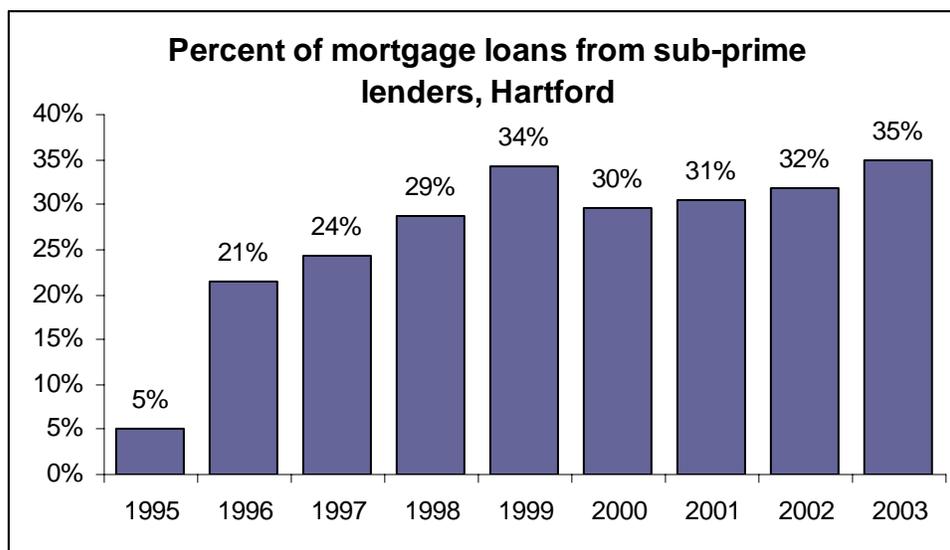


# Subprime Lending in Hartford, 1995 to 2003

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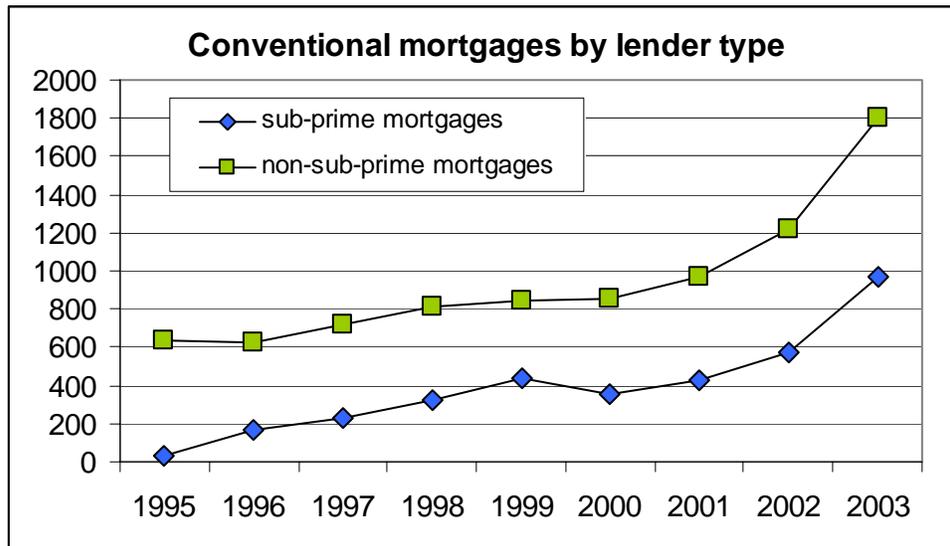
As the residential real estate market began to rebound in the city during the late-1990s, there was a dramatic shift in the types of institutions financing mortgage loans to prospective buyers and home owners in the city. In 1995, just 5% of conventional mortgage loans<sup>1</sup> were financed by subprime lenders.<sup>2</sup> Only four years later, in 1999, subprime lenders were financing 35% of conventional home mortgage loans in the city.



<sup>1</sup> "Conventional" refers to a loan not insured by a government program, like FHA or VA.

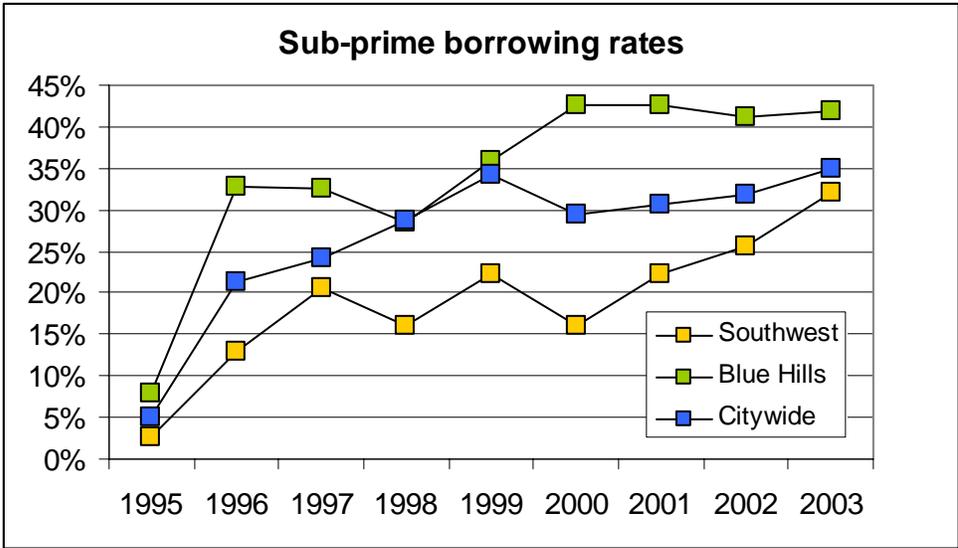
<sup>2</sup> "Subprime lenders" are those who the U.S. Department of Housing and Urban Development (HUD) has identified as specializing in subprime mortgage lending, but they may also do prime lending. While it is not possible to determine from HMDA whether an individual loan is subprime, this indicator can be used to approximate the level of subprime lending. In the charts, we have referred to subprime loans. These are loans from subprime lenders.

While the percentage of mortgage loans financed by subprime lenders increased dramatically, home mortgages financed by conventional lenders also grew significantly.



The rate of borrowing from subprime lenders varied considerably across the city. In addition, rates of borrowing from subprime lenders also varied significantly within individual neighborhoods by year. Since subprime lenders accept higher risk than conventional lenders, they are often the only option available to borrowers with low incomes or incomplete or troubled credit histories. Therefore, it is not surprising that the highest rates of subprime lending tend to be in areas of the city where household income is below the citywide average. The Blue Hills area is one exception.

According to U.S. Census estimates, in 2000, Blue Hills had the fourth highest per capita income among neighborhoods in the city. Only the Downtown, West End and Southwest neighborhoods had higher levels of per capita income. The Blue Hills and Southwest neighborhoods, in particular, shared many similarities. Per capita income in Southwest was \$16,080; in Blue Hills per capita income was \$15,632. Both neighborhoods also have the highest home owner occupancy rates in the city: 61% in Southwest and 56% in Blue Hills. The rate of borrowing from subprime lenders, however, was significantly different. Borrowing from subprime lenders in Blue Hills actually exceeded citywide rates of borrowing from these institutions in eight out of nine years. Rates of borrowing from subprime lenders in Southwest were consistently lower than the citywide average.

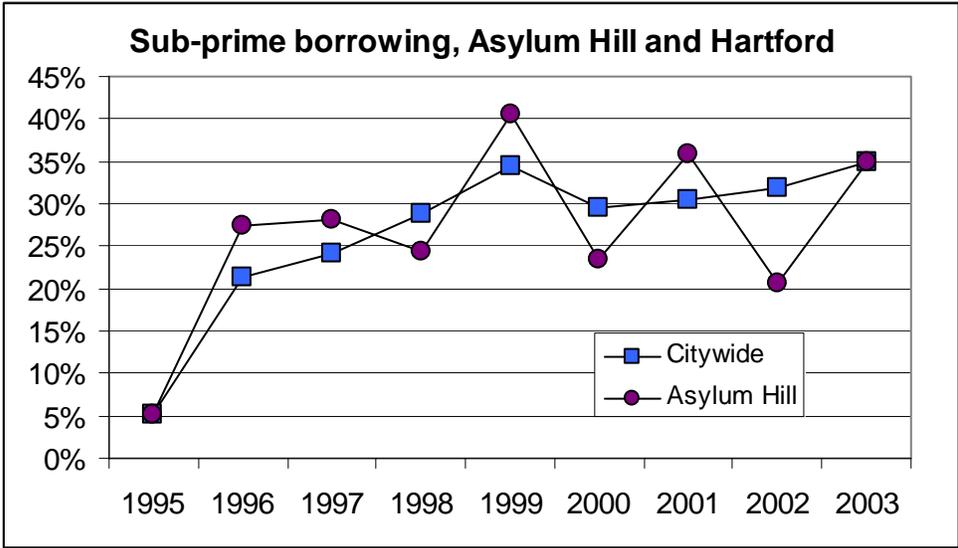


At this point, the cause for the disparity between Blue Hills and Southwest in their rates of borrowing from subprime lenders remains unclear.

The following tables compare neighborhood subprime borrowing to the citywide rate. Because of the small number of loans, trend charts for North Meadows and Sheldon Charter-Oak were omitted.

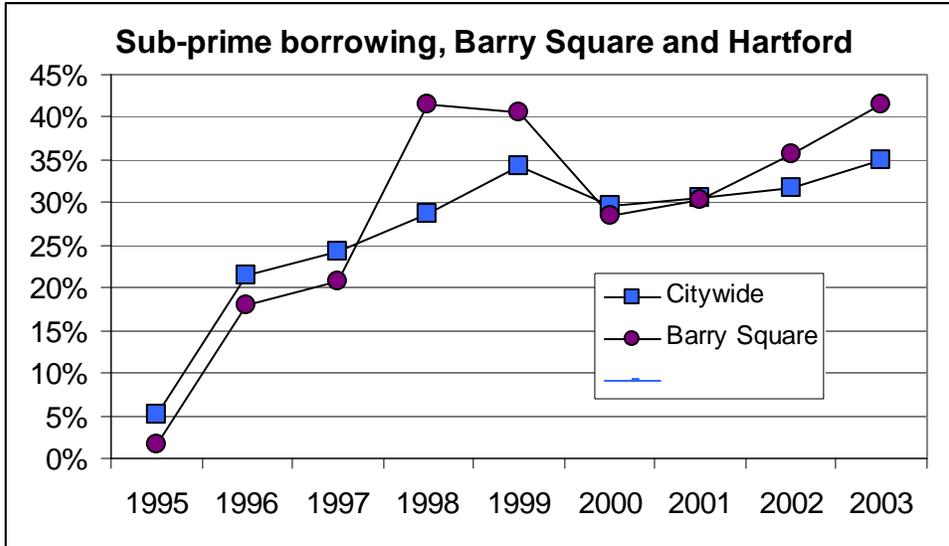
**Asylum Hill**

The use of subprime lenders in Asylum Hill was within close to the citywide average.



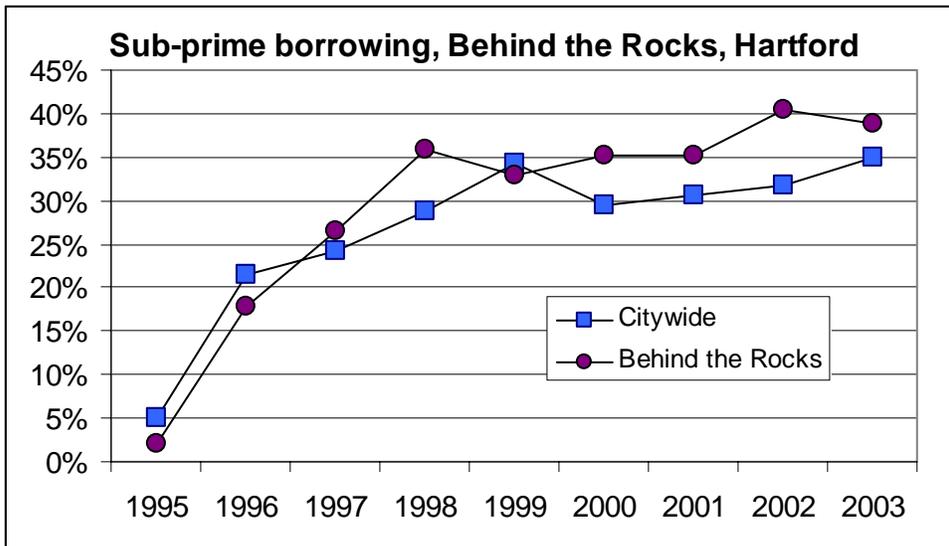
### Barry Square

Rates low borrowing from subprime lenders in Barry Square also followed the citywide trend.



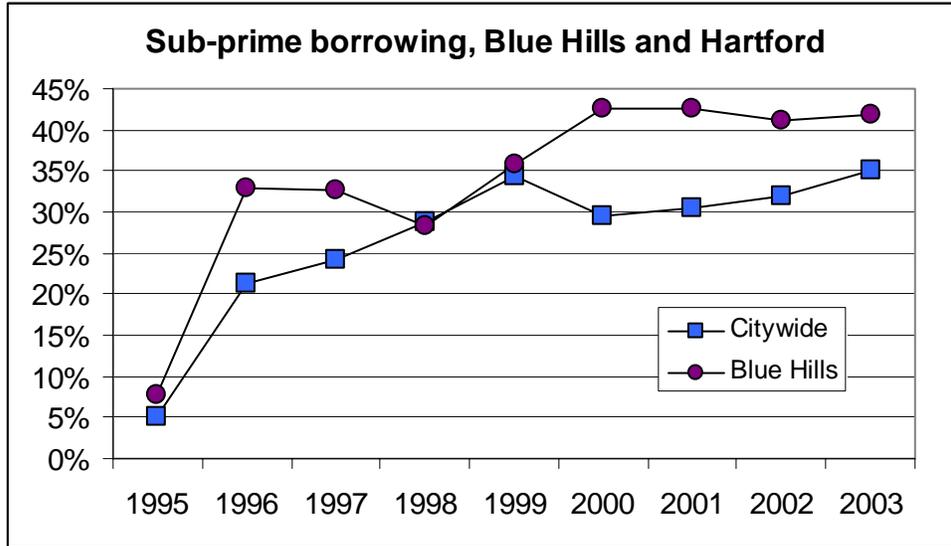
### Behind the Rocks

Like Asylum Hill and Barry Square, Behind the Rocks was among a cluster of neighborhoods where borrowing rates from subprime lenders closely mirrored citywide rates for this type of borrowing.



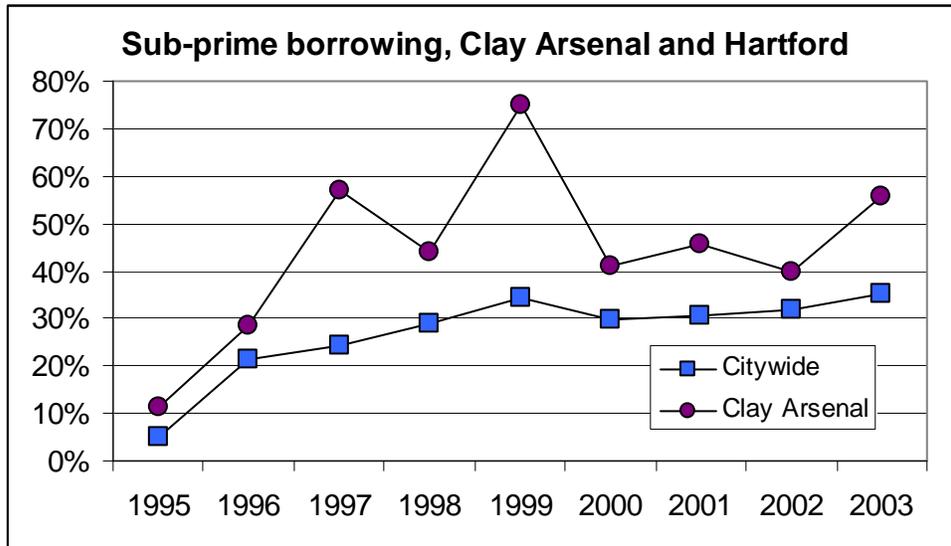
### Blue Hills

Although rates of subprime borrowing by home owners and prospective home buyers in Blue Hills was not significantly higher than the citywide rate, given household income in the neighborhood and Blue Hills' high homeownership rate, the use of subprime lenders appears higher than might have been predicted.



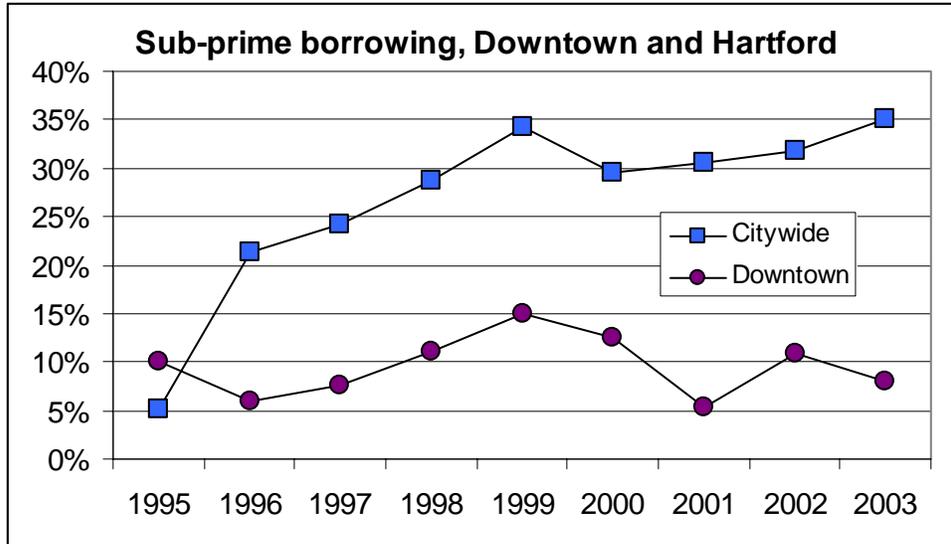
### Clay Arsenal

Clay Arsenal is one of several neighborhoods where borrowing from subprime lenders far exceeds the citywide average.



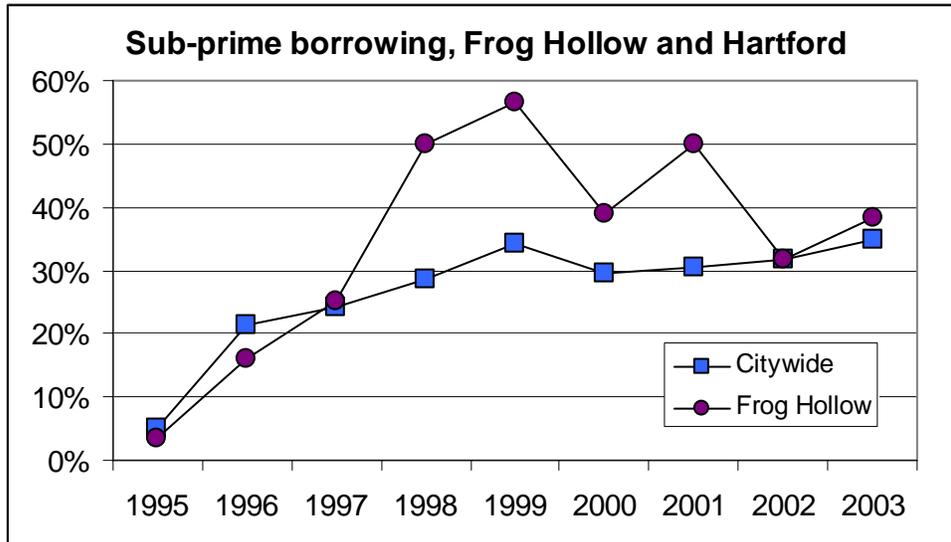
### Downtown

Downtown continues to attract a higher percentage of higher-income home owners had a significantly lower rate of borrowing from subprime lenders than other neighborhoods in the city.



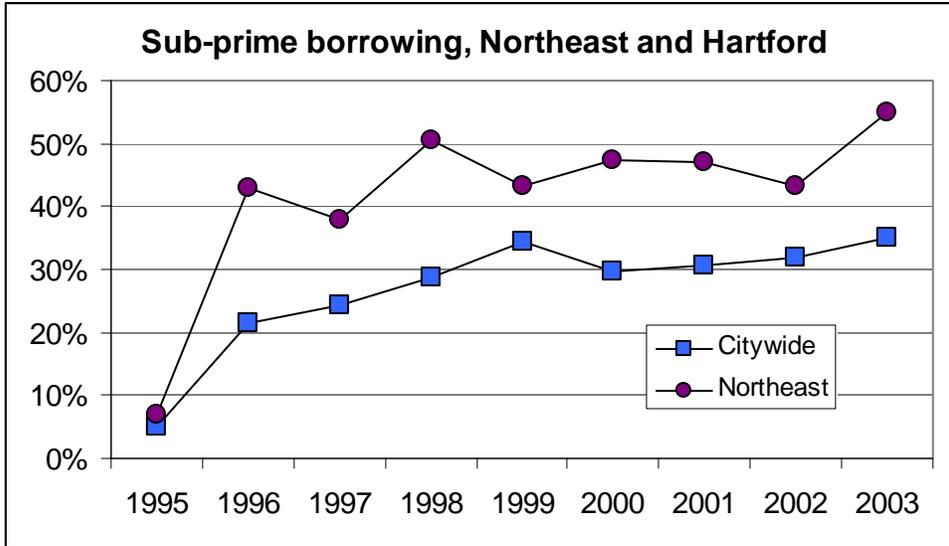
### Frog Hollow

Frog Hollow had a much high rate of borrowing from subprime lenders during the late 1990s through 2001. By 2002, the use of subprime lenders had fallen to the citywide rate.



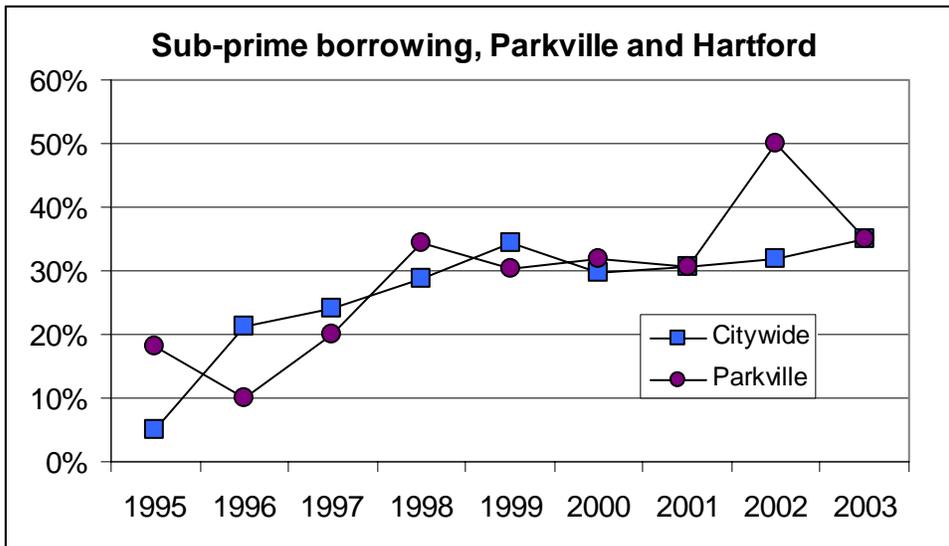
### Northeast

Like Clay Arsenal, Northeast had consistently higher rates of borrowing from subprime lenders.



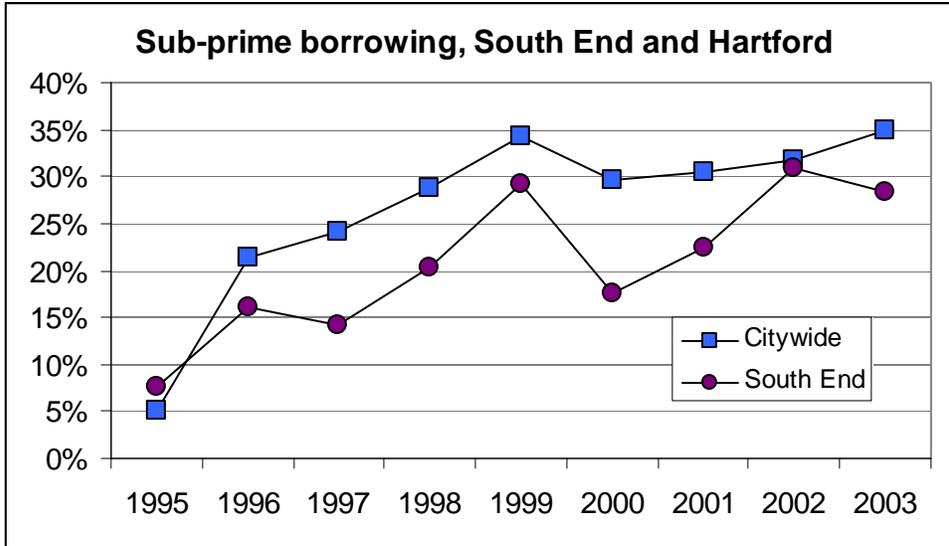
### Parkville

Ignoring the spike in borrowing from subprime lenders in 2002, the use of subprime lenders in Parkville closely tracked patterns of borrowing citywide.



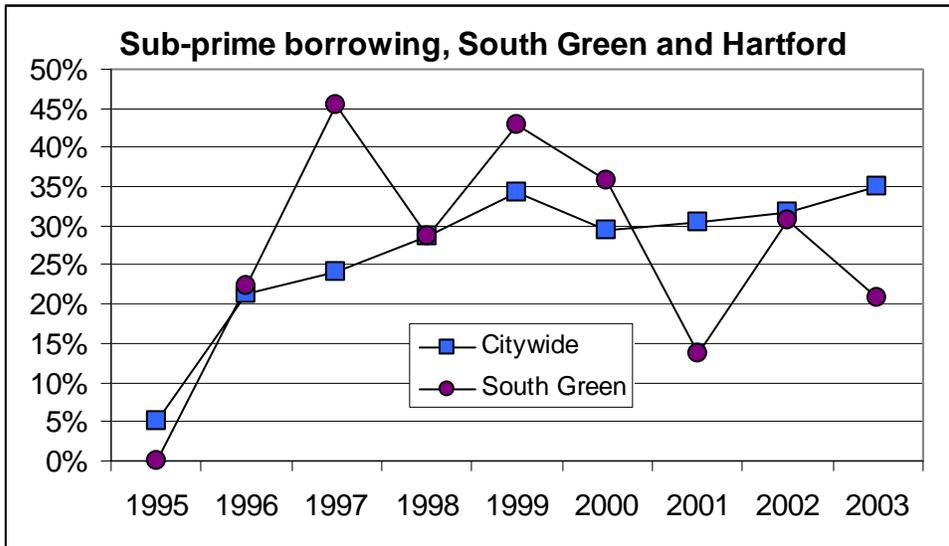
### South End

Home buyers and home owners in the South End were less likely to rely on subprime lenders for mortgage loans than borrowers in other parts of the city.



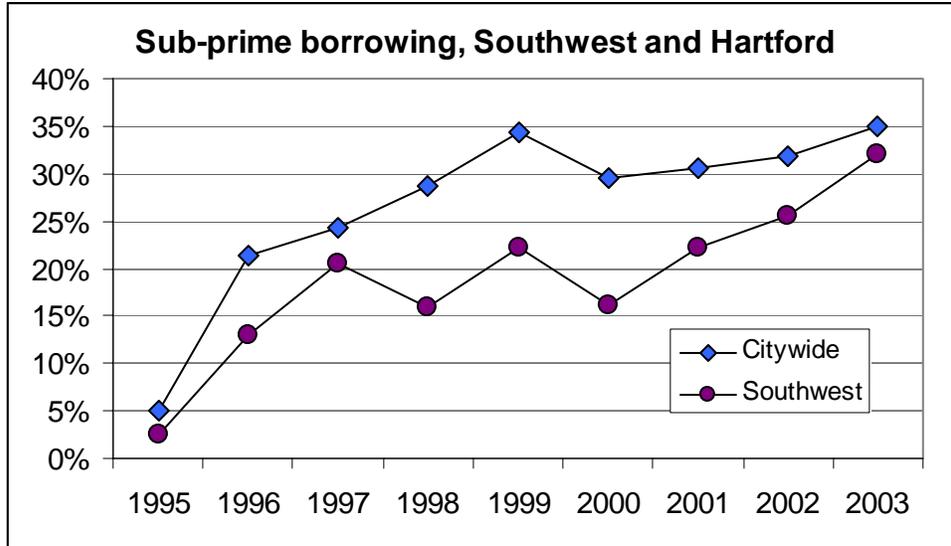
### South Green

South Green is one of the city's smaller neighborhoods. As a result, the number of mortgage loans approved each year is small, thus accounting for the wide, year-to-year fluctuation in borrowing rates from subprime lenders.



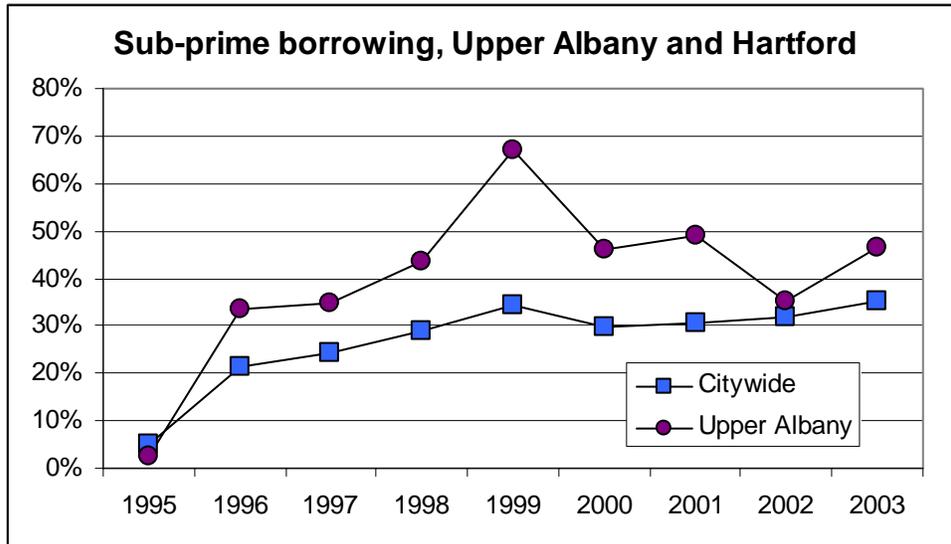
### Southwest

Southwest is among a cluster of neighborhoods that exhibited consistently lower rates of borrowing from subprime lenders.



### Upper Albany

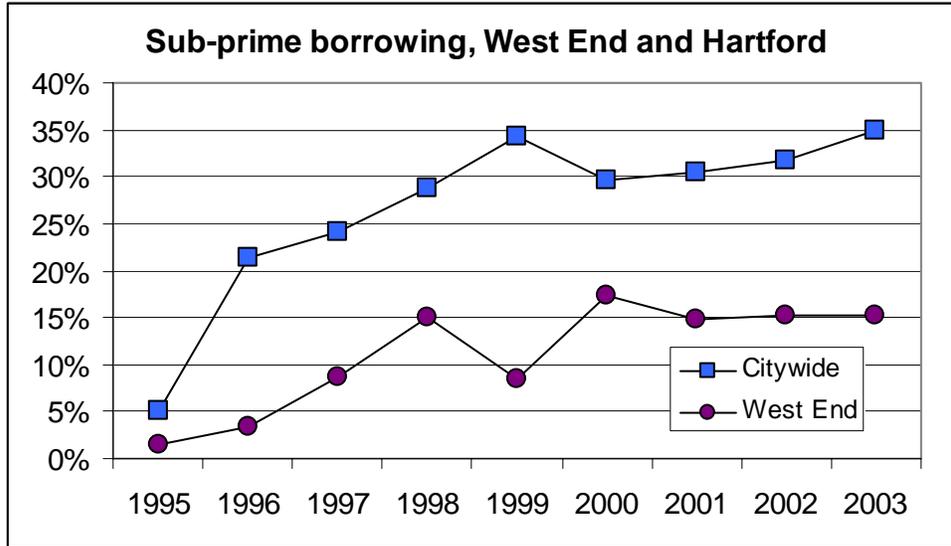
North End neighborhoods tended to have much higher rates of borrowing from subprime lenders. Upper Albany, Clay Arsenal and Northeast all had demonstrated consistently higher borrowing from subprime lenders.



### West End

The West End is among several neighborhoods where the use of subprime lenders was consistently lower than the citywide average. These neighborhoods, West End,

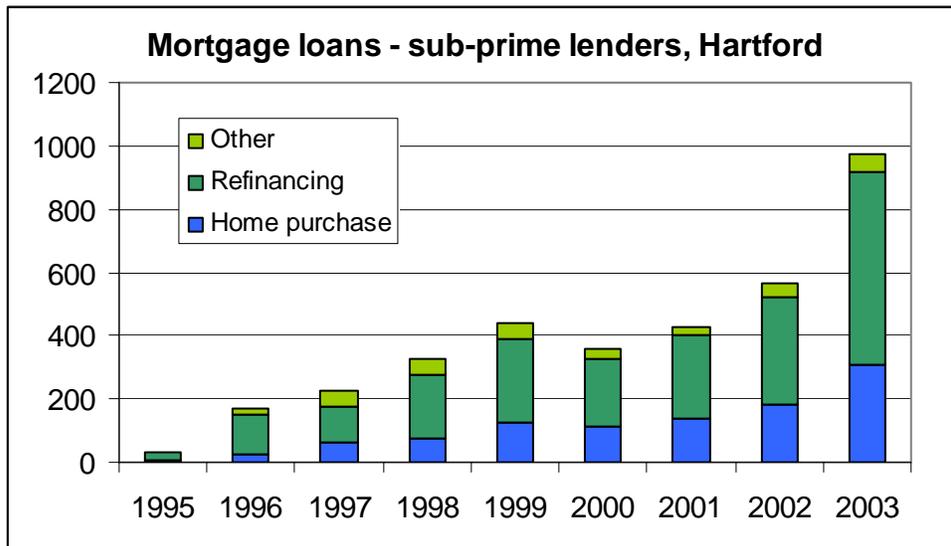
Downtown, Southwest and South End vary considerably from each other. Downtown and West End have the highest concentrations of college educated adults in the city as well as larger percentages of higher income residents than other parts of the city. South End and Southwest have higher than average concentrations on middle income households than the rest of the city.



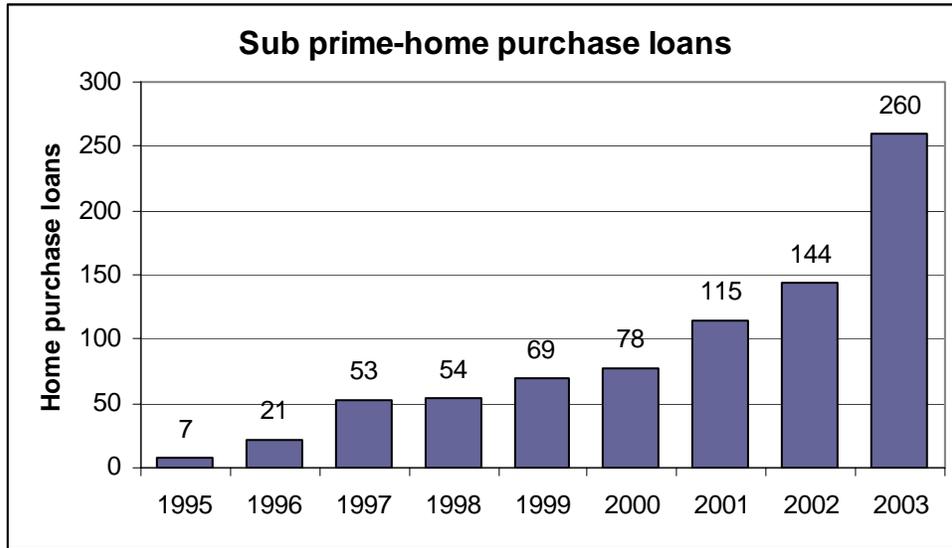
**Citywide Analysis**

Borrowers in Hartford, who used subprime lenders, generally obtained the same type of mortgage loans as borrowers who used mortgage financing from conventional lender. Although the number of subprime mortgages used for home purchases increase between 1995 and 2003, most subprime loans were used to refinance existing mortgages.

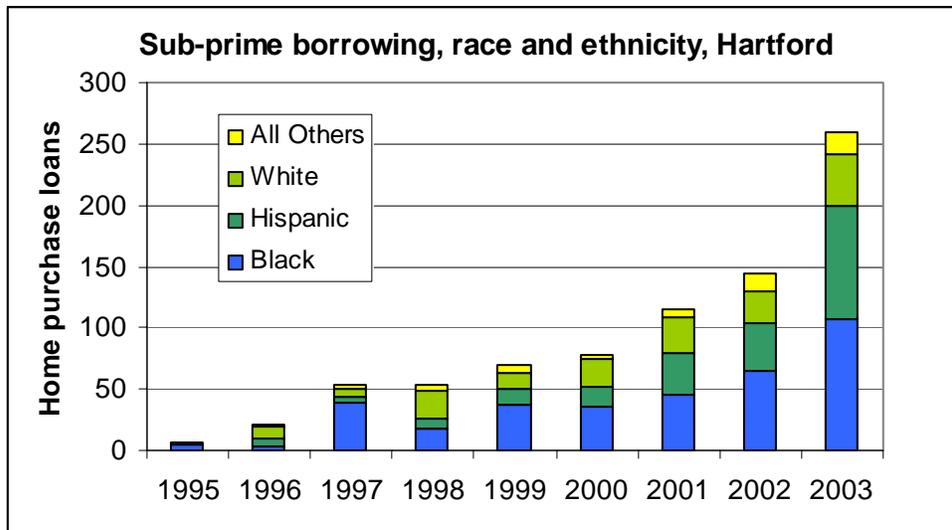
It is unclear whether the rapid growth in borrowing from subprime lenders was due to more aggressive marketing on the part of subprime lenders or whether the recipients of these loans could not obtain financing through traditional lending institutions.



There was an almost forty-fold increase in the number of subprime mortgage loans used to finance home purchases in Hartford between 1995 and 2003.



Forty-four percent (44%) of these loans were to buyers who were identified as Black in the HMDA data. Hispanics buyers accounted for 27% of these loans; Whites for 22%. Borrowing from subprime lenders among Hispanic buyers increased substantially since 1997. In 2003, Blacks were still more likely to use subprime lenders. In that year, 41% of these loans came through subprime lenders. Hispanic buyers narrowed the gap considerable. In 2003, 36% of home purchase loans to Hispanics home buyers were from subprime lenders.



Acknowledgements: This report was prepared by Ivan Kuzyk for HartfordInfo.org.