



## State of Banking in the City of Boston - 2018

### 2018 Boston Home Ownership

Pressures on Boston's limited housing supply continued in 2018. The Greater Boston metropolitan area had become the 10<sup>th</sup> most populous in the nation. Boston's population had grown at a rate of 12% in the past decade, double that of the nation as a whole.<sup>1</sup> Demand for housing was greater than supply and prices continued to rise.

### Cost of Homeownership

In 2018 Boston housing prices were at an all-time high, having risen by 61% since 2010. By 2018, the median property value in Boston reached \$575,200, an increase over the previous year's value of \$540,600. The continued high price of home ownership makes it challenging, if not out-of-reach for many Boston residents, given the 2018 median household income of \$71,834.<sup>2</sup>

A family would need to earn around \$160,000 per year to qualify the median home in Suffolk County, according to data from the National Housing Conference - well over the household income of the average two-person household in the Boston area.<sup>3</sup>

### Lending to Minorities and Low- and Moderate-Income Borrowers

Blacks and Latinos have consistently received shares of total loans far below their population shares; the loans they do obtain have been much more likely to be higher

interest loans (i.e. FHA loans); and their applications for mortgage loans has been much more likely to be denied at higher rates.<sup>4</sup>

Black and Latino borrowers in Boston, in Greater Boston, and statewide were much more likely to receive loans insured by the Federal Housing Administration (FHA loans\*) in 2018 than their white or Asian counterparts. In the City of Boston, FHA loans accounted for 14.9% of loans to blacks, and 2% of loans to whites and 1.2% to Asian applicants. The current level of FHA loans, especially to traditionally underserved borrowers and neighborhoods, is not itself a problem, but is a constructive response to an underlying problem - the lack of availability of conventional loans to those borrowers and neighborhoods.<sup>5</sup>

Historically, denial rates for conventional mortgage loans have been higher for Blacks and Latinos yet this discrepancy is not based solely on income.<sup>6</sup> In Greater Boston, the denial rate for borrowers with incomes between 100% and 120% of the median income was 22% for Blacks and 9% for whites.<sup>7</sup>

\*FHA loans are loans insured by the Federal Housing Administration. While a reasonable option for those unable to obtain a conventional loan, FHA loans are typically costlier and can indicate a lack of availability of conventional loans.

### Foreclosure Update

Citywide, foreclosure executions were 103 in 2018 and further reduced to 40 in 2019. At the height of the

foreclosure crisis in 2008, the foreclosure executions in Boston numbered 1,215.<sup>8</sup>

### Mortgage Lending Trends 2018

Banks covered in this report originated 1978 HMDA Mortgage Loans in 2018. Of those originations, 29.3% went to minority applicants.

The proportion of applications that resulted in originations was 62.2% overall, 67.4% for white applicants and 52.6% for minorities.<sup>9</sup>

Mortgage applications by minority applicants as a percentage of total applications was 34.7% in 2018.

The total number of low-income HMDA mortgage applications originated by the banks covered in this report was 403 resulting in 170 originations or an origination rate of 42.2% compared against an origination rate of 62.2% for all reportable HMDA loans by banks covered in this report

The 10 banks profiled in this report received 22% of the mortgage applications submitted in Boston in 2018 and made 20% of the originations by number.

### Small Business Lending Trends 2018

The total number of small business loans originated in Suffolk County decreased from 23,804 in 2017 to 23,257 in 2018. Small business loan dollars decreased, from \$794 million in 2017 to \$720 million in 2018.

In 2017 the highest number of loans and greatest dollar amount went to the upper-income tracts. The trend continued in 2018 with 41.3% of loans by number and

51.8% of loans by dollar amount going to upper-income tracts.

The 8 banks profiled in the Small Business report originated \$146.7 million in small business loans in Boston in 2018, totaling 20.36% of the total small business loan dollars originated in the area.

### About this Report

Since 1999, BankIQ has prepared the Linked Deposit Banking Report to the Mayor, which reports annually on the residential lending, small business lending, and community development practices of the group of banks eligible to provide banking services to the City of Boston.

The report was created in accordance with section 6-8.2 of chapter VI of the City of Boston Municipal Code. Section 6-8.2 requires that any institution wishing to contract with the City to provide banking services or to become a city depository shall annually disclose information on its loan activity and community development participation and services. The Linked Deposit Banking Report to the Mayor, which summarizes these disclosures and includes additional supplemental information, is intended to assist City officials as they compare the activities and performance of banks in order to help ensure that City monies are invested in institutions that contribute positively to the Boston community.<sup>10</sup>

<sup>1</sup> [www.bostonglobe.com](http://www.bostonglobe.com)

<sup>2</sup> <https://datausa.io/profile/geo/boston-ma/#housing>

<sup>3</sup> [www.bostonherald.com/2019/10/3](http://www.bostonherald.com/2019/10/3).

<sup>4</sup> [www.mahahome.org](http://www.mahahome.org) (James Campen)

<sup>5</sup> FFIEC online HMDA reports, Board of the Governors of the Federal Reserve System; 2018.

<sup>6</sup> [www.mahahome.org](http://www.mahahome.org) (James Campen)

<sup>7</sup> Ibid.14.9

<sup>8</sup> [www.boston.gov/news](http://www.boston.gov/news)

<sup>9</sup> Metrics exclude applications where ID by race is not available.

<sup>10</sup> *City of Boston Municipal Code*, Chapter VI, section 6-8.2.

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BankIQ prepared this document for the City of Boston.

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For the complete 2018 Linked Deposit Banking Report, contact the City of Boston Treasurer's office or the City of Boston website.

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# 2018 Linked Deposit Banking Report to the Mayor

## EXECUTIVE SUMMARY



CITY OF BOSTON