Hartford Home Mortgage Disclosure Act Data, 1995-2003

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Background

The Home Mortgage Disclosure Act (HMDA) data offers an interesting and unique look at Hartford's residential real estate market since 1995. Based on home mortgage loan information provided by lending institutions, the data suggests that home-buyers, across income and race groups, have become increasingly confident in the city as a place to make a home.

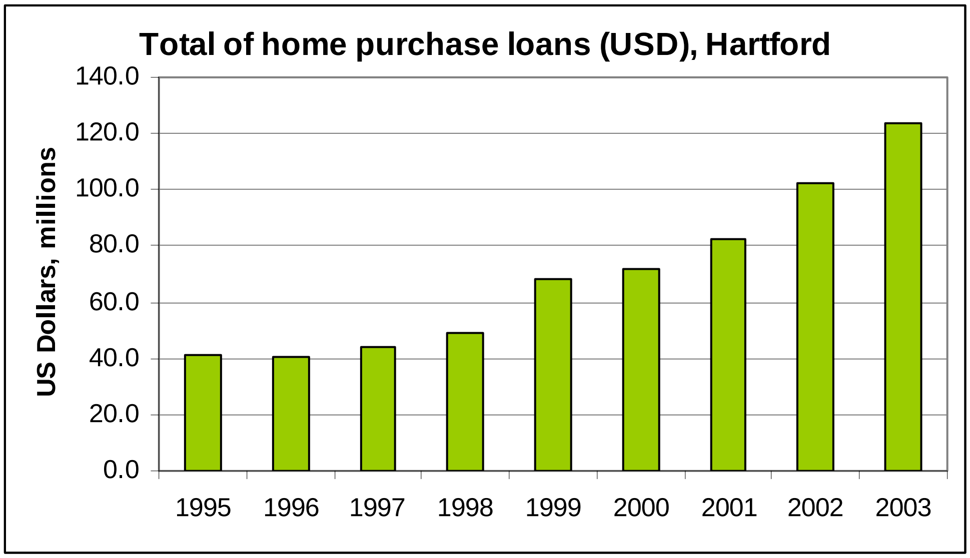
During the late 1980's and early 1990's, real estate values across the Northeast fell dramatically. In Hartford, and in cities like it across the region, real estate values went into virtual free fall. Forfeitures and property abandonment soared, blighting neighborhoods across Hartford. For many home owners who had purchased homes during the optimistic 1980s, their properties held 'negative equity', meaning their homes were worth significantly less than their current mortgages.

Although the regional real estate market began to show signs of recovery by the mid-1990s - in part as a result of declining home mortgage rates - real estate prices in Hartford remained depressed.

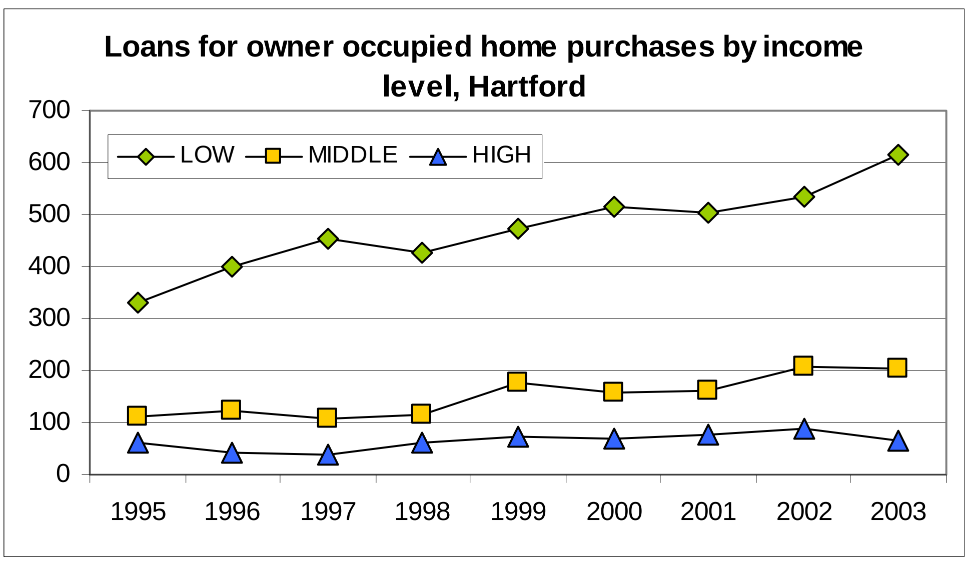
Over the last five years, the data reveals a growing optimism about the city among prospective home buyers. The data reveals that interest in residential real estate in the city, among prospective buyers of all races and incomes, has grown dramatically since 2000.

Citywide trends – home purchases

There was a three-fold increase in the amount of money loaned to finance home purchases in the city between 1995 and 2003. In 2003, the total value of home mortgage loans almost exceeded the total values of these loans in 1995, 1996 and 1997, combined.

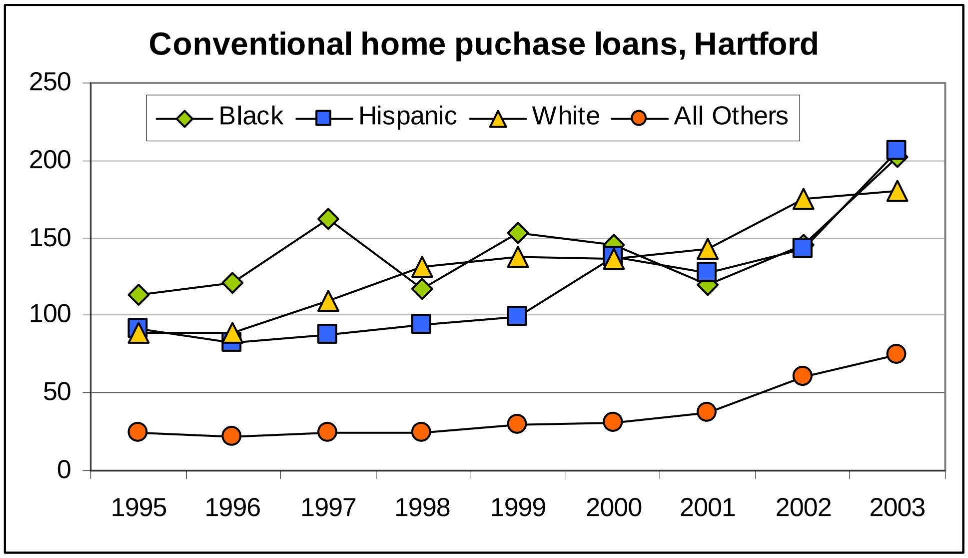


Between 1995 and 2003, there was steady growth in the number of loans used to finance purchases of owner-occupied homes in Hartford. The number of loans issued for these purchases was 102% higher in 2003 than in 1995. Owner-occupied housing stock in the city was generally more attractive to low-income buyers than to medium and high income purchasers.[1] Low-income home buyers accounted for 68% of all home purchase loans and between 1995 and 2003, the number of home purchase loans issued to low-income buyers rose by 86%.



[1] Low-income borrowers include households with 80% or less than the HUD area median family income. Middle-income borrowers include households with 80% to 120% of the HUD area median family income. High-income borrowers include households with 120% or more of the HUD area median family income.

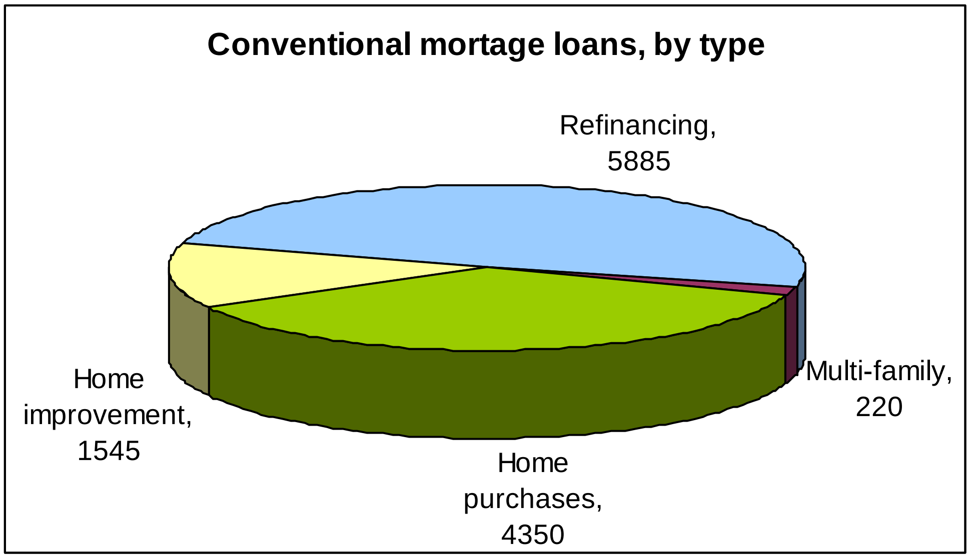
There were significant increases in the number of home loans to buyers from every major racial and ethnic group in the city between 1995 and 2003.[2] Although the number of loans issued to buyers from various groups varied on a year-to-year basis, the overall trend for each group was positive. Among all groups of buyers, Black buyers demonstrated the greatest variability in the annual number of home loans issued. The number of loans issued to Black buyer decreased in three of the nine years.



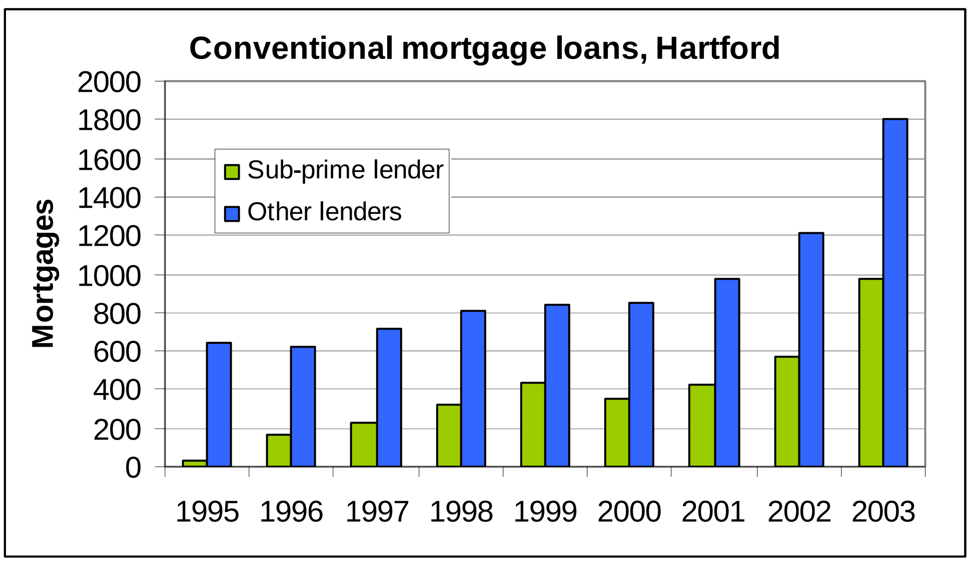
Conventional mortgage loans[3] can be used to purchase single family homes, multi-family structures, for refinancing and home improvements. The number of these loans issued in Hartford in 2003 was 312% higher than the number issued in 1995. Although the number of loans issued for home purchases increased dramatically, 49% of conventional mortgage loans were used for refinancing existing mortgages.

[2] The HMDA files contain three types of information describing the applicant or co-applicants. Each record reports the applicant's gross annual income, gender, and race. While lenders must request racial information for in-person loan applications, they have not been required to ask for race in mailed, phone, or Internet applications. Lenders must request racial information for all applications after January 2003, regardless of the application method. Applicants may still refuse to provide their race.

[3] "Conventional" refers to a loan not insured by a government program, like FHA or VA.



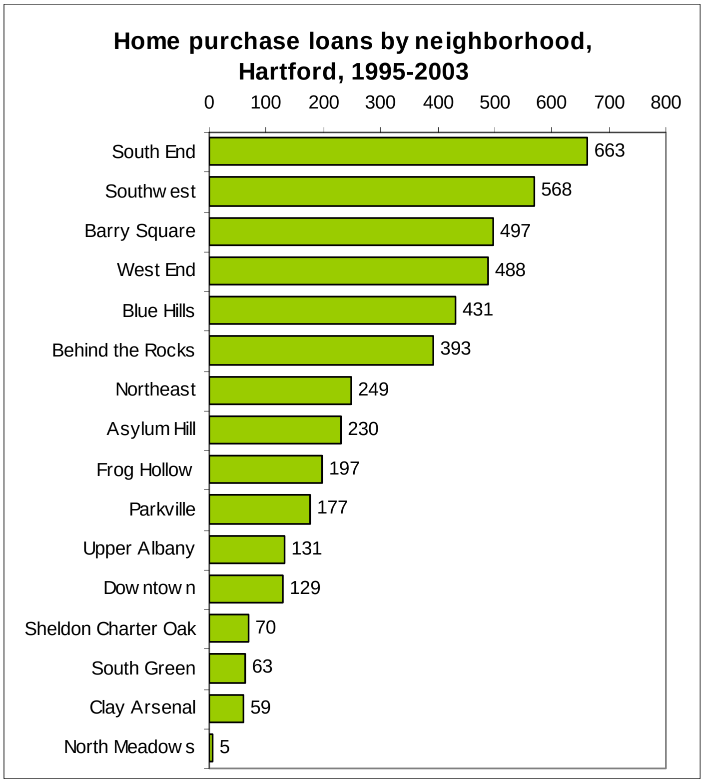
As the number of conventional home mortgages loans issued in Hartford increased, so too did the percentage of loans financed by sub-prime lenders. In 1995, only 5% of conventional mortgage loans in the city were financed by sub-prime lenders. By 2003, that number had risen to 35%.[4]



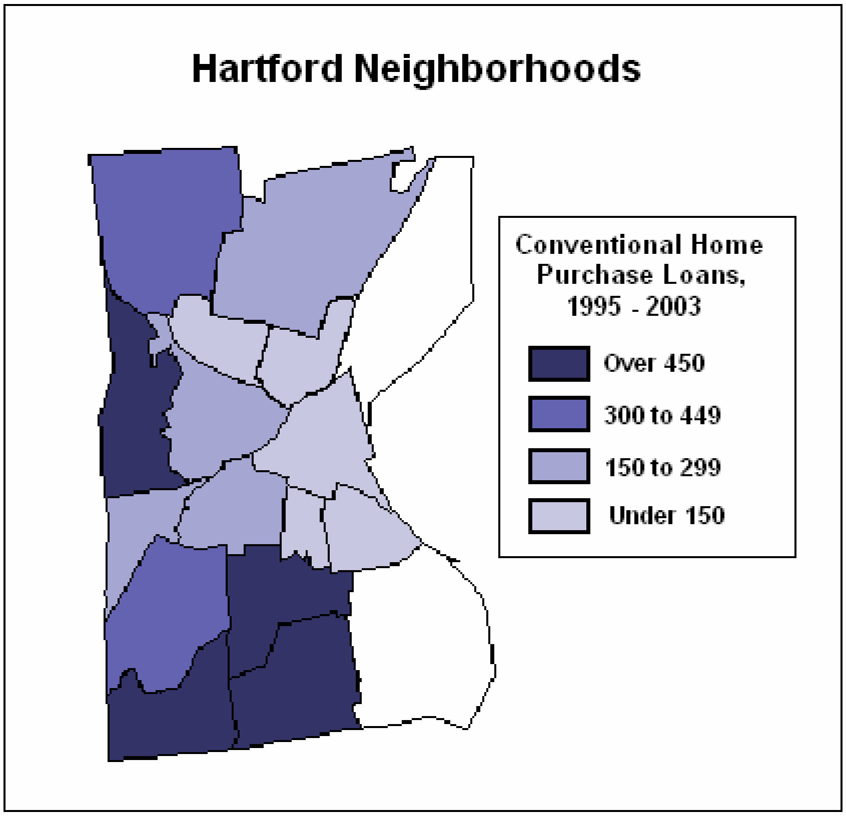
Demand for residential real estate varied significantly across the city. To some degree, this reflects the types of housing that have developed in different parts of the city. The Southwest and Blue Hills neighborhoods, for example, have the highest numbers of

[4] Borrowers who do not qualify for mortgage loans from mainstream lenders generally turn to sub-prime lenders who are willing to accept lower credit scores and smaller down-payments in return for higher rates and fees. Although sub-prime lenders do provide financing to a range of people who would not qualify for financing otherwise, their rates and fees are higher than those of conventional lending institutions. "Subprime lenders" are those who HUD has identified as specializing in subprime mortgage lending, but they may also do prime lending.

single-family units in the city. Because these two neighborhoods were developed last, they also contain much of the newer residential housing in the city. Of the 4,350 home loans used to finance home purchases in the city between 1995 and 2003, 2,121 (48%) were for purchases in the South End, Southwest, Behind the Rocks and Barry Square neighborhoods in the southern half of the city.

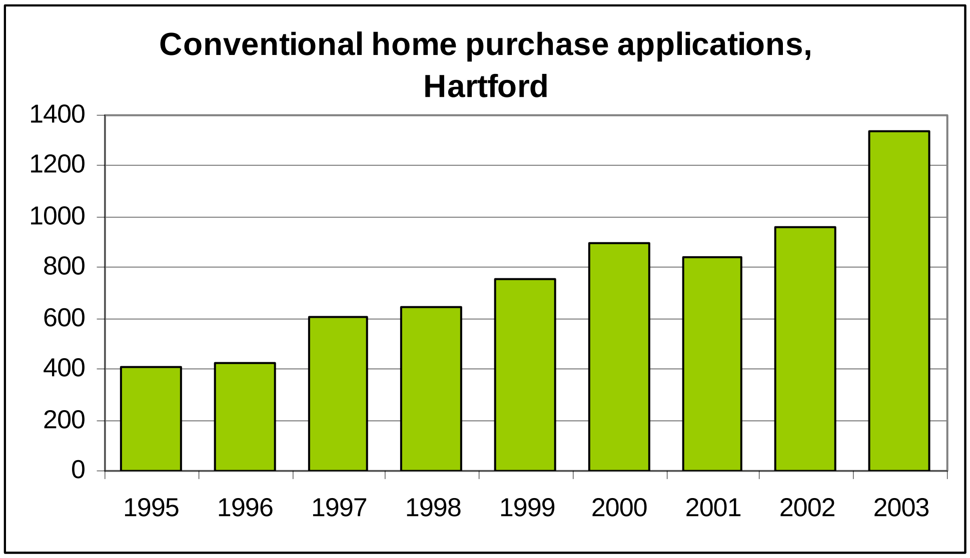


The West End and Blue Hills neighborhoods also experienced a significant upturn in home purchases during the nine year period.

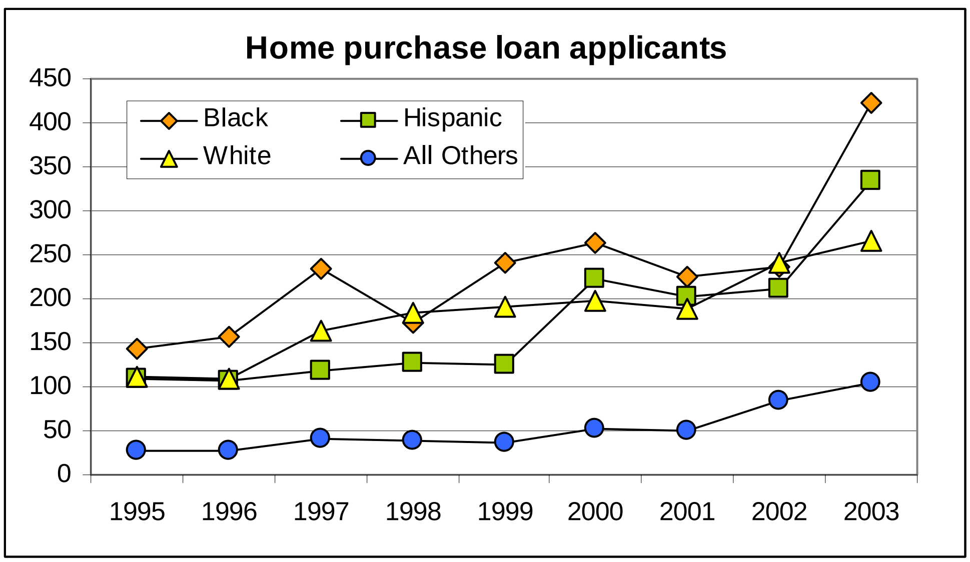


<u>Citywide trends – loan applications</u>

In 2003 prospective home buyers submitted 1,337 home mortgage loan applications to finance home purchases in Hartford. In retrospect, only 408 home mortgage loan applications were submitted by prospective buyers in 1995. Home mortgage application filings increased in every year since 1995 with the exception of 2001. Although the number of home loan application increased by an average rate of 17% per year, year to year changes in the number of applications filed was significant. Between 1996 and 1997, the application filings increased by 42%; between 2002 and 2003, they increased by 39%.



Home purchase loan applications rose among prospective home buyers of every major racial and ethnic group. Between 1995 and 2003, 36% of applicants were Black, 29% were White and 27% were Hispanic. Other prospective buyers were identified as Asian (2.2%), mixed-race pairs (1.6%), Native Americans (0.5%) and others (3.8%).[5]

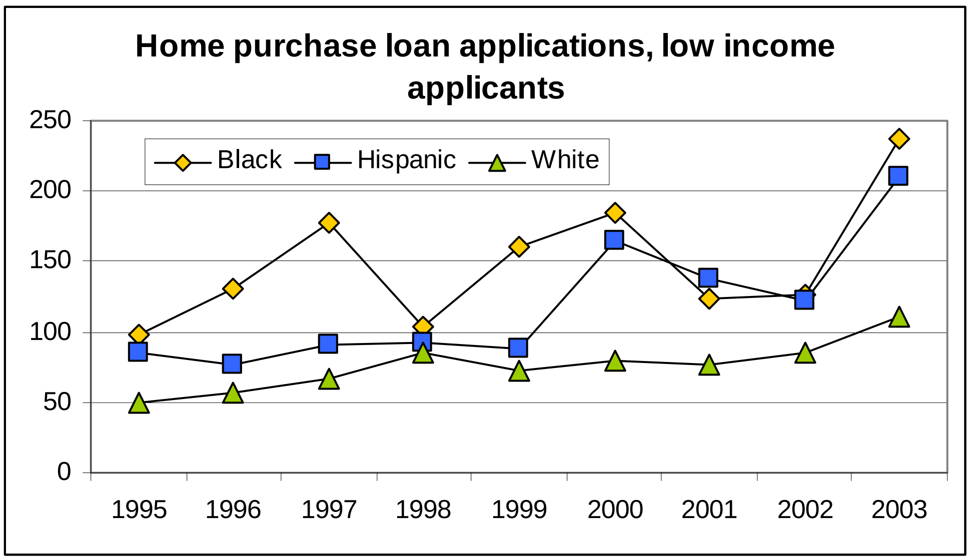


In 2001, the number of applications filed for home purchases in Hartford fell among every group of prospective home purchasers[6].

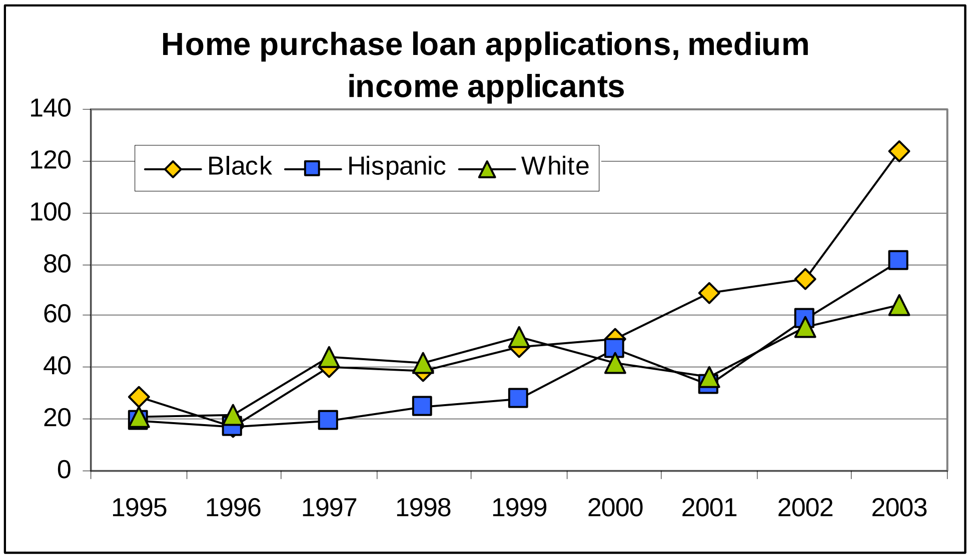
[5] Figures include only applicants whose race and ethnicity where known.
[6] Although economists disagree about when the recession began, the U.S. economy was in a recession for most of 2001.

Annual change in home loan applications				
	Race/ethnicity of applicant			
Year	Black	Hispanic	White	All Others
1996-1995	9%	-4%	-4%	4%
1997-1996	50%	11%	51%	43%
1998-1997	-27%	8%	13%	-5%
1999-1998	41%	-2%	4%	-3%
2000-1999	9%	80%	3%	43%
2001-2000	-15%	-9%	-4%	-6%
2002-2001	6%	4%	27%	66%
2003-2002	78%	57%	10%	27%
Cumulative	151%	145%	101%	169%

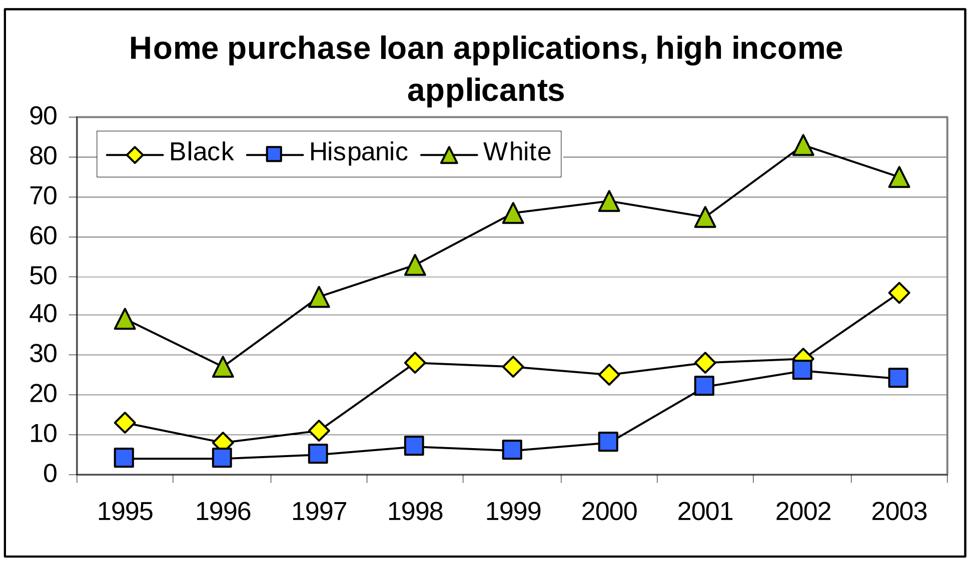
The following tables illustrate trends in home loan applications by low-, medium- and high-income applicants from the three major racial and ethnic groups. In contrast to low-income Whites, whose numbers increased moderately between 1995 and 2003, there was significant volatility in the year-to-year number of home loans applications filed by low-income Black and Hispanics.



Among middle income buyers, the number of home loan applications filed each year showed much less volatility than appeared among low income buyers. Between 1996 and 1999, medium-income Whites filed more loan applications than any other group. By 2001, however, the number of Black medium-income was substantially above the figure for Whites in the medium income bracket.

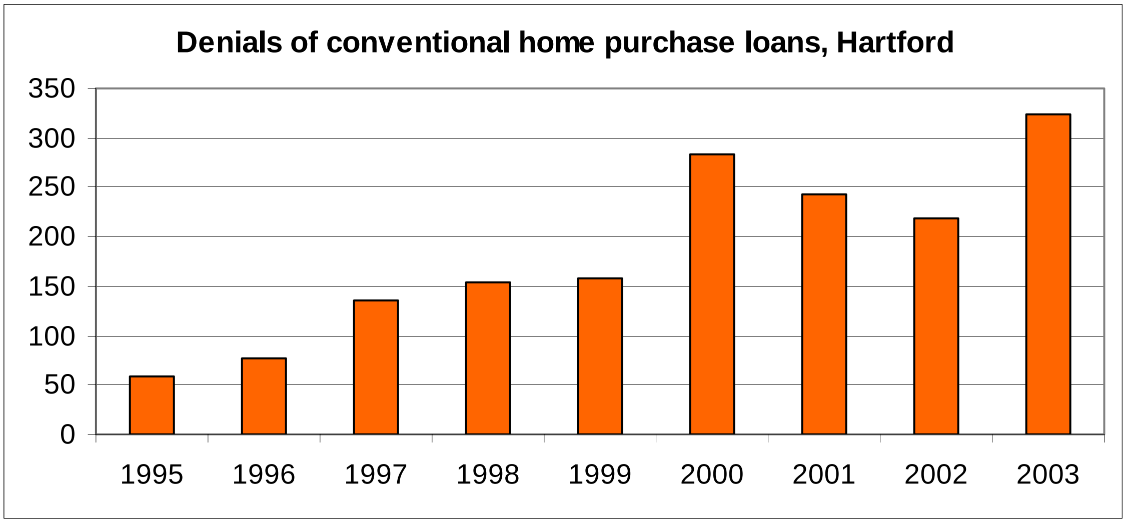


Among high-income applicants, Whites outpace Blacks and Hispanics in the number of loan applications filed in every year between 1995 and 2003. The number of loans submitted by Black high income buyers, remained relatively stable between 1998 and 2002.

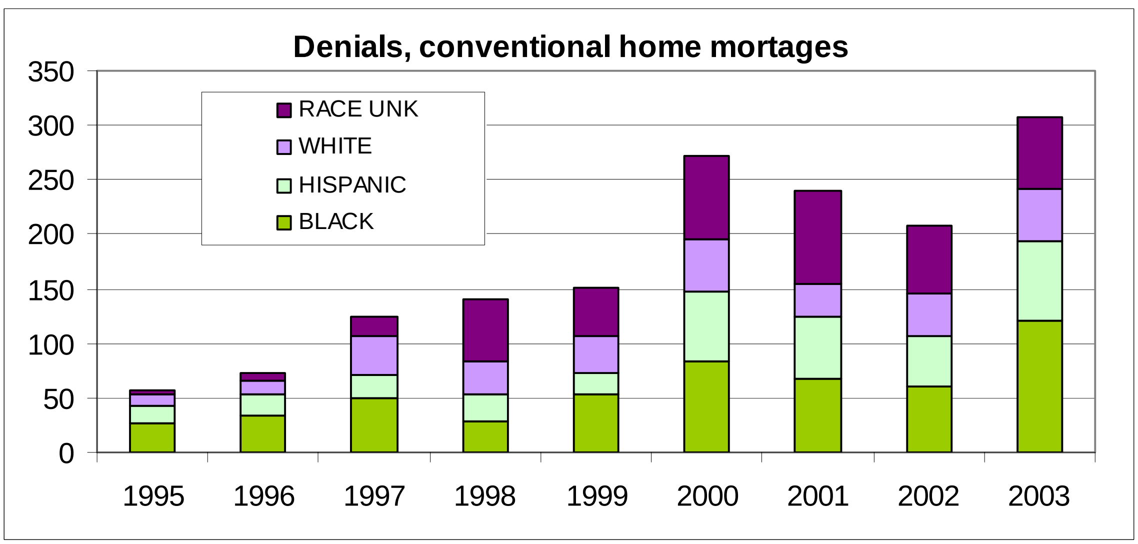


<u>Citywide trends – loan denials</u>

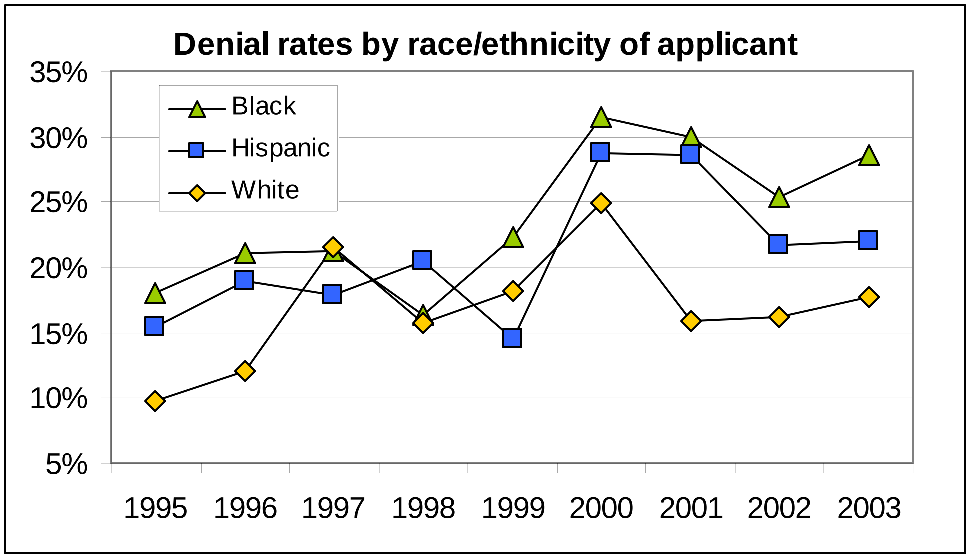
As the number of home mortgage loans applications grew, so too did the number of loan denials. In 1995, only 14% of home loan applications were denied. By 2003, that number had risen to 24%. The decline in denials between 2000 and 2002 corresponded to a decline in home loan applications submitted by prospective buyers in Hartford.



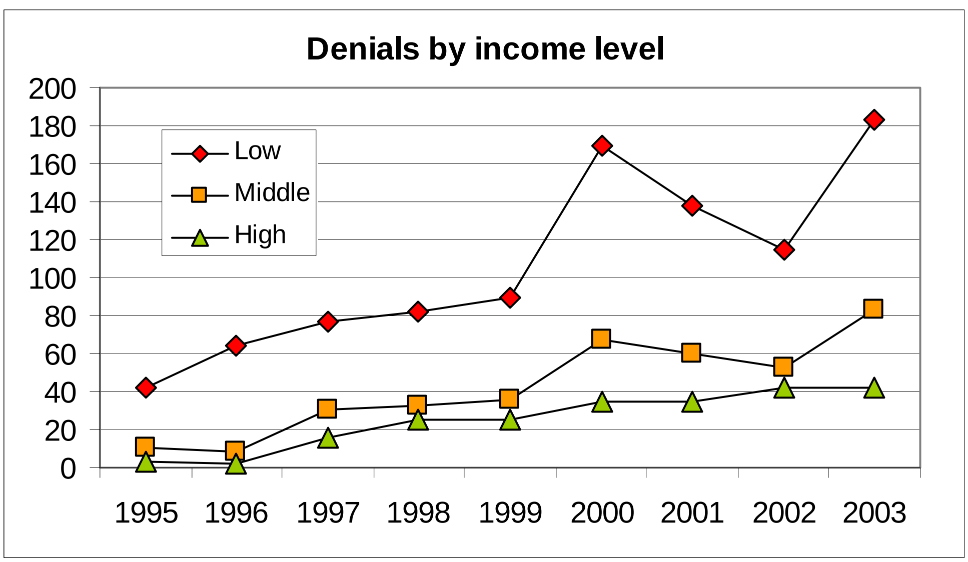
Black applicants and applicants whose race was not known generally had higher rates of denial than Whites and Hispanics.



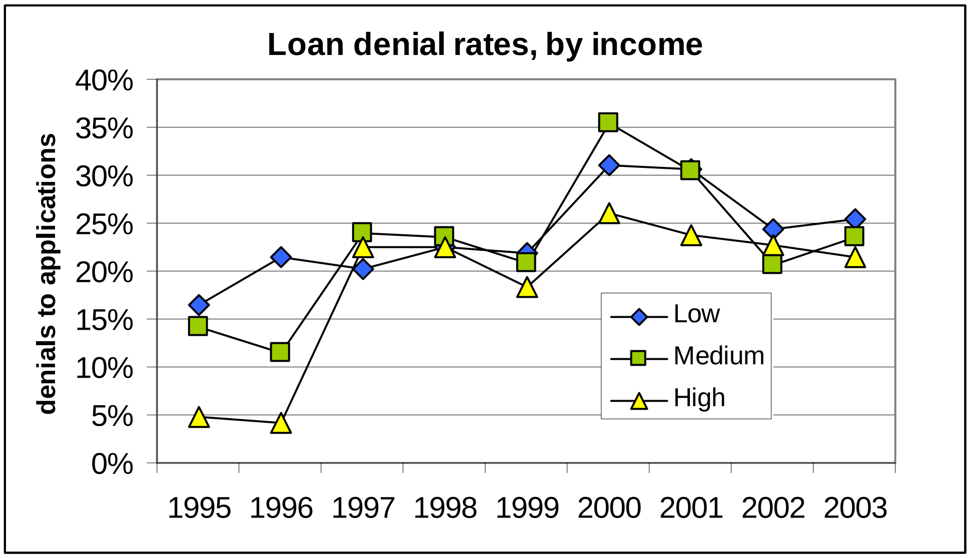
When loan applications by buyers of various racial and ethnic groups were considered, the data revealed significant variability in denial rates on a year to year basis. In 7 of the 9 years for which data was available, however, Blacks had the highest denial rates. Whites and Hispanic buyers each had the highest loan denial rates in only one of the nine years for which data was available.



Although almost 65% of home loan denials between 1995 and 2003 were to low-income applicants, the rate at which loans where denied to low-income applicants was not significantly above the level of denials for medium- or high income applicants. The larger number of denials to low-income applicants reflects the higher number of applications filed by low-income prospective buyers.



When denials were compared to loan applications for buyers from each income group, no clear pattern emerged. In 1995 and 1996, a wide divergence was observed in the denial rates of individual income groups. By 1997, that divergence had closed considerably and denials rates between income groups remained clustered within a few percentage points of each other. In 2000, denial rates diverged again, but interestingly, medium-income applicants had denials rates either above or equal to the low-income group.



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