086**	**9.5%**

New York Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	Census Tract Minority Level: <= 80 %			79.9-50 %			49.9-20 %			19.9-10 %			Less Than 10 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	14,955	2,746	18.4%	6,815	486	7.1%	16,010	571	3.6%	6,145	149	2.4%	1,748	78	4.5%
Depositories without CRA Obligations	7,605	2,849	37.5%	1,937	483	24.9%	3,159	472	14.9%	1,149	145	12.6%	428	56	13.1%
Independent Mortgage Companies	6,244	2,333	37.4%	1,461	296	20.3%	2,466	293	11.9%	775	73	9.4%	362	48	13.3%
All Loans	**28,804**	**7,928**	**27.5%**	**10,213**	**1,265**	**12.4%**	**21,635**	**1,336**	**6.2%**	**8,069**	**367**	**4.5%**	**2,538**	**182**	**7.2%**

Note: "New York City" consists of the following counties: Bronx, Kings (Brooklyn), New York (Manhattan), Queensm and Richmond (Staten Island). This report examines lending only in the city, not in the wider metropolitan region.

Rochester Higher-Cost Lending by Institutional CRA Obligation

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	771	12.2%	6,334
Depositories without CRA Obligations	1,072	18.3%	5,852
Independent Mortgage Companies	490	25.7%	1,905
All Loans	**2,333**	**16.6%**	**14,091**

Rochester Higher-Cost Lending by Institutional CRA Obligation for CRA Eligible Loans (Loans to LMI Tracts or LMI Borrowers in MUI Tracts)

CRA Obligation	Loan Type: High-Cost Loans (HCL)	Percent HCL	All Loans
Depositories with CRA Obligations	413	14.3%	2,897
Depositories without CRA Obligations	584	27.3%	2,140
Independent Mortgage Companies	259	34.5%	751
All Loans	**1,256**	**21.7%**	**5,788**

Rochester Higher-Cost Lending by Institutional CRA Obligation and Census Tract Income Level

CRA Obligation	Census Tract Income Level: Low-Income < 50 %			Moderate-Income 50-79.99 %			Middle-Income 80-119.99%			Upper-Income > = 120 %		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High -Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	149	42	28.2%	756	149	19.7%	3,154	448	14.2%	2,275	132	5.8%
Depositories without CRA Obligations	102	57	55.9%	515	187	36.3%	2,896	569	19.6%	2,339	259	11.1%
Independent Mortgage Companies	25	12	48.0%	167	73	43.7%	962	272	28.3%	751	133	17.7%
All Loans	**276**	**111**	**40.2%**	**1,438**	**409**	**28.4%**	**7,012**	**1,289**	**18.4%**	**5,365**	**524**	**9.8%**

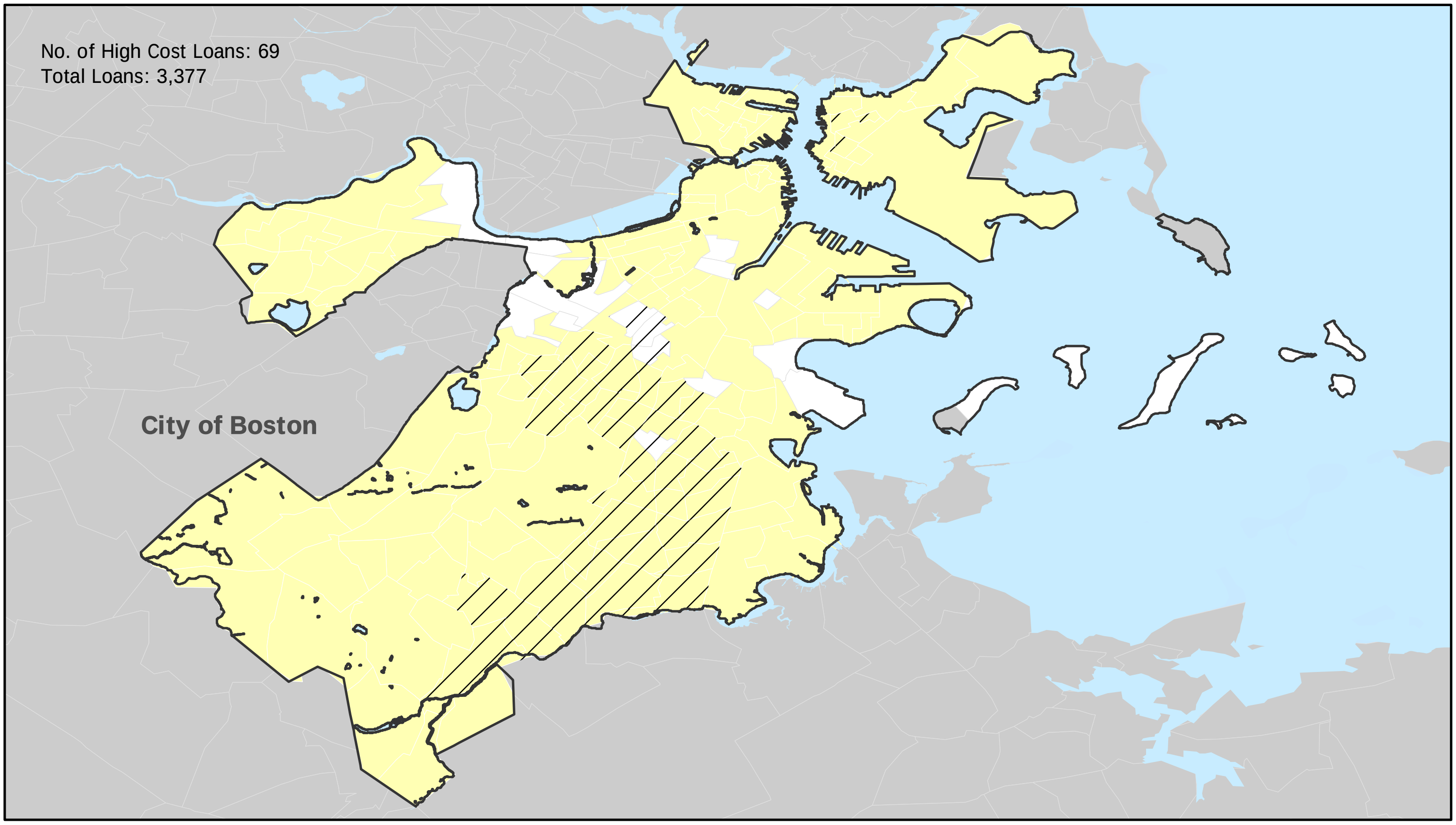
Rochester Higher-Cost Lending by Institutional CRA Obligation and Census Tract Minority Level

CRA Obligation	Census Tract Minority Level: <= 80 %			79.9-50			49.9-20			19.9-10			Less Than 10		
	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL	All Loans	High-Cost Loans (HCL)	Percent HCL
Depositories with CRA Obligations	86	36	41.9%	273	66	24.2%	513	80	15.6%	1,386	141	10.2%	4,076	448	11.0%
Depositories without CRA Obligations	65	43	66.2%	154	73	47.4%	345	114	33.0%	1,321	198	15.0%	3,967	644	16.2%
Independent Mortgage Companies	16	10	62.5%	57	27	47.4%	105	41	39.0%	444	120	27.0%	1,283	292	22.8%
All Loans	**167**	**89**	**53.3%**	**484**	**166**	**34.3%**	**963**	**235**	**24.4%**	**3,151**	**459**	**14.6%**	**9,326**	**1,384**	**14.8%**

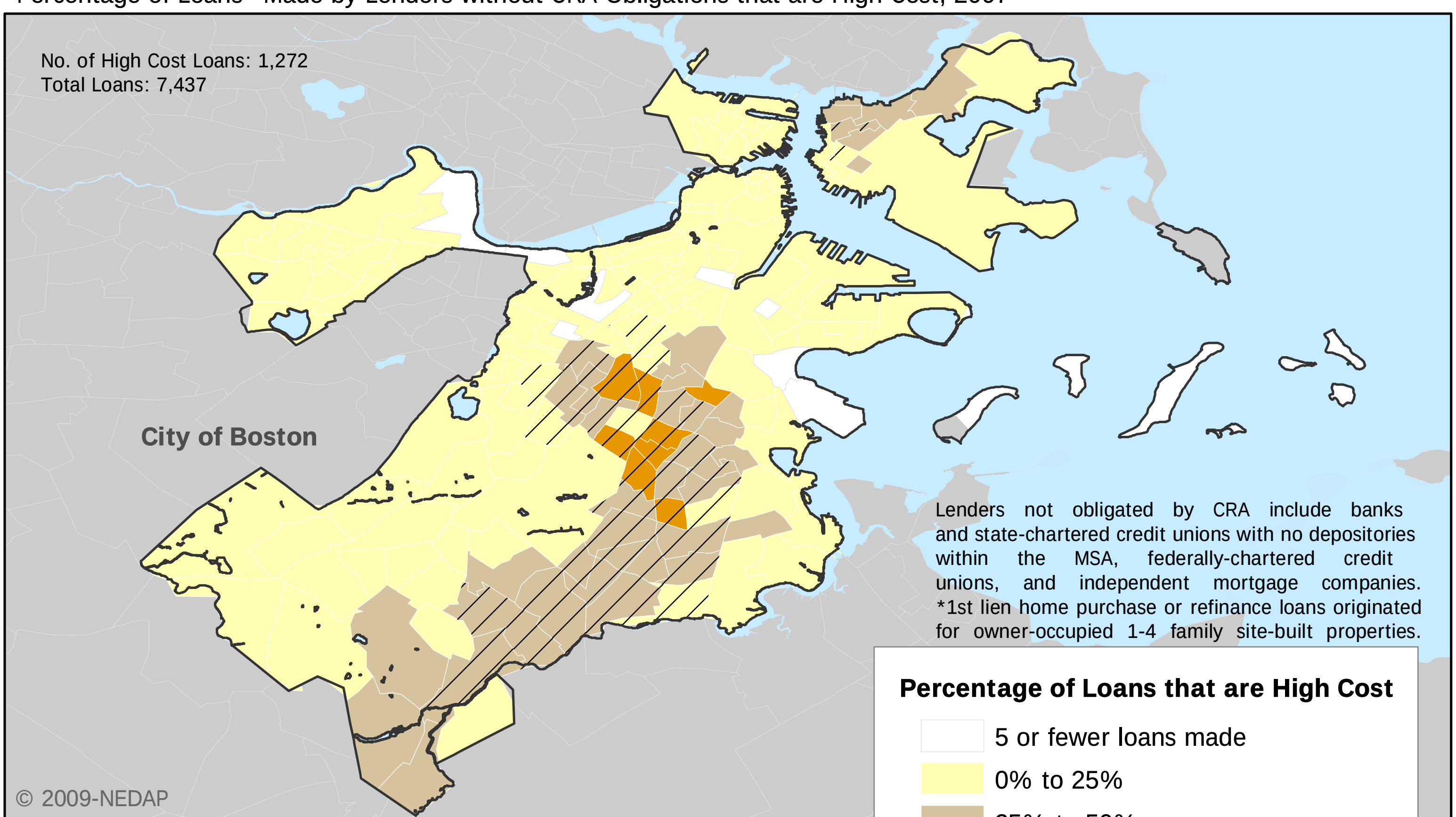
Note: "Rochester" is the Rochester NY Metropolitan Statistical Area as defined by the federal government in 2003. The area consists of five counties: Livingston, Monroe, Ontario, Orleans and Wayne.

City of Boston, Massachusetts

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007



Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



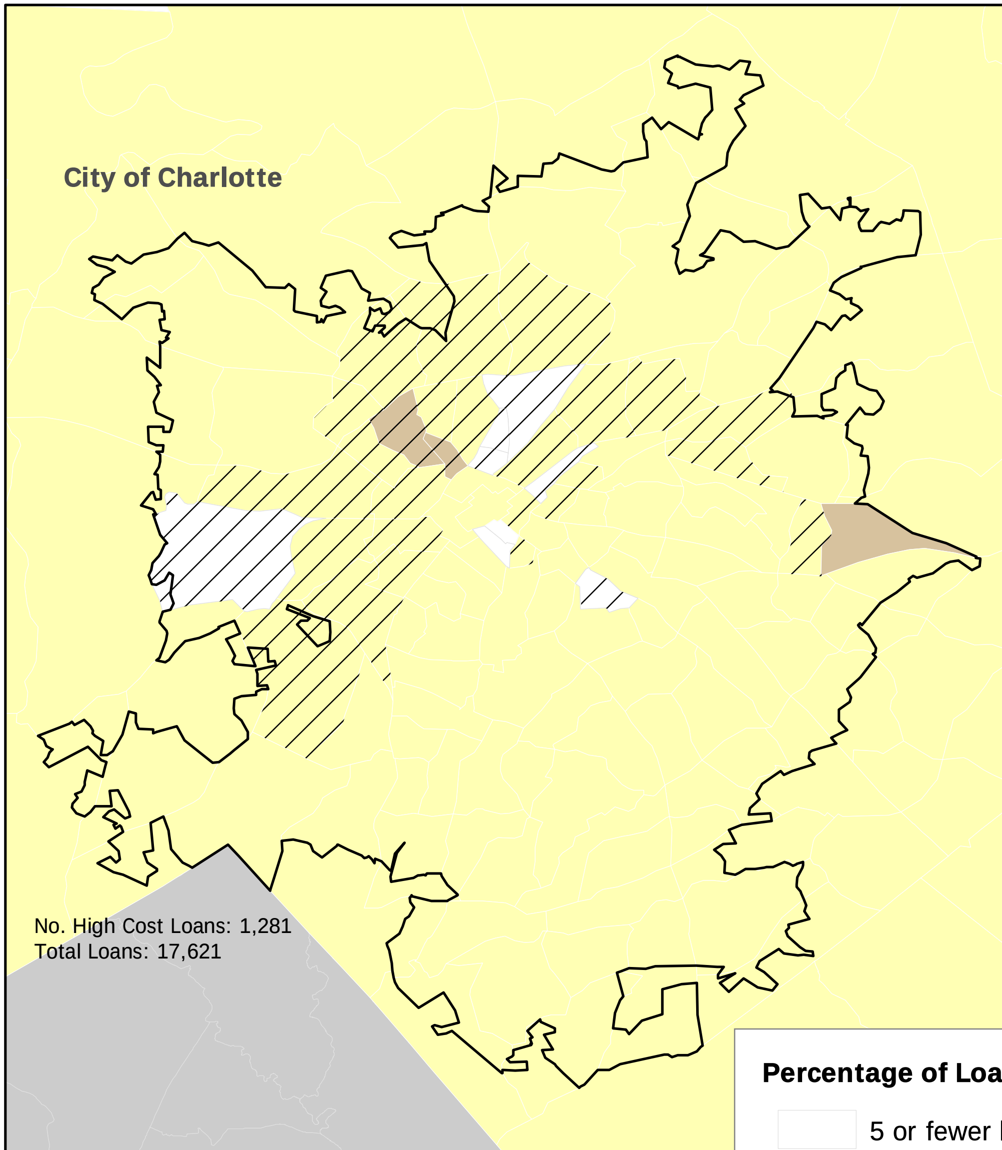
Percentage of Loans that are High Cost

- 5 or fewer loans made
- 0% to 25%
- 25% to 50%
- 50% to 75%
- 75% to 100%
- Population > 50% Black or Latino

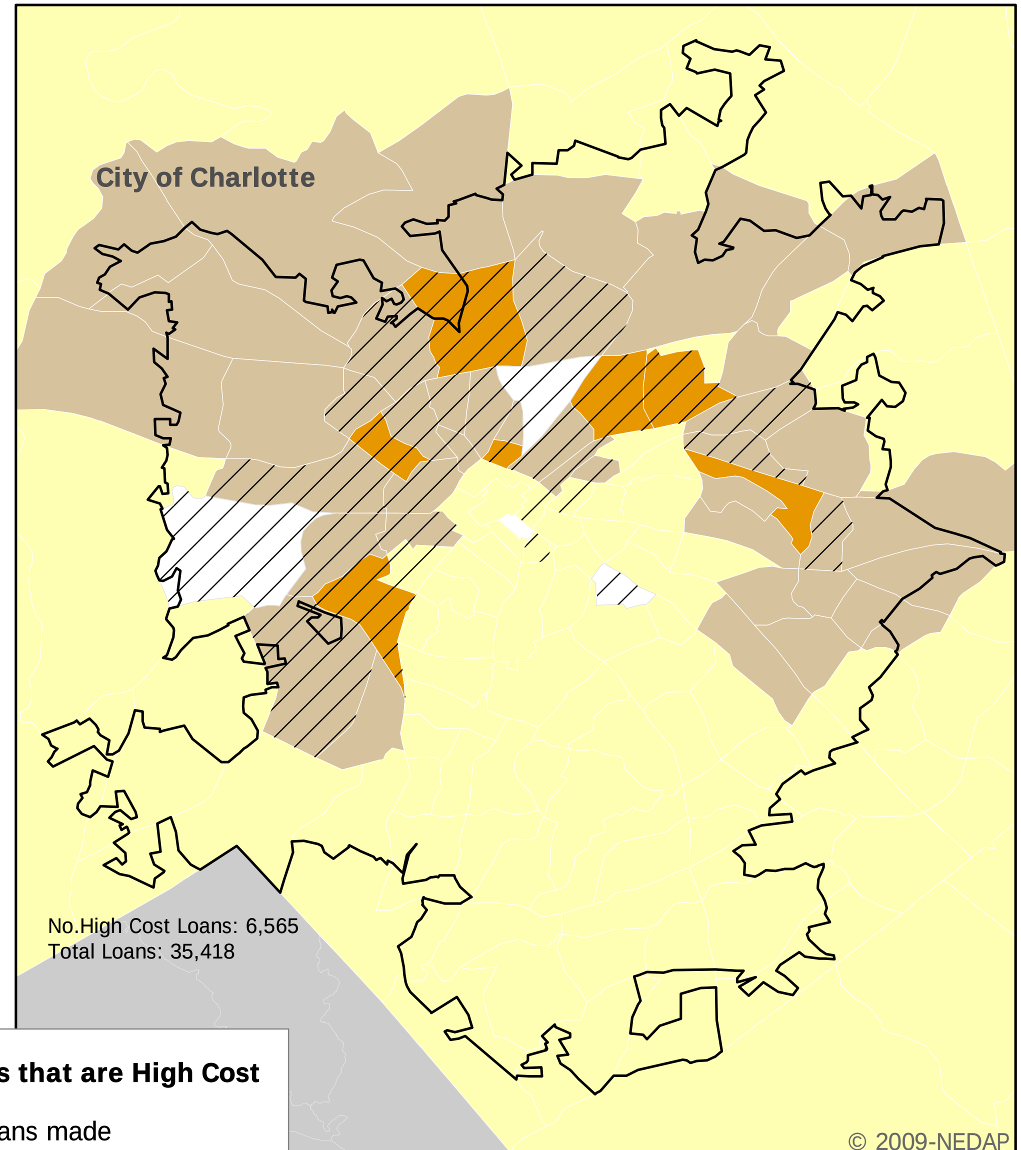
Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Massachusetts Affordable Housing Alliance - www.mahahome.org
Sources: HMDA (2007), Census (2000)

Charlotte, North Carolina

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007



Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



Percentage of Loans that are High Cost

- 5 or fewer loans made
- 0% to 25%
- 25% to 50%
- 50% to 75%
- 75% to 100%
- Population > 50% Black or Latino

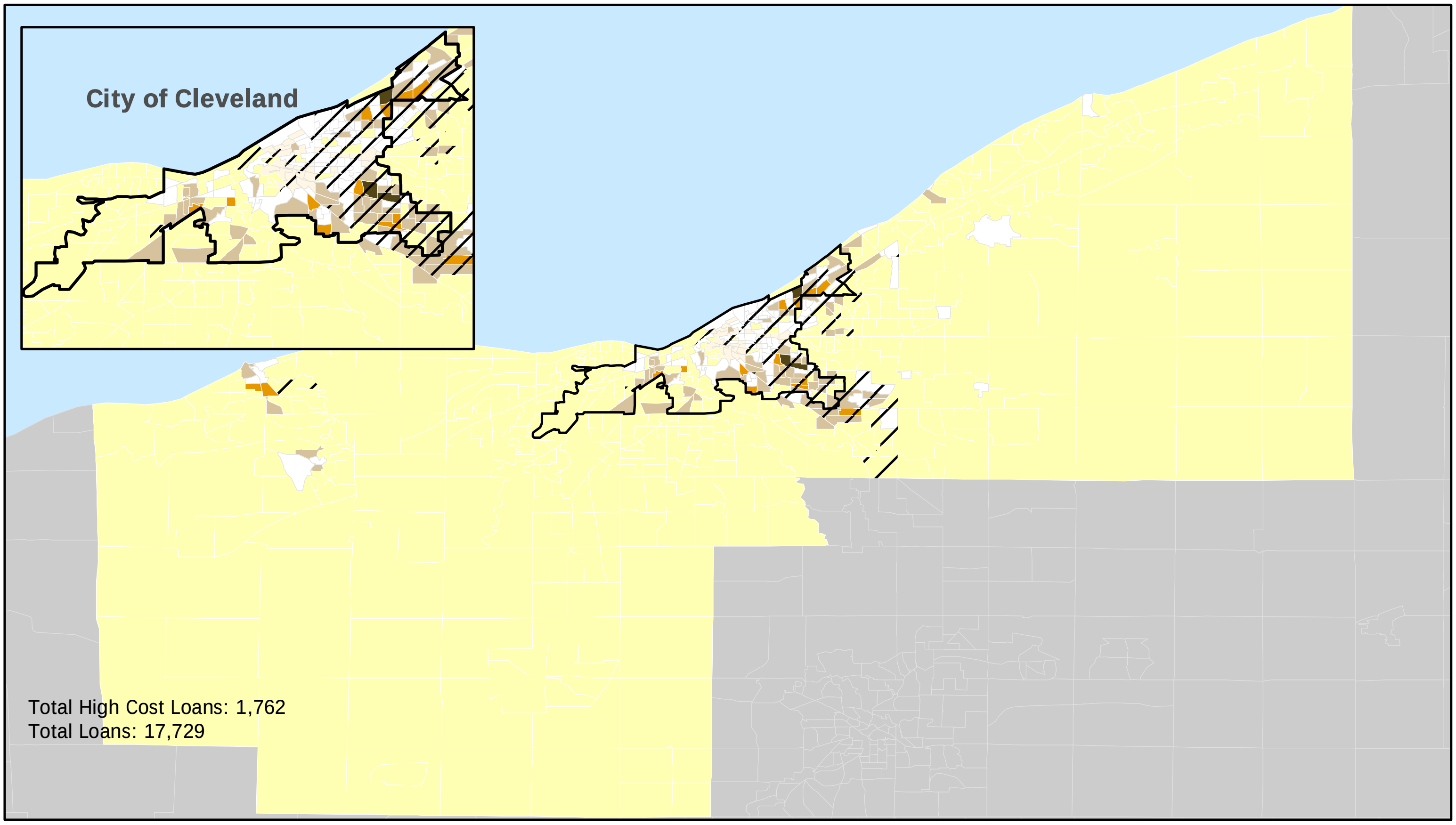
Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by Community Reinvestment Association of North Carolina - www.cra-nc.org

Sources: HMDA (2007), Census (2000)

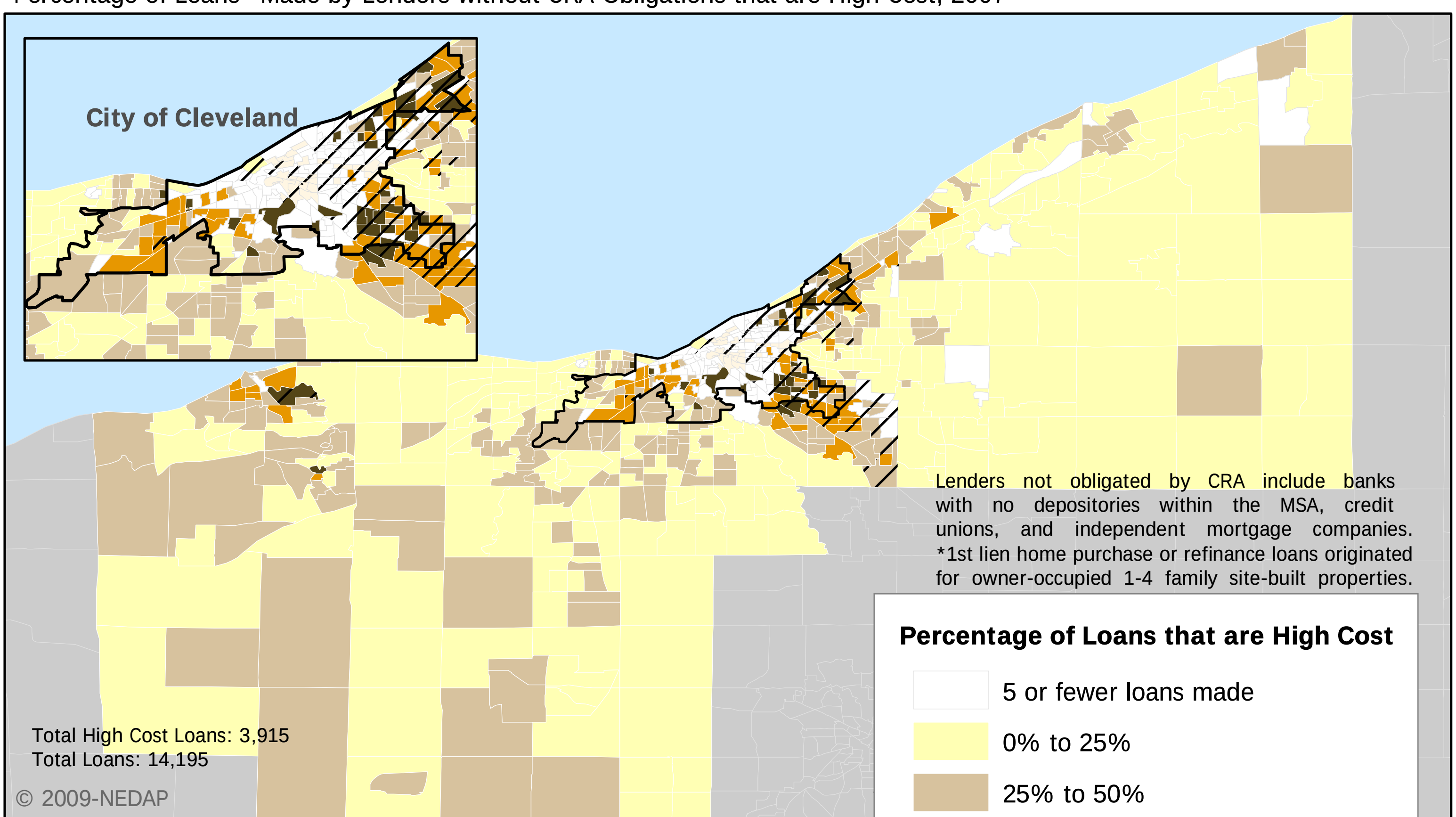
Lenders not obligated by CRA include banks with no depositories within the MSA, credit unions, and independent mortgage companies.
*1st lien home purchase or refinance loans originated for owner-occupied 1-4 family site-built properties.

Cleveland MSA, Ohio

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007



Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



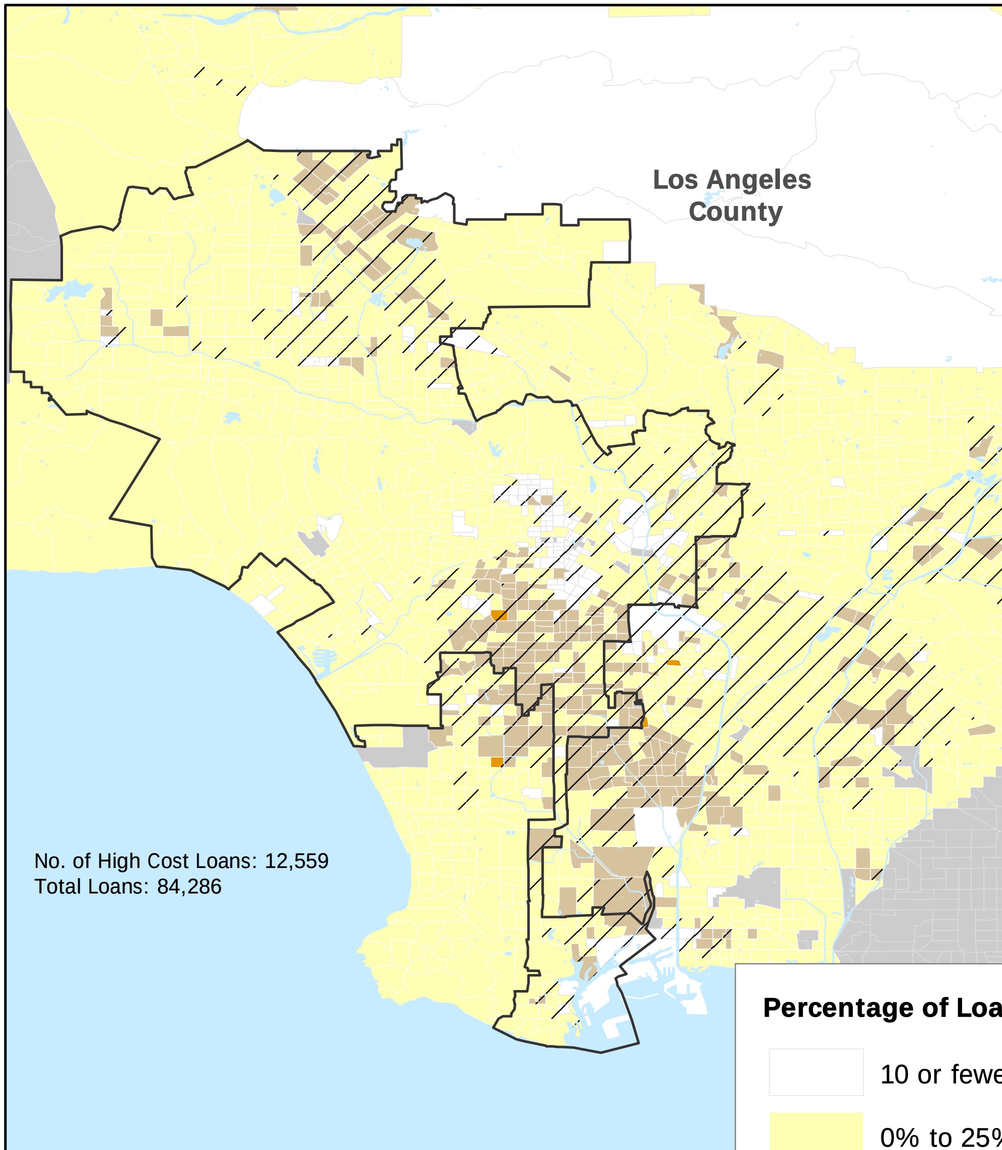
Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org

Data provided by Woodstock Institute - www.woodstockinst.org

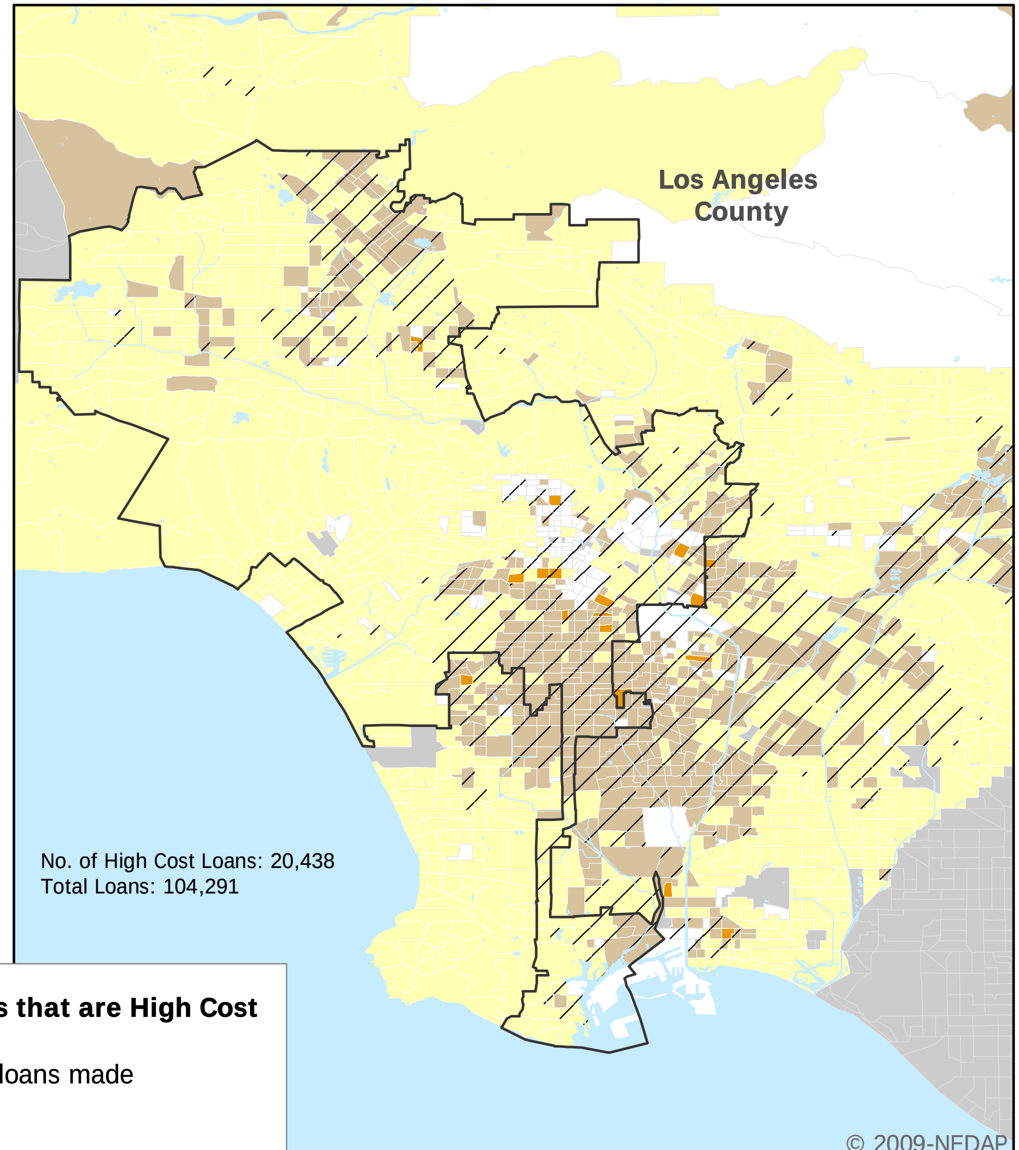
Sources: HMDA (2007), Census (2000)

Los Angeles, California

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007



Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



Percentage of Loans that are High Cost

- 10 or fewer loans made
- 0% to 25%
- 25% to 50%
- 50% to 75%
- 75% to 100%
- Population > 50% Black or Latino

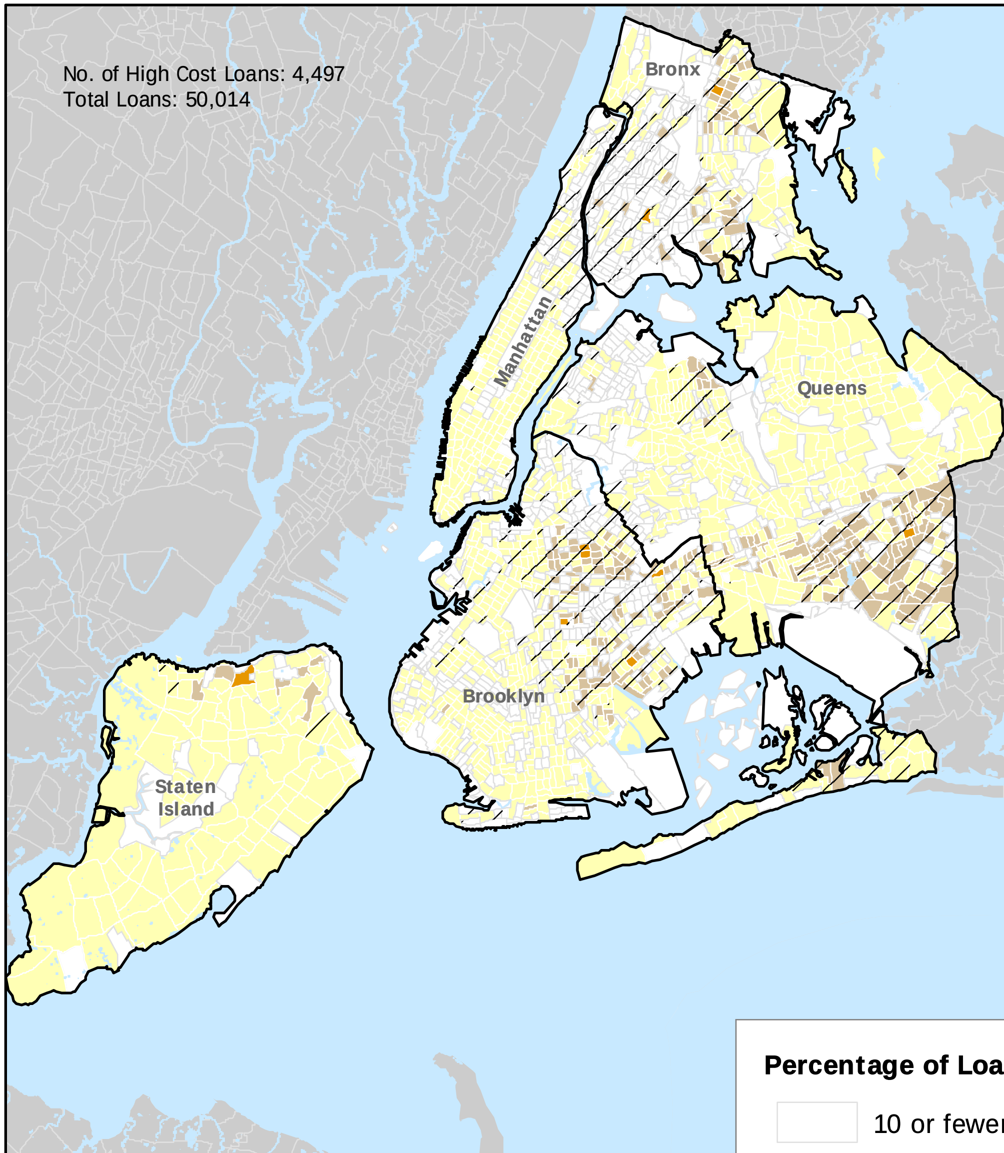
Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org
Data provided by the California Reinvestment Coalition - www.calreinvest.org

Sources: HMDA (2007), Census (2000)

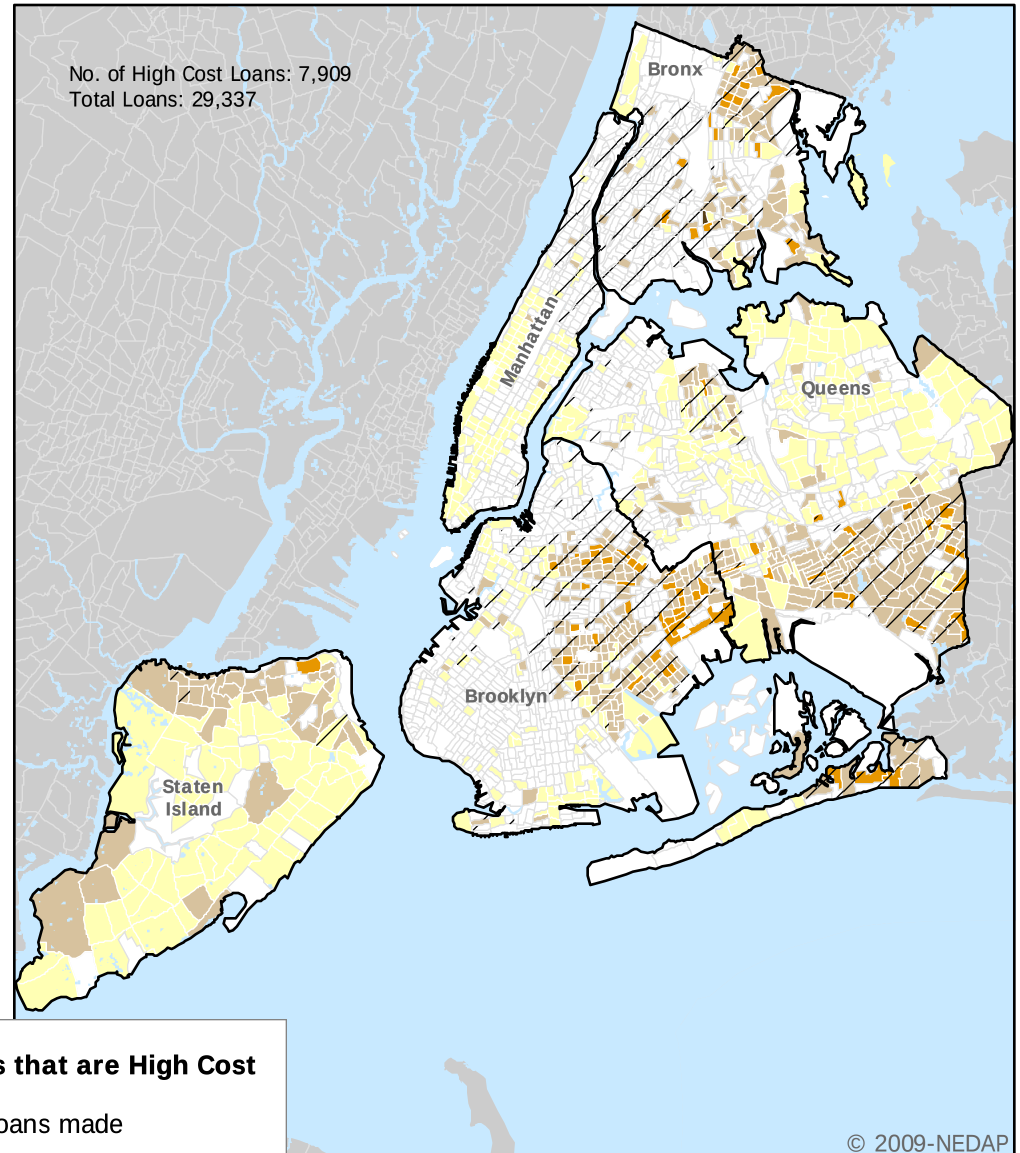
Lenders not obligated by CRA include banks with no depositories within the MSA, credit unions, and independent mortgage companies.
*1st lien home purchase or refinance loans originated for owner-occupied 1-4 family site-built properties.

New York City, New York

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007



Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



Percentage of Loans that are High Cost

- 10 or fewer loans made
- 0% to 25%
- 25% to 50%
- 50% to 75%
- 75% to 100%
- Population > 50% Black or Latino

Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org

Data provided by NEDAP

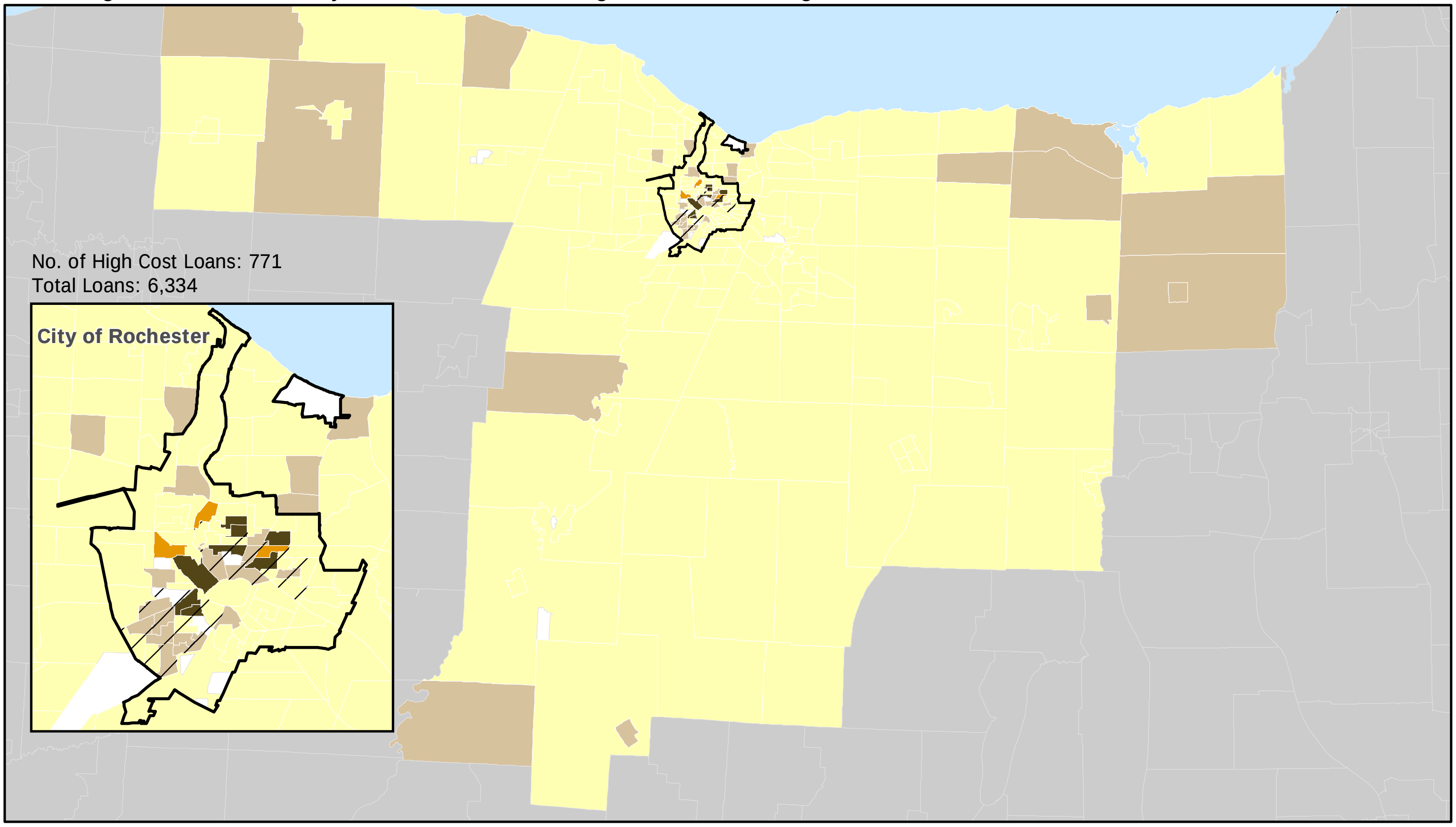
Sources: HMDA (2007), Census (2000)

Lenders not obligated by CRA include banks with no depositories within the MSA, credit unions, and independent mortgage companies.

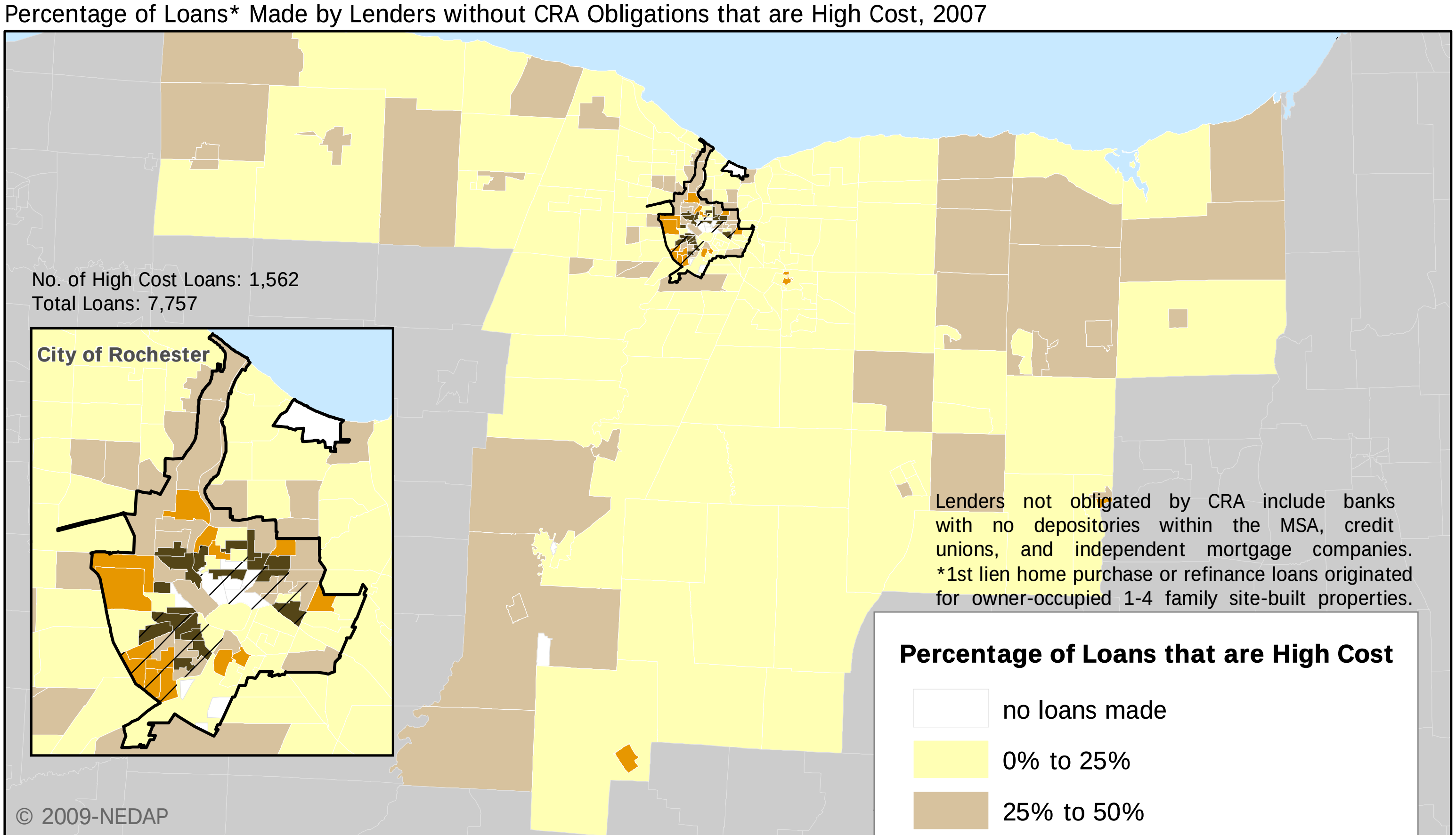
*1st lien home purchase or refinance loans originated for owner-occupied 1-4 family site-built properties.

Rochester MSA, New York

Percentage of Loans* Made by Lenders with CRA Obligations that are High Cost, 2007



Percentage of Loans* Made by Lenders without CRA Obligations that are High Cost, 2007



Percentage of Loans that are High Cost

- no loans made
- 0% to 25%
- 25% to 50%
- 50% to 75%
- 75% to 100%
- Population > 50% Black or Latino

Map prepared by NEDAP, Neighborhood Economic Development Advocacy Project - www.nedap.org

Data provided by Empire Justice Center - www.empirejustice.org

Sources: HMDA (2007), Census (2000)