

CRA Lending in the Fourth District

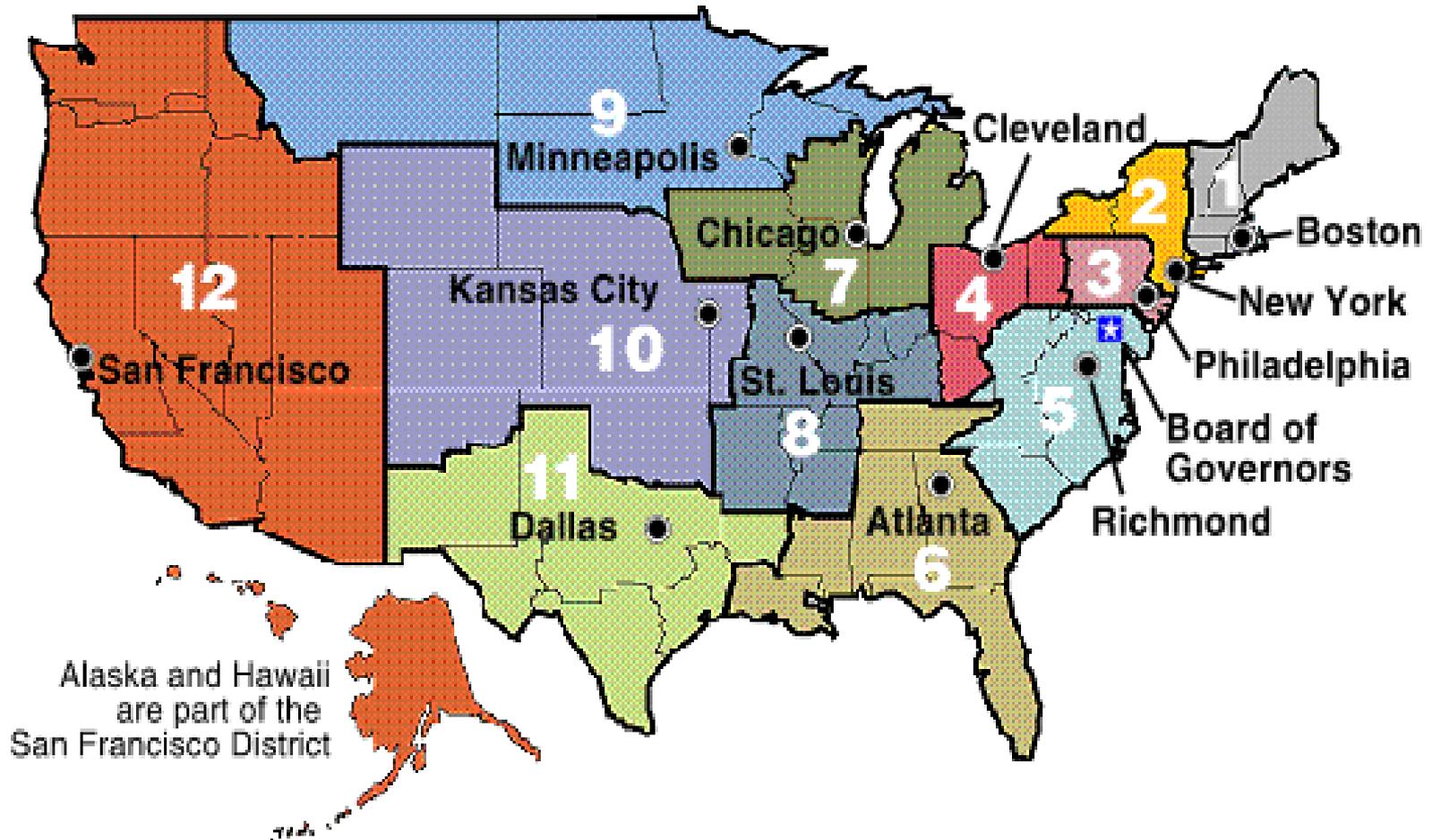
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Community Development

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The views expressed are those of the presenter and not necessarily those of the Federal Reserve Bank of Cleveland or its staff

Federal Reserve System



Rationale for examining 4th district

- Weaker economic and housing conditions
 - Lower home price appreciation 2000-2005
 - Population decline
 - Little employment growth
 - Higher rates of vacancy and abandonment
 - Higher poverty levels

Data used

- 2006 Home Mortgage Disclosure Act (HMDA)
 - This analysis is limited to first-lien home purchases or refinances loans for 1-4 family units
 - Information provided by BOG which indicates whether loan was made within or outside a bank's CRA assessment area
 - Information provided by BOG which indicates type of lender (i.e. depository, affiliate or subsidiary of depository, independent mortgage company)

What loans are covered under CRA ?

- Loans made by insured depository institutions,
- Loans made within the bank's CRA assessment areas, and
- Loans made to low-moderate income borrowers or to borrowers living in low-moderate income areas

CRA assessment areas

- Defined by banks
- Focused in areas where they want to operate
- Generally must consist of one more contiguous MSAs/counties
- Must include geographies where banks have a main office or branch

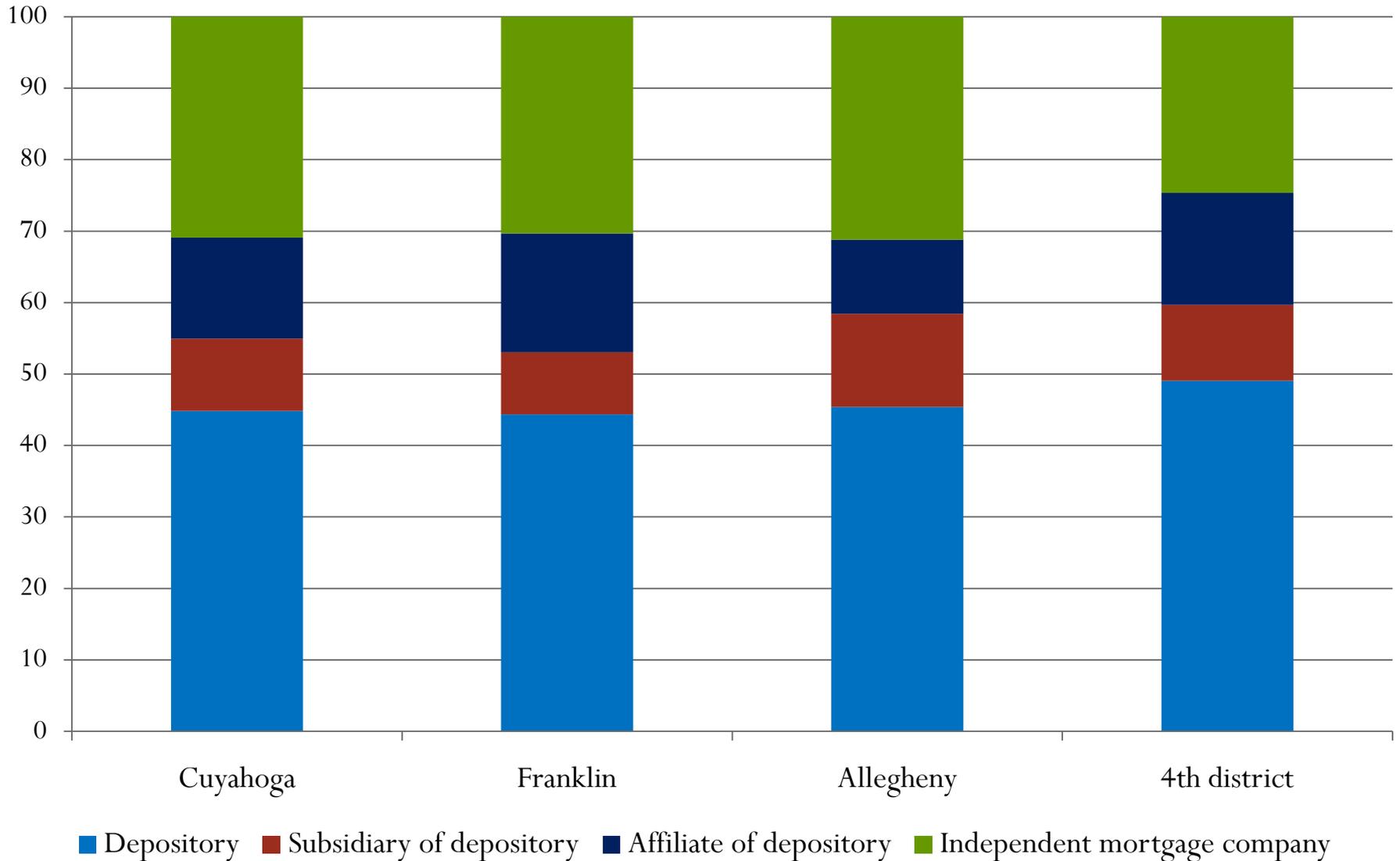
CRA income threshold

	Borrower income			
Tract income	Low income (< 50%)	Moderate income (50%-80%)	Middle income (80%-120%)	Upper income (120% or more)
Low income (< 50%)				
Moderate income (50%-80%)				
Middle income (80%-120%)				
Upper income (120% or more)				

What does our analysis show?

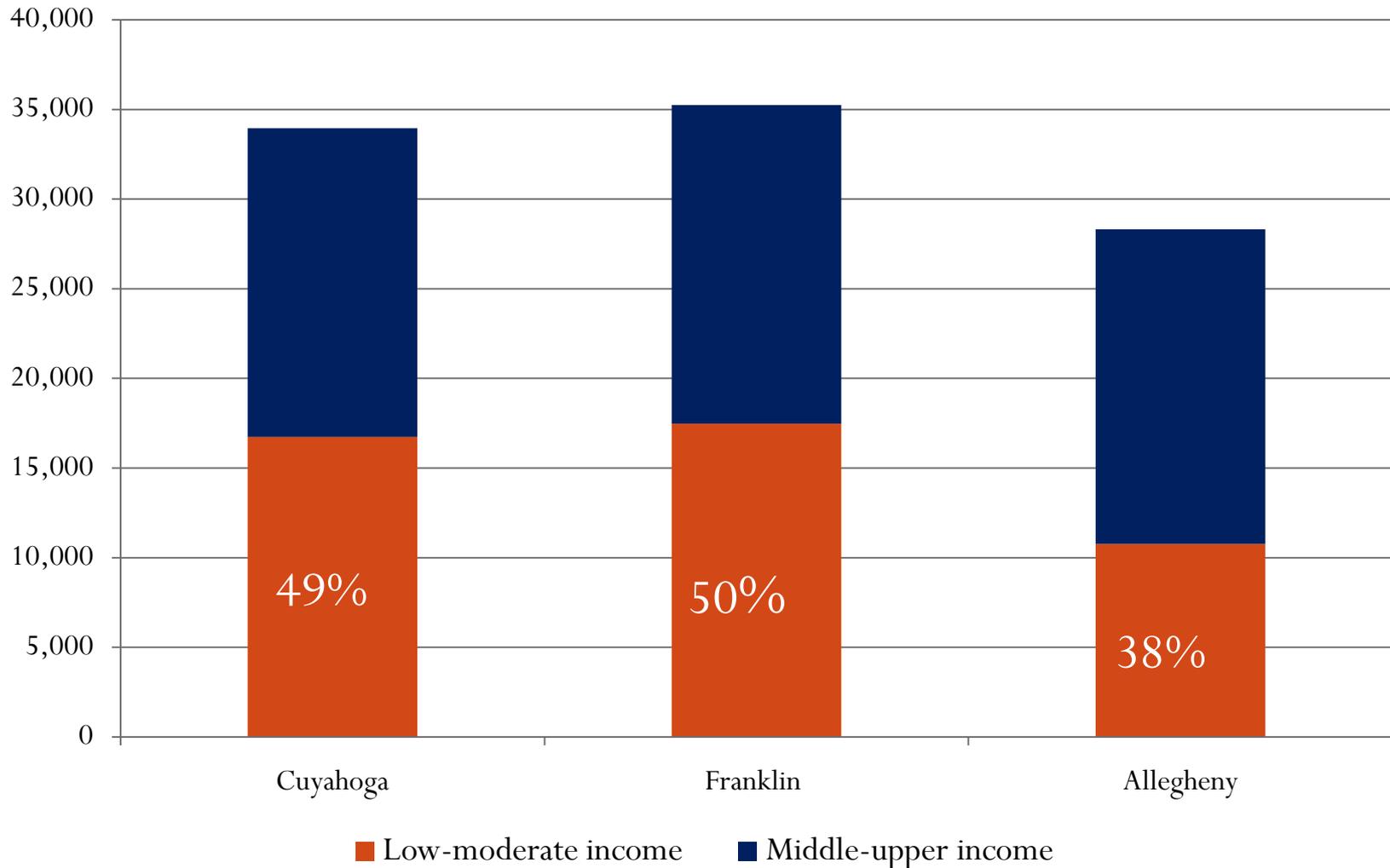
Who is providing loans?

First lien home purchase or refinance loans



Who is borrowing?

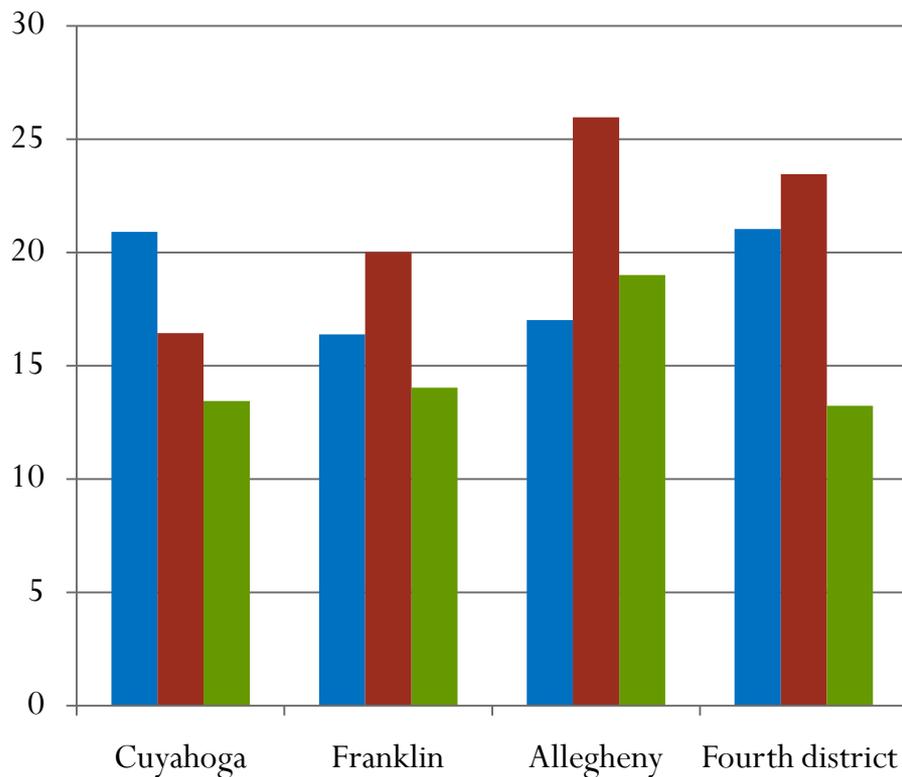
First-lien home purchase or refinance



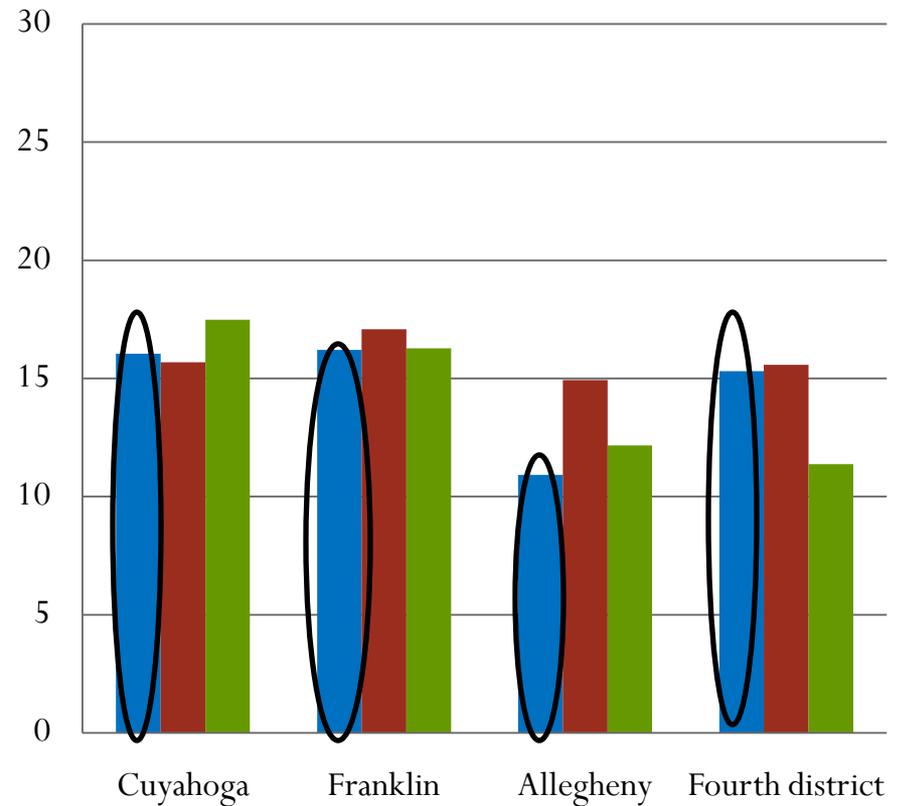
Percent of originations by lender type

First lien home purchase or refinance loans

Middle-upper income



Low-moderate income



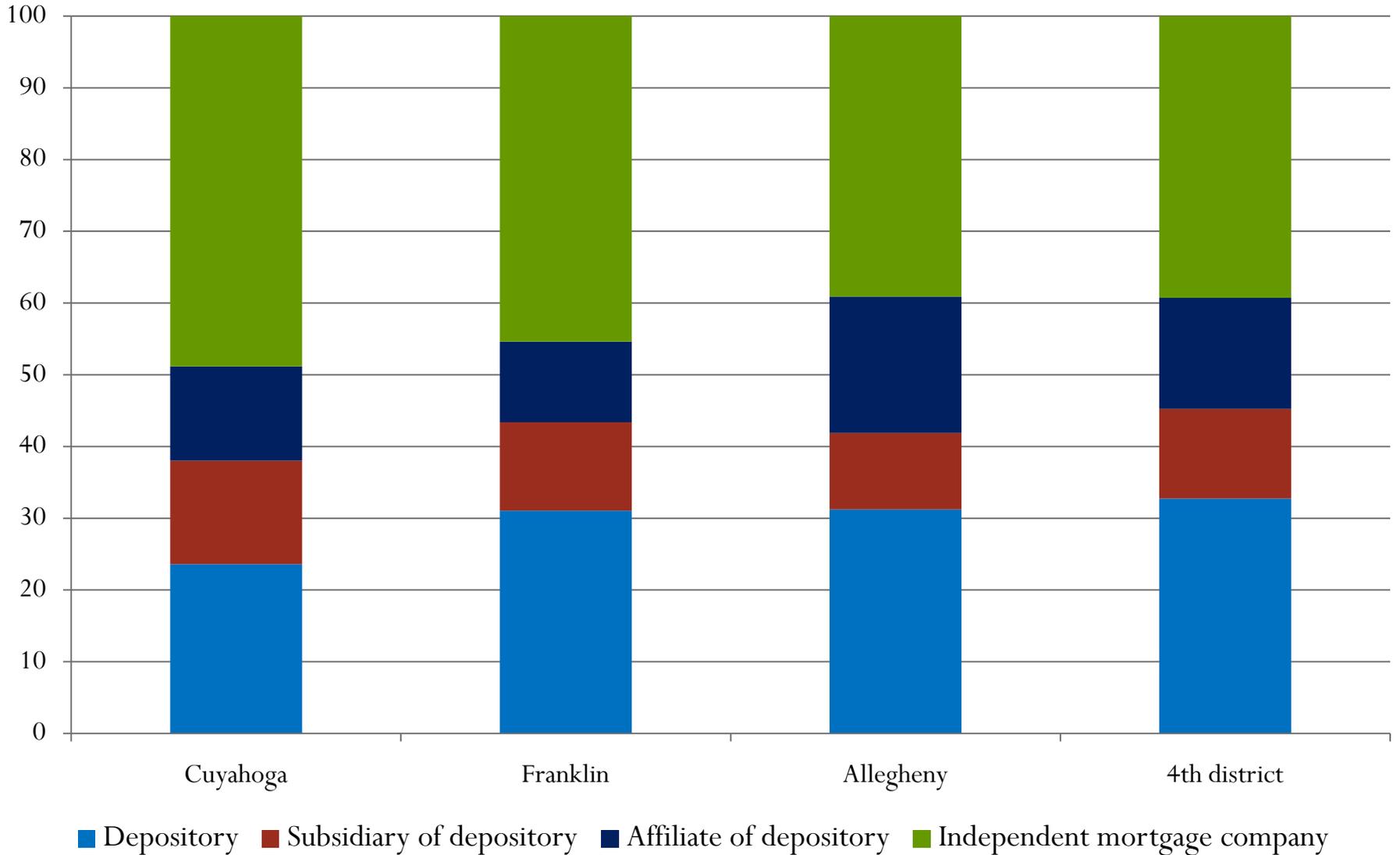
Bank & affiliate lending
In CRA assessment areas

Bank & affiliate lending
Outside CRA assessment areas

Independent mortgage company

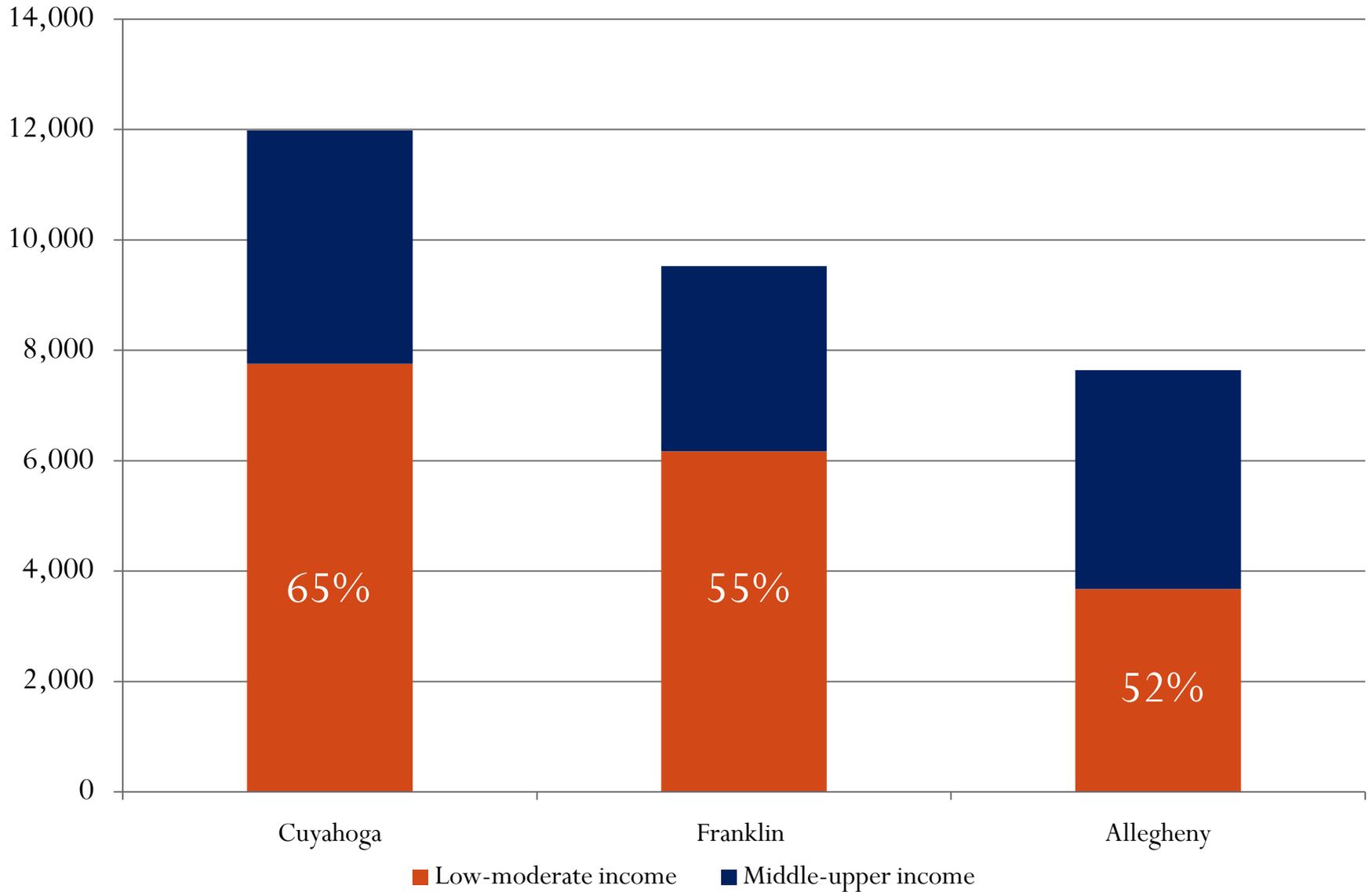
Who is providing *high-cost* loans?

First lien home purchase or refinance loans



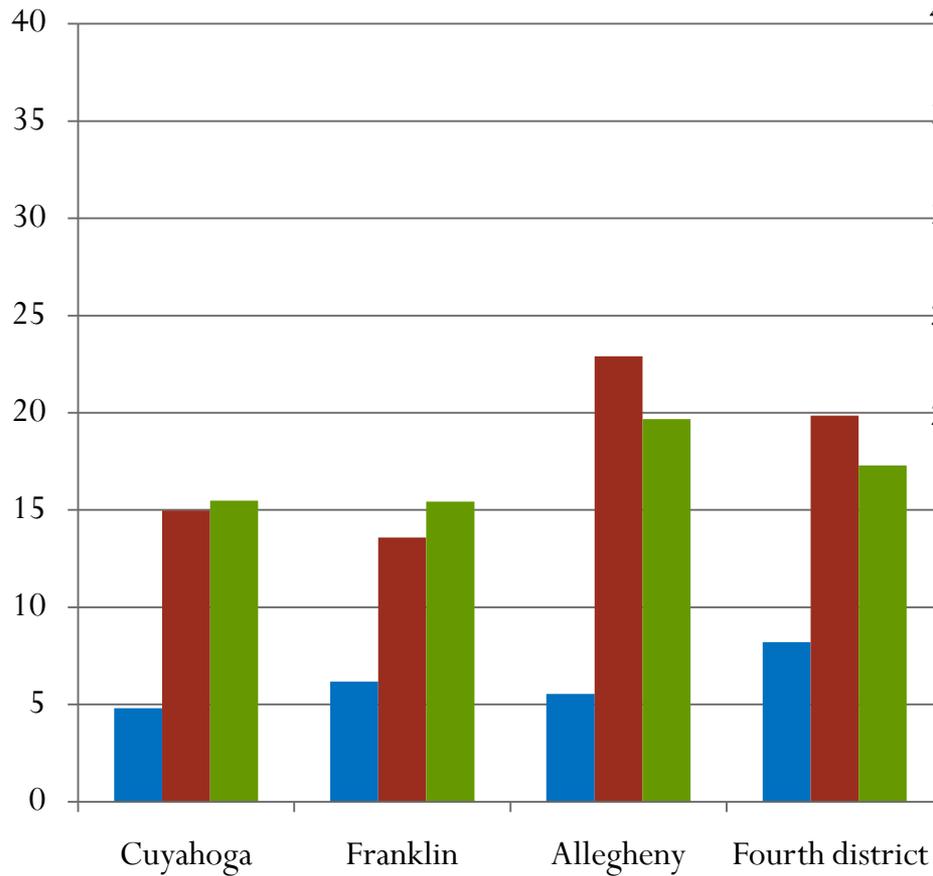
.....and to whom?

First lien home purchase or refinance loans

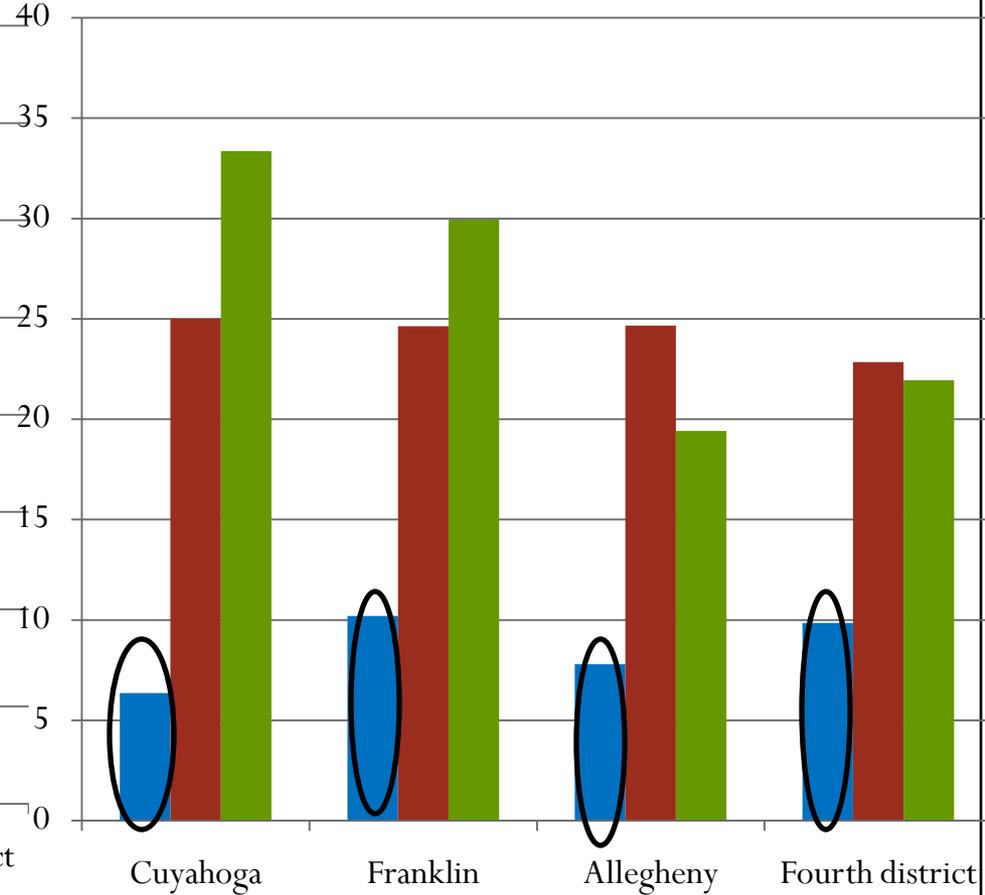


Percent of high-cost loans by income group

Middle-upper income



Low-moderate income



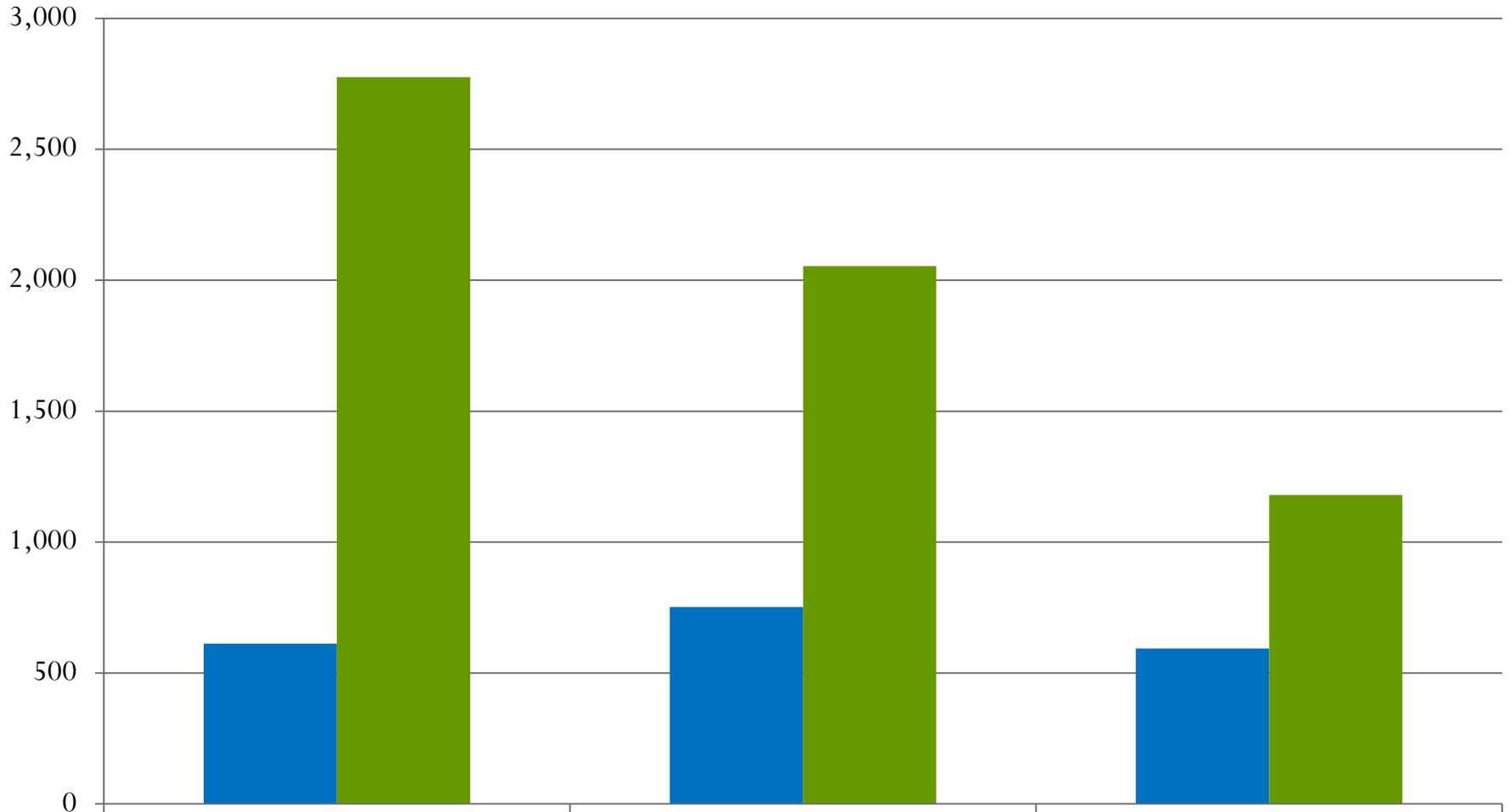
Bank & affiliate lending
In CRA assessment areas

Bank & affiliate lending
Outside CRA assessment areas

Independent mortgage company

High-cost lending to low-moderate income borrowers

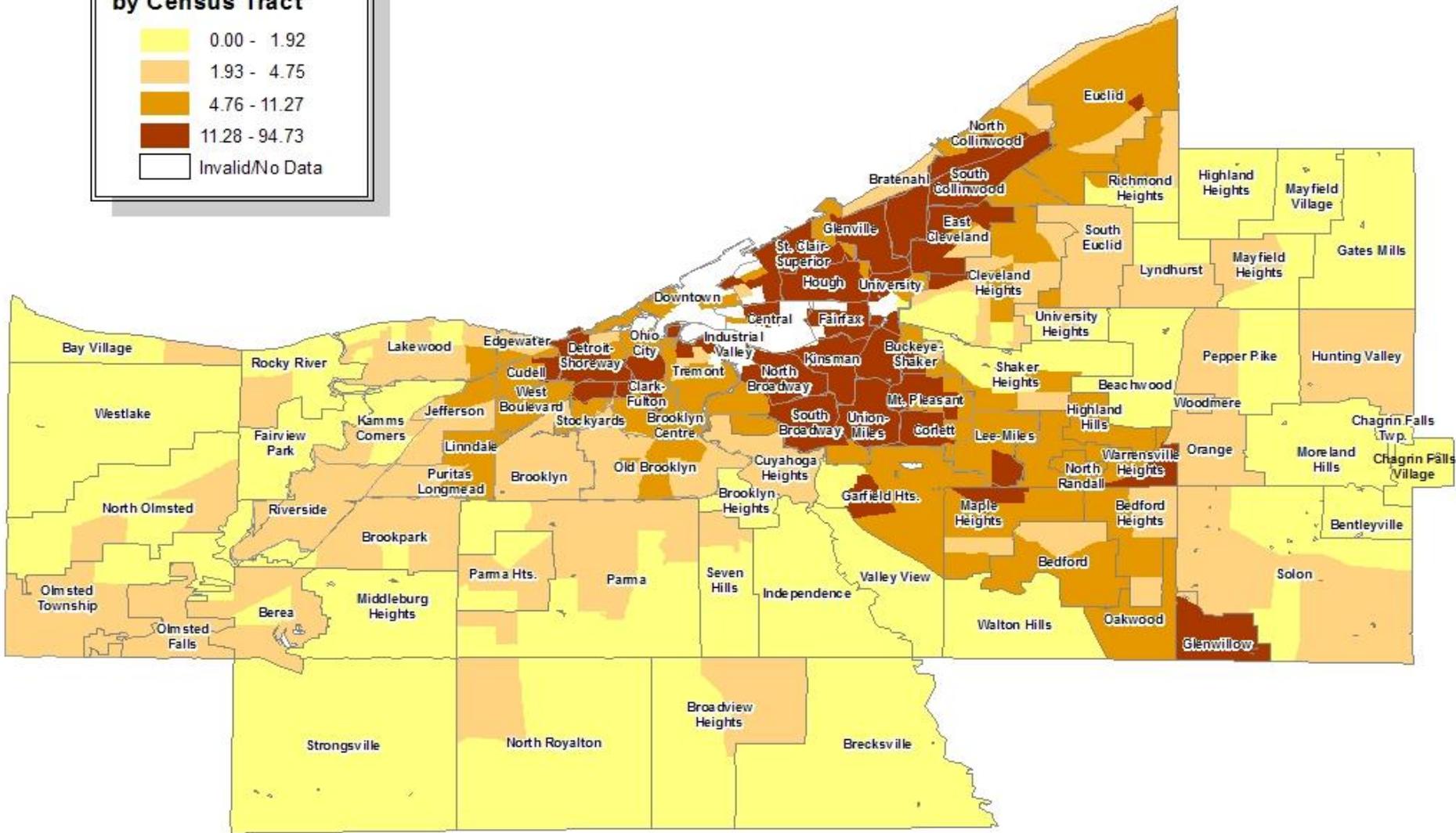
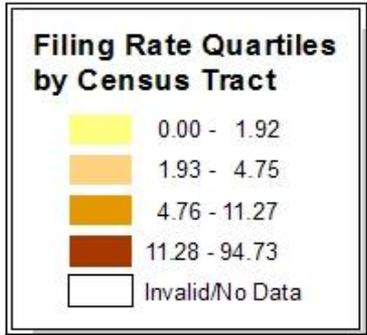
First lien home purchase and refinance loans



Bank & affiliate lending
In CRA assessment areas

Independent mortgage company

Foreclosure Filings per 100 Mortgaged Units, 2007



Summary & next steps

- CRA-regulated institutions provided small percentages high-cost loans in the 4th district
- Independent mortgage companies were prominent in the high-cost market, particularly in Cuyahoga and Franklin
- High-cost lending by IMCs appears to be spatially concentrated, particularly in Cuyahoga
- Going forward we would like to examine the performance of CRA loans compared to those made IMCs
- Going forward we plan to further investigate the spatial concentration of high-cost borrowing and lending