



Disparities in Denial Rates of Conventional Home Purchase Loans by Applicant Race and Ethnicity

Racial disparities in denial rates continue as minority applicants for conventional loans are rejected significantly more often than whites.

- ◆ In 2003, African-Americans were 2.1 times more likely than whites to be denied a conventional home purchase loan while Latino applicants were 1.2 times more likely to be denied than whites. Asians and Pacific Islanders were denied as often as whites.
- ◆ For African-American applicants, the disparity in denial rates is a decrease from 2.6 in 1993 but an increase from 1998 when African-Americans were 1.2 times more likely to be denied than whites.
- ◆ Among Latinos, the disparity in denial rates is an increase from 1993 when they were less likely to be denied than whites but a decrease from 1998 when Latinos were 2.3 times more likely to be denied.

Change in Denial Rates in Conventional Home Purchase Loan Applications						
	2003		1998		1993	
	Denial Rate	Ratio to White	Denial Rate	Ratio to White	Denial Rate	Ratio to White
African-American	13.9%	2.1	12.1%	1.2	28.2%	2.6
Latino	7.9%	1.2	23.8%	2.3	3.4%	0.3
Asian/Pacific Islander	6.8%		9.0%		8.6%	
White	6.7%		10.5%		10.9%	

Even when comparing borrowers of the same income level, African-Americans and Latinos are rejected more often than whites for conventional purchase loans.

- ◆ Upper-income¹ African-Americans were 1.9 times more likely to be turned down than upper-income whites, middle-income African-Americans were 1.9 times more likely to be denied



¹ The median family income in metropolitan area was \$65,200 in 2003. Low-income families are those earning below 50% of the area median income which means below \$32,600 in 2003. Moderate-income families earned from 50% to 79% of the median or between \$32,600 and \$52,160. Middle-income families are those earning 80-119% of the area median income or between \$52,160 and \$78,240. Upper-income families earned 120% of the median or above or \$78,240.



than middle-income whites, moderate-income African-Americans were 2.4 times more likely to be denied than moderate-income whites and low-income African-Americans were 4.0 times more likely to be turned down than low-income whites.

- ◆ Upper-income Latinos were 1.5 times more likely to be turned down than upper-income whites, moderate-income Latinos were 1.2 times more likely to be turned down than moderate-income whites, while low-income Latinos were 1.9 times more likely to be turned down than low-income whites.

Conventional Home Purchase Loan Denial Rate Disparities Among Applicants of Similar Income Levels 2003						
Applicant Income Level	Denial Rates				Likelihood to be Denied Compared to White Applicants*	
	White	African-American	Latino	Asian/Pacific Islander	African-American	Latino
Low-Income Below 50% Median Below \$32,600	12.4%	50.0%	23.1%	8.9%	4.0	1.9
Moderate-Income 50-79% median \$32,600 - \$52,160	8.8%	21.1%	10.7%	7.3%	2.4	1.2
Middle-income 80-119% median \$52,160-\$78,240	6.9%	13.0%	4.2%	6.7%	1.9	--
Upper-Income Above 120% median \$78,240 or above	5.8%	10.9%	8.9%	6.4%	1.9	1.5

*The likelihood to be denied is calculated by dividing the denial rate of the comparison group by the denial rate of whites.

Changes in Conventional Home Purchase Loan Originations by Borrower Race and Ethnicity

Despite the increased number of loans made to minority homebuyers, they continue to receive a smaller portion of loans compared to their portion of the population in the metropolitan area.

- ◆ In 2003, African-Americans received only 1.1% of the conventional home purchase loans originated although they comprise 2.2% of the metropolitan area's population². Latinos are 6.7% of the population and received 1.9% of the loans. Asians and Pacific Islanders represent 53.8% of the population but received only 47.2% of the conventional home purchase loans originated. Whites received 31.4% of the conventional home purchase loans although they are 20.0% of the population.

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² Population figures from the 2000 United States Census Bureau based on metropolitan area definitions published by the Federal Financial Institutions Examination Council at www.ffiec.gov



Borrower Race/Ethnicity	Share of Population	Share of All Loans Originated	Disparity*
African-American	2.2%	1.1%	2.0
Latino	6.7%	1.9%	3.5
Asian/Pacific Islander	53.8%	47.2%	1.1
White	20.0%	31.4%	

*The disparity is the difference between the share of the population divided by the share of loan originations.

The number of conventional purchase loans made to all borrowers increased dramatically from 1993 to 2003.

- ◆ In 2003, African-Americans received 152 conventional home purchase loans, an increase of 463.0% which is 125 more loans than in 1993. Latinos received 263 conventional home purchase loans in 2003, a 378.2% increase which is 208 more loans than in 1993. Because lending to minorities started at such a low level in 1993, the smaller percentage increase in loans to whites does not reflect the increased number of loans to white applicants who received 4,364 loans in 2003 which is 3,072 more loans than in 1993, an increase of 237.8%.
- ◆ For African-Americans, the greatest percentage increase in lending occurred during the 1998 to 2003 time period. Conventional home purchase lending to African-Americans increased 59.3% from 1993 to 1998 but increased only 253.5% from 1998 to 2003.
- ◆ For Latinos, the greatest percentage increase in lending occurred during the 1998 to 2003 time period. Conventional home purchase lending to Latinos increased -10.9% from 1993 to 1998 and increased 436.7% from 1998 to 2003.
- ◆ For Asians and Pacific Islanders, lending decreased 35.3% from 1993 to 1998 before increasing 128.8% from 1998 to 2003. The overall change in lending from 1993 to 2003 is an increase of 48.1% of 2,130 more loans.

Borrower Race/Ethnicity	1993 Loan Originations	1998 Loan Originations	2003 Loan Originations	Change 1993-1998	Change 1998-2003	Change 1993-2003
African-American	27	43	152	59.3%	253.5%	463.0%
Latino	55	49	263	-10.9%	436.7%	378.2%
Asian/Pacific Islander	4,432	2,867	6,562	-35.3%	128.8%	48.1%
White	1,292	1,397	4,364	8.1%	212.4%	237.8%



Lending to Low- and Moderate-income Families

Lending to low- and moderate-income applicants has increased significantly since 1993.

However, since the number of loans made to low- and moderate-income borrowers was at a much lower level in 1993 compared to upper-income borrowers, the growth in the number of loans to upper-income borrowers was still greater than the increase in loans to low- or moderate-income borrowers.

- ◆ In 2003, low- and moderate-income homebuyers received 2,789 conventional home purchase loans, a 162.6% increase from 1993 when they received 1,062 loans. This was a 124.6% increase from 1998 when they received 1,242 loans. Lending to low- and moderate-income homebuyers increased 16.9% from 1993-1998.
- ◆ Middle-income homebuyers received 3,574 conventional home purchase loans in 2003, an increase of 125.2% from 1993 when they received 1,587 loans and an increase of 142.8% from 1998 when they received 1,472 loans. From 1993 to 1998, lending to middle-income homebuyers decreased by -7.2%.
- ◆ Upper-income homebuyers received 6,783 loans in 2003, an increase of 70.64% from 1993 when they received 3,975 loans and an increase of 167.7% from 1998 when they received 2,534 loans.
- ◆ In 2003, upper-income homebuyers received 48.8% of all conventional home purchase loans, while low-income homebuyers received only 4.2% of the home loans originated. Moderate-income homebuyers received 15.9% of home purchase loans, while middle-income homebuyers received 25.7%.

Conventional Home Purchase Lending by Homebuyer Income Level 1993-2003						
Borrower-Income	1993 ³ Loan Originations	1998 Loan Originations	2003 Loan Originations	Change 1993- 1998	Change 1998- 2003	Change 1993- 2003
Low- and Moderate-Income Below 80% Median Income Below \$52,160	1,062	1,242	2,789	16.9%	124.6%	162.6%
Middle-income 80-119% median \$52,160-\$78,240	1,587	1,472	3,574	-7.2%	142.8%	125.2%
Upper-Income Above 120% median \$78,240 or above	3,975	2,534	6,783	-36.3%	167.7%	70.64%

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³ In 1993, data for low- and moderate-income borrowers was combined into a single category.



Home Purchase Lending in Different Neighborhoods

Lending to low and moderate-income neighborhoods has increased significantly since 1993. The growth in the number of loans originated was greater in upper-income neighborhoods than in low- and moderate-income neighborhoods. Low- and moderate income communities continue to be underserved by conventional lenders.

- ◆ Low- and moderate-income census tracts⁴ account for 33.2% of the metropolitan area but received just 20.9% of the conventional loans in 2003. In contrast, upper-income neighborhoods make up 27.6% of the metropolitan area and received a greater 34.5% of the conventional home purchase loans.
- ◆ In 2003, there were 2,899 conventional home purchase loans made in low- and moderate-income neighborhoods, an increase of 284% from 1993 or 2,145 more loans. There were 4,792 conventional home purchase loans made in upper-income neighborhoods in 2003, a 153% increase from 1993 of 2,896 loans. Middle-income neighborhoods received 6,197 conventional home purchase loans in 2003 compared to 4,063 loans in 1993, an increase of 53%.
- ◆ Since 1998, conventional home purchase lending to low- and moderate-income neighborhoods increased 577.3%, increased by 111.4% to middle-income neighborhoods and increased 132.6% to upper-income neighborhoods.

Conventional Home Purchase Lending by Neighborhood Income 1993-2003								
Census Tract Income Level	% of Census Tracts in Metropolitan Area	Share of Conventional Home Purchase Loans	1993 # Loans	1998 # Loans	2003 # Loans	Change 1993-1998	Change 1998-2003	Change 1993-2003
Low- and Moderate-Income Below \$52,160	33.2%	20.9%	754	428	2,899	-43.2%	577.3%	284%
Middle-Income \$52,160 to \$78,240	36.4%	44.6%	4,063	2,932	6,197	-27.8%	111.4%	53%
Upper-Income Above \$78,240	27.6%	34.5%	1,896	2,060	4,792	8.6%	132.6%	153%

Applicants in minority neighborhoods are more likely to be denied than those living in mixed race or predominantly white neighborhoods.

- ◆ Conventional home loan applicants in neighborhoods where minorities are 50-100% of the population are 2.1 times more likely to be denied than applicants who live in neighborhoods with less than 20% minority population.

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⁴ Census tract income levels are based on the tract median family income compared to the metropolitan area median family income. A low-income census tract has a median family income below 50% of the metropolitan area's median family income while moderate-income census tracts have a median family income 50-80% of the area median, middle-income census tracts have a median family income 80% - 119% of the metropolitan median and upper-income census tracts have a median family income 120% or greater than the metropolitan area median.



- ◆ This disparity has increased since 1993 when applicants from minority neighborhoods were 1.4 times more likely to be denied than those in white neighborhoods.

Disparity in Denial Rates by Neighborhood Type 2003		
Neighborhood Characteristic	Denial Rate	Disparity to White Neighborhoods
Minority Neighborhoods 50-100% Minority Population	7.6%	2.1
Mixed Neighborhoods 20-50% Minority Population	10.8%	3.0
White Neighborhoods 0-20% Minority Population	3.6%	

Role of Government-backed Loans

The African-American and Latino share of government-backed loans is substantially larger than their share of conventional loans, and is more proportionate to their share of the population. Government-backed loans represent a larger share of the loans made to minority borrowers than conventional home purchase loans. However, since the total number of conventional loans originated is far greater than the number of government loans, so that minority borrowers' larger share of government-backed loans has only a limited impact on their share of all home purchase loans.

- ◆ African-Americans represent 2.2% of the population and received 5.3% of government-backed home purchase loans in 2003, five times their 1.1% share of conventional loans.
- ◆ Latinos represent 6.7% of the population and received 3.7% of the government-backed loans in 2003, two times their 1.9% share of conventional loans.
- ◆ Asians and Pacific Islanders represent 53.8% of the population and received 36.9% of the government-backed loans originated, as compared to 47.2% of the conventional loans.
- ◆ Whites represent 20.0% of the population and received 31.4% of the conventional home purchase loans compared to 36.4% of the government-backed home purchase loans.
- ◆ If we combine both government backed and conventional originations, African-Americans received 1.4% of all home purchase originations, still much less than their share of the population and Latinos received 2.0% of all home purchase originations, still below their share of the population. Asians and Pacific Islanders received 46.5% of all home purchase loans, less than their share of the population.
- ◆ Government-backed loans make up a greater portion of purchase loans to minority applicants compared to whites. Government-backed loans accounted for 25.9% or one out of every four home purchase loans received by African-Americans in 2003 and 12.3% or one out of every 8 of those received by Latinos, as compared to 7.6% or one out of 13 of the home purchase loans to whites. Government-backed loans were only 5.3% of all home loans made to Asians and Pacific Islanders.



Home Purchase Loans by Loan Type and Borrower Race/Ethnicity 2003				
Borrower Race/Ethnicity	Share of Population	Share of Gov't-backed loans	Share of Conventional loans	Share of all Purchase loans
African-Americans	2.2%	5.3%	1.1%	1.4%
Latinos	6.7%	3.7%	1.9%	2.0%
Asian/Pacific Islander	53.8%	36.9%	47.2%	47.2%
Whites	20.0%	36.4%	31.4%	31.7%

African-Americans and Latinos were rejected more frequently than white applicants for government-backed loans.

- ◆ African-American applicants for government-backed mortgages were denied 2 times more often than white applicants. The denial rate disparity for African-Americans is lower for government-backed loans than for conventional home purchase loans where African-Americans were turned down 2.1 times more frequently than whites.
- ◆ Asian and Pacific Islander applicants for government-backed loans were 1.4 times more likely to be denied than whites.

Government-backed loans are a larger source of credit in middle-income communities than in low- or moderate-income communities.

- ◆ Of all government-backed home purchase loans 65.2% were made in middle-income neighborhoods while less than 1% were made in low-income neighborhoods and 7.2% were made in moderate-income neighborhoods. 27.3% were made in upper-income communities.
- ◆ Almost one out of 40 loans made in moderate-income neighborhoods were government-backed loans, 2.5% of all home purchase loans. In low-income neighborhoods 1.8% of home purchase loans were government-backed loans while in middle-income neighborhoods 9.4% were government-backed loans and 5.4% of home purchase loans in upper-income neighborhoods were government-backed loans.

Government-Backed Lending by Neighborhood Characteristics 2003		
Census Tract Characteristic	Share of Government-Backed Loans	Portion of All Purchase Loans that are Government-Backed
Low-Income Below 50% Area Median	0.3%	1.8%
Moderate-Income 50-80% Area Median	7.2%	2.5%
Middle-Income 80-120% Area Median	65.2%	9.4%
Upper-Income 120% and Above Area Median	27.3%	5.4%

The Honolulu metropolitan area consists of Honolulu County.