



## State of Banking in the City of Boston - 2020

### Response to COVID-19 Epidemic<sup>1</sup>

In April 2020, the US government launched the Paycheck Protection Program (PPP) for banks to provide financial assistance to small businesses struggling amid the COVID-19 pandemic. \$659 billion was allocated to the PPP nationwide. To administer these loans, the government paid participating banks a fee. For the purposes of this report, because of the influx of federal dollars, participating banks may have experienced an increase in both the bank's asset size and the dollar amount and number of small business loans.

### 2020 Boston Home Ownership

Pressures on Boston's limited housing supply eased in 2019. The median sales price for a single-family home in Boston was down 0.7% year-over-year. Condo prices were down year-over-year by 1.9%. The sales of single-family homes were down by 10% and sales for condos were down by 8.8%.<sup>2</sup> Despite this reduction Boston's population continued its growth of 12% in the past decade, double that of the nation as a whole.<sup>3</sup>

### Cost of Homeownership

With median home prices of close to \$700,000 and median household incomes of roughly \$75,000 in 2020, home ownership remains out of reach for many Boston residents.

A family would need to earn around \$160,000 per year to qualify for 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>4</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 Federal Housing Administration loans (FHA)\*; and their applications for mortgage loans has been much more likely to be denied at higher rates.<sup>5</sup>

In 2020 across Massachusetts, Black adults comprised 7.4% of the adult population, yet only received 3.4% of the conventional loans. All-in-all Black and Hispanic/Latinx borrowers are underrepresented in conventional loans and overrepresented in FHA loans compared to their population shares. The current level of FHA loans, especially to traditionally underserved borrowers and neighborhoods, is not itself a problem, but is a costly response to an underlying problem: the lack of availability of conventional loans to those borrowers and neighborhoods.<sup>6</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>7</sup> In Greater Boston, the denial rate for upper-income borrowers was 4.7% for Blacks and 2.7% for whites.<sup>8</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

Completed foreclosures (deeds) decreased by 15%, from 40 in 2019 to 34 in 2020<sup>9</sup>. At the height of the foreclosure crisis in 2008, the foreclosure executions in Boston numbered 1,215.<sup>10</sup>

### Mortgage Lending Trends 2020

Banks covered in this report originated 4061 HMDA Mortgage Loans in 2020. Of those originations, 19% went to applicants who identified as a minority applicant. Another 18% went to applicants where no race was specified.

The proportion of applications that resulted in originations was 68% overall, 77% for white applicants and 59% for minorities (excluding race N/A).<sup>11</sup>

Mortgage applications by minority applicants as a percentage of total applications was 24% in 2020 (excluding race N/A).

The total number of low-income HMDA mortgage applications originated by the banks covered in this

report was 411 resulting in 149 originations or an origination rate of 36% compared against an origination rate of 68% for all reportable HMDA loans by banks covered in this report.

The 13 banks profiled in this report received 20.9% of the mortgage applications submitted in Boston in 2020 and made 20.5% of the originations by number.

### 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.<sup>12</sup>

<sup>1</sup> Insider Intelligence Feb 3, 2021, 1:36 PM

<sup>2</sup> <https://www.curbed.com>

<sup>3</sup> [www.bostonglobe.com](http://www.bostonglobe.com)

<sup>4</sup> [www.bostonherald.com/2019/10/3](http://www.bostonherald.com/2019/10/3).

<sup>5</sup> UMass Donahue Institute (James Campen)

<sup>6</sup> FFIEC online HMDA reports, Board of the Governors of the Federal Reserve System; 2020.

<sup>7</sup> UMass Donahue Institute

<sup>8</sup> Ibid.

<sup>9</sup> City of Boston Foreclosure Overview.

<sup>10</sup> [www.boston.gov/news](http://www.boston.gov/news)

<sup>11</sup> Metrics exclude applications where ID by race is not available.

<sup>12</sup> *City of Boston Municipal Code*, Chapter VI, section 6-8.2.

**BankIQ**  
120 Coolidge Street  
Brookline, MA 02446-5808  
jnoble@bankiq.com

BankIQ prepared this document for the City of Boston.

With over twenty years' Government Banking experience, BankIQ is an independent, woman-owned and operated business. BankIQ specializes in collecting, analyzing, preparing, and documenting Financial Services information for the Public Sector.

For further information, contact us at our email.

#### Disclaimer

The information presented in these reports is not, nor should it be construed as, an assessment of the financial condition of the subject institutions. Neither does any report represent an analysis, conclusion, or opinion of the Treasury Department or BankIQ concerning the safety and soundness of a financial institution. The data presented in the reports has been compiled from a number of federal regulatory and state regulatory agencies. The data so compiled may not necessarily reflect current activity because of delays resulting from the time required to collect, tabulate, and publish the data. While the City and BankIQ believe that they have used the most recent data available in the preparation of these reports, because of reporting delays, the data contained herein may not reflect current circumstances. Additionally, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of additional data. The data contained herein describe past activity and are not presented with a view to predicting future results either in particular categories or in general. The sources used by the City and BankIQ to compile the data, which are cited herein, should be checked to ensure that the data have not been amended or revised subsequent to the date hereof

For the complete 2020 Linked Deposit Banking Report, contact the City of Boston Treasurer's office or the City of Boston website.

Front cover photo by Katie Haugland Bowen, licensed under CC BY 2.0 / edited from original

# 2020 Linked Deposit Banking Report to the Mayor

## EXECUTIVE SUMMARY



CITY OF BOSTON