



Portland-Vancouver 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 1.9 times more likely than whites to be denied a conventional home purchase loan while Latino applicants were 2.1 times more likely to be denied than whites.
- ◆ For African-American applicants, the disparity in denial rates is an increase from 1.7 in 1993 and an increase from 1998 when African-Americans were 1.6 times more likely to be denied than whites.
- ◆ Among Latinos, the disparity in denial rates is an increase from 1993 when they were 1.8 times more likely to be denied than whites and an increase from 1998 when Latinos were 1.9 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	22.2%	1.9	25.3%	1.6	19.7%	1.7
Latino	24.5%	2.1	29.7%	1.9	20.4%	1.8
White	11.9%		15.5%		11.5%	

Even when comparing borrowers of the same income level, minorities are rejected more often than whites for conventional purchase loans. Minorities with higher incomes are also denied more often than whites with lower incomes.

- ◆ Upper-income¹ African-Americans were 2.2 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 1.5 times more likely to be denied than moderate-income whites and low-income African-Americans were 1.3 times more likely to be turned down than low-income whites.
- ◆ Upper-income Latinos were 1.9 times more likely to be turned down than upper-income whites, middle-income Latinos were 2.3 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 1.7 times more likely to be turned down than low-income whites.

¹ The median family income in metropolitan area was \$65,800 in 2003. Low-income families are those earning below 50% of the area median income which means below \$32,900 in 2003. Moderate-income families earned from 50% to 79% of the median or between \$32,900 and \$52,640. Middle-income families are those earning 80-119% of the area median income or between \$52,640 and \$78,960. Upper-income families earned 120% of the median or above or \$78,960.





- ◆ Upper-income African-Americans and Latinos were 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 \$32,900	21.1%	27.3%	35.4%	1.3	1.7
Moderate-income 50-79% median \$32,900 - \$52,640	13.2%	19.6%	22.6%	1.5	1.7
Middle-income 80-119% median \$52,640-\$78,960	11.0%	22.6%	25.2%	2.1	2.3
Upper-income Above 120% median \$78,960 or above	9.6%	20.7%	18.0%	2.2	1.9

*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. Portland-Vancouver 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 400 conventional home purchase loans, an increase of 300.0% which is 300 more loans than in 1993. Latinos received 1,050 conventional home purchase loans in 2003, a 609.5% increase which is 902 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 34,015 loans in 2003 which is 20,038 more loans than in 1993, an increase of 143.4%.
- ◆ 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 223.0% from 1993 to 1998 but increased only 23.8% 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 261.5% from 1993 to 1998 and increased 96.3% 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	100	323	400	223.0%	23.8%	300.0%
Latino	148	535	1,050	261.5%	96.3%	609.5%
White	13,977	29,690	34,015	112.4%	14.6%	143.4%

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.

- ◆ **Portland-Vancouver had the third greatest disparity in the Latino share of conventional purchase loans compared to the Latino share of the population in the MSA.**
- ◆ In 2003, African-Americans received only 0.9% of the conventional home purchase loans originated although they comprise 2.6% of the metropolitan area's population². Latinos are 7.4% of the population and received 2.4% of the loans. Whites received 78.3% of the conventional home purchase loans although they are 80.5% 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	2.6%	0.9%	2.9
Latino	7.4%	2.4%	3.1
White	80.5%	78.3%	

*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, Portland-Vancouver had a greater increase in lending to low- and moderate-income homebuyers during the 1993 to 1998 time period, which followed the national trend. Despite these increases, low- and moderate-income borrowers continue to receive a small portion of all loans originated.

- ◆ In 2003, low- and moderate-income homebuyers received 13,718 conventional home purchase loans, a 319.4% increase from 1993 when they received 3,271 loans. This was a 80.9% increase from 1998 when they received 7,583 loans. Lending to low- and moderate-income homebuyers increased 131.8% from 1993-1998.

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



- ◆ Middle-income homebuyers received 12,659 conventional home purchase loans in 2003, an increase of 186.4% from 1993 when they received 4,420 loans and an increase of 23.6% from 1998 when they received 10,242 loans. From 1993 to 1998, lending to middle-income homebuyers increased by 131.7%.
- ◆ Upper-income homebuyers received 15,689 loans in 2003, an increase of 102.44% from 1993 when they received 7,750 loans but a decrease of 8.7% from 1998 when they received 17,182 loans.
- ◆ In 2003, upper-income homebuyers received 36.1% of all conventional home purchase loans, while low-income homebuyers received only 6.6% of the home loans originated. Moderate-income homebuyers received 25.0% of home purchase loans, while middle-income homebuyers received 29.1%.

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 \$52,640	3,271	7,583	13,718	131.8%	80.9%	319.4%
Middle-income 80-119% median \$52,640-\$78,960	4,420	10,242	12,659	131.7%	23.6%	186.4%
Upper-Income Above 120% median \$78,960 or above	7,750	17,182	15,689	121.7%	-8.7%	102.44%

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.

- ◆ Portland had the eight smallest disparity between the share of loans made in low- and moderate-income neighborhoods and the low- and moderate-income share of the population.
- ◆ Low- and moderate-income census tracts³ account for 25.2% of the metropolitan area but received just 17.0% of the conventional loans in 2003. In contrast, upper-income neighborhoods make up 24.9% of the metropolitan area and received a greater 30.7% 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 7,390 conventional home purchase loans made in low- and moderate-income neighborhoods, an increase of 286% from 1993 or 5,475 more loans. There were 13,328 conventional home purchase loans made in upper-income neighborhoods in 2003, a 164% increase from 1993 of 8,283 loans. Middle-income neighborhoods received 22,722 conventional home purchase loans in 2003 compared to 8,844 loans in 1993, an increase of 157%.
- ◆ Since 1998, conventional home purchase lending to low- and moderate-income neighborhoods increased 78.5%, increased by 2.4% to middle-income neighborhoods and increased 39.7% 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 \$52,640	25.2%	17.0%	1,915	4,139	7,390	116.1%	78.5%	286%
Middle-Income \$52,640 to \$78,960	49.9%	52.3%	8,844	22,182	22,722	150.8%	2.4%	157%
Upper-Income Above \$78,960	24.9%	30.7%	5,045	9,543	13,328	89.2%	39.7%	164%

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 2.6% of the census tracts in the metropolitan area, but received only 1.8% 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 66.0% of the census tracts in the metropolitan area, but received 69.2% of the conventional home purchase loans originated.
- ◆ Neighborhoods with both minority and white populations (where minorities make up 20-49% of the population) comprise 31.4% of the census tracts in the metropolitan area and received 28.9% 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)	2.6%	1.8%
Mixed Race Neighborhood (20-49% Minority Population)	31.4%	28.9%
White Neighborhood (80-100% White Population)	66.0%	69.2%



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 2.6% of the population and received 1.7% of government-backed home purchase loans in 2003, more than their 0.9% share of conventional loans.
- ◆ Latinos represent 7.4% of the population and received 8.3% of the government-backed loans in 2003, more than three times their 2.4% share of conventional loans.
- ◆ Whites represent 80.5% of the population and received 78.3% of the conventional home purchase loans compared to 77.2% of the government-backed home purchase loans.
- ◆ If we combine both government backed and conventional originations, African-Americans received 1.0% of all home purchase originations, still much less than their share of the population and Latinos received 3.2% 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 20.6% or one out of every five home purchase loans received by African-Americans in 2003 and 33.0% 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	2.6%	1.7%	0.9%	1.0%
Latinos	7.4%	8.3%	2.4%	3.2%
Whites	80.5%	7.2%	78.3%	78.2%

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

- ◆ African-American applicants for government-backed mortgages were denied 1.5 times more often than white applicants. The denial rate disparity for African-Americans is smaller for government-backed loans than for conventional home purchase loans where African-Americans were turned down 1.9 times more frequently than whites.



- ◆ Latino applicants for government-backed loans were 1.5 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 2.1 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.

- ◆ 62.4% of all government-backed home purchase loans are originated in communities with at least 80% white population while 2.2% were made in minority communities with over 50% minority population and 35.5% were made in communities where minorities comprise 20-50% of the population.
- ◆ 12.6% of all home purchase loans made in minority neighborhoods were government-backed compared to 11.5% in white neighborhoods and 15.0% in mixed race neighborhoods.
- ◆ Of all government-backed home purchase loans 60.8% were made in middle-income neighborhoods while only 1.4% were made in low-income neighborhoods and 25.1% were made in moderate-income neighborhoods. 12.8% were made in upper-income communities.
- ◆ Almost one out of five loans made in moderate-income neighborhoods were government-backed loans, 18.2% of all home purchase loans. In low-income neighborhoods 20.1% of home purchase loans were government-backed loans while in middle-income neighborhoods 14.3% were government-backed loans and 5.6% 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	1.4%	20.1%
Moderate-Income 50-80% Area Median	25.1%	18.2%
Middle-Income 80-120% Area Median	60.8%	14.3%
Upper-Income 120% and Above Area Median	12.8%	5.6%
Minority 50-100% minority population	2.2%	12.6%
Mixed 20-50% minority population	35.5%	15.0%
White 0-20% minority population	62.4%	11.5%

The Portland-Vancouver metropolitan area consists of Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark County in Washington.