



Charlotte-Gastonia-Rock Hill Metropolitan Area

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 2.3 times more likely than whites to be denied a conventional home purchase loan while Latino applicants were 2.4 times more likely to be denied than whites.
- ◆ For African-American applicants, the disparity in denial rates is a decrease from 2.4 in 1993 but an increase from 1998 when African-Americans were 1.7 times more likely to be denied than whites.
- ◆ Among Latinos, the disparity in denial rates is an increase from 1993 when they were 1.7 times more likely to be denied than whites and an increase from 1998 when Latinos were 1.8 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	26.4%	2.3	46.5%	1.7	34.7%	2.4
Latino	27.9%	2.4	48.5%	1.8	25.0%	1.7
White	11.7%		27.4%		14.5%	

Even when comparing borrowers of the same income level, minorities are rejected more often than whites for conventional purchase loans. The disparities increase among applicants with greater incomes.

- ◆ Upper-income¹ African-Americans were 3.4 times more likely to be turned down than upper-income whites, middle-income African-Americans were 2.1 times more likely to be denied than middle-income whites, moderate-income African-Americans were 1.8 times more likely to be denied than moderate-income whites and low-income African-Americans were 1.4 times more likely to be turned down than low-income whites.
- ◆ Upper-income Latinos were 2.4 times more likely to be turned down than upper-income whites, middle-income Latinos were 3.0 times more likely to be turned down than middle-income whites, moderate-income Latinos were 1.7 times more likely to be turned down than moderate-income whites, while low-income Latinos were 1.3 times more likely to be turned down than low-income whites.

¹ The median family income in metropolitan area was \$61,800 in 2003. Low-income families are those earning below 50% of the area median income which means below \$30,900 in 2003. Moderate-income families earned from 50% to 79% of the median or between \$30,900 and \$49,440. Middle-income families are those earning 80-119% of the area median income or between \$49,440 and \$74,160. Upper-income families earned 120% of the median or above or \$74,160.



- ◆ Upper-income African-Americans were also more likely to be denied than moderate-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	African-American	Latino
Low-income Below 50% Median Below \$30,900	30.9%	43.7%	39.7%	1.4	1.3
Moderate-income 50-79% median \$30,900 - \$49,440	14.7%	27.1%	24.8%	1.8	1.7
Middle-income 80-119% median \$49,440-\$74,160	9.8%	20.9%	29.8%	2.1	3.0
Upper-income Above 120% median \$74,160 or above	5.4%	18.5%	13.2%	3.4	2.4

*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

The number of conventional purchase loans made to all borrowers increased dramatically from 1993 to 2003. Charlotte followed the national trend where the largest percentage increase for African-Americans was during the earlier 1993-1998 time period compared to the more recent five years. But because lending to minorities was at such a low level, the percentage increase in lending does not reflect the continuing lower volume of loans to minorities compared to whites and compared to their population.

- ◆ In 2003, African-Americans received 3,602 conventional home purchase loans, an increase of 468.1% which is 2,968 more loans than in 1993. Latinos received 1,029 conventional home purchase loans in 2003, a 1391.3% increase which is 960 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 23,923 loans in 2003 which is 11,582 more loans than in 1993, an increase of 93.8%.
- ◆ For African-Americans, the greatest percentage increase in lending occurred during the 1993 to 1998 time period. Conventional home purchase lending to African-Americans increased 248.1% from 1993 to 1998 but increased only 63.2% from 1998 to 2003.



- ◆ For Latinos, the greatest percentage increase in lending occurred during the 1993-1998 time period. Conventional home purchase lending to Latinos increased 408.7% from 1993 to 1998 and increased 193.2% from 1998 to 2003.

Change in Conventional Home Purchase Loan Originations by Borrower Race						
Borrower Race/Ethnicity	1993 Loan Originations	1998 Loan Originations	2003 Loan Originations	Change 1993-1998	Change 1998-2003	Change 1993-2003
African-American	634	2,207	3,602	248.1%	63.2%	468.1%
Latino	69	351	1,029	408.7%	193.2%	1391.3%
White	12,341	23,024	23,923	86.6%	3.9%	93.8%

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 10.4% of the conventional home purchase loans originated although they comprise 20.5% of the metropolitan area's population². Latinos are 5.6% of the population and received 3.0% of the loans. Whites received 68.9% of the conventional home purchase loans although they are 70.6% of the population.

Distribution of Conventional Home Loan Originations by Borrower Race/Ethnicity 2003			
Borrower Race/Ethnicity	Share of Population	Share of All Loans Originated	Disparity*
African-American	20.5%	10.4%	2.0
Latino	5.6%	3.0%	1.9
White	70.6%	68.9%	

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

Lending to Low- and Moderate-income Families

Lending to low- and moderate-income applicants has increased significantly since 1993. When comparing the growth for the five-year periods before and after 1998, Charlotte had a greater increase in lending to low- and moderate-income homebuyers during the 1993 to 1998 time period, which followed the national trend.

- ◆ In 2003, low- and moderate-income homebuyers received 11,086 conventional home purchase loans, a 221.7% increase from 1993 when they received 3,446 loans. This was a

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



38.1% increase from 1998 when they received 8,027 loans. Lending to low- and moderate-income homebuyers increased 132.9% from 1993-1998.

- ◆ Middle-income homebuyers received 8,549 conventional home purchase loans in 2003, an increase of 150.9% from 1993 when they received 3,407 loans and an increase of 22.3% from 1998 when they received 6,988 loans. From 1993 to 1998, lending to middle-income homebuyers increased by 105.1%.
- ◆ Upper-income homebuyers received 13,679 loans in 2003, an increase of 106.82% from 1993 when they received 6,614 loans and an increase of 10.1% from 1998 when they received 12,427 loans.
- ◆ In 2003, upper-income homebuyers received 39.4% of all conventional home purchase loans, while low-income homebuyers received only 9.7% of the home loans originated. Moderate-income homebuyers received 22.2% of home purchase loans, while middle-income homebuyers received 24.6%.

Conventional Home Purchase Lending by Homebuyer Income Level 1993-2003						
Borrower-Income	1993 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 \$49,440	3,446	8,027	11,086	132.9%	38.1%	221.7%
Middle-income 80-119% median \$49,440-\$74,160	3,407	6,988	8,549	105.1%	22.3%	150.9%
Upper-Income Above 120% median \$74,160 or above	6,614	12,427	13,679	87.9%	10.1%	106.82%

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 tracts³ account for 31.6% of the metropolitan area but received just 12.8% of the conventional loans in 2003. In contrast, upper-income neighborhoods make up 23.3% of the metropolitan area and received a greater 44.8% of the conventional home purchase loans.

³ 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.



- ◆ In 2003, there were 4,449 conventional home purchase loans made in low- and moderate-income neighborhoods, an increase of 305% from 1993 or 3,350 more loans. There were 15,561 conventional home purchase loans made in upper-income neighborhoods in 2003, a 150% increase from 1993 of 9,342 loans. Middle-income neighborhoods received 14,704 conventional home purchase loans in 2003 compared to 6,526 loans in 1993, an increase of 125%.
- ◆ Since 1998, conventional home purchase lending to low- and moderate-income neighborhoods increased 72.4%, decreased by 3.9% to middle-income neighborhoods but increased 41.9% 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 \$49,440	31.6%	12.8%	1,099	2,581	4,449	134.8%	72.4%	305%
Middle-Income \$49,440 to \$74,160	44.7%	42.4%	6,526	15,303	14,704	134.5%	-3.9%	125%
Upper-Income Above \$74,160	23.3%	44.8%	6,219	10,970	15,561	76.4%	41.9%	150%

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 1.7 times more likely to be denied than applicants who live in neighborhoods with less than 20% minority population.
- ◆ This disparity has decreased since 1993 when applicants from minority neighborhoods were 2.1 times more likely to be denied than those in white neighborhoods.
- ◆ This disparity in denial rates decreased from 1998 when applicants from minority neighborhoods were 1.6 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	22.6%	1.7
Mixed Neighborhoods 20-50% Minority Population	16.8%	1.3
White Neighborhoods 0-20% Minority Population	13.3%	

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 20.5% of the population and received 25.8% of government-backed home purchase loans in 2003, more than two times their 10.4% share of conventional loans.
- ◆ Latinos represent 5.6% of the population and received 7.4% of the government-backed loans in 2003, more than two times their 3.0% share of conventional loans.
- ◆ Whites represent 70.6% of the population and received 68.9% of the conventional home purchase loans compared to 57.4% of the government-backed home purchase loans.
- ◆ If we combine both government backed and conventional originations, African-Americans received 13.0% of all home purchase originations, still much less than their share of the population and Latinos received 3.7% of all home purchase originations, still below 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 33.4% or one out of every three home purchase loans received by African-Americans in 2003 and 33.6% or one out of every three of those received by Latinos, as compared to 14.4% or one out of seven of the home purchase loans to whites.

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	20.5%	25.8%	10.4%	13.0%
Latinos	5.6%	7.4%	3.0%	3.7%
Whites	70.6%	57.4%	68.9%	67.0%

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

- ◆ African-American applicants for government-backed mortgages were denied 1.8 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 2.3 times more frequently than whites.
- ◆ Latino applicants for government-backed loans were 1.6 times more likely to be denied than whites in 2003. This denial rate disparity for government-backed loans is lower than the



disparity for conventional home purchase loans where Latinos were turned down 2.4 times more frequently than whites.

Disparities continue in the distribution of government-backed loans although these loans continue to be a large source of credit in moderate-income communities.

- ◆ 46.2% of all government-backed home purchase loans are originated in communities with at least 80% white population while 14.9% were made in minority communities with over 50% minority population and 38.9% were made in communities where minorities comprise 20-50% of the population.
- ◆ 20.0% of all home purchase loans made in minority neighborhoods were government-backed compared to 13.0% in white neighborhoods and 21.9% in mixed race neighborhoods.
- ◆ Of all government-backed home purchase loans 58.0% were made in middle-income neighborhoods while only 0.2% were made in low-income neighborhoods and 12.8% were made in moderate-income neighborhoods. 29.0% were made in upper-income communities.
- ◆ Almost one out of six loans made in moderate-income neighborhoods were government-backed loans, 18.0% of all home purchase loans. In low-income neighborhoods 4.1% of home purchase loans were government-backed loans while in middle-income neighborhoods 21.6% were government-backed loans and 11.5% 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	0.2%	4.1%
Moderate-Income 50-80% Area Median	12.8%	18.0%
Middle-Income 80-120% Area Median	58.0%	21.6%
Upper-Income 120% and Above Area Median	29.0%	11.5%
Minority 50-100% minority population	14.9%	20.0%
Mixed 20-50% minority population	38.9%	21.9%
White 0-20% minority population	46.2%	13.0%

The Charlotte-Gastonia-Rock Hill metropolitan area consists of Cabarrus, Gaston, Lincoln, Mecklenburg, Rowan and Union counties.



Greensboro--Winston-Salem--High Point Metropolitan Area

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 2.0 times more likely than whites to be denied a conventional home purchase loan while Latino applicants were 2.4 times more likely to be denied than whites.
- ◆ For African-American applicants, the disparity in denial rates is a decrease from 2.0 in 1993 but an increase from 1998 when African-Americans were 1.7 times more likely to be denied than whites.
- ◆ Among Latinos, the disparity in denial rates is an increase from 1993 when they were 2.3 times more likely to be denied than whites and an increase from 1998 when Latinos were 1.7 times more likely to be denied.

	2003		1998		1993	
	Denial Rate	Ratio to White	Denial Rate	Ratio to White	Denial Rate	Ratio to White
African-American	31.4%	2.0	55.0%	1.7	30.1%	2.0
Latino	38.2%	2.4	55.0%	1.7	33.3%	2.3
White	16.1%		32.0%		14.8%	

Even when comparing borrowers of the same income level, minorities are rejected more often than whites for conventional purchase loans.

- ◆ Greensboro had the second highest disparity in denial rates for upper-income Latinos as compared to upper-income whites.
- ◆ Upper-income⁴ African-Americans were 2.8 times more likely to be turned down than upper-income whites, middle-income African-Americans were 2.0 times more likely to be denied than middle-income whites, moderate-income African-Americans were 1.6 times more likely to be denied than moderate-income whites.
- ◆ Upper-income Latinos were 4.5 times more likely to be turned down than upper-income whites, middle-income Latinos were 2.5 times more likely to be turned down than middle-income whites, moderate-income Latinos were 1.9 times more likely to be turned down than moderate-income whites.

⁴ The median family income in metropolitan area was \$55,500 in 2003. Low-income families are those earning below 50% of the area median income which means below \$27,750 in 2003. Moderate-income families earned from 50% to 79% of the median or between \$27,750 and \$44,400. Middle-income families are those earning 80-119% of the area median income or between \$44,400 and \$66,600. Upper-income families earned 120% of the median or above or \$66,600.



- ◆ Upper-income Latinos were also more likely to be denied than moderate-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	African-American	Latino
Moderate-income 50-79% median \$27,750 - \$44,400	20.4%	32.0%	39.0%	1.6	1.9
Middle-income 80-119% median \$44,400-\$66,600	13.0%	26.2%	32.3%	2.0	2.5
Upper-income Above 120% median \$66,600 or above	6.1%	17.3%	27.2%	2.8	4.5

*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

The number of conventional purchase loans made to all borrowers increased dramatically from 1993 to 2003. Greensboro--Winston-Salem followed the national trend where the largest percentage increase for African-Americans was during the earlier 1993-1998 time period compared to the more recent five years. But because lending to minorities was at such a low level, the percentage increase in lending does not reflect the continuing lower volume of loans to minorities compared to whites and compared to their population.

- ◆ In 2003, African-Americans received 1,677 conventional home purchase loans, an increase of 181.8% which is 1,082 more loans than in 1993. Latinos received 662 conventional home purchase loans in 2003, an 1198.0% increase which is 611 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 13,833 loans in 2003 which is 4,171 more loans than in 1993, an increase of 43.2%.
- ◆ For African-Americans, the greatest percentage increase in lending occurred during the 1993 to 1998 time period. Conventional home purchase lending to African-Americans increased 182.0% from 1993 to 1998 but slightly decreased from 1998 to 2003 by less than 1%.
- ◆ For Latinos, the greatest percentage increase in lending occurred during the 1993-1998 time period. Conventional home purchase lending to Latinos increased 578.4% from 1993 to 1998 and increased 91.3% from 1998 to 2003.



Change in Conventional Home Purchase Loan Originations by Borrower Race						
Borrower Race/Ethnicity	1993 Loan Originations	1998 Loan Originations	2003 Loan Originations	Change 1993-1998	Change 1998-2003	Change 1993-2003
African-American	595	1,678	1,677	182.0%	-0.1%	181.8%
Latino	51	346	662	578.4%	91.3%	1198.0%
White	9,662	16,311	13,833	68.8%	-15.2%	43.2%

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 8.9% of the conventional home purchase loans originated although they comprise 20.0% of the metropolitan area's population⁵. Latinos are 5.0% of the population and received 3.5% of the loans. Whites received 73.4% of the conventional home purchase loans although they are 72.3% of the population.

Distribution of Conventional Home Loan Originations by Borrower Race/Ethnicity 2003			
Borrower Race/Ethnicity	Share of Population	Share of All Loans Originated	Disparity*
African-American	20.0%	8.9%	2.2
Latino	5.0%	3.5%	1.4
White	72.3%	73.4%	

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

Lending to Low- and Moderate-income Families

Lending to low- and moderate-income applicants has increased significantly since 1993. However, lending to borrowers of all income levels has decreased in the metropolitan area since 1998.

- ◆ In 2003, low- and moderate-income homebuyers received 6,325 conventional home purchase loans, a 123.9% increase from 1993 when they received 2,825 loans. This was a 4.0% decrease from 1998 when they received 6,590 loans. Lending to low- and moderate-income homebuyers increased 133.3% from 1993-1998.
- ◆ Middle-income homebuyers received 4,616 conventional home purchase loans in 2003, an increase of 74.6% from 1993 when they received 2,644 loans but a decrease of 7.3% from

⁵ 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



1998 when they received 4,981 loans. From 1993 to 1998, lending to middle-income homebuyers increased by 88.4%.

- ◆ Upper-income homebuyers received 7,171 loans in 2003, an increase of 44.66% from 1993 when they received 4,957 loans but a decrease of 10.9% from 1998 when they received 8,044 loans.
- ◆ In 2003, upper-income homebuyers received 38.1% of all conventional home purchase loans, while low-income homebuyers received only 9.6% of the home loans originated. Moderate-income homebuyers received 24.0% of home purchase loans, while middle-income homebuyers received 24.5%.

Conventional Home Purchase Lending by Homebuyer Income Level 1993-2003						
Borrower-Income	1993 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 \$44,400	2,825	6,590	6,325	133.3%	-4.0%	123.9%
Middle-income 80-119% median \$44,400-\$66,600	2,644	4,981	4,616	88.4%	-7.3%	74.6%
Upper-Income Above 120% median \$66,600 or above	4,957	8,044	7,171	62.3%	-10.9%	44.66%

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 tracts⁶ account for 26.6% of the metropolitan area but received just 12.2% of the conventional loans in 2003. In contrast, upper-income neighborhoods make up 22.4% of the metropolitan area and received a greater 36.8% of the conventional home purchase loans.
- ◆ In 2003, there were 2,302 conventional home purchase loans made in low- and moderate-income neighborhoods, an increase of 172% from 1993 or 1,457 more loans. There were 6,926 conventional home purchase loans made in upper-income neighborhoods in 2003, a 72% increase from 1993 of 2,898 loans. Middle-income neighborhoods received 9,609

⁶ 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.



conventional home purchase loans in 2003 compared to 5,587 loans in 1993, an increase of 72%.

- ◆ Since 1998, conventional home purchase lending to low- and moderate-income neighborhoods increased 13.0%, decreased by 14.6% to middle-income neighborhoods but increased 12.0% 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 \$44,400	26.6%	12.2%	845	2,037	2,302	141.1%	13.0%	172%
Middle-Income \$44,400 to \$66,600	51.0%	51.0%	5,587	11,251	9,609	101.4%	-14.6%	72%
Upper-Income Above \$66,600	22.4%	36.8%	4,028	6,182	6,926	53.5%	12.0%	72%

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 1.4 times more likely to be denied than applicants who live in neighborhoods with less than 20% minority population.
- ◆ This disparity has decreased since 1993 when applicants from minority neighborhoods were 2 times more likely to be denied than those in white neighborhoods.
- ◆ This disparity in denial rates also decreased from 1998 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	26.2%	1.4
Mixed Neighborhoods 20-50% Minority Population	20.1%	1.1
White Neighborhoods 0-20% Minority Population	18.8%	

Minority neighborhoods receive a smaller share of loans originated and at a disparate rate to their share of all neighborhoods in the metropolitan area.

- ◆ Minority neighborhoods (where minorities make up at least 50% of the population) comprise 23.6% of the census tracts in the metropolitan area, but received only 9.5% of the conventional home purchase loans originated in 2003.



- ◆ Neighborhoods with a majority white population (where at least 80% of the population is white) comprise 47.9% of the census tracts in the metropolitan area, but received 62.0% of the conventional home purchase loans originated.
- ◆ Neighborhoods with both minority and white populations (where minorities make up 20-49% of the population) comprise 28.5% of the census tracts in the metropolitan area and received 28.5% of the conventional home purchase loans.

Conventional Home Purchase Loan Originations by Neighborhood Minority Population 2003		
	Census Tracts in Metropolitan area	Loans Made in Census Tracts
Minority Neighborhood (50-100% Minority Population)	23.6%	9.5%
Mixed Race Neighborhood (20-49% Minority Population)	28.5%	28.5%
White Neighborhood (80-100% White Population)	47.9%	62.0%

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 20.0% of the population and received 18.9% of government-backed home purchase loans in 2003, two times their 8.9% share of conventional loans.
- ◆ Latinos represent 5.0% of the population and received 8.1% of the government-backed loans in 2003, more than two times their 3.5% share of conventional loans.
- ◆ Whites represent 72.3% of the population and received 73.4% of the conventional home purchase loans compared to 59.6% of the government-backed home purchase loans.
- ◆ If we combine both government backed and conventional originations, African-Americans received 10.6% of all home purchase originations, still much less than their share of the population and Latinos received 4.3% of all home purchase originations, still below 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 30.2% or one out of every three home purchase loans received by African-Americans in 2003 and 31.9% or one out of every three of those received by Latinos, as compared to 14.2% or one out of seven of the home purchase loans to whites.



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	20.0%	18.9%	8.9%	10.6%
Latinos	5.0%	8.1%	3.5%	4.3%
Whites	72.3%	59.6%	73.4%	71.1%

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

- ◆ African-American applicants for government-backed mortgages were denied 2.1 times more often than white applicants. The denial rate disparity for African-Americans is greater for government-backed loans than for conventional home purchase loans where African-Americans were turned down 2.0 times more frequently than whites.
- ◆ Latino applicants for government-backed loans were 1.8 times more likely to be denied than whites in 2003. This denial rate disparity for government-backed loans is lower than the disparity for conventional home purchase loans where Latinos were turned down 2.4 times more frequently than whites.

Disparities continue in the distribution of government-backed loans although these loans continue to be a large source of credit in moderate-income communities.

- ◆ 51.1% of all government-backed home purchase loans are originated in communities with at least 80% white population while 12.8% were made in minority communities with over 50% minority population and 36.0% were made in communities where minorities comprise 20-50% of the population.
- ◆ 20.1% of all home purchase loans made in minority neighborhoods were government-backed compared to 14.4% in white neighborhoods and 20.5% in mixed race neighborhoods.
- ◆ Of all government-backed home purchase loans 59.6% were made in middle-income neighborhoods while less than 1% were made in low-income neighborhoods and 14.0% were made in moderate-income neighborhoods. 25.6% were made in upper-income communities.
- ◆ Almost one out of five loans made in moderate-income neighborhoods were government-backed loans, 20.7% of all home purchase loans. In low-income neighborhoods 11.0% of home purchase loans were government-backed loans while in middle-income neighborhoods 19.3% were government-backed loans and 12.5% 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	0.8%	11.0%

THE GREAT DIVIDE:
Home Purchase Mortgage Lending Nationally and in 120 Metropolitan Areas



Moderate-Income 50-80% Area Median	14.0%	20.7%
Middle-Income 80-120% Area Median	59.6%	19.3%
Upper-Income 120% and Above Area Median	25.6%	12.5%
Minority 50-100% minority population	12.8%	20.1%
Mixed 20-50% minority population	36.0%	20.5%
White 0-20% minority population	51.1%	14.4%

The Greensboro--Winston-Salem--High Point metropolitan area consists of Alamance, Davidson, Davie, Forsyth, Guilford, Randolph, Stokes and Yadkin counties.



Raleigh-Durham-Chapel Hill Metropolitan Area

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 3.4 times more likely than whites to be denied a conventional home purchase loan while Latino applicants were 3.8 times more likely to be denied than whites.
- ◆ **Raleigh-Durham had the third highest disparity in denial rates for African-Americans compared to whites and the second highest disparity in denial rates for Latinos compared to white borrowers.**
- ◆ For African-American applicants, the disparity in denial rates is a decrease from 4.6 in 1993 but an increase from 1998 when African-Americans were 2.7 times more likely to be denied than whites.
- ◆ Among Latinos, the disparity in denial rates is an increase from 1993 when they were 3.4 times more likely to be denied than whites and an increase from 1998 when Latinos were 2.8 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	25.5%	3.4	55.2%	2.7	33.2%	4.6
Latino	28.2%	3.8	58.1%	2.8	24.4%	3.4
White	7.5%		20.4%		7.2%	

Even when comparing borrowers of the same income level, minorities are rejected more often than whites for conventional purchase loans.

- ◆ Upper-income⁷ African-Americans were 3.0 times more likely to be turned down than upper-income whites, middle-income African-Americans were 3.3 times more likely to be denied than middle-income whites, moderate-income African-Americans were 2.9 times more likely to be denied than moderate-income whites and low-income African-Americans were 2.2 times more likely to be turned down than low-income whites.
- ◆ Upper-income Latinos were 1.8 times more likely to be turned down than upper-income whites, middle-income Latinos were 2.5 times more likely to be turned down than middle-

⁷ The median family income in metropolitan area was \$69,800 in 2003. Low-income families are those earning below 50% of the area median income which means below \$34,900 in 2003. Moderate-income families earned from 50% to 79% of the median or between \$34,900 and \$55,840. Middle-income families are those earning 80-119% of the area median income or between \$55,840 and \$83,760. Upper-income families earned 120% of the median or above or \$83,760.



income whites, moderate-income Latinos were 3.4 times more likely to be turned down than moderate-income whites, while low-income Latinos were 2.2 times more likely to be turned down than low-income whites.

- ◆ Upper-income African-Americans were also more likely to be denied than moderate-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	African-American	Latino
Low-Income Below 50% Median Below \$34,900	18.6%	40.5%	40.2%	2.2	2.2
Moderate-Income 50-79% median \$34,900 - \$55,840	8.6%	24.6%	29.0%	2.9	3.4
Middle-income 80-119% median \$55,840-\$83,760	5.4%	17.8%	13.4%	3.3	2.5
Upper-Income Above 120% median \$83,760 or above	4.7%	14.0%	8.3%	3.0	1.8

*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

The number of conventional purchase loans made to all borrowers increased dramatically from 1993 to 2003. Raleigh-Durham-Chapel Hill followed the national trend where the largest percentage increase for African-Americans was during the earlier 1993-1998 time period compared to the more recent five years. But because lending to minorities was at such a low level, the percentage increase in lending does not reflect the continuing lower volume of loans to minorities compared to whites and compared to their population.

- ◆ In 2003, African-Americans received 2,602 conventional home purchase loans, an increase of 251.1% which is 1,861 more loans than in 1993. Latinos received 705 conventional home purchase loans in 2003, a 1181.8% increase which is 650 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 18,868 loans in 2003 which is 9,045 more loans than in 1993, an increase of 92.1%.
- ◆ For African-Americans, the greatest percentage increase in lending occurred during the 1993 to 1998 time period. Conventional home purchase lending to African-Americans increased 202.0% from 1993 to 1998 but increased only 16.3% from 1998 to 2003.



- ◆ For Latinos, the greatest percentage increase in lending occurred during the 1993-1998 time period. Conventional home purchase lending to Latinos increased 590.9% from 1993 to 1998 and increased 85.5% from 1998 to 2003.

Change in Conventional Home Purchase Loan Originations by Borrower Race						
Borrower Race/Ethnicity	1993 Loan Originations	1998 Loan Originations	2003 Loan Originations	Change 1993-1998	Change 1998-2003	Change 1993-2003
African-American	741	2,238	2,602	202.0%	16.3%	251.1%
Latino	55	380	705	590.9%	85.5%	1181.8%
White	9,823	18,575	18,868	89.1%	1.6%	92.1%

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 9.7% of the conventional home purchase loans originated although they comprise 22.5% of the metropolitan area's population⁸. Latinos are 6.1% of the population and received 2.6% of the loans. Whites received 70.6% of the conventional home purchase loans although they are 66.8% of the population.

Distribution of Conventional Home Loan Originations by Borrower Race/Ethnicity 2003			
Borrower Race/Ethnicity	Share of Population	Share of All Loans Originated	Disparity*
African-American	22.5%	9.7%	2.3
Latino	6.1%	2.6%	2.3
White	66.8%	70.6%	

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

Lending to Low- and Moderate-income Families

Lending to low- and moderate-income applicants has increased significantly since 1993. When comparing the growth for the five-year periods before and after 1998, Raleigh-Durham-Chapel Hill had a greater increase in lending to low- and moderate-income homebuyers during the 1993 to 1998 time period, which followed the national trend.

- ◆ In 2003, low- and moderate-income homebuyers received 9,154 conventional home purchase loans, a 239.4% increase from 1993 when they received 2,697 loans. This was a 34.0%

⁸ 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



increase from 1998 when they received 6,829 loans. Lending to low- and moderate-income homebuyers increased 153.2% from 1993-1998.

- ◆ Middle-income homebuyers received 6,943 conventional home purchase loans in 2003, an increase of 128.2% from 1993 when they received 3,043 loans and an increase of 9.7% from 1998 when they received 6,329 loans. From 1993 to 1998, lending to middle-income homebuyers increased by 108.0%.
- ◆ Upper-income homebuyers received 9,629 loans in 2003, an increase of 68.25% from 1993 when they received 5,723 loans but a decrease of 4.9% from 1998 when they received 10,130 loans.
- ◆ In 2003, upper-income homebuyers received 36.0% of all conventional home purchase loans, while low-income homebuyers received only 10.6% of the home loans originated. Moderate-income homebuyers received 23.6% of home purchase loans, while middle-income homebuyers received 26.0%.

Conventional Home Purchase Lending by Homebuyer Income Level 1993-2003						
Borrower-Income	1993 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 \$55,840	2,697	6,829	9,154	153.2%	34.0%	239.4%
Middle-income 80-119% median \$55,840-\$83,760	3,043	6,329	6,943	108.0%	9.7%	128.2%
Upper-Income Above 120% median \$83,760 or above	5,723	10,130	9,629	77.0%	-4.9%	68.25%

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 tracts⁹ account for 33.6% of the metropolitan area but received just 12.0% of the conventional loans in 2003. In contrast, upper-income neighborhoods make up 24.6% of the metropolitan area and received a greater 41.1% of the conventional home purchase loans.

⁹ 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.



- ◆ In 2003, there were 3,194 conventional home purchase loans made in low- and moderate-income neighborhoods, an increase of 224% from 1993 or 2,207 more loans. There were 10,973 conventional home purchase loans made in upper-income neighborhoods in 2003, a 99% increase from 1993 of 5,472 loans. Middle-income neighborhoods received 12,541 conventional home purchase loans in 2003 compared to 5,087 loans in 1993, an increase of 147%.
- ◆ Since 1998, conventional home purchase lending to low- and moderate-income neighborhoods decreased 4.1%, increased by 2.3% to middle-income neighborhoods and increased 30.8% 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 \$55,840	33.6%	12.0%	987	3,330	3,194	237.4%	-4.1%	224%
Middle-Income \$55,840 to \$83,760	40.8%	47.0%	5,087	12,254	12,541	140.9%	2.3%	147%
Upper-Income Above \$83,760	24.6%	41.1%	5,501	8,388	10,973	52.5%	30.8%	99%

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 2.4 times more likely to be denied than applicants who live in neighborhoods with less than 20% minority population.
- ◆ This disparity has decreased since 1993 when applicants from minority neighborhoods were 3.6 times more likely to be denied than those in white neighborhoods.
- ◆ This disparity in denial rates decreased from 1998 when applicants from minority neighborhoods were 2.0 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	20.6%	2.4
Mixed Neighborhoods 20-50% Minority Population	12.7%	1.5
White Neighborhoods 0-20% Minority Population	8.7%	

Minority neighborhoods receive a smaller share of loans originated and at a



disparate rate to their share of all neighborhoods in the metropolitan area.

- ◆ Minority neighborhoods (where minorities make up at least 50% of the population) comprise 23.7% of the census tracts in the metropolitan area, but received only 8.9% of the conventional home purchase loans originated in 2003.
- ◆ Neighborhoods with a majority white population (where at least 80% of the population is white) comprise 30.3% of the census tracts in the metropolitan area, but received 43.5% of the conventional home purchase loans originated.
- ◆ Neighborhoods with both minority and white populations (where minorities make up 20-49% of the population) comprise 46.0% of the census tracts in the metropolitan area and received 47.7% of the conventional home purchase loans.

Conventional Home Purchase Loan Originations by Neighborhood Minority Population 2003		
	Census Tracts in Metropolitan area	Loans Made in Census Tracts
Minority Neighborhood (50-100% Minority Population)	23.7%	8.9%
Mixed Race Neighborhood (20-49% Minority Population)	46.0%	47.7%
White Neighborhood (80-100% White Population)	30.3%	43.5%

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 22.5% of the population and received 22.4% of government-backed home purchase loans in 2003, more than two times their 9.7% share of conventional loans.
- ◆ Latinos represent 6.1% of the population and received 7.7% of the government-backed loans in 2003, three times their 2.6% share of conventional loans.
- ◆ Whites represent 66.8% of the population and received 70.6% of the conventional home purchase loans compared to 58.6% of the government-backed home purchase loans.
- ◆ If we combine both government backed and conventional originations, African-Americans received 11.6% of all home purchase originations, still much less than their share of the population and Latinos received 3.4% of all home purchase originations, still below 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 28.1% or one out of every four home purchase loans received by African-Americans in 2003 and 33.2% or one out of every three of those received by Latinos, as compared to 12.4% or one out of eight of the home purchase loans to whites.

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	22.5%	22.4%	9.7%	11.6%
Latinos	6.1%	7.7%	2.6%	3.4%
Whites	66.8%	58.6%	70.6%	68.9%

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

- ◆ African-American applicants for government-backed mortgages were denied 2.5 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 3.4 times more frequently than whites.
- ◆ Latino applicants for government-backed loans were 3.5 times more likely to be denied than whites in 2003. This denial rate disparity for government-backed loans is lower than the disparity for conventional home purchase loans where Latinos were turned down 3.8 times more frequently than whites.

Disparities continue in the distribution of government-backed loans although these loans continue to be a large source of credit in moderate-income communities.

- ◆ 29.8% of all government-backed home purchase loans are originated in communities with at least 80% white population while 15.8% were made in minority communities with over 50% minority population and 54.4% were made in communities where minorities comprise 20-50% of the population.
- ◆ 21.1% of all home purchase loans made in minority neighborhoods were government-backed compared to 10.5% in white neighborhoods and 16.3% in mixed race neighborhoods.
- ◆ Of all government-backed home purchase loans 62.8% were made in middle-income neighborhoods while only 0.8% were made in low-income neighborhoods and 14.0% were made in moderate-income neighborhoods. 22.3% were made in upper-income communities.
- ◆ Almost one out of five loans made in moderate-income neighborhoods were government-backed loans, 19.0% of all home purchase loans. In low-income neighborhoods 7.3% of home purchase loans were government-backed loans while in middle-income neighborhoods 18.6% were government-backed loans and 8.5% 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	0.8%	7.3%
Moderate-Income 50-80% Area Median	14.0%	19.0%
Middle-Income 80-120% Area Median	62.8%	18.6%
Upper-Income 120% and Above Area Median	22.3%	8.5%
Minority 50-100% minority population	15.8%	21.1%
Mixed 20-50% minority population	54.4%	16.3%
White 0-20% minority population	29.8%	10.5%

The Raleigh-Durham-Chapel Hill metropolitan area consists of Chatham, Durham, Franklin, Johnston, Orange and Wake counties.